

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



*Year-ended June 30, 2017
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 21, 2017

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, 2017 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 FY2017 City sales tax collections over FY 2016 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 0.53% or 53 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 is covered by AVQuest 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 FY2017. 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, 2016

Executive Director/CEO

City of Show Low, Arizona

List of officials

MAYOR

Daryl Seymore

Vice-Mayor

Brent Hatch

Council Members

John Leech Jr.
Gene Kelley
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, 2017, 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, 2017, 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 December 20, 2017, 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 Arizona, PLLC
Flagstaff, Arizona
December 20, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Show Low
Management's Discussion and Analysis
June 30, 2017

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, 2017. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- City sales tax revenue continued to improve for the sixth consecutive year; collections increased by 3.0% when compared to the prior year and remain the single largest revenue in the General Fund budget at 96.4% of tax revenues. The trend of growth is similar to that being seen across the state and nation as the economy continues to improve. The total city sales tax collected for the current year is approximately \$1,784 less than the FY 2007 peak amount.
- The City undertook many capital improvement projects during the current year. Some of the significant capital outlay projects included 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 the current year. 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.

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.

City of Show Low
Management's Discussion and Analysis
June 30, 2017

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.

City of Show Low
Management's Discussion and Analysis
 June 30, 2017

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 exceeded liabilities and deferred inflows by \$111,477,463 as of June 30, 2017 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's Statement of Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 18,567,377	19,133,755	7,869,669	7,868,724	26,437,046	27,002,479
Net capital assets	70,740,204	67,292,554	53,455,414	54,316,542	124,195,618	121,609,096
Deferred outflows of resources	3,759,729	2,625,632	330,037	172,134	4,089,766	2,797,766
Total assets and deferred outflows	\$ 93,067,310	89,051,941	61,655,120	62,357,400	154,722,429	151,409,341
Long-term debt outstanding	\$ 13,584,850	28,655,200	6,903,876	9,253,167	20,488,726	37,908,367
Other liabilities	19,350,772	1,688,720	2,258,007	464,693	21,608,778	2,153,413
Deferred inflows of resources	936,705	867,759	210,757	145,276	1,147,462	1,013,035
Total liabilities and deferred inflows	33,872,326	31,211,679	9,372,640	9,863,136	43,244,966	41,074,815
Net position:						
Net investment in capital assets	57,182,342	56,243,784	46,551,538	46,691,160	103,733,880	102,934,944
Restricted	1,205,807	8,974,044	2,107,329	2,085,081	3,313,136	11,059,125
Unrestricted	806,834	(7,377,566)	3,623,613	3,718,023	4,430,447	(3,659,543)
Total net position	\$ 59,194,983	57,840,262	52,282,480	52,494,264	111,477,463	110,334,526

Governmental Activities

The City has \$150,632,664 in total assets, with \$124,195,618 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 3-C, 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
Management's Discussion and Analysis
June 30, 2017

City of Show Low's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Program revenues:						
Charges for services	\$ 3,858,018	3,693,724	7,359,644	7,064,121	11,217,661	10,757,845
Operating grants and contributions	2,615,705	2,232,509	-	-	2,615,705	2,232,509
Capital grants and contributions	843,347	306,077	484,013	371,484	1,327,360	677,561
General revenues:						
Taxes	13,205,355	12,887,533	-	-	13,205,355	12,887,533
Urban revenue sharing	1,332,380	1,287,298	-	-	1,332,380	1,287,298
Other revenues	414,009	216,831	111,812	176,885	525,821	393,716
Total revenues	22,268,814	20,623,972	7,955,468	7,612,490	30,224,282	28,236,462
Expenses:						
General government	5,267,322	5,182,675	-	-	5,267,322	5,182,675
Public safety	6,867,413	5,703,776	-	-	6,867,413	5,703,776
Public works/Streets	6,432,718	6,361,103	-	-	6,432,718	6,361,103
Non-departmental	702,637	932,005	-	-	702,637	932,005
Culture and recreation	1,865,145	1,724,017	-	-	1,865,145	1,724,017
Interest on long-term debt	326,758	568,898	-	-	326,758	568,898
Water	-	-	3,612,167	3,465,521	3,612,167	3,465,521
Wastewater	-	-	3,202,975	2,612,457	3,202,975	2,612,457
Refuse	-	-	804,210	818,157	804,210	818,157
Total expenses	21,461,993	20,472,474	7,619,353	6,896,135	29,081,346	27,368,609
Increase (decrease) in net						
position before transfers	806,821	151,498	336,116	716,355	1,142,937	867,853
Transfers in (out)	547,900	381,800	(547,900)	(381,800)	-	-
Change in net position	1,354,721	533,298	(211,784)	334,555	1,142,937	867,853
Net position - beginning	57,840,262	57,306,964	52,494,264	52,159,709	110,334,526	109,466,673
Net position - ending	\$ 59,194,983	57,840,262	52,282,480	52,494,264	111,477,463	110,334,526

Total resources available during the year to finance governmental operations were \$79,251,198, consisting of Net Position at July 1, 2016 of \$57,840,262, program revenues of \$6,472,478, and General Revenues of \$14,938,458. Total Governmental Activities expenses during the year were \$21,461,993; transfers in during the year were \$547,900; thus, Governmental Net Position was increased by \$1,354,721 to \$59,194,983.

City of Show Low
Management's Discussion and Analysis
June 30, 2017

Business-type Activities

Net Position of the Business Type activities at June 30, 2017, as reflected in the Statement of Net Position was \$52,282,480. The cost of providing all Proprietary (Business Type) activities this year was \$7,619,353. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$7,359,644 and there was \$484,013 subsidized by capital grants and contributions. Interest earnings and other revenues were \$111,812. The Net Position decreased by \$211,784.

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 \$12,045,717, a decrease of \$2,623,841. The change is due primarily to completion of the new public safety building.

Approximately 66% of the combined ending fund balances of \$12,045,717, or \$7,927,318, constitutes unassigned fund balance which is available for new spending at the government's discretion. The \$7,927,318 million combined unassigned fund balance includes \$2,900,000 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 \$1,900,000 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 \$8,039,567, while total General fund balance was \$8,289,553. 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 67.92% of total General fund expenditures while total fund balance represents 70.03% of the same amount. During the year, the City of Show Low's General fund balance increased by \$1,239,140. This increase 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 \$6,561 and an unassigned fund balance of (\$112,249), which offsets the total fund balance.

The Special Projects Fund experienced a decrease of \$3,854,439 in the current year primarily due to the completion of the new public safety building.

The Show Low Bluff Communities Facilities District debt service fund experienced a net expenditure of \$17,407 for the current year, resulting in an ending fund balance of \$816,251 restricted for debt service.

City of Show Low
Management's Discussion and Analysis
 June 30, 2017

General Fund Budgetary Highlights

Tax revenues have a positive variance of \$1,193,603 mainly due to stronger than budgeted sales tax collections. Intergovernmental revenues also have a positive variance of \$157,864 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 32.5% or \$1,657,871. General fund expenditures were \$1,680,389 or 12% less than budgeted with the most significant positive variances in the following areas:

- In the General Government category, total spending was \$574,384 or 15% less than budget. Most notable in this category was City Council spending \$222,332 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 \$519,634 or 9% less than budget due to personnel-related, program, and equipment replacement savings.
- In the Public Works department, actual spending was \$137,986 or 9% less than budget due to personnel-related and program savings.
- In the Non-departmental category, spending was \$314,963 or 31% 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 \$133,422 or 19% less than budget due to personnel-related and contractual savings.

CAPITAL ASSET AND DEBT ADMINISTRATION

City of Show Low's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land and water rights	\$ 6,309,240	6,309,240	1,256,833	1,256,833	7,566,073	7,566,073
Buildings	14,660,793	9,897,559	299,938	29,497	14,960,732	9,927,056
Improvements	8,531,491	6,676,746	-	-	8,531,491	6,676,746
Infrastructure	37,703,940	38,778,169	49,889,125	40,659,277	87,593,065	79,437,446
Machinery and equipment	2,204,799	2,216,127	1,502,101	1,666,575	3,706,900	3,882,702
Vehicles	1,151,920	1,245,792	167,901	190,455	1,319,821	1,436,247
Work in progress	178,021	2,168,922	339,515	10,513,903	517,536	12,682,825
Totals	\$ 70,740,204	67,292,554	53,455,413	54,316,540	124,195,617	121,609,095

The capital assets of the City are those assets that are used in performance of City functions. The total amount of capital assets, net of depreciation, of \$124,195,617 is an increase of \$2,586,522 from the previous year. Governmental activities capital assets, net of depreciation, of \$70,740,204 is an increase of \$3,447,650 from the previous year. Business-type activities capital assets, net of depreciation, of \$53,455,413 is a decrease of \$861,127 from the previous year. Additional information regarding capital assets may be found in the notes to the financial statements, Note 3-C.

