

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



*Year-ended June 30, 2016
With Report of Certified Public Accountants*

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CITY OF SHOW LOW, ARIZONA

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City of Show Low

Administrative Services Department
180 North 9th Street
Show Low, AZ 85901
Telephone: (928) 532-4024
Facsimile: (928) 532-4009

December 19, 2016

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, 2016 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, as well as 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 FY2016 City sales tax collections over FY 2015 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 August 30, 2016 in accordance with state statutes, the voters of Show Low passed, and the City adopted, a Permanent Base Adjustment. The effect of the Permanent Base Adjustment is to permanently adjust the City's expenditure limitation base that was set in 1979-1980. The Permanent Base Adjustment is in effect beginning July 1, 2017.

There are two conditions of the Permanent Base Adjustment proposition passing: 1- Any tax increase requires a 75% majority vote of the sitting Council members, 2- 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.

Management generally has the ability to transfer funds within a department and within a fund. Budget transfers between funds require City Council approval. A formal policy on budget amendment authorization levels is in use.

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 1.28% or 128 basis points.

Risk Management

The City is a member in the Arizona Municipal Risk Retention Pool (AMRRP) 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 AMRRP 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 in FY2016. 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, 2015

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

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

Other Matters

Required Supplementary Information

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, the schedule of contributions, the schedule of Agent OPEB plans funding progress and the budgetary comparison information 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 schedule, 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 debt service budgetary comparison schedules, the nonmajor fund combining statements and budgetary comparison schedules and the fiduciary funds combining statement of changes in assets and liabilities 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 debt service budgetary comparison schedules, the combining and individual nonmajor fund financial statements and the fiduciary funds combining statement of changes in assets and liabilities 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 29, 2016, 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 29, 2016

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**CITY OF SHOW LOW, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

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, 2016. 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 2.0% when compared to FY2015 and remain the single largest revenue in the General Fund budget at 96.1% 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 2016 is almost \$315,000 (2.9%) less than the FY 2007 peak amount, the retail sales tax component now exceeds the FY 2007 level by \$1,314,671.
- The City undertook many capital improvement projects during fiscal year 2016. Some of the significant capital outlay projects included construction on 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 2016. 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, 2016.

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 \$110 million as of June 30, 2016 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	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current and other assets	\$ 19,133,755	\$ 19,705,147	\$ 7,868,724	\$ 13,460,052	\$ 27,002,479	\$ 33,165,199
Capital assets	67,292,554	67,804,245	54,316,542	50,669,830	121,609,096	118,474,075
Total assets	86,426,309	87,509,392	62,185,266	64,129,882	148,611,575	151,639,274
Deferred outflows of resources	2,625,632	2,740,057	172,134	231,710	2,797,766	2,971,767
Long-term liabilities outstanding	28,655,200	29,520,762	9,253,167	9,536,612	37,908,367	39,057,374
Other liabilities	1,648,955	2,069,028	464,693	2,406,871	2,113,648	4,475,899
Total liabilities	30,304,155	31,589,790	9,717,860	11,943,483	40,022,015	43,533,273
Deferred inflows of resources	867,759	1,352,695	145,276	258,400	1,013,035	1,611,095
Net position:						
Net investment in capital assets	56,243,784	51,324,245	46,691,160	42,711,469	102,934,944	94,035,714
Restricted	8,974,044	5,219,351	2,085,081	2,238,360	11,059,125	7,457,711
Unrestricted	(7,337,801)	763,368	3,718,023	7,209,880	(3,619,778)	7,973,248
Total net position	\$ 57,880,027	\$ 57,306,964	\$ 52,494,264	\$ 52,159,709	\$ 110,374,291	\$ 109,466,673

Governmental Activities

The City has \$148,611,575 in total assets, with \$121,609,096 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.

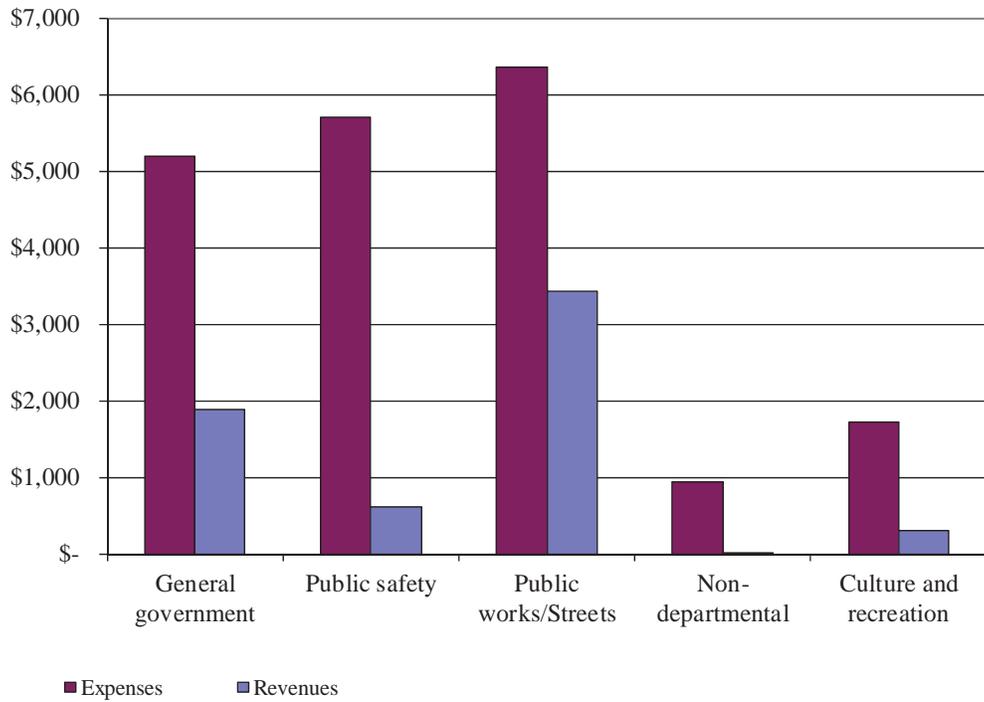
**City of Show Low
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,693,724	\$ 4,058,491	\$ 7,064,121	\$ 6,843,326	\$ 10,757,845	\$ 10,901,817
Operating grants and contributions	2,232,509	2,594,447	-	-	2,232,509	2,594,447
Capital grants and contributions	306,077	770,197	371,484	263,677	677,561	1,033,874
General revenues:						
Taxes	12,887,533	12,590,060	-	-	12,887,533	12,590,060
Urban revenue sharing	1,287,298	1,289,876	-	-	1,287,298	1,289,876
Other revenue/(expense)	256,596	84,745	176,885	210,758	433,481	295,503
Total revenues	<u>20,663,737</u>	<u>21,387,816</u>	<u>7,612,490</u>	<u>7,317,761</u>	<u>28,276,227</u>	<u>28,705,577</u>
Expenses:						
General government	5,182,675	4,855,487	-	-	5,182,675	4,855,487
Public safety	5,703,776	5,886,153	-	-	5,703,776	5,886,153
Public works/Streets	6,361,103	6,598,125	-	-	6,361,103	6,598,125
Economic development	932,005	992,984	-	-	932,005	992,984
Culture and recreation	1,724,017	1,631,379	-	-	1,724,017	1,631,379
Interest on long-term debt	568,898	708,157	-	-	568,898	708,157
Water	-	-	3,465,521	3,363,553	3,465,521	3,363,553
Wastewater	-	-	2,612,457	2,672,366	2,612,457	2,672,366
Refuse	-	-	818,157	790,890	818,157	790,890
Total expenses	<u>20,472,474</u>	<u>20,672,285</u>	<u>6,896,135</u>	<u>6,826,809</u>	<u>27,368,609</u>	<u>27,499,094</u>
Increase (decrease) in net position before transfers	191,263	715,531	716,355	490,952	907,618	1,206,483
Transfers	381,800	366,400	(381,800)	(366,400)	-	-
Increase (decrease) in net position	573,063	1,081,931	334,555	124,552	907,618	1,206,483
Net position, beginning	57,306,964	67,006,700	52,159,709	53,512,297	109,466,673	120,518,997
Prior period adjustment	-	(121,852)	-	-	-	(121,852)
Restatement adjustment	-	(10,659,815)	-	(1,477,140)	-	(12,136,955)
Net position, ending	<u>\$ 57,880,027</u>	<u>\$ 57,306,964</u>	<u>\$ 52,494,264</u>	<u>\$ 52,159,709</u>	<u>\$ 110,374,291</u>	<u>\$ 109,466,673</u>

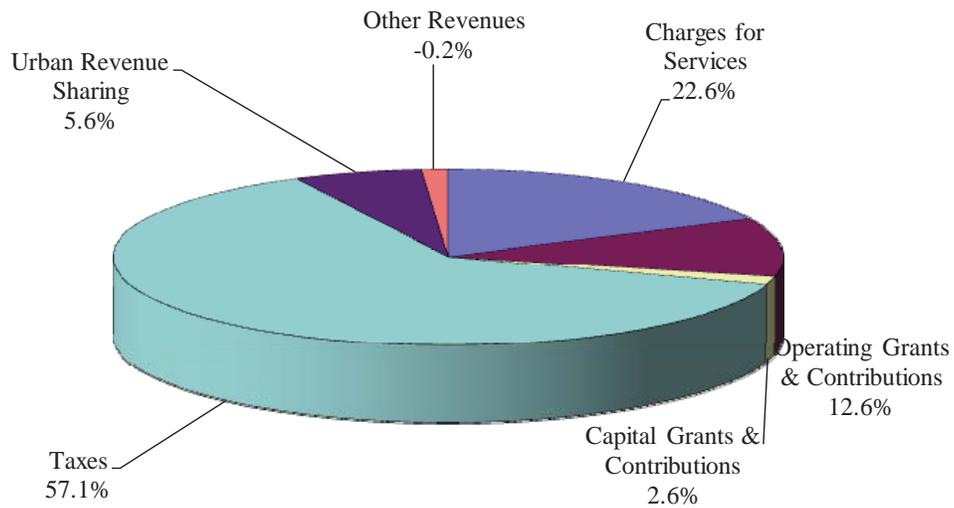
Total resources available during the year to finance governmental operations were \$77.7 million consisting of Net Position at July 1, 2015 of \$57.3 million, program revenues of \$6.2 million, and General Revenues of \$14.2 million. Total Governmental Activities during the year were \$20.5 million; thus Governmental Net Position was increased by \$573,063 to \$57.9 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)

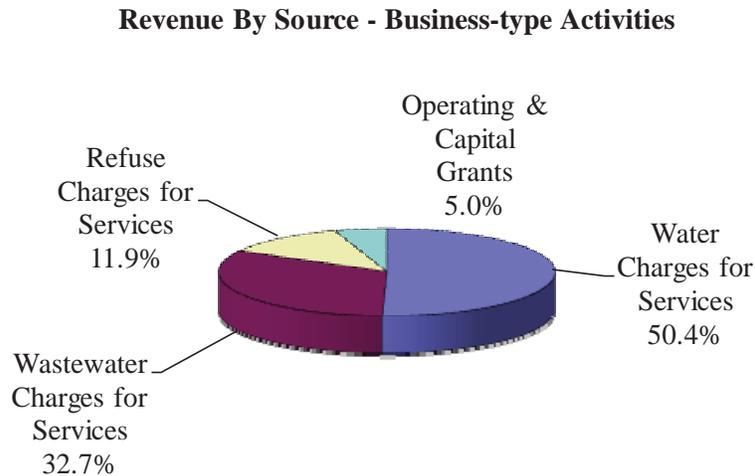
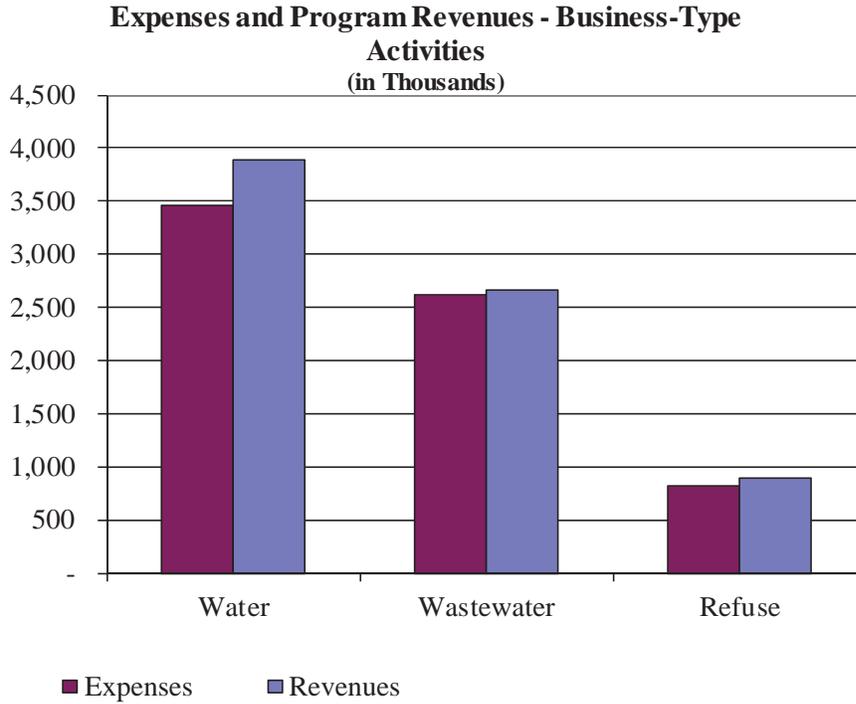


Revenue By Source - Governmental Activities



Business Type Activities

Net Position of the Business Type activities at June 30, 2016, as reflected in the Statement of Net Position was \$52.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$6.9 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$7.0 million and there was \$371,484 subsidized by capital grants and contributions. Interest earnings and other revenues were \$176,885. The Net Position increased by \$334,555.