City of Show Low
Management's Discussion and Analysis
June 30, 2017

City of Show Low's Outstanding Debt

	Current Year	Previous Year	Change
Governmental activities:			
Improvement District #6	\$ 320,000	760,000	(440,000)
Improvement District #7	75,000	146,000	(71,000)
Community Facilities District	1,465,000	1,535,000	(70,000)
CFD District bonds - Series 2007	375,000	390,000	(15,000)
CFD District bonds - Series 2011	315,000	350,000	(35,000)
GADA Bonds - Series 2006B	400,000	800,000	(400,000)
GADA Bonds - Series 2008A	755,000	1,110,000	(355,000)
Excise Tax Rev. Ref. Bonds - Series 2015	8,790,000	8,865,000	(75,000)
Reidhead note payable - Land purchase	50,000	100,000	(50,000)
Accrued compensated absences	812,754	861,675	(48,921)
Capital leases	1,012,862	993,000	19,862
Landfill monitoring costs	26,988	26,988	-
Net pension liability	14,865,495	12,717,537	2,147,958
Total governmental	\$ 29,263,099	28,655,200	607,899
Business-type activities:			
WIFA Loan - Water PV/FH	\$ 1,667,075	1,751,904	(84,829)
WIFA Loan - Water Pineview	3,041,801	3,204,908	(163,107)
WIFA Loan - Wastewater	-	188,570	(188,570)
Sewer System Rev. Ob. - 2014	2,195,000	2,480,000	(285,000)
Accrued compensated absences	117,004	119,775	(2,771)
Net pension liability	1,649,197	1,508,010	141,187
Total business-type	\$ 8,670,076	9,253,167	(583,091)
Total outstanding debt	\$ 37,933,175	37,908,367	24,808

Additional information regarding the long-term liabilities may be found in the notes to the financial statements, Note 3-D.

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.

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BASIC FINANCIAL STATEMENTS

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City of Show Low
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 12,212,249	7,227,765	19,440,013
Accounts receivable, net of allowance	3,480,038	941,731	4,421,769
Internal balances	693,457	(693,457)	-
Inventory	36,959	282,540	319,498
Prepaid items	1,209,040	-	1,209,040
Total current assets	17,631,742	7,758,578	25,390,321
Non-current assets:			
Restricted cash and cash equivalents	935,634	111,091	1,046,725
Capital assets:			
Not being depreciated	6,487,261	1,596,347	8,083,609
Net of accumulated depreciation	64,252,943	51,859,066	116,112,009
Total non-current assets	71,675,838	53,566,504	125,242,343
Total assets	89,307,581	61,325,083	150,632,663
Deferred outflows of resources - charge on refunding	270,966	-	270,966
Deferred outflows of resources - pensions	3,488,763	330,037	3,818,800
Total assets and deferred outflows of resources	\$ 93,067,310	61,655,120	154,722,429
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,579,766	279,306	1,859,071
Accrued wages, benefits and other liabilities	401,800	81,500	483,299
Compensated absences	495,780	71,372	567,152
Accrued interest payable	46,197	70,857	117,054
Customer deposits	702,407	48,399	750,806
Unearned Revenue	942,354	11,745	954,099
Long-term liabilities due within one year	1,606,847	550,362	2,157,209
Total current liabilities	5,775,149	1,113,540	6,888,690
Non-current liabilities:			
Compensated absences	316,974	45,631	362,605
Long-term liabilities due after one year	11,978,003	6,353,514	18,331,517
Net pension liability	14,865,495	1,649,197	16,514,692
Total non-current liabilities	27,160,472	8,048,343	35,208,814
Total liabilities	32,935,621	9,161,883	42,097,504
Deferred inflows of resources - pensions	936,705	210,757	1,147,462
Total liabilities and deferred inflows of resources	33,872,326	9,372,640	43,244,966
NET POSITION:			
Net investment in capital assets	57,182,342	46,551,538	103,733,880
Restricted for:			
Highways and streets	8,282	-	8,282
Debt service	1,088,010	-	1,088,010
Capital projects and other	109,515	2,107,329	2,216,844
Unrestricted	806,834	3,623,613	4,430,447
Total net position	59,194,983	52,282,480	111,477,463
Total liabilities, deferred inflows of resources and net position	\$ 93,067,310	61,655,120	154,722,429

The notes to the financial statements are an integral part of this statement.

City of Show Low
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue (To Next Page)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government	\$ 5,267,322	2,318,678	21,783	-	(2,926,860)
Public safety	6,867,413	229,178	400,972	-	(6,237,264)
Public works/Streets	6,432,718	1,060,900	2,179,268	825,932	(2,366,618)
Non-departmental	702,637	-	-	-	(702,637)
Culture and recreation	1,865,145	249,262	13,682	17,415	(1,584,786)
Interest on long-term debt	326,758	-	-	-	(326,758)
Total governmental activities	21,461,993	3,858,018	2,615,705	843,347	(14,144,924)
Business-type activities:					
Water	3,612,167	3,954,512	-	189,317	531,662
Wastewater	3,202,975	2,536,493	-	294,696	(371,787)
Refuse	804,210	868,639	-	-	64,429
Total business-type activities	7,619,353	7,359,644	-	484,013	224,304
Total primary government	\$ 29,081,346	11,217,661	2,615,705	1,327,360	(13,920,620)

(continued on next page)

City of Show Low
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2017

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (14,144,924)	224,304	(13,920,620)
General revenues:			
Taxes:			
City sales tax	10,963,170	-	10,963,170
Franchise tax	405,434	-	405,434
Property tax	192,045	-	192,045
Auto license tax (unrestricted)	648,842	-	648,842
State sales tax (unrestricted)	995,864	-	995,864
Urban revenue sharing (unrestricted)	1,332,380	-	1,332,380
Unrestricted investment earnings	80,394	111,812	192,206
Gain (loss) on sale of capital assets	10,144	-	10,144
Miscellaneous	323,470	-	323,470
Transfers in (out)	547,900	(547,900)	-
Total general revenues and transfers	<u>15,499,645</u>	<u>(436,088)</u>	<u>15,063,556</u>
Change in net position	1,354,721	(211,784)	1,142,937
Net position - beginning	<u>57,840,262</u>	<u>52,494,264</u>	<u>110,334,526</u>
Net position - ending	<u>\$ 59,194,983</u>	<u>52,282,480</u>	<u>111,477,463</u>

The notes to the financial statements are an integral part of this statement.

City of Show Low
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Special Revenue Funds		
		Highway User Revenue Fund	Airport Fund	Special Projects Fund
ASSETS				
Cash and cash equivalents	\$ 7,760,031	1,677,993	64,978	429,793
Receivables:				
Taxes	1,086,286	139,102	-	-
Interest	41,078	-	-	-
Other	58,620	-	-	-
Assessments	-	-	-	-
Intergovernmental	70,720	226,493	22,677	-
Due from other funds	858,395	-	-	-
Inventories	-	-	36,959	-
Prepaid items	74,073	-	81,852	-
Restricted cash and cash equivalents	779,460	-	-	4
TOTAL ASSETS	\$ 10,728,662	2,043,588	206,465	429,797
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ 484,779	541,291	86,579	384,671
Accrued wages and benefits	320,726	18,453	6,870	-
Accrued liabilities	31,198	-	7,491	-
Deposits held	702,407	-	-	-
Due to other funds	-	-	98,965	-
Unearned revenue	900,000	-	-	42,354
Total liabilities	2,439,109	559,744	199,904	427,025
Deferred inflows of resources - special assessments	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,439,109	559,744	199,904	427,025
FUND BALANCES:				
Nonspendable:				
Inventories and prepaid items	74,073	-	118,810	-
Restricted for:				
Public works/streets	-	-	-	2,772
Capital outlay	-	-	-	-
Debt service	77,053	-	-	-
Committed for:				
Cemetery	98,860	-	-	-
Public transportation	-	-	-	-
Family aquatic center	-	-	-	-
Assigned for:				
Public works/streets	-	1,483,844	-	-
Unassigned	8,039,567	-	(112,249)	-
TOTAL FUND BALANCES	8,289,553	1,483,844	6,561	2,772
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,728,662	2,043,588	206,465	429,797

The notes to the financial statements are an integral part of this statement.

Show Low Bluff Communities Facilities District	Non-Major Governmental Funds	Total Governmental Funds
624,144	446,426	11,003,365
22,873	2,803	1,251,064
5,947	730	47,756
23,996	-	82,616
1,270,855	270,814	1,541,669
-	107,041	426,931
-	-	858,395
-	-	36,959
-	1,053,116	1,209,040
156,171	-	935,634
2,103,986	1,880,929	17,393,428
-	74,334	1,571,655
-	17,062	363,112
-	-	38,688
-	-	702,407
-	65,973	164,938
-	-	942,354
-	157,370	3,783,153
1,287,735	276,824	1,564,559
1,287,735	434,194	5,347,711
-	1,053,116	1,245,999
-	5,510	8,282
-	109,515	109,515
816,251	194,706	1,088,010
-	-	98,860
-	79,583	79,583
-	4,307	4,307
-	-	1,483,844
-	-	7,927,318
816,251	1,446,736	12,045,717
2,103,986	1,880,929	17,393,428

City of Show Low
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2017

	Special Revenue Funds			
	General Fund	Highway User Revenue Fund	Airport Fund	Special Projects Fund
REVENUES				
Taxes	\$ 11,368,603	-	-	-
License and permits	257,322	-	-	-
Intergovernmental revenues	3,376,556	1,633,353	38,652	15,185
Charges for services	447,840	-	1,058,388	-
Fines and forfeitures	166,519	-	-	3,861
Interest	50,245	11,020	530	-
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous revenue	182,149	3,156	20,144	-
Total revenues	15,849,235	1,647,528	1,117,715	19,047
EXPENDITURES				
Current:				
General government	3,305,316	-	-	13,081
Public safety	5,583,466	-	-	-
Public works/Streets	1,414,714	1,280,156	980,355	-
Non-departmental	702,637	-	-	-
Culture and recreation	831,378	-	-	12,797
Capital outlay	-	1,088,460	95,309	5,023,035
Debt service:				
Principal	-	-	95,000	50,000
Interest and fiscal charges	-	-	7,340	-
Total expenditures	11,837,511	2,368,616	1,178,005	5,098,913
Excess (deficiency) of revenues over (under) expenditures	4,011,724	(721,088)	(60,290)	(5,079,866)
OTHER FINANCING SOURCES (USES)				
Capital leases	-	243,862	-	-
Sale of assets	10,144	-	-	-
Transfers in	678,066	477,226	60,290	1,225,427
Transfers out	(3,460,795)	-	-	-
Total other financing sources and (uses)	(2,772,584)	721,088	60,290	1,225,427
Net change in fund balances	1,239,140	-	-	(3,854,439)
Fund balances - beginning of year	7,050,414	1,483,844	6,561	3,857,211
Fund balance - end of year	\$ 8,289,553	1,483,844	6,561	2,772

The notes to the financial statements are an integral part of this statement.