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 \$14,709,321, a decrease of \$178,676 or 1.2%, compared to FY 2015. The change is due primarily to the normal course of operations.

Approximately 59% of the combined ending fund balances of \$14,709,321, or \$6,536,819, constitutes unassigned fund balance which is available for new spending at the government's discretion. The \$6.5 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 \$6,738,564, while total General fund balance was \$7,050,414. 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 59.30% of total General fund expenditures while total fund balance represents 95.58% of the same amount. During the year, the City of Show Low's General fund balance decreased by \$177,461. This decrease in fund balance is primarily attributable to fluctuations in the normal course of operations.

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. There was no net change in the fund balance during the current year resulting from a transfer into the HURF fund.

The Airport Fund has a total fund balance of \$6,562 and an unassigned fund balance of (\$145,628), which offsets the total fund balance.

The Special Projects Fund experienced an increase of \$24,000 for FY 2016 primarily due to a transfer in to the fund.

The Show Low Bluff Communities Facilities District debt service fund experienced a net expenditure of \$41,005 for FY 2016 giving resulting in an ending fund balance of \$833,358 restricted for debt service.

General Fund Budgetary Highlights

Tax revenues have a positive variance of \$908,246 mainly due to stronger than budgeted sales tax collections. Intergovernmental revenues also have a positive variance of \$198,807 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 8% or \$1,251,080. General fund expenditures were \$1,999,381 or 18% less than budgeted with the most significant positive variances in the following areas:

- In the General Government category, total spending was \$516,093 or 15% less than budget. Most notable in this category was City Council spending \$120,085 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 \$889,498 or 15% less than budget due to personnel-related, program, and equipment replacement savings.
- In the Public Works department, actual spending was \$173,741 or 11% less than budget due to personnel-related and program savings.
- In the Non-departmental category, spending was \$350,647 or 27% 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 \$69,402 or 8% 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 \$67.3 million and the net capital assets of the business-type activities totaled \$54.3 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 \$15 million in governmental type debt and \$7.6 million in business-type debt. The debt is a liability of the government and amounts to approximately \$2,050 per capita (population estimated at 11,061). During the current fiscal year, the City's total debt had a net increase of \$6,194,382. 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, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,024,158	\$ 6,822,611	\$ 16,846,769
Receivables (net of allowance)	3,465,379	883,161	4,348,540
Internal balances	150,880	(150,880)	-
Prepaid items/Inventory	1,251,912	252,924	1,504,836
Temporarily restricted assets:			
Cash and cash equivalents	4,241,426	60,908	4,302,334
Capital assets (net of accumulated depreciation):			
Land and water rights	6,309,240	1,256,833	7,566,073
Construction in progress	2,168,922	10,513,903	12,682,825
Buildings	9,897,560	29,497	9,927,057
Improvements	6,676,744	-	6,676,744
System improvements	-	40,659,277	40,659,277
Machinery and equipment	2,216,127	1,666,575	3,882,702
Vehicles	1,245,793	190,457	1,436,250
Infrastructure/Roads	38,778,168	-	38,778,168
Total assets	<u>86,426,309</u>	<u>62,185,266</u>	<u>148,611,575</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	2,327,569	172,134	2,499,703
Deferred charge on refunding	298,063	-	298,063
Total deferred outflows	<u>2,625,632</u>	<u>172,134</u>	<u>2,797,766</u>
Liabilities			
Accounts payable and other current liabilities	1,377,714	376,806	1,754,520
Interest payable	168,919	77,169	246,088
Unearned revenues	142,087	10,718	152,805
Noncurrent liabilities:			
Due within one year	2,252,005	634,262	2,886,267
Due in more than one year	26,403,195	8,618,905	35,022,100
Total liabilities	<u>30,343,920</u>	<u>9,717,860</u>	<u>40,061,780</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	867,759	145,276	1,013,035
Net Position			
Net investment in capital assets	56,243,784	46,691,160	102,934,944
Restricted for:			
Highways and streets	3,838,720	-	3,838,720
Debt service	1,052,675	-	1,052,675
Capital projects and other	4,082,649	2,085,081	6,167,730
Unrestricted	(7,377,566)	3,718,023	(3,659,543)
Total net position	<u>\$ 57,840,262</u>	<u>\$ 52,494,264</u>	<u>\$ 110,334,526</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, 2016

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	\$ 5,182,675	\$ 1,866,126	\$ 22,899	\$ -	\$ (3,293,650)	\$ -	\$ (3,293,650)
Public safety	5,703,776	208,700	387,959	13,200	(5,093,917)	-	(5,093,917)
Public works/Streets	6,361,103	1,360,293	1,780,684	279,829	(2,940,297)	-	(2,940,297)
Non-departmental	932,005	11,215	-	-	(920,790)	-	(920,790)
Culture and recreation	1,724,017	247,390	40,967	13,048	(1,422,612)	-	(1,422,612)
Interest on long-term debt	568,898	-	-	-	(568,898)	-	(568,898)
Total governmental activities	20,472,474	3,693,724	2,232,509	306,077	(14,240,164)	-	(14,240,164)
Business-type activities:							
Water	3,465,521	3,748,772	-	135,206	-	418,457	418,457
Wastewater	2,612,457	2,428,750	-	236,278	-	52,571	52,571
Refuse	818,157	886,599	-	-	-	68,442	68,442
Total business-type activities	6,896,135	7,064,121	-	371,484	-	539,470	539,470
Total primary government	\$ 27,368,609	\$ 10,757,845	\$ 2,232,509	\$ 677,561			
General Revenues:							
Taxes:							
City sales tax					10,652,385	-	10,652,385
Franchise tax					430,861	-	430,861
Property tax					187,171	-	187,171
Auto lieu tax (unrestricted)					610,273	-	610,273
State sales tax (unrestricted)					1,006,843	-	1,006,843
Urban revenue sharing (unrestricted)					1,287,298	-	1,287,298
Unrestricted investment earnings					131,848	175,864	307,712
Gain on sale of capital assets					84,983	1,021	86,004
Transfers					381,800	(381,800)	-
Total general revenues & transfers					14,773,462	(204,915)	14,568,547
Change in net position					533,298	334,555	867,853
Net position - beginning					57,306,964	52,159,709	109,466,673
Net position - ending					\$ 57,840,262	\$ 52,494,264	\$ 110,334,526

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

CITY OF SHOW LOW, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2016

	General	Special Revenue		
		Highway User Revenue Fund	Airport	Special Projects
ASSETS				
Cash and cash equivalents	\$ 6,003,795	\$ 1,728,476	\$ 121,509	\$ 32,227
Receivables:				
Taxes	987,182	-	-	-
Interest	12,584	-	-	-
Other	25,090	-	-	-
Assessments	-	-	-	-
Intergovernmental	69,718	136,291	62,509	-
Due from other funds	373,514	-	-	-
Inventories	-	-	53,553	-
Prepaid items	143,284	-	98,637	-
Restricted cash and investments	85,146	-	-	4,000,230
Total assets	<u>\$ 7,700,313</u>	<u>\$ 1,864,767</u>	<u>\$ 336,208</u>	<u>\$ 4,032,457</u>
LIABILITIES				
Accounts payable	\$ 183,296	\$ 364,677	\$ 137,767	\$ 134,707
Accrued wages and benefits	290,796	16,246	8,533	-
Accrued liabilities	66,135	-	15,329	-
Deposits held	8,124	-	-	-
Due to other funds	-	-	168,017	-
Unearned revenue	101,548	-	-	40,539
Total liabilities	<u>649,899</u>	<u>380,923</u>	<u>329,646</u>	<u>175,246</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Inventories and prepaid items	143,284	-	152,190	-
Restricted:				
Public works/streets	-	-	-	3,857,211
Capital outlay	-	-	-	-
Debt service	77,022	-	-	-
Committed:				
Cemetery	91,544	-	-	-
Public transportation	-	-	-	-
Assigned:				
Public works/streets	-	1,483,844	-	-
Unassigned	6,738,564	-	(145,628)	-
Total fund balances	<u>7,050,414</u>	<u>1,483,844</u>	<u>6,562</u>	<u>3,857,211</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,700,313</u>	<u>\$ 1,864,767</u>	<u>\$ 336,208</u>	<u>\$ 4,032,457</u>

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

Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ 637,442	\$ 492,007	\$ 9,015,456
22,873	2,191	1,012,246
5,923	2,953	21,460
23,996	-	49,086
1,353,872	593,680	1,947,552
-	166,512	435,030
-	-	373,514
-	-	53,553
-	956,438	1,198,359
156,050	-	4,241,426
<u>\$ 2,200,156</u>	<u>\$ 2,213,781</u>	<u>\$ 18,347,682</u>
\$ 92	\$ 106,714	\$ 927,253
-	12,693	328,268
-	-	81,464
-	-	8,124
-	54,617	222,634
-	-	142,087
<u>92</u>	<u>174,024</u>	<u>1,709,830</u>
<u>1,366,406</u>	<u>601,890</u>	<u>1,968,296</u>
<u>1,366,406</u>	<u>601,890</u>	<u>1,968,296</u>
-	956,438	1,251,912
-	5,509	3,862,720
-	82,419	82,419
833,658	344,403	1,255,083
-	-	91,544
-	105,215	105,215
-	-	1,483,844
-	(56,117)	6,536,819
<u>833,658</u>	<u>1,437,867</u>	<u>14,669,556</u>
<u>\$ 2,200,156</u>	<u>\$ 2,213,781</u>	<u>\$ 18,347,682</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, 2016

Total governmental fund balances	\$	14,669,556
<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	\$	110,162,171
Less accumulated depreciation		<u>(42,869,617)</u>
		67,292,554
<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	\$	(10,875,000)
Bonds payable		(740,000)
Deferred charge on refunding		298,063
Special assessment bonds		(2,441,000)
Landfill monitoring costs		(26,988)
Leases payable		(993,000)
Net pension liability		(12,717,537)
Compensated absences		<u>(861,675)</u>
		(28,357,137)
<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>		
		(168,919)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>		
		1,968,296
<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>		
		976,102
<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	\$	2,327,569
Deferred inflows		<u>(867,759)</u>
		1,459,810
Total net position of governmental activities	<u>\$</u>	<u>57,840,262</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 Balances
Governmental Funds
For the Year Ended June 30, 2016

REVENUES	General	Special Revenue		
		Highway User Revenue Fund	Airport	Special Projects
Taxes	\$ 11,083,246	\$ -	\$ -	\$ -
Licenses, permits and fees	166,362	-	-	-
Intergovernmental revenue	3,281,710	1,417,677	22,645	36,460
Charges for services	269,101	-	989,626	-
Fines and forfeitures	146,422	-	-	-
Interest	111,325	2,866	934	-
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Other revenues	210,647	25,646	18,773	-
Total revenues	<u>15,268,813</u>	<u>1,446,189</u>	<u>1,031,978</u>	<u>36,460</u>
EXPENDITURES				
Current:				
General government	2,994,712	-	-	-
Public safety	5,221,804	-	-	117,224
Public works/Streets	1,377,412	1,283,087	898,156	-
Non-departmental	930,153	-	-	-
Culture and recreation	839,998	-	-	-
Capital outlay	-	1,760,998	27,300	1,255,365
Debt service				
Principal	-	-	95,000	-
Interest and fiscal charges	-	-	10,273	-
Total expenditures	<u>11,364,079</u>	<u>3,044,085</u>	<u>1,030,729</u>	<u>1,372,589</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,904,734</u>	<u>(1,597,896)</u>	<u>1,249</u>	<u>(1,336,129)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	10,886	963	191	-
Transfers out	(4,610,234)	-	-	-
Transfers in	517,153	1,596,933	-	1,360,129
Total other financing sources (uses)	<u>(4,082,195)</u>	<u>1,597,896</u>	<u>191</u>	<u>1,360,129</u>
Net change in fund balances	(177,461)	-	1,440	24,000
Fund balances, beginning of year	<u>7,227,875</u>	<u>1,483,844</u>	<u>5,122</u>	<u>3,833,211</u>
Fund balances, end of year	<u>\$ 7,050,414</u>	<u>\$ 1,483,844</u>	<u>\$ 6,562</u>	<u>\$ 3,857,211</u>

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

Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ -	\$ 187,171	\$ 11,270,417
-	-	166,362
-	496,381	5,254,873
-	132,442	1,391,169
1,856	2,420	150,698
8,512	2,947	126,584
-	84,574	84,574
220,999	399,875	620,874
1,029	79,462	335,557
<u>232,396</u>	<u>1,385,272</u>	<u>19,401,108</u>
13,950	569,673	3,578,335
-	-	5,339,028
-	215,224	3,773,879
-	-	930,153
-	372,750	1,212,748
-	53,077	3,096,740
110,000	1,326,000	1,531,000
145,451	403,323	559,047
<u>269,401</u>	<u>2,940,047</u>	<u>20,020,930</u>
<u>(37,005)</u>	<u>(1,554,775)</u>	<u>(619,822)</u>
-	7,541	19,581
(4,000)	(209,853)	(4,824,087)
-	1,731,672	5,205,887
<u>(4,000)</u>	<u>1,529,360</u>	<u>401,381</u>
(41,005)	(25,415)	(218,441)
874,663	1,463,282	14,887,997
<u>\$ 833,658</u>	<u>\$ 1,437,867</u>	<u>\$ 14,669,556</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, 2016