Show Low Bluff		
Communities Facilities District	Non-Major Governmental Funds	Total Governmental Funds
-	192,045	11,560,649
-	-	257,322
-	529,046	5,592,792
-	133,854	1,640,082
675	-	171,056
4,814	8,049	74,658
-	125,369	125,369
198,295	351,799	550,094
51,300	66,721	323,470
255,085	1,406,883	20,295,492
8,803	578,351	3,905,552
-	-	5,583,466
-	208,493	3,883,719
-	-	702,637
-	394,638	1,238,812
-	15,770	6,222,574
120,000	1,470,000	1,735,000
139,689	302,451	449,480
268,492	2,969,703	23,721,239
(13,407)	(1,562,820)	(3,425,747)
-	-	243,862
-	-	10,144
-	1,779,851	4,220,861
(4,000)	(208,166)	(3,672,961)
(4,000)	1,571,685	801,906
(17,407)	8,866	(2,623,841)
833,659	1,437,870	14,669,558
816,251	1,446,736	12,045,717

City of Show Low
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2017

Total Fund Balances - Total Governmental Funds	<u>\$ 12,045,717</u>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>	
<p>Capital assets used in governmental funds are not financial resources, and therefore, are not reported in the funds:</p>	
Capital assets, at cost	\$ 117,245,498
Less accumulated depreciation	<u>(46,505,294)</u>
Net capital assets	70,740,204
<p>Some liabilities are not due in the current period and therefore are not reported in the funds.</p>	
Deferred charge on refunding	\$ 270,966
Notes payable	(9,995,000)
Bonds payable	(690,000)
Special assessment bonds	(1,860,000)
Landfill monitoring costs	(26,988)
Lease payable	(1,012,862)
Net pension liability	(14,865,495)
Compensated absences	<u>(812,754)</u>
	(28,992,133)
<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>	
	(46,197)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities.</p>	
	1,564,559
<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 fund reported as governmental activities.</p>	
	1,330,775
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting period and, therefore, are not reported in the funds.</p>	
Deferred outflows	\$ 3,488,763
Deferred inflows	<u>(936,705)</u>
	2,552,058
Total Net Position of Governmental Activities	<u><u>\$ 59,194,983</u></u>

The notes to the financial statements are an integral part of this statement.

City of Show Low
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (2,623,841)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 6,222,574	
Contributed capital assets	717,978	
Depreciation expense	<u>(3,492,899)</u>	
Net		3,447,653

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Current year payments on assessments. (403,737)

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)

Long-term debt proceeds are reported as financing sources in government funds. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (243,862)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,735,000

The statement of activities shows pension contributions and pension expenses that are not shown in the fund statements. (1,055,710)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. 48,921

Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities. 122,722

The net revenue of certain activities of the internal service fund is reported with governmental activities. 354,672

Change in Net Position of Governmental Activities \$ 1,354,721

The notes to the financial statements are an integral part of this statement.

City of Show Low
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental	
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,720,766	2,292,391	214,608	7,227,765	1,208,883
Accounts receivable, net of allowance	616,158	249,368	76,204	941,731	130,003
Inventory	217,744	64,796	-	282,540	-
Total current assets	5,554,669	2,606,554	290,812	8,452,035	1,338,887
Non-current assets:					
Restricted cash and cash equivalents	111,091	-	-	111,091	-
Capital assets:					
Not being depreciated	732,520	863,828	-	1,596,347	-
Net of accumulated depreciation	21,918,116	29,940,950	-	51,859,066	-
Total non-current assets	22,761,726	30,804,778	-	53,566,504	-
Total assets	28,316,395	33,411,332	290,812	62,018,539	1,338,887
Deferred outflows of resources - pensions	190,619	139,418	-	330,037	-
Total assets and deferred outflows of resources	\$ 28,507,014	33,550,750	290,812	62,348,576	1,338,887
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 65,096	126,836	87,373	279,306	8,111
Accrued wages and benefits	28,189	23,097	-	51,287	-
Accrued liabilities	30,213	-	-	30,213	-
Due to other funds	-	693,457	-	693,457	-
Compensated absences	43,537	27,835	-	71,372	-
Unearned revenue	11,745	-	-	11,745	-
Accrued interest payable	70,857	-	-	70,857	-
Customer deposits	48,399	-	-	48,399	-
Long-term debt, current position	255,362	295,000	-	550,362	-
Total current liabilities	553,398	1,166,225	87,373	1,806,997	8,111
Non-current liabilities:					
Compensated absences	26,870	18,761	-	45,631	-
Long-term debt, long-term portion	4,453,514	1,900,000	-	6,353,514	-
Net pension liability	952,525	696,672	-	1,649,197	-
Total non-current liabilities	5,432,909	2,615,433	-	8,048,343	-
Total liabilities	5,986,307	3,781,659	87,373	9,855,339	8,111
Deferred inflows of resources - pensions	121,727	89,030	-	210,757	-
Total liabilities and deferred inflows of resources	6,108,034	3,870,689	87,373	10,066,096	8,111
NET POSITION:					
Net investment in capital assets	17,941,760	28,609,778	-	46,551,538	-
Restricted for developer fees	111,091	1,996,239	-	2,107,329	-
Unrestricted	4,346,129	(925,955)	203,439	3,623,613	1,330,775
Total net position	22,398,980	29,680,061	203,439	52,282,480	1,330,775
Total liabilities, deferred inflows of resources, and net position	\$ 28,507,014	33,550,750	290,812	62,348,576	1,338,887

The notes to the financial statements are an integral part of this statement.

City of Show Low
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
Operating income:					
Charges for sales and service	\$ 3,849,660	2,536,493	868,639	7,254,791	-
Premiums	-	-	-	-	1,643,201
Other revenues	104,852	-	-	104,852	-
Total operating income	3,954,512	2,536,493	868,639	7,359,644	1,643,201
Operating expenses:					
Salaries, wages and benefits	992,679	743,867	-	1,736,545	-
Administration/legal/contract services	43,642	29,604	766,633	839,879	1,294,265
Field supplies	142,167	97,189	36,844	276,201	-
Repair and maintenance	659,878	692,159	-	1,352,038	-
Utilities	388,671	301,371	-	690,042	-
Water shares and rights preservation	99,299	-	-	99,299	-
Miscellaneous	715	65,503	-	66,218	-
Bad debt expense	4,312	2,649	733	7,694	-
Depreciation expense	1,146,299	1,214,906	-	2,361,205	-
Total operating expense	3,477,663	3,147,247	804,210	7,429,120	1,294,265
Net operating income (loss)	476,850	(610,754)	64,429	(69,476)	348,936
Non-operating income (expense):					
Interest income	95,929	14,615	1,267	111,812	5,736
Interest expense and fiscal charges	(134,505)	(55,729)	-	(190,233)	-
Gain (loss) on sale of assets	-	-	-	-	-
Total non-operating income (expense)	(38,576)	(41,113)	1,267	(78,422)	5,736
Income (loss) before contributions and transfers	438,274	(651,867)	65,696	(147,897)	354,672
Capital contributions	14,400	-	-	14,400	-
Capacity fees	174,918	294,696	-	469,613	-
Transfers out	(195,800)	(277,100)	(75,000)	(547,900)	-
Change in net position	431,791	(634,272)	(9,304)	(211,784)	354,672
Net position - beginning	21,967,189	30,314,333	212,743	52,494,264	976,103
Net position - ending	\$ 22,398,980	29,680,061	203,439	52,282,480	1,330,775

The notes to the financial statements are an integral part of this statement.

City of Show Low
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental	
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
Cash flows from operating activities:					
Cash received from customers - services and other	\$ 3,899,387	2,508,595	875,717	7,283,699	1,513,204
Cash paid to suppliers	(1,280,315)	(1,245,307)	(790,316)	(3,315,938)	(1,318,758)
Cash paid to employees	(964,069)	(718,928)	-	(1,682,997)	-
Net cash provided (used) in operating activities	1,655,003	544,360	85,401	2,284,764	194,446
Cash flows from noncapital financing activities:					
Transfers	(195,800)	(277,100)	(75,000)	(547,900)	-
Change in due to/due from	-	542,577	-	542,577	-
Net cash provided (used) in noncapital financing activities	(195,800)	265,477	(75,000)	(5,323)	-
Cash flows from capital and related financing activities:					
Donations	14,400	-	-	14,400	-
Capacity fees	174,918	294,696	-	469,613	-
Cash payments for capital assets	(723,859)	(778,018)	-	(1,501,877)	-
Cash payments for long-term debt principal	(247,937)	(473,570)	-	(721,507)	-
Cash payments for long-term debt interest	(138,109)	(58,437)	-	(196,546)	-
Net cash provided (used) in capital and related financing activities	(920,588)	(1,015,329)	-	(1,935,917)	-
Cash flows from investing activities:					
Cash received from interest earned	95,929	14,615	1,267	111,812	5,736
Net cash provided (used) in investing activities	95,929	14,615	1,267	111,812	5,736
Net increase (decrease) in cash	634,544	(190,877)	11,668	455,336	200,182
Cash balance - beginning	4,197,312	2,483,268	202,939	6,883,519	1,008,702
Cash balance - ending	\$ 4,831,857	2,292,391	214,608	7,338,855	1,208,883
Cash reported on the statement of net position:					
Cash and cash equivalents	\$ 4,720,766	2,292,391	214,608	7,227,765	1,208,883
Non-current restricted cash	111,091	-	-	111,091	-
Total cash and cash equivalents	\$ 4,831,857	2,292,391	214,608	7,338,855	1,208,883

The notes to the financial statements are an integral part of this statement.