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

Net change in fund balances - total governmental funds	\$	(218,441)
<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	\$	3,140,575
Depreciation expense		<u>(3,471,484)</u>
		(330,909)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position		(280,785)
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.		(445,773)
Governmental funds report the effect of premiums, discounts, and other similar items when debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.		(27,097)
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.		1,531,000
<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	\$	1,035,465
Pension expense		<u>(1,176,238)</u>
		(140,773)
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.		(27,054)
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.		17,246
The net revenues of certain activities of the internal service fund is reported with governmental activities.		<u>455,884</u>
Change in net position of governmental activities	\$	<u><u>533,298</u></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, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor) Refuse	Totals	Internal Service Health Insurance
ASSETS					
Current Assets:					
Cash	\$ 4,136,404	\$ 2,483,268	\$ 202,939	\$ 6,822,611	\$ 1,008,702
Receivables (net of allowance)	576,827	222,319	84,015	883,161	5
Inventories	191,116	61,808	-	252,924	-
Prepaid items	-	-	-	-	-
Total current assets	<u>4,904,347</u>	<u>2,767,395</u>	<u>286,954</u>	<u>7,958,696</u>	<u>1,008,707</u>
Noncurrent Assets:					
Restricted cash and investments	60,908	-	-	60,908	-
Land and water rights	432,355	824,478	-	1,256,833	-
Construction in progress	257,414	10,256,489	-	10,513,903	-
Buildings	74,054	-	-	74,054	-
System improvements	33,456,665	38,914,287	-	72,370,952	-
Machinery and equipment	2,148,865	1,488,550	-	3,637,415	-
Vehicles	423,803	215,175	-	638,978	-
Accumulated depreciation	<u>(13,720,081)</u>	<u>(20,455,512)</u>	<u>-</u>	<u>(34,175,593)</u>	<u>-</u>
Total noncurrent assets	<u>23,133,983</u>	<u>31,243,467</u>	<u>-</u>	<u>54,377,450</u>	<u>-</u>
Total Assets	<u>28,038,330</u>	<u>34,010,862</u>	<u>286,954</u>	<u>62,336,146</u>	<u>1,008,707</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	<u>99,544</u>	<u>72,590</u>	<u>-</u>	<u>172,134</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	14,623	101,176	74,211	190,010	32,605
Accrued wages and benefits	25,420	18,313	-	43,733	-
Due to other funds	-	150,880	-	150,880	-
Compensated absences	53,744	36,087	-	89,831	-
Unearned revenue	10,718	-	-	10,718	-
Retainage payable	-	82,155	-	82,155	-
Interest payable	74,461	2,708	-	77,169	-
Customer deposits	60,908	-	-	60,908	-
Notes payable - current portion	<u>247,936</u>	<u>296,495</u>	<u>-</u>	<u>544,431</u>	<u>-</u>
Total current liabilities	<u>487,810</u>	<u>687,814</u>	<u>74,211</u>	<u>1,249,835</u>	<u>32,605</u>
Noncurrent liabilities:					
Compensated absences	17,915	12,029	-	29,944	-
Net pension liability	872,073	635,937	-	1,508,010	-
Notes payable, net of current portion	<u>4,708,876</u>	<u>2,372,075</u>	<u>-</u>	<u>7,080,951</u>	<u>-</u>
Total noncurrent liabilities	<u>5,598,864</u>	<u>3,020,041</u>	<u>-</u>	<u>8,618,905</u>	<u>-</u>
Total liabilities	<u>6,086,674</u>	<u>3,707,855</u>	<u>74,211</u>	<u>9,868,740</u>	<u>32,605</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	<u>84,012</u>	<u>61,264</u>	<u>-</u>	<u>145,276</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	18,116,263	28,574,897	-	46,691,160	-
Restricted for developer fees	111,606	1,973,475	-	2,085,081	-
Unrestricted	<u>3,739,319</u>	<u>(234,039)</u>	<u>212,743</u>	<u>3,718,023</u>	<u>976,102</u>
Total net position	<u>\$ 21,967,188</u>	<u>\$ 30,314,333</u>	<u>\$ 212,743</u>	<u>\$ 52,494,264</u>	<u>\$ 976,102</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, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor) Refuse	Totals	Internal Service Health Insurance
Operating Revenues					
Charges for services	\$ 3,621,403	\$ 2,428,690	\$ 886,599	\$ 6,936,692	\$ -
Premiums	-	-	-	-	1,578,390
Other revenues	127,369	60	-	127,429	-
Total operating revenues	<u>3,748,772</u>	<u>2,428,750</u>	<u>886,599</u>	<u>7,064,121</u>	<u>1,578,390</u>
Operating Expenses					
Salaries, wages and benefits	926,072	644,728	-	1,570,800	-
Administration/legal/contract services	53,404	6,044	777,628	837,076	1,127,770
Field supplies	132,074	52,379	34,959	219,412	-
Repairs and maintenance	627,696	382,031	-	1,009,727	-
Utilities	420,463	211,354	-	631,817	-
Miscellaneous	19,070	23,636	-	42,706	-
Bad debt expense	18,785	13,435	5,570	37,790	-
Depreciation	1,127,502	1,212,500	-	2,340,002	-
Total operating expenses	<u>3,325,066</u>	<u>2,546,107</u>	<u>818,157</u>	<u>6,689,330</u>	<u>1,127,770</u>
Operating income (loss)	<u>423,706</u>	<u>(117,357)</u>	<u>68,442</u>	<u>374,791</u>	<u>450,620</u>
Non-operating Revenues (Expenses)					
Interest income	122,477	50,006	3,381	175,864	5,264
Interest expense and fiscal charges	(140,455)	(66,350)	-	(206,805)	-
Gain (loss) on sale of assets	-	1,021	-	1,021	-
Total non-operating revenue (expense)	<u>(17,978)</u>	<u>(15,323)</u>	<u>3,381</u>	<u>(29,920)</u>	<u>5,264</u>
Income (loss) before contributions and transfers	405,728	(132,680)	71,823	344,871	455,884
Capital contributions	12,347	-	-	12,347	-
Capacity fees	122,859	236,278	-	359,137	-
Transfers out	<u>(189,000)</u>	<u>(127,800)</u>	<u>(65,000)</u>	<u>(381,800)</u>	<u>-</u>
Change in net position	351,934	(24,202)	6,823	334,555	455,884
Total net position, beginning 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>
Total net position, end of year	<u>\$ 21,967,188</u>	<u>\$ 30,314,333</u>	<u>\$ 212,743</u>	<u>\$ 52,494,264</u>	<u>\$ 976,102</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, 2016

	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	\$ 3,572,330	\$ 2,428,398	\$ 885,294	\$ 6,886,022	\$ 1,578,385
Cash received from customers, other	154,496	60	-	154,556	-
Cash paid to suppliers	(1,539,754)	(1,738,610)	(827,455)	(4,105,819)	(1,175,881)
Cash paid to employees	(931,311)	(1,036,346)	-	(1,967,657)	-
Cash flows from operating activities	<u>1,255,761</u>	<u>(346,498)</u>	<u>57,839</u>	<u>967,102</u>	<u>402,504</u>
Cash Flows From Noncapital Financing Activities:					
Transfers	(189,000)	(127,800)	(65,000)	(381,800)	-
Cash flows from noncapital financing activities	<u>(189,000)</u>	<u>(127,800)</u>	<u>(65,000)</u>	<u>(381,800)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets	(1,209,820)	(5,048,061)	-	(6,257,881)	-
Proceeds from sale of capital assets	-	1,021	-	1,021	-
Proceeds from long term debt	198,926	-	-	198,926	-
Principal paid on long term debt	(240,727)	(291,176)	-	(531,903)	-
Interest paid	(141,050)	(66,809)	-	(207,859)	-
Donations	12,347	-	-	12,347	-
Connection, capacity & impact fees	122,859	236,278	-	359,137	-
Cash flows from capital and related financing activities	<u>(1,257,465)</u>	<u>(5,168,747)</u>	<u>-</u>	<u>(6,426,212)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest on investments	122,477	50,006	3,381	175,864	5,264
Net change in cash and cash equivalents	(68,227)	(5,593,039)	(3,780)	(5,665,046)	407,768
Cash and cash equivalents, including temporarily restricted cash, beginning of year	4,265,539	8,076,307	206,719	12,548,565	600,934
Cash and cash equivalents, including temporarily restricted cash, end of year	<u>\$ 4,197,312</u>	<u>\$ 2,483,268</u>	<u>\$ 202,939</u>	<u>\$ 6,883,519</u>	<u>\$ 1,008,702</u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ 423,706	\$ (117,357)	\$ 68,442	\$ 374,791	\$ 450,620
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	1,127,502	1,212,500	-	2,340,002	-
Pension expense	63,273	10,895	-	74,168	-
Employer pension contributions	(56,315)	(41,066)	-	(97,381)	-
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(49,073)	(292)	(1,305)	(50,670)	(5)
(Increase) decrease in prepaid items	27,127	-	-	27,127	-
(Increase) decrease in inventory	41,108	5,407	-	46,515	-
Increase (decrease) in payables	(309,370)	(1,055,138)	(9,298)	(1,373,806)	(48,111)
Increase (decrease) in accrued liabilities & deposits	(12,197)	(361,447)	-	(373,644)	-
Net cash flows from operating activities	<u>\$ 1,255,761</u>	<u>\$ (346,498)</u>	<u>\$ 57,839</u>	<u>\$ 967,102</u>	<u>\$ 402,504</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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 70,502
Total assets	<u>\$ 70,502</u>
 LIABILITIES	
Accounts payable	\$ 4,477
Deposits	<u>66,025</u>
Total liabilities	<u>\$ 70,502</u>

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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, 2016

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 **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, 2016

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 Funds** holds assets in trust for the following entities: Slovakian Sister Cities Fund and Police Department Evidence, the White Mountain Partnership, and the Navajo Counties Mayors and Councilmembers Association. 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. **Geocaching Agency Fund** holds assets in trust for the Apache and Navajo Counties Mayors and Councilmembers Association to promote regional geocaching events. 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, 2016

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, 2016

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 acquisition 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, 2016

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, 2016

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, 2016

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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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 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, 2016

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, 2016.

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, 2016, 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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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	\$ 16,846,769
Restricted cash and cash equivalents	4,302,334
Agency fund monies	70,502
	<u>\$ 21,219,605</u>

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, 2016, \$4,426,837 of the City's bank balance of \$6,031,366 was exposed to custodial credit risk because it was not insured or collateralized.

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, 2016

Note 4. Deposits and Investments, Continued

As of June 30, 2016 the City had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Cash on deposit	\$ 5,371,313	N/A	N/A
Cash on hand	2,145	N/A	N/A
Local Governments Investment Pool 5 *	3,540,874	AAAF/S1+	25.6 days
Local Governments Investment Pool 500 *	5,985,436	AA-2	1.95 years
Local Governments Investment Pool 700 *	6,319,837	AAA	2.05 years
	<u>\$ 21,219,605</u>		

* 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.

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.

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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 4. Deposits and Investments, Continued

Fair value measurements

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's investment pool, mutual funds, and certificates of deposit, as listed above, are valued using inputs other than quoted prices, that are observable (Level 2 inputs).

Note 5. Restricted Assets

Restricted assets consisted of the following cash reserves at June 30, 2016:

Governmental Activities:

General Fund:

Reserve for arbitrage - GADA 2006	\$ 77,022
Restricted for developer performance bond	8,124

Debt Service Funds:

Restricted for debt service CFD Bonds	156,050
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Special Revenue Funds:

Restricted for unexpended loan proceeds	<u>4,000,230</u>
Total Governmental Activities	<u><u>\$ 4,241,426</u></u>

Business-Type Activities:

Water Fund:

Customer security deposits	<u>\$ 60,908</u>
Total Business-Type Activities	<u><u>\$ 60,908</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 6,095,240	\$ 214,000	\$ -	\$ 6,309,240
Construction in progress	1,526,568	2,685,140	(2,042,786)	2,168,922
Total capital assets, not being depreciated	<u>7,621,808</u>	<u>2,899,140</u>	<u>(2,042,786)</u>	<u>8,478,162</u>
Capital assets, being depreciated:				
Buildings	17,281,352	57,024	-	17,338,376
Improvements other than buildings	12,259,102	188,722	-	12,447,824
Machinery and equipment	5,646,920	102,797	-	5,749,716
Infrastructure	59,838,001	1,908,072	-	61,746,073
Vehicles	5,000,752	27,607	(626,340)	4,402,018
Total capital assets, being depreciated	<u>100,026,127</u>	<u>2,284,221</u>	<u>(626,340)</u>	<u>101,684,007</u>
Less accumulated depreciation for:				
Buildings	(6,859,410)	(581,407)	-	(7,440,817)
Improvements other than buildings	(5,380,468)	(390,612)	-	(5,771,080)
Machinery and equipment	(3,146,951)	(386,639)	-	(3,533,590)
Infrastructure	(21,161,927)	(1,805,979)	-	(22,967,905)
Vehicles	(3,294,934)	(306,845)	445,555	(3,156,225)
Total accumulated depreciation	<u>(39,843,689)</u>	<u>(3,471,482)</u>	<u>445,555</u>	<u>(42,869,617)</u>
Total capital assets, being depreciated, net	<u>60,182,437</u>	<u>(1,187,261)</u>	<u>(180,786)</u>	<u>58,814,391</u>
Governmental activities capital assets, net	<u>\$ 67,804,245</u>	<u>\$ 1,711,879</u>	<u>\$ (2,223,572)</u>	<u>\$ 67,292,552</u>