City of Show Low
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2017

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:

	Business-type Activities - Enterprise Funds			Governmental	
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
Net operating income (expense)	\$ 476,850	(610,754)	64,429	(69,476)	348,936
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:					
Depreciation and amortization	1,146,299	1,216,706	-	2,363,005	-
Pension expense and pension contributions	27,092	21,673	-	48,765	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	(38,304)	(27,049)	7,810	(57,542)	(129,997)
(Increase) decrease in inventories	(26,628)	(2,987)	-	(29,615)	-
Increase (decrease) in payables	50,473	25,661	13,162	89,295	(24,494)
Increase (decrease) in wages and benefits	2,769	4,785	-	7,554	-
Increase (decrease) in accrued liabilities	30,213	(82,155)	-	(51,942)	-
Increase (decrease) in compensated absences	(1,252)	(1,519)	-	(2,771)	-
Increase (decrease) in deposits	(12,509)	-	-	(12,509)	-
Net cash provided (used) in operating activities	\$ 1,655,003	544,360	85,401	2,284,764	194,446

The notes to the financial statements are an integral part of this statement.

City of Show Low
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 20,490</u>
TOTAL ASSETS	<u><u>20,490</u></u>
LIABILITIES	
Deposits	<u>20,490</u>
TOTAL LIABILITIES	<u><u>\$ 20,490</u></u>

The notes to the financial statements are an integral part of this statement.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. 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 not discretely presented component units and two blended component units.

Blended component units included within the reporting entity:

The **City of Show Low Municipal Corporation (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 29, Constitution of Arizona, a tax levying public improvement district for purposes of Article XIII, Section 7, and a municipal corporation for all purposes on 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.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1-B. Government-wide and fund financial statements (continued)

The statement of net position reports the financial position of the governmental and business-type activities of the City and its discretely presented component units at year-end.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are 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. 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.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1-C. Measurement focus, basis of accounting and financial statement presentation (continued)

Property taxes, sales taxes, intergovernmental revenues, 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. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

1-D. Fund types and major funds

The City reports the following major governmental funds:

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

The *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 fund, 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 of CFD debt principal and interest.

The City reports the following major proprietary 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 proprietary fund and it accounts for the collection of solid waste and related activities.

Additionally, the City reports the following fund types:

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

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1-D. Fund types and major funds (continued)

The *Agency Funds* hold 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.

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 involved on 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 advance 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 the 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 or resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the 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.

1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1-E-1. *Deposit 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 deposits 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

**1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(continued)**

1-E-2. *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.

1-E-3. *Inventories and Prepaid items*

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for 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.

1-E-4. *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 activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated. Property, plant, and equipment of the primary government, as well as the component units (if any), are depreciated using the straight-line method over the following estimated useful lives:

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

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

1-E-5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes include 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 reports deferred outflows related to pensions as required by GASB 68. See note 4-E for more information. In addition, the City reports deferred outflows for deferred charges on refunding bonds.

In addition to liabilities, the statement of net position will sometimes include 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 then. The City reports deferred inflows related to pensions as required by GASB 68. See note 4-C for more information. Another item, which arises only under a modified accrual basis of account, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-E-6. *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 fiduciary net position of Arizona State Retirement System (ASRA) 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.

1-E-7. *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.

1-E-8. *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 reports 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 and 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

1-E-9. 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 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 Note 4-C for information about the City's General Fund stabilization reserve that is included in the unassigned fund balance of the General Fund.

1-F. Revenues and expenditures/expenses

1-F-1. 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.

1-F-2. Property taxes

Property tax revenues are recognized as revenue 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.

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.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1-F. Revenues and expenditures/expenses (continued)

1-F-3. *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 employees' 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.

1-G. Tax abatements

The City has not entered into any tax abatement agreements and the City is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the City's tax revenues.

1-H. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

NOTE 2 - 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.

2-A. Budgets and budgetary accounting

Annual budgets are prepared and 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 the 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 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.
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 of the General Fund and in total by fund for the other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2-A. Budgets and budgetary accounting (continued)

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. The 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, 2017.

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.

2-B. 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, 2017, if any.

3-C. Highway User Revenue Funds

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

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

Cash and cash equivalents	\$ 19,440,013
Restricted cash and cash equivalents	1,046,725
Agency fund monies	20,490
	<u><u>\$ 20,507,228</u></u>

Deposits

Custodial Credit Risk

For the 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, 2017, \$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.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

3-A. Deposits and investments (continued)

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 rate “P1” by Moody’s investors or “A1” by Standard and Poor’s rate 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.

As of June 30, 2017, the City had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 1,506,137	N/A	N/A
Cash on hand	1,946	N/A	N/A
Local Governments Investment Pool 5 *	6,635,391	AAA f/S1+	36.5 days
Local Governments Investment Pool 500 *	6,029,054	AA-3	2.06 years
Local Governments Investment Pool 700 *	6,334,701	AAA	2.42 years
	<u><u>\$ 20,507,228</u></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.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

3-A. Deposits and investments (continued)

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.

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).

3-B. Restricted assets

Restricted assets consisted of the following cash reserves at June 30, 2017:

Governmental activities:

General Fund:

Reserve for arbitrage - GADA 2006	\$	77,053
Restricted for developer performance bond		702,407

Debt Service Funds:

Restricted for debt service CFD Bonds		156,171
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Special Revenue Funds:

Restricted for unexpended loan proceeds		4
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Total governmental activities		\$ 935,634
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Business-type activities:

Water Fund:

Customer security deposits		111,091
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Total business-type activities		\$ 111,091
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City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3-C. Capital assets

Capital assets activity for the governmental activities during the year was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	\$ 6,309,240	-	-	6,309,240
Construction in progress	2,168,922	47,419	(2,038,320)	178,021
Total capital assets, not being depreciated	8,478,162	47,419	(2,038,320)	6,487,261
Capital assets, being depreciated:				
Buildings	17,338,376	5,349,604	-	22,687,980
Improvements other than buildings	12,447,826	2,278,467	-	14,726,293
Machinery and equipment	5,749,716	382,994	(68,817)	6,063,893
Infrastructure	61,746,074	717,978	-	62,464,052
Vehicles	4,402,017	202,410	(73,958)	4,530,469
Total capital assets, being depreciated	101,684,009	8,931,452	(142,775)	110,758,236
Less accumulated depreciation for:				
Buildings	(7,440,817)	(586,370)	-	(8,027,186)
Improvements other than buildings	(5,771,080)	(423,722)	-	(6,194,802)
Machinery and equipment	(3,533,590)	(394,322)	68,817	(3,859,094)
Infrastructure	(22,967,905)	(1,792,207)	-	(24,760,112)
Vehicles	(3,156,225)	(296,281)	73,958	(3,378,549)
Total accumulated depreciation	(42,869,617)	(3,492,902)	142,775	(46,505,294)
Total capital assets being depreciated, net	58,814,393	5,438,550	-	64,252,943
Governmental activities capital assets, net	\$ 67,292,554	5,485,969	(2,038,320)	70,740,204

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Governmental activities:	
General government	\$ 97,155
Public safety	220,412
Public works/Streets	2,549,002
Culture and recreation	626,332
Total	\$ 3,492,902

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3-C. Capital assets (continued)

Capital assets activity for the business-type activities during the year was as follows:

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,136,033	-	-	1,136,033
Water rights	120,800	-	-	120,800
Construction in progress	10,513,903	329,874	(10,504,262)	339,515
Total capital assets, not being depreciated	11,770,736	329,874	(10,504,262)	1,596,347
Capital assets, being depreciated:				
Buildings	74,054	276,145	-	350,199
Improvements other than buildings	72,370,952	11,271,713	-	83,642,665
Machinery and equipment	3,637,415	128,408	(12,000)	3,753,823
Vehicles	638,977	-	-	638,977
Total capital assets, being depreciated	76,721,398	11,676,266	(12,000)	88,385,664
Less accumulated depreciation for:				
Buildings	(44,557)	(5,703)	-	(50,260)
Improvements other than buildings	(31,711,675)	(2,041,865)	-	(33,753,540)
Machinery and equipment	(1,970,840)	(291,082)	10,200	(2,251,722)
Vehicles	(448,522)	(22,554)	-	(471,076)
Total accumulated depreciation	(34,175,594)	(2,361,205)	10,200	(36,526,599)
Total capital assets being depreciated, net	42,545,804	9,315,061	(1,800)	51,859,066
Business-type activities capital assets, net	\$ 54,316,540	9,644,935	(10,506,062)	53,455,413

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-type activities:	
Water	\$ 1,146,299
Wastewater	1,214,906
Total	\$ 2,361,205