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

Governmental Activities:	
General government	\$ 220,183
Public safety	221,564
Public works/streets	2,579,641
Culture & recreation	450,094
Total depreciation expense - governmental activities	<u>\$ 3,471,482</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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 6/30/2015	Additions	Deletions	Balance 6/30/2016
Capital assets not being depreciated:				
Land	\$ 1,136,033	\$ -	\$ -	\$ 1,136,033
Water rights	110,000	10,800	-	120,800
Construction in progress	5,952,780	5,699,571	(1,138,448)	10,513,903
Total capital assets, not being depreciated	<u>7,198,813</u>	<u>5,710,371</u>	<u>(1,138,448)</u>	<u>11,770,736</u>
Capital assets being depreciated:				
Buildings	74,054	-	-	74,054
Improvements other than buildings	71,241,046	1,129,907	-	72,370,952
Machinery and equipment	3,453,903	183,512	-	3,637,415
Vehicles	537,605	101,373	-	638,977
Total capital assets, being depreciated	<u>75,306,607</u>	<u>1,414,791</u>	<u>-</u>	<u>76,721,398</u>
Less accumulated depreciation for:				
Buildings	(39,141)	(5,416)	-	(44,557)
Improvements other than buildings	(29,688,228)	(2,023,447)	-	(31,711,675)
Machinery and equipment	(1,674,609)	(296,230)	-	(1,970,840)
Vehicles	(433,613)	(14,909)	-	(448,522)
Total accumulated depreciation	<u>(31,835,591)</u>	<u>(2,340,002)</u>	<u>-</u>	<u>(34,175,593)</u>
Total capital assets, being depreciated, net	<u>43,471,016</u>	<u>(925,211)</u>	<u>-</u>	<u>42,545,806</u>
Business-type activities capital assets, net	<u>\$ 50,669,829</u>	<u>\$ 4,785,161</u>	<u>\$ (1,138,448)</u>	<u>\$ 54,316,542</u>

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

Business-Type Activities:	
Wastewater	\$ 1,212,500
Water	1,127,502
Total depreciation expense - business-type activities	<u>\$ 2,340,002</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016	Current Portion
Governmental Activities:					
Special assessment bonds:					
Improvement District #6	\$ 1,175,000	\$ -	\$ (415,000)	\$ 760,000	\$ 440,000
Improvement District #7	214,000	-	(68,000)	146,000	71,000
Community Facilities District	1,600,000	-	(65,000)	1,535,000	70,000
Total Special Assessment Bonds	<u>2,989,000</u>	<u>-</u>	<u>(548,000)</u>	<u>2,441,000</u>	<u>581,000</u>
General obligation bonds:					
Community Facilities					
District bonds - Series 2007	405,000	-	(15,000)	390,000	15,000
District bonds - Series 2011	380,000	-	(30,000)	350,000	35,000
Total General Obligation	<u>785,000</u>	<u>-</u>	<u>(45,000)</u>	<u>740,000</u>	<u>50,000</u>
Loans payable:					
GADA Bonds - Series 2006B	1,190,000	-	(390,000)	800,000	400,000
GADA Bonds - Series 2008A	1,445,000	-	(335,000)	1,110,000	355,000
Excise Tax Rev. Ref. Bonds - Series 2015	8,865,000	-	-	8,865,000	75,000
Reidhead note payable - Land purchase	-	100,000	-	100,000	50,000
Total Loans Payable	<u>11,500,000</u>	<u>100,000</u>	<u>(725,000)</u>	<u>10,875,000</u>	<u>880,000</u>
Accrued compensated absences	834,621	468,969	(441,915)	861,675	517,005
Capital leases	1,206,000	-	(213,000)	993,000	224,000
Landfill monitoring costs	26,988	-	-	26,988	-
Net pension liability	12,179,153	538,384	-	12,717,537	-
Total Governmental Debt	<u>\$ 29,520,762</u>	<u>\$ 1,107,353</u>	<u>\$ (1,972,915)</u>	<u>\$ 28,655,200</u>	<u>\$ 2,252,005</u>
Business-Type Activities:					
Loans payable					
WIFA Loan - Water PV/FH	\$ 1,635,497	\$ 198,926	\$ (82,519)	\$ 1,751,904	\$ 84,829
WIFA Loan - Water Pineview	3,363,117	-	(158,209)	3,204,908	163,107
WIFA Loan - Wastewater	199,745	-	(11,175)	188,570	11,495
Sewer System Rev. Ob. - 2014	2,760,000	-	(280,000)	2,480,000	285,000
Total Loans Payable	<u>7,958,359</u>	<u>198,926</u>	<u>(531,903)</u>	<u>7,625,382</u>	<u>544,431</u>
Accrued compensated absences	100,579	80,215	(61,019)	119,775	89,831
Net pension liability	1,477,673	30,337	-	1,508,010	-
Total Business-Type Long-Term Debt	<u>\$ 9,536,611</u>	<u>\$ 309,478</u>	<u>\$ (592,922)</u>	<u>\$ 9,253,167</u>	<u>\$ 634,262</u>
Total Long-Term Liabilities	<u>\$ 39,057,373</u>	<u>\$ 1,416,831</u>	<u>\$ (2,565,837)</u>	<u>\$ 37,908,367</u>	<u>\$ 2,886,267</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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, 2016.

The following is a listing of special assessment bonds outstanding as of June 30, 2016:

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.	\$ 760,000
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.	146,000
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.	<u>1,535,000</u>
Total Special Assessment Bonds	<u><u>\$ 2,441,000</u></u>

Special Assessment debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
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	85,000	69,440	154,440
2022-2026	500,000	270,200	770,200
2027-2031	655,000	114,240	769,240
Total	<u>\$ 2,441,000</u>	<u>\$ 827,519</u>	<u>\$ 3,268,519</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 7. Long-Term Debt, Continued

The following is a listing of general obligation bonds outstanding as of June 30, 2016:

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.	\$ 390,000
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.	350,000
Total General Obligation Bonds	\$ 740,000

General obligation bond debt service maturities are as follows:

Year Ended	Governmental Activities		Total
June 30,	Principal	Interest	
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	60,000	32,703	92,703
2022-2026	260,000	96,104	356,104
2027-2031	140,000	42,006	182,006
2032-2033	70,000	4,112	74,112
Total	\$ 740,000	\$ 345,550	\$ 1,085,550

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 7. Long-Term Debt, Continued

The following is a listing of loans payable outstanding as of June 30, 2016:

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.	\$ 800,000	\$ -
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.	1,110,000	-
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 transferred 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 transferred 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	-
Note payable to Lloyd and Ladene Reidhead issued March 2016 for the purchase of land in the amount of \$100,000, due in annual installments of \$50,000, bearing no interest and maturing in January 2018.	100,000	-
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.	-	188,570
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, 2016 the outstanding principal balance to be drawn down was \$9,348.	-	1,751,903
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 January 2011 with a maximum principal balance of \$3,800,000.	-	3,204,908
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.	-	2,480,000
Total Loans Payable	\$ 10,875,000	\$ 7,625,381

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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	
2017	\$ 880,000	\$ 506,776	\$ 251,903	\$ 178,226	\$ 1,816,905
2018	920,000	472,658	544,432	195,059	2,132,149
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	960,000	335,850	588,398	150,887	2,035,135
2022-2026	5,160,000	953,177	2,844,265	517,264	9,474,706
2027-2031	1,110,000	36,556	1,777,981	209,412	3,133,949
2032	-	-	490,391	11,009	501,400
less undrawn amounts	-	-	(9,348)	-	(9,348)
Total	\$ 10,875,000	\$ 3,114,613	\$ 7,625,381	\$ 1,608,560	\$ 23,223,554

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
2017	\$ 268,629
2018	175,897
2019	83,975
2020	85,198
2021	86,207
2022-2026	426,853
2027-2029	129,622
Total remaining minimum lease payments	1,256,381
Less amount representing interest	263,381
Present value of net remaining minimum lease payments	\$ 993,000

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	(551,976)
Total	\$ 857,024

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 8. Interfund Receivables, Payables and Transfers

As of June 30, 2016, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:			
	Airport Fund	Non-major Governmental Funds	Wastewater Fund	Total
General Fund	\$ 168,017	\$ 54,617	\$ 150,880	\$ 373,514
Total	\$ 168,017	\$ 54,617	\$ 150,880	\$ 373,514

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, 2016 are as follows:

Transfers out:	Transfers in:				
	General	Highway User Revenue Fund	Special Projects Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,596,933	\$ 1,314,406	\$ 1,698,895	\$ 4,610,234
Show Low Bluff - CFD	4,000	-	-	-	4,000
Nonmajor Governmental Funds	93,830	-	45,723	70,300	209,853
Water Fund	189,000	-	-	-	189,000
Wastewater Fund	165,323	-	-	(37,523)	127,800
Nonmajor Enterprise Funds	65,000	-	-	-	65,000
Total	\$ 517,153	\$ 1,596,933	\$ 1,360,129	\$ 1,731,672	\$ 5,205,887

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, 2016

Note 9. Retirement and Pension Plans

The City contributes to the Arizona State Retirements System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2016, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities Total	Business-Type Activities Total
Net pension liability	\$ 8,135,792	\$ 6,089,755	\$ 14,225,547	\$ 12,717,537	\$ 1,508,010
Deferred outflows of resources	928,670	1,571,033	2,499,703	2,327,569	172,134
Deferred inflows of resources	783,774	229,261	1,013,035	867,759	145,276
Pension expense	(3,770)	121,336	117,566	140,777	(23,210)

The City reported \$1,116,791 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The City 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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 9. Retirement and Pension Plans, Continued

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

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

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS.

The City'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
2014	\$ 511,894	\$ 28,704	\$ 11,482
2015	523,897	28,384	5,773
2016	525,374	24,211	5,811

Pension liability – At June 30, 2016, the City reported a liability of \$8,135,792 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The City's proportion measured as of June 30, 2015, was 0.05223 percent, which was a decrease of 0.000842 percent from its proportion measured as of June 30, 2014.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 9. Retirement and Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2016, the City recognized pension expense for ASRS of (\$3,770). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 222,008	\$ 426,324
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	260,734
Changes in proportion and differences between contributions and proportional share of contributions	181,288	96,716
Contributions subsequent to the measurement date	525,374	-
Total	<u>\$ 928,670</u>	<u>\$ 783,774</u>

The \$525,374 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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
2017	\$ (77,168)
2018	(294,328)
2019	(197,200)
2020	188,218
2021	-
Thereafter	-

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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

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

The long-term expected rate of return on ASRS pension plan investments was determined 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:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.79%	3.94%
Fixed income	25%	3.70%	0.93%
Multi-asset	5%	3.41%	0.17%
Commodities	2%	3.93%	0.08%
Real Estate	10%	4.25%	0.42%
Totals	100%		5.54%
		Inflation	3.25%
		Expected arithmetic nominal return	8.79%

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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 City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City'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	\$ 10,660,668	\$ 8,135,792	\$ 6,405,425

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 City 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, 2016

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 9. Retirement and Pension Plans, Continued

Employees covered by benefit terms – At June 30, 2016, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	3
Active employees	29
Total	45

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, 2016, active PSPRS members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 30.63 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 0.19 percent.

In addition, the City was required by statute to contribute at the actuarially determined rate of 28.62 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS.

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

Pension	PSPRS Police
Contributions made	\$ 607,472
 Health Insurance Premium Benefit	
Annual OPEB cost	3,924
Contributions made	3,924

Pension liability – At June 30, 2016, the City reported a net pension liability of \$6,089,755. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2015, reflect the following changes of benefit terms and actuarial assumptions.

- In February 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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 9. Retirement and Pension Plans, Continued

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

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

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 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. 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>
Short term investments	2.00%	0.75%
Absolute return	5.00%	4.11%
Risk parity	4.00%	5.13%
Fixed income	7.00%	2.92%
Real assets	8.00%	4.77%
GTAA	10.00%	4.38%
Private equity	11.00%	9.50%
Real estate	10.00%	4.48%
Credit opportunities	13.00%	7.08%
Non-U.S. equity	14.00%	8.25%
U.S. equity	16.00%	6.23%
Total	<u>100.00%</u>	

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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

	PSPRS Police		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	\$ 11,846,807	\$ 6,042,810	\$ 5,803,997
Balances at June 30, 2015			
Changes for the year:			
Service cost	351,838	-	351,838
Interest on total pension liability	923,584	-	923,584
Changes of benefit terms*	-	-	-
Difference between expected and actual experience in the measurement of the pension liability	(60,687)	-	(60,687)
Changes of assumptions**	-	-	-
Contributions - employer	-	495,177	(495,177)
Contributions - employee	-	219,236	(219,236)
Net investment income	-	225,276	(225,276)
Benefit payments, including refunds of employee contributions	(514,643)	(514,643)	-
Other changes	-	(10,712)	10,712
Net changes	700,092	414,334	285,758
Balances at June 30, 2016	\$ 12,546,899	\$ 6,457,144	\$ 6,089,755

* 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, 2016

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 City's net pension liability calculated using the discount rate noted above, as well as what the City'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%	Current Discount Rate 7.85%	1% Increase 8.85%
PSPRS Police			
Net pension (asset) / liability	\$ 7,740,435	\$ 6,089,755	\$ 4,727,548

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, 2016, the City recognized pension expense for PSPRS of \$749,914. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,105	\$ 50,853
Changes in assumptions	670,252	-
Net difference between projected and actual earnings on pension plan investments	205,204	178,408
Contributions subsequent to the measurement date	607,472	-
Total	\$ 1,571,033	\$ 229,261

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 9. Retirement and Pension Plans, Continued

The \$607,472 reported as deferred outflows of resources related to PSPRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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:

Year Ending June 30	Deferred Outflows (Inflows) of Resources PSPRS Police
2017	\$ 164,797
2018	164,797
2019	164,796
2020	224,266
2021	17,327
Thereafter	(1,683)

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

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for 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 City 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 City 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 2016 contribution requirements:

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 9. Retirement and Pension Plans, Continued

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%

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
PSPRS Police	2014	24,746	139%	-
	2015	24,319	127%	-
	2016	3,924	19%	-

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

	<u>PSPRS Police</u>
Actuarial accrued liability (AAL)	\$ 298,248
Actuarial value of plan assets	<u>358,915</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (60,667)</u>
Funded ratio (actuarial value of plan assets/AAL)	120.34%
Covered payroll (active plan members)	\$ 1,999,813
UAAL as a percentage of covered payroll	-3.03%

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2016

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, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market 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, 2016

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, 2016. At year end, the City had the following major construction projects and or commitments open:

<u>Project</u>	<u>Estimated Cost</u>	<u>Construction in Progress</u>
WWTP EXPANSION	\$ 10,000,000	\$10,246,848
SCOTT RANCH ROAD - PHASE III	1,346,400	58,280
US60 MULTI-USE PATHWAY	802,300	12,923
SIERRA PINES UNIT 1, 2, AND 3	802,000	783,695
DOWNTOWN PEDESTRIAN ENHANCEMENTS	742,400	42,300
LOWER POWERLINES DOC 4TH TO OLD LINDEN	515,631	513,632
DESIGN SERVICES FOR PUBLIC SAFETY BUILDING	4,685,499	599,284
	<u>\$ 19,763,030</u>	<u>\$12,511,184</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, 2016, the total reserve is \$2,000,000 and is included in the unassigned fund balance of the General Fund.