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3-D. Long-term liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Special assessment bonds:					
Improvement District #6	\$ 760,000	-	(440,000)	320,000	320,000
Improvement District #7	146,000	-	(71,000)	75,000	75,000
Community Facilities District	1,535,000	-	(70,000)	1,465,000	70,000
Total special assessment bonds	<u>2,441,000</u>	<u>-</u>	<u>(581,000)</u>	<u>1,860,000</u>	<u>465,000</u>
General obligation bonds:					
Community Facilities					
CFD District bonds - Series 2007	390,000	-	(15,000)	375,000	15,000
CFD District bonds - Series 2011	350,000	-	(35,000)	315,000	35,000
Total general obligation	<u>740,000</u>	<u>-</u>	<u>(50,000)</u>	<u>690,000</u>	<u>50,000</u>
Loans payable:					
GADA Bonds - Series 2006B	800,000	-	(400,000)	400,000	400,000
GADA Bonds - Series 2008A	1,110,000	-	(355,000)	755,000	370,000
Excise Tax Rev. Ref. Bonds - Series 2015	8,865,000	-	(75,000)	8,790,000	100,000
Reidhead note payable - Land purchase	100,000	-	(50,000)	50,000	50,000
Total loans payables	<u>10,875,000</u>	<u>-</u>	<u>(880,000)</u>	<u>9,995,000</u>	<u>920,000</u>
Accrued compensated absences	861,675	476,701	(525,622)	812,754	495,780
Capital leases	993,000	243,862	(224,000)	1,012,862	171,847
Landfill monitoring costs	26,988	-	-	26,988	-
Net pension liability	12,717,537	2,147,958	-	14,865,495	-
Total governmental debt	<u>\$28,655,200</u>	<u>2,868,521</u>	<u>(2,260,622)</u>	<u>29,263,099</u>	<u>2,102,627</u>
Business-type activities:					
Loans payable:					
WIFA Loan - Water PV/FH	\$ 1,751,904	-	(84,829)	1,667,075	87,204
WIFA Loan - Water Pineview	3,204,908	-	(163,107)	3,041,801	168,157
WIFA Loan - Wastewater	188,570	-	(188,570)	-	-
Sewer System Rev. Ob. - 2014	2,480,000	-	(285,000)	2,195,000	295,000
Total loans payable	<u>7,625,382</u>	<u>-</u>	<u>(721,507)</u>	<u>6,903,875</u>	<u>550,362</u>
Accrued compensated absences	119,775	70,291	(73,063)	117,004	71,372
Net pension liability	1,508,010	141,187	-	1,649,197	-
Total business-type debt	<u>\$ 9,253,167</u>	<u>211,478</u>	<u>(794,570)</u>	<u>8,670,076</u>	<u>621,734</u>
Total long-term liabilities	<u>\$37,908,367</u>	<u>3,079,999</u>	<u>(3,055,191)</u>	<u>37,933,175</u>	<u>2,724,361</u>

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

Note 3-D. Long-term liabilities (continued)

A description of long-term liabilities follows:

Generally, resources from the General Fund are used to liquidate pension liabilities and compensated absences for governmental activities. The respective business-type activities generally liquidate their respective liabilities in each fund as it relates to pension liabilities and compensated absences.

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 Loan 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 we made during the fiscal year ending June 30, 2017.

The following is a listing of special assessment bonds outstanding as of June 30, 2017:

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.	\$ 320,000
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.	75,000
Show Low Bluff Community Facilities District bonds at an interest rate ranging from 5.2% to 5.6% due in annual principal installments ranging from \$39,000 to \$160,000 through July 1, 2031. Interest is payable semiannually.	1,465,000
Total special assessment bonds	\$ 1,860,000

Special assessment debt service to maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
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	90,000	64,680	154,680
2023-2027	525,000	242,200	767,200
2028-2031	540,000	77,560	617,560
Total	\$1,860,000	701,591	2,561,591

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

Note 3-D. Long-term liabilities (continued)

The following is a listing of general obligation bonds outstanding as of June 30, 2017:

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. \$ 375,000

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. 315,000

Total general obligation bonds \$ 690,000

General obligation bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
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	70,000	27,994	97,994
2023-2027	215,000	79,713	294,713
2028-2032	150,000	33,488	183,488
2033	35,000	1,028	36,028
Total	<u><u>\$ 690,000</u></u>	<u><u>297,309</u></u>	<u><u>987,309</u></u>

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3-D. Long-term liabilities (continued)

The following is a listing of loans payable outstanding as of June 30, 2017:

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.	\$ 400,000	\$ -
GADA Bond 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.	755,000	-
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 repay 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.	8,790,000	-
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.	50,000	-
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 balances of \$2,000,000. As of June 30, 2017 the outstanding principal balance to be drawn down was \$9,348.	-	1,667,075
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 balances of \$3,800,000	-	3,041,801
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.	-	2,195,000
Total general obligation bonds	\$ 9,995,000	\$ 6,903,875

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

Note 3-D. Long-term liabilities (continued)

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 920,000	247,158	550,362	183,237	1,900,757
2019	905,000	213,631	563,010	169,010	1,850,651
2020	940,000	186,340	575,887	154,443	1,856,670
2021	960,000	163,350	594,001	139,528	1,856,879
2022	985,000	139,816	607,358	124,146	1,856,320
2023-2027	5,285,000	325,793	2,231,204	399,235	8,241,231
2028-2029	-	-	1,782,054	127,091	1,909,145
Total	\$ 9,995,000	1,276,087	6,903,876	1,296,689	19,471,652

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
2018	\$ 213,556
2019	121,633
2020	122,857
2021	123,866
2022	123,689
2023 - 2027	502,641
2028	43,121
Total remaining lease payments	1,251,363
Less amount representing interest	(238,501)
Present value net remaining minimum lease payments	\$ 1,012,862

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

	Governmental Activities
Machinery and equipment	\$ 434,323
Improvements	1,268,039
Total capital assets	1,702,362
Less: Accumulated depreciation	(713,476)
Net book value	\$ 988,886

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

3-E. Interfund receivables, payables, and transfers

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:			Total
	Airport Fund	Non-major Governmental Funds	Wastewater Fund	
General Fund	\$ 98,965	65,973	693,457	858,395
Total	\$ 98,965	65,973	693,457	858,395

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, 2017 are as follows:

Transfers out:	Transfers in:					Total
	General Fund	Highway User Revenue Fund	Airport Fund	Special Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	477,226	60,290	1,143,427	1,779,851	3,460,795
Show Low Bluff - CFD	4,000	-	-	-	-	4,000
Nonmajor Governmental Funds	126,166	-	-	82,000	-	208,166
Water Fund	195,800	-	-	-	-	195,800
Wastewater Fund	277,100	-	-	-	-	277,100
Nonmajor Refuse Fund	75,000	-	-	-	-	75,000
Total	\$ 678,066	477,226	60,290	1,225,427	1,779,851	4,220,861

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 expand 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.

NOTE 4 – OTHER INFORMATION

4-A. 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 AMRRRP 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.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-A. Risk management (continued)

Premiums are paid annually for the coverage year from July 1 to June 30. The Arizona Municipal Risk Retention Pool is structure 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.

4-B. 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, 2017. At year end, the City had the following major construction projects and or commitments open:

Project	Estimated Costs	Construction in Progress
Wastewater Improvements	\$ 479,650	39,350
Water Improvements	320,196	300,164
Show Low Lake Restroom Phase I	55,000	5,778
Runway Rehabilitation	203,500	36,541
Road Improvements	1,288,400	135,702
	\$ 2,346,746	517,535

4-C. 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, 2017, the total reserve is \$2,000,000 and is included in the unassigned fund balance of the General Fund.

4-D. 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 June 30, 2015. However, as disclosed in Note 3-D, not all of the series 2006 GADA Infrastructure Revenue Bonds were refunded and defeased as of June 30, 2015, 2016, and 2017. The advanced refunding defeased debt still outstanding at June 30, 2017 is \$4,510,000.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. 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, 2017, 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	\$ 8,658,035	\$ 7,856,657	\$ 16,514,692	\$ 14,865,495	\$ 1,649,197
Deferred outflows of resources	1,732,642	2,086,157	3,818,799	3,488,763	330,037
Deferred inflows of resources	1,106,443	41,019	1,147,462	936,705	210,757
Pension expense	40,940	1,063,536	1,104,476	1,055,710	48,766

The City reported \$1,055,710 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description –City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its 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
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. 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 retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 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 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to ASRS would typically fill. The City and employees' contributions to the pension plan for the year ended June 30, 2017 were \$1,104,476.

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
2015	\$ 523,897	\$ 28,384	\$ 5,773
2016	525,374	24,211	5,811
2017	540,492	28,078	7,019

Pension liability – At June 30, 2017, the City reported a liability of \$8,658,035 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016 reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2016. The City's proportion measured as of June 30, 2016, was 0.053640 percent, which was a decrease of 0.001410 percent from its proportion measured as of June 30, 2015.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. Retirement and Pension Plans (continued)

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$40,940. At June 30, 2017, 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	\$ 52,614	\$ 595,610
Changes in assumptions	-	458,079
Net difference between projected and actual earnings on pension plan investments	938,243	-
Changes in proportion and differences between contributions and proportional share of contributions	201,293	52,754
Contributions subsequent to the measurement date	540,492	-
Total	\$ 1,732,642	\$ 1,106,443

The \$540,492 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, 2018. 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
2018	\$ (337,045)
2019	(237,117)
2020	396,789
2021	263,080
2022	-
Thereafter	-

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. 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, 2015
Actuarial roll forward date	June 30, 2016
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, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%	3.90%
Fixed income	25%	3.70%	0.93%
Multi-asset	5%	3.41%	0.17%
Commodities	2%	3.84%	0.08%
Real Estate	10%	4.25%	0.42%
Totals	100%		5.50%
	Inflation		3.25%
	Expected arithmetic normal return		8.75%

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. 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 8.75 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 City's 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	\$ 11,039,652	\$ 8,658,035	\$ 6,748,499

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 – City contributes to the Public Safety Personnel Retirement (PSPRS), an agent multiple-employer defined benefit pension plan and agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans) 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 nine-member board known as the Board of Trustees and the participating local boards according to the provisions 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 the PSPRS plan. The report is available on the PSPRS website at www.psprs.com

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. 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, 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
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. Retirement and Pension Plans (continued)

Employees covered by benefit terms – At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	5
Active employees	27
Total	46

Contributions and annual OPEB cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active PSPRS members were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 30.51 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 0.14 percent.

In addition, the City was required by statute to contribute at the actuarially determined rate of 25.16 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, 2017, were:

Pension	PSPRS Police
Contributions made	\$ 585,420
 Health Insurance Premium Benefit	
Annual OPEB cost	3,028
Contributions made	3,028

Pension liability – At June 30, 2017, the City reported a net pension liability of \$7,856,657. The net pension liability was measured as of June 30, 2016, 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, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments, The statutory adjustments changes the basis for 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.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. Retirement and Pension Plans (continued)

- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.5 percent for the PSPRS plan.

The net pension liabilities measured as of June 30, 2017 will reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liabilities as a result of these changes is not known.

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

	June 30, 2016
Actuarial valuation date	
Actuarial cost method	Entry Age Normal
Discount rate	7.50%
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, 2016, 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 7.50 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 arithmetic 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 arithmetic 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	100.00%	

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4-E. Retirement and Pension Plans (continued)

Discount Rate –At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine this 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)
	\$ 12,546,899	\$ 6,457,144	\$ 6,089,755
Balances at June 30, 2015			
Changes for the year:			
Service cost	367,606	-	367,606
Interest on total pension liability	978,575	-	978,575
Changes of benefit terms	919,178	-	919,178
Difference between expected and actual experience in the measurement of the pension liability	28,547	-	28,547
Changes of assumptions	567,401	-	567,401
Contributions - employer	-	783,886	(783,886)
Contributions - employee	-	232,542	(232,542)
Net investment income	-	39,378	(39,378)
Benefit payments, including refunds of employee contributions	(529,550)	(529,550)	-
Other changes*	-	38,599	(38,599)
Net changes	2,331,757	564,855	1,766,902
Balances at June 30, 2016	\$ 14,878,656	\$ 7,021,999	\$ 7,856,657

* Other changes include adjustments for prior year GASB 68 and reverse transfers to/from employer and employee reserves

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. 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 <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
PSPRS Police			
Net pension (asset) / liability	\$ 9,985,014	\$ 7,856,657	\$ 6,126,260

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, 2017, the City recognized pension expense for PSPRS of \$1,063,536. At June 30, 2017, 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	\$ 90,804	\$ 41,019
Changes in assumptions	984,463	-
Net difference between projected and actual earnings on pension plan investments	425,470	-
Contributions subsequent to the measurement date	585,420	-
Total	\$ 2,086,157	\$ 41,019

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. Retirement and Pension Plans (continued)

The \$585,420 reported as deferred outflows of resources related to 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Deferred Outflows (Inflows) of Resources PSPRS Police</u>
2018	\$ 358,663
2019	358,662
2020	418,132
2021	211,191
2022	94,556
Thereafter	18,514

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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 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 2017 contribution requirements:

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

4-E. Retirement and Pension Plans (continued)

Actuarial valuation date	June 30, 2015
Actuarial cost method	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%

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	2015	24,319	127%	-
	2016	3,924	19%	-
	2017	3,028	14%	-

Agent plan OPEB funded status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	<u>PSPRS Police</u>
Actuarial accrued liability (AAL)	\$ 334,743
Actuarial value of plan assets	<u>380,496</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (45,753)</u>
Funded ratio (actuarial value of plan assets/AAL)	113.67%
Covered payroll (active plan members)	\$ 1,965,810
UAAL as a percentage of covered payroll	-2.33%

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4-E. 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, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	20 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	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

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REQUIRED SUPPLEMENTARY INFORMATION

City of Show Low
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2017

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.053640%	0.052230%	0.053072%
Proportionate share of the net pension liability (asset)	\$ 8,658,035	\$ 8,135,792	\$ 7,852,829
Covered payroll	\$ 5,075,741	\$ 4,746,399	\$ 4,685,202
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	170.58%	171.41%	167.61%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the schedule above. Additional information will be displayed as it becomes available.

City of Show Low
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2017

	PSPRS Police		
	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Public Safety Personnel Retirement System			
Total pension liability			
Service cost	\$ 367,606	\$ 351,838	\$ 327,537
Interest on total pension liability	978,575	923,584	773,540
Changes of benefit terms	919,178	-	170,567
Difference between expected and actual experience of the total net pension liability	28,547	(60,687)	130,581
Changes of assumptions	567,401	-	993,374
Benefit payments, including refunds of employee contributions	(529,550)	(514,643)	(478,067)
Net change in total pension liability	<u>2,331,757</u>	<u>700,092</u>	<u>1,917,532</u>
Total pension liability - beginning	<u>12,546,899</u>	<u>11,846,807</u>	<u>9,929,275</u>
Total pension liability - ending (a)	<u>\$ 14,878,656</u>	<u>\$ 12,546,899</u>	<u>\$ 11,846,807</u>
Plan fiduciary net position			
Contributions - employer	\$ 783,886	\$ 495,177	\$ 422,659
Contributions - employee	232,542	219,236	197,185
Net investment income	39,378	225,276	727,250
Benefit payments, including refunds of employee contributions	(529,550)	(514,643)	(478,067)
Other (net transfer)	38,599	(10,712)	(45,871)
Net change in plan fiduciary net position	<u>564,855</u>	<u>414,334</u>	<u>823,156</u>
Plan fiduciary net position - beginning	<u>6,457,144</u>	<u>6,042,810</u>	<u>5,219,654</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,021,999</u>	<u>\$ 6,457,144</u>	<u>\$ 6,042,810</u>
Net pension liability - ending (a) - (b)	<u>\$ 7,856,657</u>	<u>\$ 6,089,755</u>	<u>\$ 5,803,997</u>
Plan fiduciary net position as a percentage of the total pension liability	47.20%	51.46%	51.01%
Covered payroll	\$ 2,007,213	\$ 1,999,813	\$ 1,909,356
Net pension liability as a percentage of covered payroll	391.42%	304.52%	303.98%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the schedule above. Additional information will be displayed as it becomes available.

City of Show Low
Required Supplementary Information
Schedule of Pension Contributions
June 30, 20177

Arizona State Retirement System

	Reporting Fiscal Year		
	(Measurement Date)		
	2017	2016	2015
	(2016)	(2015)	(2014)
Contractually required contribution	\$ 544,955	\$ 523,897	\$ 511,894
Contributions in relation to the contractually required contribution	(544,955)	(523,897)	(511,894)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,075,741	\$ 4,746,399	\$ 4,685,202
Contributions as a percentage of covered payroll	10.74%	11.04%	10.93%

Public Safety Personnel Retirement System

	PSPRS Police		
	Reporting Fiscal Year		
	(Measurement Date)		
	2017	2016	2015
	(2016)	(2015)	(2014)
Actuarially determined contribution	\$ 783,886	\$ 495,177	\$ 422,659
Contributions in relation to the actuarially determined contribution	(783,886)	(495,177)	(422,659)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,007,213	\$ 1,999,813	\$ 1,909,356
Contributions as a percentage of covered payroll	39.05%	24.76%	22.14%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the schedules above. Additional information will be displayed as it becomes available.

City of Show Low
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

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	Entry Age Normal
Amortization Method	Level percent closed for the unfunded actuarial accrued liability, open for excess
 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	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 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)

Note 2. Factors that Affect the Identification of Trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised the actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the City's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of City pension contributions.

City of Show Low
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

	(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	
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	380,496	334,743	(45,753)	113.67%	1,965,810	0.00%
2017	**	**	**	**	**	**

See accompanying note below.

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

Note 1. Factors that Affect the Identification of Trends

No significant factors noted.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR GOVERNMENTAL FUNDS:

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

The **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 fund, Magistrate funds, and other grants and debt service proceeds restricted for a specific use or project.