Note 13. Advanced Refunding

In the year ended June 30, 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 Series 2006 will be refunded. As a result, the refunding portion of the bonds are considered to be defeased as of Jun 30, 2015. However, as disclosed in Note 7, not all of the series 2006 GADA Infrastructure Revenue Bonds were refunded and defeased as of June 30, 2015 and June 30, 2016. The advanced refunding defeased debt still outstanding at June 30, 2016 is \$4,510,000.

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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, 2016

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Proportion of the net pension liability (asset)	0.052230%	0.000000%
Proportionate share of the net pension liability (asset)	\$ 8,135,792	\$ 7,852,829
Covered employee payroll	\$ 4,746,399	\$ 4,685,202
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.41%	167.61%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	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, 2016

Public Safety Personnel Retirement System	PSPRS Police	
	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Total pension liability		
Service cost	\$ 351,838	\$ 327,537
Interest on total pension liability	923,584	773,540
Changes of benefit terms	-	170,567
Difference between expected and actual experience of the total net pension liability	(60,687)	130,581
Changes of assumptions	-	993,374
Benefit payments, including refunds of employee contributions	(514,643)	(478,067)
Net change in total pension liability	700,092	1,917,532
Total pension liability - beginning	11,846,807	9,929,275
Total pension liability - ending (a)	\$ 12,546,899	\$ 11,846,807
Plan fiduciary net position		
Contributions - employer	\$ 495,177	\$ 422,659
Contributions - employee	219,236	197,185
Net investment income	225,276	727,250
Benefit payments, including refunds of employee contributions	(514,643)	(478,067)
Other (net transfer)	(10,712)	(45,871)
Net change in plan fiduciary net position	414,334	823,156
Plan fiduciary net position - beginning	6,042,810	5,219,654
Plan fiduciary net position - ending (b)	\$ 6,457,144	\$ 6,042,810
Net pension liability - ending (a) - (b)	\$ 6,089,755	\$ 5,803,997
Plan fiduciary net position as a percentage of the total pension liability	51.46%	51.01%
Covered employee payroll	\$ 1,999,813	\$ 1,909,356
Net pension liability as a percentage of covered-employee payroll	304.52%	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, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 523,897	\$ 511,894
Contributions in relation to the contractually required contribution	(523,897)	(511,894)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,746,399	\$ 4,685,202
Contributions as a percentage of covered-employee payroll	11.04%	10.93%

Public Safety Personnel Retirement System

	PSPRS Police	
	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Actuarially determined contribution	\$ 495,177	\$ 422,659
Contributions in relation to the actuarially determined contribution	(495,177)	(422,659)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,999,813	\$ 1,909,356
Contributions as a percentage of covered-employee payroll	24.76%	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, 2016

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	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	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%
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 2016 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, 2016

		(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
	Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
PSPRS	2012	\$ -	\$ 304,157	304,157	0.0%	\$ 1,614,782	18.84%
Police	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	358,915	298,248	(60,667)	120.34%	1,999,813	0.00%
	2016	**	**	**	**	**	**

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR 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.

CITY OF SHOW LOW, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
City sales tax	\$ 9,750,000	\$ 9,750,000	\$ 10,652,385	\$ 902,385
Franchise taxes	425,000	425,000	430,861	5,861
Total taxes	<u>10,175,000</u>	<u>10,175,000</u>	<u>11,083,246</u>	<u>908,246</u>
Licenses and permits	145,800	145,800	166,362	20,562
Intergovernmental revenues:				
State sales tax	967,500	967,500	1,006,843	39,343
Auto lieu tax	566,500	566,500	610,273	43,773
Urban revenue sharing	1,219,300	1,219,300	1,287,298	67,998
Grant revenues	289,700	329,603	377,296	47,693
Total intergovernmental	<u>3,043,000</u>	<u>3,082,903</u>	<u>3,281,710</u>	<u>198,807</u>
Charges for services	293,855	293,855	269,101	(24,754)
Fines and forfeitures	109,600	109,600	146,422	36,822
Interest earnings	40,100	40,100	111,325	71,225
Other revenues:				
Cemetery plot sales and services	26,275	26,275	31,701	5,426
Charges for administrative services	2,000	2,000	1,963	(37)
Rent income	32,400	32,400	31,736	(664)
Miscellaneous revenues	109,800	109,800	145,247	35,447
Total other revenues	<u>170,475</u>	<u>170,475</u>	<u>210,647</u>	<u>40,172</u>
Total revenues	<u>13,977,830</u>	<u>14,017,733</u>	<u>15,268,813</u>	<u>1,251,080</u>
EXPENDITURES				
Current:				
General government:				
City council	339,700	196,046	75,961	120,085
Finance	689,000	670,834	602,824	68,010
City magistrate	195,500	195,500	183,762	11,738
City attorney	257,600	257,600	231,083	26,517
City manager	431,600	431,600	358,681	72,919
Planning and zoning	477,700	477,700	417,161	60,539
Public information	272,900	272,900	238,912	33,988
Information systems	421,850	421,850	416,907	4,943
Human resources	287,600	287,600	251,860	35,740
Community services administration	196,000	196,000	170,249	25,751
Cemetery	103,175	103,175	47,312	55,863
Total general government	<u>3,672,625</u>	<u>3,510,805</u>	<u>2,994,712</u>	<u>516,093</u>

(Continued)

CITY OF SHOW LOW, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Continued)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Public safety	6,071,400	6,111,302	5,221,804	889,498
Total public safety	6,071,400	6,111,302	5,221,804	889,498
Public works:				
Maintenance	898,503	898,503	802,222	96,281
City engineer	652,650	652,650	575,190	77,460
Total public works	1,551,153	1,551,153	1,377,412	173,741
Non-departmental				
Non-departmental	1,082,300	1,082,300	741,727	340,573
Show Low TV	198,500	198,500	188,426	10,074
Total non-departmental	1,280,800	1,280,800	930,153	350,647
Culture and recreation:				
Parks and recreation	386,300	386,300	350,257	36,043
Library	525,600	523,100	489,741	33,359
Total culture and recreation	911,900	909,400	839,998	69,402
Total expenditures	13,487,878	13,363,460	11,364,079	1,999,381
Excess of revenues over expenditures	489,952	654,273	3,904,734	3,250,461
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	2,500	2,500	10,886	8,386
Transfers out	(4,267,305)	(4,171,839)	(4,610,234)	(438,395)
Transfers in	517,153	517,153	517,153	-
Total other financing sources and (uses)	(3,747,652)	(3,652,186)	(4,082,195)	(430,009)
Net change in fund balance	(3,257,700)	(2,997,913)	(177,461)	2,820,452
Fund balance, beginning of year	7,227,875	7,227,875	7,227,875	-
Fund balance, end of year	<u>\$ 3,970,175</u>	<u>\$ 4,229,962</u>	<u>\$ 7,050,414</u>	<u>\$ 2,820,452</u>

CITY OF SHOW LOW, ARIZONA
HIGHWAY USER REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 2,754,400	\$ 1,976,216	\$ 1,417,677	\$ (558,539)
Interest	5,000	5,000	2,866	(2,134)
Other revenues	1,000	43,575	25,646	(17,929)
Total revenues	<u>2,760,400</u>	<u>2,024,791</u>	<u>1,446,189</u>	<u>(578,602)</u>
EXPENDITURES				
Current:				
Public works/streets	1,569,800	1,569,800	1,283,087	286,713
Capital outlay	<u>3,471,181</u>	<u>1,599,778</u>	<u>1,760,998</u>	<u>(161,220)</u>
Total expenditures	<u>5,040,981</u>	<u>3,169,578</u>	<u>3,044,085</u>	<u>125,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,280,581)</u>	<u>(1,144,787)</u>	<u>(1,597,896)</u>	<u>(453,109)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,000	2,000	963	(1,037)
Transfers in	<u>1,034,077</u>	<u>1,314,696</u>	<u>1,596,933</u>	<u>282,237</u>
Total other financing sources (uses)	<u>1,036,077</u>	<u>1,316,696</u>	<u>1,597,896</u>	<u>281,200</u>
Net change in fund balance	(1,244,504)	171,909	-	(171,909)
Fund balance, beginning of year	<u>1,483,844</u>	<u>1,483,844</u>	<u>1,483,844</u>	<u>-</u>
Fund balance, end of year	<u>\$ 239,340</u>	<u>\$ 1,655,753</u>	<u>\$ 1,483,844</u>	<u>\$ (171,909)</u>

CITY OF SHOW LOW, ARIZONA
AIRPORT SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 3,706,120	\$ 3,706,120	\$ 22,645	\$ (3,683,475)
Charges for services	1,241,700	1,241,700	989,626	(252,074)
Interest	-	-	934	934
Other revenues	<u>11,000</u>	<u>11,000</u>	<u>18,773</u>	<u>7,773</u>
Total revenues	<u>4,958,820</u>	<u>4,958,820</u>	<u>1,031,978</u>	<u>(3,926,842)</u>
EXPENDITURES				
Current:				
Public works/streets	1,257,500	1,257,500	898,156	359,344
Capital outlay	3,773,000	3,773,000	27,300	3,745,700
Debt service				
Principal	95,000	95,000	95,000	-
Interest and fiscal charges	<u>56,500</u>	<u>56,500</u>	<u>10,273</u>	<u>46,227</u>
Total expenditures	<u>5,182,000</u>	<u>5,182,000</u>	<u>1,030,729</u>	<u>4,151,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(223,180)</u>	<u>(223,180)</u>	<u>1,249</u>	<u>224,429</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	191	191
Transfers in	<u>106,880</u>	<u>106,880</u>	<u>-</u>	<u>(106,880)</u>
Total other financing sources (uses)	<u>106,880</u>	<u>106,880</u>	<u>191</u>	<u>(106,689)</u>
Net change in fund balance	(116,300)	(116,300)	1,440	117,740
Fund balance, beginning of year	<u>5,122</u>	<u>5,122</u>	<u>5,122</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (111,178)</u></u>	<u><u>\$ (111,178)</u></u>	<u><u>\$ 6,562</u></u>	<u><u>\$ 117,740</u></u>

CITY OF SHOW LOW, ARIZONA
SPECIAL PROJECTS
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 4,037,500	\$ 3,316,978	\$ 36,460	\$ (3,280,518)
Total revenues	<u>4,037,500</u>	<u>3,316,978</u>	<u>36,460</u>	<u>(3,280,518)</u>
EXPENDITURES				
Current:				
Public safety	21,000	21,000	117,224	(96,224)
Grant contingencies	3,796,836	3,057,725	-	3,057,725
Capital outlay	<u>5,459,687</u>	<u>5,991,909</u>	<u>1,255,365</u>	<u>4,736,544</u>
Total expenditures	<u>9,277,523</u>	<u>9,070,634</u>	<u>1,372,589</u>	<u>7,698,045</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,240,023)</u>	<u>(5,753,656)</u>	<u>(1,336,129)</u>	<u>4,417,527</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,040,223</u>	<u>1,205,932</u>	<u>1,360,129</u>	<u>154,197</u>
Total other financing sources (uses)	<u>1,040,223</u>	<u>1,205,932</u>	<u>1,360,129</u>	<u>154,197</u>
Net change in fund balance	(4,199,800)	(4,547,724)	24,000	4,571,724
Fund balance, beginning of year	<u>3,833,211</u>	<u>3,833,211</u>	<u>3,833,211</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (366,589)</u>	<u>\$ (714,513)</u>	<u>\$ 3,857,211</u>	<u>\$ 4,571,724</u>

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:

Debt Service Funds

- 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
SHOW LOW BLUFF COMMUNITIES FACILITIES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 1,856	\$ (3,144)
Interest	500	500	8,512	8,012
Special assessments	232,600	232,600	220,999	(11,601)
Other revenues	-	-	1,029	1,029
Total revenues	<u>238,100</u>	<u>238,100</u>	<u>232,396</u>	<u>(5,704)</u>
EXPENDITURES				
Current:				
General government	8,000	8,000	13,950	(5,950)
Capital outlay	602,300	602,300	-	602,300
Debt service:				
Principal	115,000	115,000	110,000	5,000
Interest and fiscal charges	158,898	158,898	145,451	13,447
Total expenditures	<u>884,198</u>	<u>884,198</u>	<u>269,401</u>	<u>614,797</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(646,098)</u>	<u>(646,098)</u>	<u>(37,005)</u>	<u>609,093</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balance	(650,098)	(650,098)	(41,005)	609,093
Fund balance, beginning of year	<u>874,663</u>	<u>874,663</u>	<u>874,663</u>	<u>-</u>
Fund balance, end of year	<u>\$ 224,565</u>	<u>\$ 224,565</u>	<u>\$ 833,658</u>	<u>\$ 609,093</u>