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND**

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 10,175,000	10,175,000	11,368,603	1,193,603
License and permits	145,800	145,800	257,322	111,522
Intergovernmental revenues	3,218,692	3,218,692	3,376,556	157,864
Charges for services	390,272	390,272	447,840	57,568
Fines and forfeitures	109,100	109,100	166,519	57,419
Interest	40,100	40,100	50,245	10,145
Miscellaneous revenue	112,400	112,400	182,149	69,749
Total revenues	14,191,364	14,191,364	15,849,235	1,657,871
EXPENDITURES				
General government	3,879,700	3,879,700	3,305,316	574,384
Public safety	6,103,100	6,103,100	5,583,466	519,634
Public works/Streets	1,552,700	1,552,700	1,414,714	137,986
Non-departmental	1,017,600	1,017,600	702,637	314,963
Culture and recreation	954,800	964,800	831,378	133,422
Total expenditures	13,507,900	13,517,900	11,837,511	1,680,389
Excess (deficiency) of revenues over (under) expenditures	683,464	673,464	4,011,724	3,338,260
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,500	2,500	10,144	7,644
Transfers in	663,882	663,882	678,066	14,184
Transfers out	(4,010,900)	(4,010,900)	(3,460,795)	550,105
Total other financing sources and (uses)	(3,344,518)	(3,344,518)	(2,772,584)	571,934
Net change in fund balances	(2,661,054)	(2,671,054)	1,239,140	3,910,194
Fund balances - beginning of year	7,050,414	7,050,414	7,050,414	-
Fund balance - end of year	\$ 4,389,360	4,379,360	8,289,553	3,910,194

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 HIGHWAYS USER REVENUE FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 2,816,800	2,816,800	1,633,353	(1,183,447)
Interest	5,000	5,000	11,020	6,020
Miscellaneous revenue	1,000	1,000	3,156	2,156
Total revenues	2,822,800	2,822,800	1,647,528	(1,175,272)
EXPENDITURES				
Current:				
Public works/Streets	1,959,262	1,959,262	1,280,156	679,106
Capital outlay	3,055,600	3,319,211	1,088,460	2,230,751
Total expenditures	5,014,862	5,278,473	2,368,616	2,909,857
Excess (deficiency) of revenues over (under) expenditures	(2,192,062)	(2,455,673)	(721,088)	1,734,585
OTHER FINANCING SOURCES (USES)				
Capital leases	-	263,611	243,862	(19,749)
Sale of assets	2,000	2,000	-	(2,000)
Transfers in	884,988	884,988	477,226	(407,762)
Total other financing sources and (uses)	886,988	1,150,599	721,088	(429,511)
Net change in fund balances	(1,305,074)	(1,305,074)	-	1,305,074
Fund balances - beginning of year	1,483,844	1,483,844	1,483,844	-
Fund balance - end of year	\$ 178,770	178,770	1,483,844	1,305,074

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
AIRPORT SPECIAL REVENUE FUND
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 520,120	520,120	38,652	(481,468)
Charges for services	983,400	983,400	1,058,388	74,988
Interest	-	-	530	530
Miscellaneous revenue	11,000	11,000	20,144	9,144
Total revenues	1,514,520	1,514,520	1,117,715	(396,805)
EXPENDITURES				
Current:				
Public works/Streets	1,067,400	1,067,400	980,355	87,045
Capital outlay	650,000	650,000	95,309	554,691
Debt service:				
Principal	95,000	95,000	95,000	-
Interest and fiscal charges	27,900	27,900	7,340	20,560
Total expenditures	1,840,300	1,840,300	1,178,005	662,295
Excess (deficiency) of revenues over (under) expenditures	(325,780)	(325,780)	(60,290)	265,490
OTHER FINANCING SOURCES (USES)				
Transfers in	185,575	185,575	60,290	(125,285)
Total other financing sources and (uses)	185,575	185,575	60,290	(125,285)
Net change in fund balances	(140,205)	(140,205)	-	140,205
Fund balances - beginning of year	6,561	6,561	6,561	-
Fund balance - end of year	\$ (133,644)	(133,644)	6,561	140,205

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL PROJECTS FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 3,727,889	3,727,889	15,185	(3,712,704)
Fines and forfeitures	21,000	21,000	3,861	(17,139)
Total revenues	3,748,889	3,748,889	19,047	(3,729,842)
EXPENDITURES				
Current:				
General government	4,230,606	3,964,996	13,081	3,951,915
Culture and recreation	11,682	13,682	12,797	885
Capital outlay	5,427,876	5,427,876	5,023,035	404,841
Debt service:				
Principal	50,000	50,000	50,000	-
Total expenditures	9,720,164	9,456,554	5,098,913	4,357,641
Excess (deficiency) of revenues over (under) expenditures	(5,971,275)	(5,707,665)	(5,079,866)	627,799
OTHER FINANCING SOURCES (USES)				
Capital leases	900,000	636,389	-	(636,389)
Transfers in	1,225,427	1,225,427	1,225,427	-
Total other financing sources and (uses)	2,125,427	1,861,816	1,225,427	(636,389)
Net change in fund balances	(3,845,848)	(3,845,849)	(3,854,439)	(8,590)
Fund balances - beginning of year	3,857,211	3,857,211	3,857,211	-
Fund balance - end of year	\$ 11,363	11,362	2,772	(8,590)

SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE
FOR THE FOLLOWING MAJOR GOVERNMENTAL FUND:**

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 of CFD debt principal and interest.

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
SHOW LOW BLUFF COMMUNITIES FACILITIES DISTRICT
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Fines and forfeitures	\$ 5,000	5,000	675	(4,325)
Interest	500	500	4,814	4,314
Special assessments	201,600	201,600	198,295	(3,305)
Miscellaneous revenue	-	-	51,300	51,300
Total revenues	207,100	207,100	255,085	47,985
EXPENDITURES				
General government	7,000	7,000	8,803	(1,803)
Debt service:				
Principal	120,000	120,000	120,000	-
Interest and fiscal charges	154,800	154,800	139,689	15,111
Total expenditures	281,800	281,800	268,492	13,308
Excess (deficiency) of revenues over (under) expenditures	(74,700)	(74,700)	(13,407)	61,293
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000)	(4,000)	(4,000)	-
Total other financing sources and (uses)	(4,000)	(4,000)	(4,000)	-
Net change in fund balances	(78,700)	(78,700)	(17,407)	61,293
Fund balances - beginning of year	833,659	833,659	833,659	-
Fund balance - end of year	\$ 754,959	754,959	816,251	61,293

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SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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 #6 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 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
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Special Revenue Funds			Debt Service Funds		
	Street Lighting District	Public Transportation	Family Aquatic Center	Improvement District #6	Improvement District #7	Other Debt Service
ASSETS						
Cash and cash equivalents	\$ 18,906	29,155	33,710	64,927	6,326	183,888
Receivables:						
Taxes	2,803	-	-	-	-	-
Interest	-	-	-	-	730	-
Assessments	-	-	-	218,475	52,339	-
Intergovernmental	-	96,223	-	-	-	10,818
Prepaid items	-	-	-	-	-	1,053,116
TOTAL ASSETS	\$ 21,708	125,378	33,710	283,401	59,396	1,247,821
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Liabilities:						
Accounts payable	\$ 16,199	45,795	12,341	-	-	-
Accrued wages and benefits	-	-	17,062	-	-	-
Due to other funds	-	-	-	58,085	7,888	-
Total liabilities	16,199	45,795	29,404	58,085	7,888	-
Deferred inflows of resources:						
Special assessments	-	-	-	225,316	51,508	-
Total deferred inflows of resources	-	-	-	225,316	51,508	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	16,199	45,795	29,404	283,401	59,396	-
FUND BALANCES:						
Nonspendable:						
Prepaid items	-	-	-	-	-	1,053,116
Restricted for:						
Public works/Streets	5,510	-	-	-	-	-
Debt service	-	-	-	-	-	194,706
Capital outlay	-	-	-	-	-	-
Committed for:						
Public transportation	-	79,583	-	-	-	-
Family aquatic center	-	-	4,307	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	5,510	79,583	4,307	-	-	1,247,821
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 21,708	125,378	33,710	283,401	59,396	1,247,821

Capital Projects Funds			Total
Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	Nonmajor Governmental Funds
631	15,338	93,546	446,426
-	-	-	2,803
-	-	-	730
-	-	-	270,814
-	-	-	107,041
-	-	-	1,053,116
631	15,338	93,546	1,880,929
-	-	-	74,334
-	-	-	17,062
-	-	-	65,973
-	-	-	157,370
-	-	-	276,824
-	-	-	276,824
-	-	-	434,194
-	-	-	1,053,116
-	-	-	5,510
-	-	-	194,706
631	15,338	93,546	109,515
-	-	-	79,583
-	-	-	4,307
-	-	-	-
631	15,338	93,546	1,446,736
631	15,338	93,546	1,880,929

City of Show Low
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2017

	Special Revenue Funds			Debt Service Funds		
	Street Lighting District	Public Transportation	Family Aquatic Center	Improvement District #6	Improvement District #7	Other Debt Service
REVENUES:						
Taxes	\$ 192,045	-	-	-	-	-
Intergovernmental revenues	-	507,262	-	-	-	21,783
Charges for services	-	-	133,854	-	-	-
Interest	139	344	90	3,384	2	3,098
Impact fees	-	-	-	-	-	-
Special assessments	-	-	-	295,912	55,887	-
Miscellaneous revenue	-	66,721	-	-	-	-
Total revenues	192,184	574,327	133,944	299,296	55,889	24,881
EXPENDITURES:						
Current:						
General government	-	578,177	-	87	87	-
Public works/streets	208,493	-	-	-	-	-
Culture and recreation	-	-	394,638	-	-	-
Capital outlay	-	15,770	-	-	-	-
Debt service:						
Principal	-	-	-	440,000	71,000	959,000
Interest	-	-	-	33,321	5,939	263,191
Total expenditures	208,493	593,947	394,638	473,408	77,026	1,222,191
Excess (deficiency) of revenues over (under) expenditures	(16,309)	(19,620)	(260,694)	(174,112)	(21,137)	(1,197,310)
OTHER FINANCING SOURCES (USES)						
Transfers in	16,309	84,887	265,000	64,927	6,326	1,342,403
Transfers out	-	(90,900)	-	(15,000)	(3,000)	-
Total other financing sources and (uses)	16,309	(6,013)	265,000	49,927	3,326	1,342,403
Net change in fund balances	-	(25,633)	4,306	(124,185)	(17,811)	145,093
Fund balances - beginning of year	5,510	105,216	1	124,185	17,811	1,102,729
Fund balance - end of year	\$ 5,510	79,583	4,307	-	-	1,247,821