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 #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 **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, 2016

	Special Revenue			Debt Service
	Street Lighting District	Public Transportation	Family Aquatic Center	Improvement District #5
ASSETS				
Cash	\$ 11,572	\$ 22,793	\$ 25,563	\$ -
Receivables:				
Taxes	2,191	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Intergovernmental	-	166,512	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 13,763</u>	<u>\$ 189,305</u>	<u>\$ 25,563</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 8,254	\$ 84,090	\$ 12,870	\$ -
Accrued wages and salaries	-	-	12,693	-
Due to other funds	-	-	-	-
Total liabilities	<u>8,254</u>	<u>84,090</u>	<u>25,563</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Public works/streets	5,509	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Committed:				
Public transportation	-	105,215	-	-
Assigned to:				
Unassigned	-	-	-	-
Total fund balances	<u>5,509</u>	<u>105,215</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,763</u>	<u>\$ 189,305</u>	<u>\$ 25,563</u>	<u>\$ -</u>

Debt Service			Capital Project			Total
Improvement District #6	Improvement District #7	Other Debt Service	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ 129,947	\$ 17,305	\$ 202,408	\$ 1,727	\$ 12,117	\$ 68,575	\$ 492,007
-	-	-	-	-	-	2,191
2,492	461	-	-	-	-	2,953
490,232	103,448	-	-	-	-	593,680
-	-	-	-	-	-	166,512
-	-	956,438	-	-	-	956,438
<u>\$ 622,671</u>	<u>\$ 121,214</u>	<u>\$ 1,158,846</u>	<u>\$ 1,727</u>	<u>\$ 12,117</u>	<u>\$ 68,575</u>	<u>\$ 2,213,781</u>
\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ 106,714
-	-	-	-	-	-	12,693
-	-	54,617	-	-	-	54,617
<u>-</u>	<u>-</u>	<u>56,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,024</u>
<u>498,486</u>	<u>103,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>601,890</u>
<u>498,486</u>	<u>103,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>601,890</u>
-	-	956,438	-	-	-	956,438
-	-	-	-	-	-	5,509
-	-	-	1,727	12,117	68,575	82,419
124,185	17,810	202,408	-	-	-	344,403
-	-	-	-	-	-	105,215
<u>-</u>	<u>-</u>	<u>(56,117)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,117)</u>
<u>124,185</u>	<u>17,810</u>	<u>1,102,729</u>	<u>1,727</u>	<u>12,117</u>	<u>68,575</u>	<u>1,437,867</u>
<u>\$ 622,671</u>	<u>\$ 121,214</u>	<u>\$ 1,158,846</u>	<u>\$ 1,727</u>	<u>\$ 12,117</u>	<u>\$ 68,575</u>	<u>\$ 2,213,781</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, 2016

	Special Revenue			Debt Service
	Street Lighting District	Public Transportation	Family Aquatic Center	Improvement District #5
REVENUES				
Taxes	\$ 187,171	\$ -	\$ -	\$ -
Intergovernmental	-	474,002	-	-
Charges for services	-	-	129,093	-
Fines and forfeitures	-	-	-	400
Investment earnings	132	-	-	136
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Other revenues	-	78,032	-	1,430
	<u>187,303</u>	<u>552,034</u>	<u>129,093</u>	<u>1,966</u>
Total revenues	<u>187,303</u>	<u>552,034</u>	<u>129,093</u>	<u>1,966</u>
EXPENDITURES				
Current:				
General government	-	569,379	-	-
Public works/streets	215,224	-	-	-
Culture and recreation	-	-	372,750	-
Capital outlay	-	6,408	46,669	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	11,815
	<u>215,224</u>	<u>575,787</u>	<u>419,419</u>	<u>11,815</u>
Total expenditures	<u>215,224</u>	<u>575,787</u>	<u>419,419</u>	<u>11,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,921)</u>	<u>(23,753)</u>	<u>(290,326)</u>	<u>(9,849)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	7,541	-	-
Transfers out	(1,200)	(74,630)	-	-
Transfers in	29,121	81,875	290,326	-
	<u>27,921</u>	<u>14,786</u>	<u>290,326</u>	<u>-</u>
Total other financing sources (uses):	<u>27,921</u>	<u>14,786</u>	<u>290,326</u>	<u>-</u>
Net change in fund balances	-	(8,967)	-	(9,849)
Fund balances (deficits), beginning of year	<u>5,509</u>	<u>114,182</u>	<u>-</u>	<u>9,849</u>
Fund balances, end of year	<u>\$ 5,509</u>	<u>\$ 105,215</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service			Capital Project			Total
Improvement District #6	Improvement District #7	Other Debt Service	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,171
-	-	22,379	-	-	-	496,381
3,349	-	-	-	-	-	132,442
1,762	258	-	-	-	-	2,420
-	275	308	585	215	1,296	2,947
-	-	-	360	12,688	71,526	84,574
345,088	54,787	-	-	-	-	399,875
-	-	-	-	-	-	79,462
<u>350,199</u>	<u>55,320</u>	<u>22,687</u>	<u>945</u>	<u>12,903</u>	<u>72,822</u>	<u>1,385,272</u>
294	-	-	-	-	-	569,673
-	-	-	-	-	-	215,224
-	-	-	-	-	-	372,750
-	-	-	-	-	-	53,077
415,000	68,000	843,000	-	-	-	1,326,000
58,935	10,641	321,932	-	-	-	403,323
<u>474,229</u>	<u>78,641</u>	<u>1,164,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,940,047</u>
<u>(124,030)</u>	<u>(23,321)</u>	<u>(1,142,245)</u>	<u>945</u>	<u>12,903</u>	<u>72,822</u>	<u>(1,554,775)</u>
-	-	-	-	-	-	7,541
(15,000)	(3,000)	-	(45,723)	(9,100)	(61,200)	(209,853)
-	-	1,330,350	-	-	-	1,731,672
<u>(15,000)</u>	<u>(3,000)</u>	<u>1,330,350</u>	<u>(45,723)</u>	<u>(9,100)</u>	<u>(61,200)</u>	<u>1,529,360</u>
(139,030)	(26,321)	188,105	(44,778)	3,803	11,622	(25,415)
<u>263,215</u>	<u>44,131</u>	<u>914,624</u>	<u>46,505</u>	<u>8,314</u>	<u>56,953</u>	<u>1,463,282</u>
<u>\$ 124,185</u>	<u>\$ 17,810</u>	<u>\$ 1,102,729</u>	<u>\$ 1,727</u>	<u>\$ 12,117</u>	<u>\$ 68,575</u>	<u>\$ 1,437,867</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 189,000	\$ 189,000	\$ 187,171	\$ (1,829)
Interest	300	300	132	(168)
Total revenues	<u>189,300</u>	<u>189,300</u>	<u>187,303</u>	<u>(1,997)</u>
EXPENDITURES				
Current:				
Public works/streets	<u>204,900</u>	<u>204,900</u>	<u>215,224</u>	<u>(10,324)</u>
Total expenditures	<u>204,900</u>	<u>204,900</u>	<u>215,224</u>	<u>(10,324)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,600)</u>	<u>(15,600)</u>	<u>(27,921)</u>	<u>(12,321)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,200)	(1,200)	(1,200)	-
Transfers in	<u>23,200</u>	<u>23,200</u>	<u>29,121</u>	<u>5,921</u>
Total other financing sources (uses)	<u>22,000</u>	<u>22,000</u>	<u>27,921</u>	<u>5,921</u>
Net change in fund balance	6,400	6,400	-	(6,400)
Fund balance, beginning of year	<u>5,509</u>	<u>5,509</u>	<u>5,509</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 11,909</u></u>	<u><u>\$ 11,909</u></u>	<u><u>\$ 5,509</u></u>	<u><u>\$ (6,400)</u></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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 530,395	\$ 530,395	\$ 474,002	\$ (56,393)
Miscellaneous	102,000	102,000	78,032	(23,968)
Total revenues	<u>632,395</u>	<u>632,395</u>	<u>552,034</u>	<u>(80,361)</u>
EXPENDITURES				
Current:				
General government	716,000	716,000	569,379	146,621
Capital outlay	24,000	24,000	6,408	17,592
Total expenditures	<u>740,000</u>	<u>740,000</u>	<u>575,787</u>	<u>164,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(107,605)</u>	<u>(107,605)</u>	<u>(23,753)</u>	<u>83,852</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	7,541	7,541
Transfers out	(74,630)	(74,630)	(74,630)	-
Transfers in	81,875	81,875	81,875	-
Total other financing sources (uses)	<u>7,245</u>	<u>7,245</u>	<u>14,786</u>	<u>7,541</u>
Net change in fund balance	(100,360)	(100,360)	(8,967)	91,393
Fund balance, beginning of year	114,182	114,182	114,182	-
Fund balance, end of year	<u>\$ 13,822</u>	<u>\$ 13,822</u>	<u>\$ 105,215</u>	<u>\$ 91,393</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, 2016

	<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	\$ 129,093	\$ 34,293
Total revenues	<u>94,800</u>	<u>94,800</u>	<u>129,093</u>	<u>34,293</u>
EXPENDITURES				
Current:				
Culture and recreation	433,500	433,500	372,750	60,750
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>46,669</u>	<u>13,331</u>
Total expenditures	<u>493,500</u>	<u>493,500</u>	<u>419,419</u>	<u>74,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(398,700)</u>	<u>(398,700)</u>	<u>(290,326)</u>	<u>108,374</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>398,700</u>	<u>398,700</u>	<u>290,326</u>	<u>(108,374)</u>
Total other financing sources (uses)	<u>398,700</u>	<u>398,700</u>	<u>290,326</u>	<u>(108,374)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 400	\$ 400
Interest	-	-	136	136
Other revenues	-	-	1,430	(1,430)
Total revenues	<u>-</u>	<u>-</u>	<u>1,966</u>	<u>(894)</u>
EXPENDITURES				
Debt service				
Interest and fiscal charges	-	-	11,815	(11,815)
Total expenditures	<u>-</u>	<u>-</u>	<u>11,815</u>	<u>(11,815)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(9,849)</u>	<u>(9,849)</u>
Fund balance, beginning of year	<u>9,849</u>	<u>9,849</u>	<u>9,849</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,849</u>	<u>\$ 9,849</u>	<u>\$ -</u>	<u>\$ (9,849)</u>

**CITY OF SHOW LOW, ARIZONA
IMPROVEMENT DISTRICT #6
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016**

	<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	\$ 3,349	\$ (3,651)
Interest	2,000	2,000	1,762	(238)
Special assessments	<u>481,300</u>	<u>481,300</u>	<u>345,088</u>	<u>(136,212)</u>
Total revenues	<u>490,300</u>	<u>490,300</u>	<u>350,199</u>	<u>(140,101)</u>
EXPENDITURES				
Current:				
General government	1,500	1,500	294	1,206
Debt service				
Principal	415,000	415,000	415,000	-
Interest and fiscal charges	<u>72,000</u>	<u>72,000</u>	<u>58,935</u>	<u>13,065</u>
Total expenditures	<u>488,500</u>	<u>488,500</u>	<u>474,229</u>	<u>14,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,800</u>	<u>1,800</u>	<u>(124,030)</u>	<u>(125,830)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(13,200)	(13,200)	(139,030)	(125,830)
Fund balance, beginning of year	<u>263,215</u>	<u>263,215</u>	<u>263,215</u>	<u>-</u>
Fund balance, end of year	<u>\$ 250,015</u>	<u>\$ 250,015</u>	<u>\$ 124,185</u>	<u>\$ (125,830)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 258	\$ (1,742)
Interest	500	500	275	(225)
Special assessments	79,300	79,300	54,787	(24,513)
Total revenues	<u>81,800</u>	<u>81,800</u>	<u>55,320</u>	<u>(26,480)</u>
EXPENDITURES				
Capital outlay	92,900	92,900	-	92,900
Debt service:				
Principal	68,000	68,000	68,000	-
Interest and fiscal charges	12,502	12,502	10,641	1,861
Total expenditures	<u>173,402</u>	<u>173,402</u>	<u>78,641</u>	<u>94,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,602)</u>	<u>(91,602)</u>	<u>(23,321)</u>	<u>68,281</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	(94,602)	(94,602)	(26,321)	68,281
Fund balance, beginning of year	<u>44,131</u>	<u>44,131</u>	<u>44,131</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (50,471)</u>	<u>\$ (50,471)</u>	<u>\$ 17,810</u>	<u>\$ 68,281</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 23,300	\$ 23,300	\$ 22,379	\$ (921)
Interest	3,000	3,000	308	(2,692)
Other revenues	-	-	-	-
Total revenues	<u>26,300</u>	<u>26,300</u>	<u>22,687</u>	<u>(3,613)</u>
EXPENDITURES				
Debt service				
Principal	1,273,000	1,273,000	843,000	430,000
Interest and fiscal charges	391,150	391,150	321,932	69,218
Total expenditures	<u>1,664,150</u>	<u>1,664,150</u>	<u>1,164,932</u>	<u>499,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,637,850)</u>	<u>(1,637,850)</u>	<u>(1,142,245)</u>	<u>495,605</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,640,850	1,640,850	1,330,350	(310,500)
Total other financing sources (uses)	<u>1,640,850</u>	<u>1,640,850</u>	<u>1,330,350</u>	<u>(310,500)</u>
Net change in fund balance	3,000	3,000	188,105	185,105
Fund balance, beginning of year	<u>914,624</u>	<u>914,624</u>	<u>914,624</u>	<u>-</u>
Fund balance, end of year	<u>\$ 917,624</u>	<u>\$ 917,624</u>	<u>\$ 1,102,729</u>	<u>\$ 185,105</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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 585	\$ 585
Impact fees	-	-	360	360
Total revenues	<u>-</u>	<u>-</u>	<u>945</u>	<u>945</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	945	945
Other Financing Sources (Uses):				
Transfers out	<u>(45,723)</u>	<u>(45,723)</u>	<u>(45,723)</u>	<u>-</u>
Total other financing Sources (Uses)	<u>(45,723)</u>	<u>(45,723)</u>	<u>(45,723)</u>	<u>-</u>
Net change in fund balances	(45,723)	(45,723)	(44,778)	945
Fund balance, beginning of year	<u>46,505</u>	<u>46,505</u>	<u>46,505</u>	<u>-</u>
Fund balance, end of year	<u>\$ 782</u>	<u>\$ 782</u>	<u>\$ 1,727</u>	<u>\$ 945</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 215	\$ 215
Impact fees	5,000	5,000	12,688	7,688
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>12,903</u>	<u>7,903</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>12,903</u>	<u>7,903</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(9,100)</u>	<u>(9,100)</u>	<u>(9,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>(9,100)</u>	<u>(9,100)</u>	<u>(9,100)</u>	<u>-</u>
Net change in fund balance	(4,100)	(4,100)	3,803	7,903
Fund balance, beginning of year	<u>8,314</u>	<u>8,314</u>	<u>8,314</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,214</u>	<u>\$ 4,214</u>	<u>\$ 12,117</u>	<u>\$ 7,903</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 1,296	\$ 1,296
Impact fees	29,800	29,800	71,526	41,726
Total revenues	<u>29,800</u>	<u>29,800</u>	<u>72,822</u>	<u>43,022</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>72,822</u>	<u>43,022</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(61,200)</u>	<u>(61,200)</u>	<u>(61,200)</u>	<u>-</u>
Total other financing sources (uses)	<u>(61,200)</u>	<u>(61,200)</u>	<u>(61,200)</u>	<u>-</u>
Net change in fund balance	(31,400)	(31,400)	11,622	43,022
Fund balance, beginning of year	<u>56,953</u>	<u>56,953</u>	<u>56,953</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 25,553</u></u>	<u><u>\$ 25,553</u></u>	<u><u>\$ 68,575</u></u>	<u><u>\$ 43,022</u></u>

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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, Apache and Navajo Counties Mayors and Councilmembers Association 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. The **Geocaching Agency Fund** holds assets in trust for the Apache and Navajo Counties Mayors and Councilmembers Association to promote regional geocaching events. 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, 2016

AGENCY FUND:	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
ASSETS				
Cash	\$ 11,784	\$ 385	\$ 251	\$ 11,918
Total assets	<u>\$ 11,784</u>	<u>\$ 385</u>	<u>\$ 251</u>	<u>\$ 11,918</u>
LIABILITIES				
Accounts payable	\$ 86	\$ -	\$ 86	\$ -
Deposits				
Slovakian/Sister Cities	2,607	40	5	2,642
Police Citizens Academy	(182)	-	-	(182)
Police Department Evidence	9,273	345	160	9,458
Total liabilities	<u>\$ 11,784</u>	<u>\$ 385</u>	<u>\$ 251</u>	<u>\$ 11,918</u>
WHITE MOUNTAIN PARTNERSHIP				
AGENCY FUND:				
ASSETS				
Cash	\$ 21,048	\$ 70,812	\$ 59,755	\$ 32,105
Total assets	<u>\$ 21,048</u>	<u>\$ 70,812</u>	<u>\$ 59,755</u>	<u>\$ 32,105</u>
LIABILITIES				
Accounts payable	\$ -	\$ 4,452	\$ -	\$ 4,452
Deposits				
White Mountain Partnership	21,048	66,360	59,755	27,653
Total liabilities	<u>\$ 21,048</u>	<u>\$ 70,812</u>	<u>\$ 59,755</u>	<u>\$ 32,105</u>
GEOCACHING AGENCY FUND:				
ASSETS				
Cash	\$ -	\$ 58,781	\$ 32,302	\$ 26,479
Total assets	<u>\$ -</u>	<u>\$ 58,781</u>	<u>\$ 32,302</u>	<u>\$ 26,479</u>
LIABILITIES				
Accounts payable	\$ -	\$ 25	\$ -	\$ 25
Deposits				
Geocaching	-	58,756	32,302	26,454
Total liabilities	<u>\$ -</u>	<u>\$ 58,781</u>	<u>\$ 32,302</u>	<u>\$ 26,479</u>
TOTAL - ALL AGENCY FUNDS:				
ASSETS				
Cash	\$ 32,832	\$ 129,978	\$ 92,308	\$ 70,502
Total assets	<u>\$ 32,832</u>	<u>\$ 129,978</u>	<u>\$ 92,308</u>	<u>\$ 70,502</u>
LIABILITIES				
Accounts payable	\$ 86	\$ 4,477	\$ 86	\$ 4,477
Deposits	32,746	125,501	92,222	66,025
Total liabilities	<u>\$ 32,832</u>	<u>\$ 129,978</u>	<u>\$ 92,308</u>	<u>\$ 70,502</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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Fiscal Year									
	<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>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 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	56,243,784
Restricted	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	8,974,044
Unrestricted	24,688,903	23,897,494	18,756,457	14,288,968	13,041,888	12,797,101	11,040,984	9,632,016	438,208	(7,337,801)
Total governmental activities net assets	<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>\$ 56,981,804</u>	<u>57,880,027</u>
Business-type activities										
Net investment in capital assets	\$ 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	46,691,160
Restricted	5,985,776	6,101,282	6,825,104	7,170,515	1,470,312	4,630,387	4,689,551	4,274,822	2,238,360	2,085,081
Unrestricted	3,696,002	3,531,432	2,293,898	1,619,549	7,959,236	5,821,890	6,809,816	6,974,459	7,209,880	3,718,023
Total Business-type activities net assets	<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>	<u>52,494,264</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 102,934,944
Restricted	8,000,347	9,715,129	9,231,596	9,514,505	3,263,398	7,372,233	6,963,192	5,787,450	7,457,711	11,059,125
Unrestricted	28,384,905	27,428,926	21,050,355	15,908,517	21,001,124	18,618,991	17,850,800	16,606,475	7,648,088	(3,619,778)
	<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>\$ 109,141,513</u>	<u>110,374,291</u>

CITY OF SHOW LOW, ARIZONA

Financial Trends

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

Expenses	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 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	5,182,675
Public safety	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	5,703,776
Public Works ¹	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	6,361,103
Economic development ²	-	-	631,619	767,177	623,313	745,924	760,566	762,562	992,984	932,005
Culture and recreation ³	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	1,724,017
Interest on long-term debt	826,485	755,375	1,277,768	974,645	975,981	860,185	806,952	722,366	708,157	568,898
Total governmental activities expenses	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	20,472,474
Business-type activities:										
Water	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	3,465,521
Wastewater	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	2,612,457
Airport	2,129,881	2,297,975	2,301,370	-	-	-	-	-	-	-
Family Aquatic	463,100	481,478	660,355	-	-	-	-	-	-	-
Refuse	506,854	586,308	502,044	653,491	675,893	896,932	938,989	962,046	790,890	818,157
Total business-type activities expenses	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	6,896,135
Total primary government expenses	\$ 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	\$ 27,368,609
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	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	1,866,126
Culture and recreation	1,017,628	674,822	128,149	289,722	218,512	245,116	214,112	222,690	244,318	247,390
Other activities	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	1,580,208
Operating grants and contributions	-	-	2,269,916	3,804,819	2,972,526	1,997,735	2,409,041	2,074,646	2,594,447	2,232,509
Capital grants and contributions	6,210,914	3,013,594	2,808,785	3,715,329	824,743	1,539,014	518,379	3,536,328	770,197	306,077
Total governmental activities program revenues	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	6,232,310
Business-type activities:										
Charges for services:										
Water	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	3,748,772
Wastewater	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	2,428,750
Airport ¹	1,898,709	1,240,029	1,083,344	-	-	-	-	-	-	-
Family Aquatic Center ³	100,440	102,547	109,637	-	-	-	-	-	-	-
Refuse	522,023	634,950	692,644	723,717	746,192	959,287	1,000,501	1,031,544	865,593	886,599
Operating grants and contributions	20,000	-	-	-	-	-	-	-	-	-
Capital grants and contributions	5,654,682	6,023,858	1,280,860	1,692,976	236,198	242,189	192,773	277,278	263,677	371,484
Total business-type activities program revenues	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	7,435,605
Total primary government program revenues	\$ 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	\$ 13,667,915

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 Position
Last Ten Fiscal Years
(Continued)

	<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>	<u>2016</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (14,240,164)
Business-type activities	6,399,628	4,809,315	(1,869,127)	893,142	(26,804)	157,837	122,844	155,840	280,194	539,470
Total primary government net expense	<u>\$ 915,639</u>	<u>\$ (4,358,809)</u>	<u>\$ (10,715,583)</u>	<u>\$ (7,453,651)</u>	<u>\$ (11,210,962)</u>	<u>\$ (11,705,191)</u>	<u>\$ (13,217,089)</u>	<u>\$ (10,400,666)</u>	<u>\$ (12,968,956)</u>	<u>\$ (13,700,694)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:

Sales taxes	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	10,652,385
Franchise taxes	349,826	397,091	416,309	460,863	420,157	429,826	442,213	429,038	441,349	430,861
State sales taxes	939,542	908,471	786,482	725,415	761,358	832,976	872,541	927,876	970,816	1,006,843
Urban revenue sharing	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	1,287,298
Auto-in-lieu	590,144	589,820	560,171	514,687	511,760	551,817	503,515	544,628	561,552	610,273
Other	779,170	3,139,681	142,188	139,867	136,979	142,745	142,788	164,528	168,994	187,171
Investment earnings	828,583	489,904	157,504	65,012	113,005	137,663	(43,581)	113,603	84,745	131,848
Gain (Loss) on sales of assets	-	1,416,206	12,535	4,700	-	-	-	26,347	-	124,748
Miscellaneous	471,063	398,052	-	-	-	-	-	-	-	-
Transfers	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400	381,800
Total governmental activities	<u>14,238,673</u>	<u>17,130,484</u>	<u>11,691,261</u>	<u>11,627,325</u>	<u>11,790,807</u>	<u>12,083,775</u>	<u>12,552,012</u>	<u>13,696,199</u>	<u>14,331,081</u>	<u>14,813,227</u>

Business-type activities:

Investment earnings	408,605	660,278	235,930	107,417	136,625	271,780	61,955	228,241	204,154	175,864
Gain (Loss) on sales of assets	2,039	10,544	3,833	(305,132)	-	(197,854)	84	-	6,604	1,021
Transfers	1,713,652	2,665,190	881,872	(125,000)	(195,000)	(293,748)	(331,050)	(361,800)	(366,400)	(381,800)
Total business-type activities	<u>2,124,296</u>	<u>3,336,012</u>	<u>1,121,635</u>	<u>(322,715)</u>	<u>(58,375)</u>	<u>(219,822)</u>	<u>(269,011)</u>	<u>(133,559)</u>	<u>(155,642)</u>	<u>(204,915)</u>
Total Primary government	<u>\$ 16,362,969</u>	<u>\$ 20,466,496</u>	<u>\$ 12,812,896</u>	<u>\$ 11,304,610</u>	<u>\$ 11,732,432</u>	<u>\$ 11,863,953</u>	<u>\$ 12,283,001</u>	<u>\$ 13,562,640</u>	<u>\$ 14,175,439</u>	<u>\$ 14,608,312</u>

Change in Net Position

Governmental activities	\$ 8,754,684	\$ 7,962,360	\$ 2,844,805	\$ 3,280,532	\$ 606,649	\$ 220,747	\$ (787,921)	\$ 3,139,693	\$ 1,081,931	\$ 573,063
Business-type activities	8,523,924	8,145,327	(747,492)	570,427	(85,179)	(61,985)	(146,167)	22,281	124,552	334,555
Total primary government	<u>\$ 17,278,608</u>	<u>\$ 16,107,687</u>	<u>\$ 2,097,313</u>	<u>\$ 3,850,959</u>	<u>\$ 521,470</u>	<u>\$ 158,762</u>	<u>\$ (934,088)</u>	<u>\$ 3,161,974</u>	<u>\$ 1,206,483</u>	<u>\$ 907,618</u>

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

	Fiscal Year									
	<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>	<u>2016</u>
General fund										
Nonspendable:										
Inventories and prepaids	\$ -	\$ 44,344	\$ 57,763	\$ 44,348	\$ 14,071	\$ 31,408	\$ -	\$ 1,302	\$ -	\$ 143,284
Restricted for:										
Debt service	-	-	-	-	76,980	76,980	76,980	76,989	77,001	77,022
Capital outlay	488,534	443,232	-	-	-	-	-	-	-	-
Committed to:										
Cemetery	-	128,494	160,876	184,844	188,835	42,707	98,175	204,179	105,522	91,544
Unassigned	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	6,738,564
Total general fund	\$ 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	\$ 7,050,414
All other governmental funds										
Nonspendable:	\$ -	\$ 445,200	\$ 748,916	\$ 895,900	\$ 900,072	\$ 952,943	\$ 1,119,638	\$ 1,082,201	\$ 964,302	1,108,628
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	3,862,720
Economic development	-	-	-	171,445	175,793	138,680	-	-	-	-
Parks and recreation	-	-	-	193,771	211,625	984,793	20,959	-	-	-
Debt service	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	1,178,061
Capital outlay	-	-	-	-	-	-	-	85,631	111,772	82,419
Other	-	-	-	-	-	-	-	-	-	-
Committed to:										
Public transportation	-	33,749	116,410	134,102	118,306	170,819	87,758	109,410	114,182	144,980
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	1,483,844
Debt service	-	-	-	-	35,783	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	7,848,236	-	-	(21,490)	(10,395)	(16,582)	(126,613)	(595,047)	(157,306)	(201,745)
Total all other governmental funds	\$ 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	\$ 7,658,907

* 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 11,270,417
Licenses and permits	1,043,028	697,482	175,143	170,564	181,638	144,466	130,075	153,196	170,541	166,362
Intergovernmental	1,534,809	1,355,159	5,754,141	7,250,735	5,520,122	5,249,315	4,994,722	7,969,865	6,025,239	5,254,873
Charges for services	583,141	487,048	236,118	1,479,960	1,581,724	1,657,809	1,536,481	1,524,191	1,441,600	1,391,169
Fines	131,878	167,787	225,171	608,860	826,720	730,882	735,402	748,341	227,675	150,698
Special assessments	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	620,874
Investment earnings	828,583	489,904	150,024	63,957	114,720	135,595	(39,888)	109,380	81,048	126,584
Miscellaneous	564,102	398,052	1,168,981	463,964	351,183	667,430	496,772	431,398	615,077	420,131
Total Revenues	\$ 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	\$ 19,401,108
Expenditures										
Current:										
General government	\$ 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	\$ 3,578,335
Public safety	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	5,339,028
Public works	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	3,773,879
Economic Development/General Operations	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	2,142,901
Capital outlay	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	3,096,740
Principal	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	1,531,000
Interest and fiscal charges	805,199	951,412	1,016,563	1,046,806	988,913	880,470	852,337	760,654	672,870	559,047
Total expenditures	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	20,020,930
Revenues over (under) expenditures	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	(619,822)
Other finance sources (Uses)										
Sale of Assets	-	1,416,206	12,534	4,696	-	12,762	25,574	26,347	7,157	59,346
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)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400	381,800
Total other finance sources (uses)	6,945,265	3,016,016	(619,338)	129,696	645,000	2,010,409	356,624	388,147	4,401,109	441,146
Net change in fund balances	\$ 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	\$ (178,676)
Debt service as a percentage of noncapital expenditures	13.36%	15.03%	17.11%	18.41%	15.35%	15.29%	15.49%	15.47%	13.34%	12.38%
Total	\$ 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	\$ 17,930,883
Capital Outlay as per page 22 of CAFR	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	3,140,575
Non-capital outlay	\$ 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	\$ 14,790,308

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

<u>Tax Remitter</u>	<u>Fiscal Year 2016</u>			<u>Fiscal Year 2006</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)

Fiscal Year	Amount
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
2016	672,344,965

Navajo County (1)

Fiscal Year	Amount
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	886,975,882
2016	840,855,279

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

Category	Rate
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.

<https://azdor.gov/ReportsResearch/AnnualReports.aspx>

Table 18

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
Actual Excise Tax Collections
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>
2007	10,964,955	349,826	590,144	11,904,925
2008	10,942,341	397,091	589,820	11,929,252
2009	8,910,530	416,309	560,171	9,887,010
2010	8,226,903	460,863	514,687	9,202,453
2011	8,258,333	420,157	511,760	9,190,249
2012	8,741,125	429,826	551,817	9,722,768
2013	9,206,661	442,213	503,515	10,152,389
2014	9,931,755	429,038	544,628	10,905,421
2015	10,443,961	441,349	561,552	11,446,862
2016	10,630,713	430,861	610,273	11,671,847

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
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%
2015-2016	434,054	212,623	324,316	8,018,088	638,681	140,496	370,461	176,793	315,201	10,630,713	1.79%

Source: Arizona Department of Revenue
<https://azdor.gov/ReportsResearch/AnnualReports.aspx>

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>
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%
2016	136,565,943	1,193,240,625	11%

Source: Arizona Department of Revenue - /<http://azmemory.azlibrary.gov/cdm/ref/collection/statepubs/id/11068>

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>
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
2015-16	-	-	0.8471	1.7884	4.7800	7.4155

Source: Navajo County Assessor's Office

<http://www.navajocountyaz.gov/Departments/Treasurer/Property-Taxes>

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

Tax Year	Original Property Assessments	Collected to June 30th, <u>End of Tax Fiscal Year</u>		Percent of Adjusted Levy	Taxes Receivable
		Adjustments	Amount		
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
2016	187,171	-	-	0%	187,171

Source: Navajo County Treasurer's Office

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

Fiscal Year	Total Assessments Billed	Total Assessments Collected	Ratio of Collections to Amount Billed	Net Outstanding Assessments
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
2015-2016	579,743	582,903	100.55%	(3,160)

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			
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	-	1,508,000	8,510,000	-	-	-	5,085,048	-	20,587,048	14.52%	1,892
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	-	-	-	7,958,361	-	24,438,361	12.95%	2,224
2016	906,000	2,275,000	-	993,000	10,875,000	-	-	-	7,625,381	-	22,674,381	14.36%	2,050

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)
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%	-
2016	136,565,943	-	0.0%	-

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

(a) Population information is shown on page 96

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Computation of Direct and Overlapping Debt
June 30, 2016

Jurisdiction	2015-2016 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	1,320,846	\$ 740,000	100.00%	\$ 740,000
Special Assessment Bonds		\$ 2,441,000	100.00%	2,441,000
GADA Bonds Series 2006B		\$ 800,000	100.00%	800,000
Gada Bonds Series 2008A		\$ 1,110,000	100.00%	1,110,000
Gada Bonds Series 2006B		\$ 8,865,000	100.00%	8,865,000
Reidhead Note Payable		\$ 100,000	100.00%	100,000
Capital Leases		\$ 993,000	100.00%	993,000
Total direct debt		\$ -		<u>\$ 15,049,000</u>
Overlapping Debt Repaid with Property Taxes:				
Navajo County	841,423,700	\$ 15,862,822	n/a	\$ -
Timber Mesa Fire & Medical District	267,231,614	\$ 3,652,303	n/a	\$ -
Northland Pioneer College	841,423,700	\$ 20,677	n/a	\$ -
Show Low School District #10 - 2003B	189,063,830	\$ 1,287,125	71.80%	<u>\$ 924,156</u>
Total overlapping debt				<u>\$ 924,156</u>
Other Debt:				
Total other debt				<u>-</u>
Total direct and overlapping debt				<u><u>\$ 15,973,156</u></u>

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

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
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%
2016	6,084,449	3,603,064	2,481,385	531,904	215,886	747,790	331.8%

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
2007	1,183,457	670,000	438,928	107%	-	-	-	0%	11,904,925	360,000	374,513	1621%
2008	1,437,350	605,000	427,519	139%	150,659	39,000	122,782	93%	11,929,252	375,000	359,813	1623%
2009	1,428,904	687,000	391,587	132%	238,098	60,000	136,319	121%	9,887,010	295,000	346,013	1542%
2010	1,387,109	689,000	349,173	134%	292,735	60,000	133,245	151%	9,202,453	610,000	485,738	840%
2011	1,229,768	777,000	305,377	114%	304,128	60,000	130,058	160%	9,190,249	595,000	464,213	868%
2012	1,392,206	830,000	255,951	128%	289,007	65,000	126,870	151%	9,722,768	620,000	440,900	916%
2013	1,088,028	883,000	203,252	100%	306,016	80,000	123,423	150%	10,152,389	645,000	414,756	958%
2014	1,044,708	941,000	147,127	96%	319,653	95,000	152,719	129%	10,905,421	670,000	387,575	1031%
2015	893,165	574,000	100,968	132%	209,002	100,000	146,880	85%	11,446,862	695,000	359,363	1086%
2016	582,903	443,931	134,870	101%	210,380	121,897	128,804	84%	11,671,847	725,000	334,480	1102%

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
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%
2016 (Estimated)	11,061	109,671	3,255,915	29,688	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).
 2011-16 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 2016**			Fiscal Year 2007*		
	Employees	Rank	Percentage of Top 10 Employment	Employees	Rank	Percentage of Total City Employment
Summit Healthcare Regional Medical Center	900	1	34.67%			
Walmart	490	2	18.88%			
Show Low Unified School District	300	3	11.56%			
Cellular One	187	4	7.20%			
City of Show Low	156	5	6.01%			
Home Depot	150	6	5.78%			
Frontier	125	7	4.82%			
Northland Pioneer College	110	8	4.24%			
Lowe's	108	9	4.16%			
Tates Automotive	70	10	2.70%			
Total Employees	2,596		100.00%	-		0.00%

*Information Not Available

** FY2012 numbers used for all employers except the City of Show Low

Source: City of Show Low Business Development

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

	Full-time Equivalent Employees									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Airport	5.2	5.2	5.2	4.2	4.2	4.5	4.1	4.1	4.1	4.1
Aquatics & Recreation	15.6	15.1	14.7	14.7	14.2	14.2	14.2	14.4	14.8	14.8
City 4 TV	3.0	3.0	3.0	2.7	2.0	2.0	2.3	2.3	2.3	2.3
City Attorney	2.0	2.0	2.0	1.0	-	-	1.6	1.6	1.6	1.6
City Clerk	3.0	4.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Magistrate	3.7	2.5	2.5	4.5	4.0	3.0	3.0	3.0	2.5	2.5
City Manager	1.0	1.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Community Services Admin	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Engineering	11.0	11.0	11.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Finance	8.0	10.0	9.0	6.5	-	-	-	-	-	-
Human Resources	2.0	2.0	2.0	2.0	-	-	-	-	-	-
Administrative Services	-	-	-	-	8.2	9.2	10.0	10.0	10.0	10.0
Information Systems	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Library	9.7	9.7	10.2	8.1	7.5	7.5	7.5	7.5	7.5	8.0
Parks & Facilities Maintenance	9.8	10.3	10.7	9.2	9.1	7.5	7.0	7.0	7.0	8.0
Planning & Zoning	13.7	12.7	11.7	6.5	5.0	4.5	4.5	4.5	4.5	4.5
Police	47.3	48.6	48.6	50.2	46.6	49.4	49.1	49.1	48.1	48.1
Public Works Administration	-	-	-	-	-	-	-	-	-	-
Streets	10.3	9.3	9.3	10.3	10.0	11.0	11.0	11.0	11.0	11.0
Wastewater	11.6	12.1	12.1	11.6	11.5	10.5	10.0	10.0	10.0	11.0
Water	8.6	11.1	11.1	11.5	10.5	13.5	15.0	15.0	15.0	14.0
Total Employees	169.5	173.6	174.1	156.0	145.8	149.8	153.3	153.5	152.4	153.9

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

Function	Fiscal Year									
	<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>	<u>2016</u>
Police										
Arrests	2,071	2,160	1,852	1,698	1,605	1,630	1,569	1,758	1,792	1,465
Citations	4,971	6,896	7,467	5,947	4,928	3,701	3,015	4,251	2,959	1,901
Traffic Stops	5,977	9,510	10,362	8,390	10,261	6,821	5,040	6,494	7,041	6,298
Officer Reports	3,929	4,164	3,735	3,021	2,749	2,854	2,955	3,074	3,010	2,745
Photo Enforcement - Notices Printed	0	0	0	15,524	15,813	12,452	13,150	7,452	0	0
Calls for Service	19,022	20,176	19,985	19,425	17,304	19,316	18,318	19,230	17,031	22,504
Highways & Streets										
Street resurfacing (miles)	15	15	27	17	25	61	90	137	35	
Potholes repaired	258	312	359	741	791	1,118	655	677	1,189	258
Street sweeping (miles)	3,000	3,000	1,670	2,094	965	505	1,671	1,252	904	1,670
Water										
New Connections	273	150	36	45	34	21	32	49	55	64
Line Breaks	56	133	65	158	128	119	108	89	72	32
Average Daily Consumption	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	2,246,453
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	837,000	971,000	956,739	830,000	867,000	892,000	789,258	907,463	972,000	1022000*
Line cleaning (feet)	325,600	340,000	204,033	258,768	268,231	99,556	109,812	126,362	136,387	127,363
Line Plugs	32	43	26	41	53	56	112	13	6	100
Recreation & Aquatics										
Aquatic center admissions	61,197	56,860	64,797	49,352	32,164	47,880	43,920	50,101	50,131	52,258

*Completion of new Wastewater Treatment Plant

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

Year	BUILDING PERMITS (1)			NEW HOUSING STARTS (1)
	Residential	Commercial	Total	
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
2015-16	\$ 12,209,338	\$ 2,534,586	14,743,924	64

(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>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>	<u>2016</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Authorized Patrol units	15	20	23	23	23	20	20	20	20	20
Highways and streets										
Streets (miles)	95	96	97	181	182	182	182	184	184	184
Streetlights	650	665	675	675	735	735	735	782	782	782
Water										
Water mains (miles)	109	111	119	124	164	164	183	185	187	187
Fire hydrants	815	815	815	810	817	1,033	1,096	1,149	1,168	1,174
Sewer										
Sanitary Sewer (miles)	127	131	139	146	148	148	148	150	152	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	428	428	428	428	428	428	428
Number of Parks	9	9	9	10	10	10	10	10	10	10
Swimming pools	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	5	5	5	5	5	5	5
Community centers	1	2	2	2	2	2	2	2	2	2

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, 2016, 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 29, 2016.

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 letter of findings and recommendations that we consider to be significant deficiencies.

2009-001 Year End Accounting

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 letter of findings and recommendations. 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 29, 2016

**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, 2016, and have issued our report thereon dated November 29, 2016. 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, 2016.

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 29, 2016

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