Capital Projects Funds			Total
Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	Nonmajor Governmental Funds
-	-	-	192,045
-	-	-	529,046
-	-	-	133,854
6	170	817	8,049
180	17,235	107,954	125,369
-	-	-	351,799
-	-	-	66,721
186	17,405	108,772	1,406,883

-	-	-	578,351
-	-	-	208,493
-	-	-	394,638
-	-	-	15,770
-	-	-	1,470,000
-	-	-	302,451
-	-	-	2,969,703

186 17,405 108,772 (1,562,820)

-	-	-	1,779,851
(1,282)	(14,184)	(83,800)	(208,166)
(1,282)	(14,184)	(83,800)	1,571,685

(1,096) 3,221 24,972 8,866

1,727 12,117 68,575 1,437,870

631 15,338 93,546 1,446,736

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 STREET LIGHTING DISTRICT SPECIAL REVENUE FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 208,000	208,000	192,045	(15,955)
Interest	300	300	139	(161)
Total revenues	208,300	208,300	192,184	(16,116)
EXPENDITURES				
Public works/Streets	204,900	204,900	208,493	(3,593)
Total expenditures	204,900	204,900	208,493	(3,593)
Excess (deficiency) of revenues over (under) expenditures	3,400	3,400	(16,309)	(19,709)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	16,309	16,309
Total other financing sources and (uses)	-	-	16,309	16,309
Net change in fund balances	3,400	3,400	-	(3,400)
Fund balances - beginning of year	5,510	5,510	5,510	-
Fund balance - end of year	\$ 8,910	8,910	5,510	(3,400)

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 PUBLIC TRANSPORTATION SPECIAL REVENUE FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 571,814	571,814	507,262	(64,552)
Interest	-	-	344	344
Miscellaneous revenue	89,200	89,200	66,721	(22,479)
Total revenues	661,014	661,014	574,327	(86,687)
EXPENDITURES				
Current:				
General government	670,900	670,900	578,177	92,723
Capital outlay	19,600	19,600	15,770	3,830
Total expenditures	690,500	690,500	593,947	96,553
Excess (deficiency) of revenues over (under) expenditures	(29,486)	(29,486)	(19,620)	9,866
OTHER FINANCING SOURCES (USES)				
Transfers in	84,887	84,887	84,887	-
Transfers out	(90,900)	(90,900)	(90,900)	-
Total other financing sources and (uses)	(6,013)	(6,013)	(6,013)	-
Net change in fund balances	(35,499)	(35,499)	(25,633)	9,866
Fund balances - beginning of year	105,216	105,216	105,216	-
Fund balance - end of year	\$ 69,717	69,717	79,583	9,866

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FAMILY AQUATIC CENTER SPECIAL REVENUE FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Charges for services	\$ 94,800	94,800	133,854	39,054
Interest	-	-	90	90
Total revenues	94,800	94,800	133,944	39,144
EXPENDITURES				
Culture and recreation	431,800	431,800	394,638	37,162
Total expenditures	431,800	431,800	394,638	37,162
Excess (deficiency) of revenues over (under) expenditures	(337,000)	(337,000)	(260,694)	76,306
OTHER FINANCING SOURCES (USES)				
Transfers in	319,610	319,610	265,000	(54,610)
Total other financing sources and (uses)	319,610	319,610	265,000	(54,610)
Net change in fund balances	(17,390)	(17,390)	4,306	21,696
Fund balances - beginning of year	1	1	1	-
Fund balance - end of year	\$ (17,389)	(17,389)	4,307	21,696

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 IMPROVEMENT DISTRICT #6 DEBT SERVICE FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ 9,000	9,000	3,384	(5,616)
Special assessments	481,300	481,300	295,912	(185,388)
Total revenues	490,300	490,300	299,296	(191,004)
EXPENDITURES				
General government	1,500	1,500	87	1,413
Debt service:				
Principal	440,000	440,000	440,000	-
Interest and fiscal charges	33,900	33,900	33,321	579
Total expenditures	475,400	475,400	473,408	1,992
Excess (deficiency) of revenues over (under) expenditures	14,900	14,900	(174,112)	(189,012)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	64,927	64,927
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources and (uses)	(15,000)	(15,000)	49,927	64,927
Net change in fund balances	(100)	(100)	(124,185)	(124,085)
Fund balances - beginning of year	124,185	124,185	124,185	-
Fund balance - end of year	\$ 124,085	124,085	-	(124,085)

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 IMPROVEMENT DISTRICT #7 DEBT SERVICE FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ 2,500	2,500	2	(2,498)
Special assessments	79,300	79,300	55,887	(23,413)
Total revenues	81,800	81,800	55,889	(25,911)
EXPENDITURES				
General government	500	500	87	413
Debt service:				
Principal	71,000	71,000	71,000	-
Interest and fiscal charges	8,400	8,400	5,939	2,461
Total expenditures	79,900	79,900	77,026	2,874
Excess (deficiency) of revenues over (under) expenditures	1,900	1,900	(21,137)	(23,037)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	6,326	6,326
Transfers out	(3,000)	(3,000)	(3,000)	-
Total other financing sources and (uses)	(3,000)	(3,000)	3,326	6,326
Net change in fund balances	(1,100)	(1,100)	(17,811)	(16,711)
Fund balances - beginning of year	17,811	17,811	17,811	-
Fund balance - end of year	\$ 16,711	16,711	-	(16,711)

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
OTHER DEBT SERVICE FUND
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 23,300	23,300	21,783	(1,517)
Interest	3,000	3,000	3,098	98
Total revenues	26,300	26,300	24,881	(1,419)
EXPENDITURES				
Debt service:				
Principal	959,000	959,000	959,000	-
Interest	318,200	318,200	263,191	55,009
Total expenditures	1,277,200	1,277,200	1,222,191	55,009
Excess (deficiency) of revenues over (under) expenditures	(1,250,900)	(1,250,900)	(1,197,310)	53,590
OTHER FINANCING SOURCES (USES)				
Transfers in	1,356,587	1,356,587	1,342,403	(14,184)
Total other financing sources and (uses)	1,356,587	1,356,587	1,342,403	(14,184)
Net change in fund balances	105,687	105,687	145,093	39,406
Fund balances - beginning of year	1,102,729	1,102,729	1,102,729	-
Fund balance - end of year	\$ 1,208,416	1,208,416	1,247,821	39,406

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 RECREATION IMPACT FEE CAPITAL PROJECT FUND**
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ -	-	6	6
Impact fees	-	-	180	180
Total revenues	<u>-</u>	<u>-</u>	<u>186</u>	<u>186</u>
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	186	186
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,282)	(1,282)	(1,282)	-
Total other financing sources and (uses)	<u>(1,282)</u>	<u>(1,282)</u>	<u>(1,282)</u>	<u>-</u>
Net change in fund balances	(1,282)	(1,282)	(1,096)	186
Fund balances - beginning of year	1,727	1,727	1,727	-
Fund balance - end of year	<u>\$ 445</u>	<u>445</u>	<u>631</u>	<u>186</u>

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
LIBRARY DEVELOPMENT IMPACT FEE CAPITAL PROJECT FUND
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ -	-	170	170
Impact fees	5,000	5,000	17,235	12,235
Total revenues	5,000	5,000	17,405	12,405
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	5,000	5,000	17,405	12,405
OTHER FINANCING SOURCES (USES)				
Transfers out	(14,184)	(14,184)	(14,184)	-
Total other financing sources and (uses)	(14,184)	(14,184)	(14,184)	-
Net change in fund balances	(9,184)	(9,184)	3,221	12,405
Fund balances - beginning of year	12,117	12,117	12,117	-
Fund balance - end of year	\$ 2,933	2,933	15,338	12,405

City of Show Low
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
TRANSPORTATION DEVELOPMENT IMPACT FEE CAPITAL PROJECT FUND
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ -	-	817	817
Impact fees	40,000	40,000	107,954	67,954
Total revenues	40,000	40,000	108,772	68,772
EXPENDITURES				
Public works/Streets	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	40,000	40,000	108,772	68,772
OTHER FINANCING SOURCES (USES)				
Transfers out	(83,800)	(83,800)	(83,800)	-
Total other financing sources and (uses)	(83,800)	(83,800)	(83,800)	-
Net change in fund balances	(43,800)	(43,800)	24,972	68,772
Fund balances - beginning of year	68,575	68,575	68,575	-
Fund balance - end of year	\$ 24,775	24,775	93,546	68,772

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Agency Funds

The **Agency Fund** holds assets in trust for the following entities: Slovakian Sister Cities Fund and Police Department Evidence, and the **White Mountain Partnership Agency Fund** holds assets in trust for the White Mountain Partnership which is a nonprofit corporation established primarily to promote tourism and recreation in the White Mountains of Arizona. 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
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
For the Year Ended June 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
AGENCY FUND:				
ASSETS				
Cash	\$ 11,917	358	8	12,268
Total assets	11,917	358	8	12,268
LIABILITIES				
Deposits:				
Slovakian/Sister Cities	2,642	28	10	2,660
Police Citizens Academy	(182)	183	-	-
Police Department Evidence	9,458	260	110	9,608
Total liabilities	\$ 11,917	470	120	12,268
WHITE MOUNTAIN PARTNERSHIP				
AGENCY FUND:				
ASSETS				
Cash	\$ 32,105	124	25,146	7,083
Total assets	32,105	124	25,146	7,083
LIABILITIES				
Accounts payable	4,452	7,203	11,655	-
Deposits:				
White Mountain Partnership	27,653	74	20,644	7,083
Total liabilities	\$ 32,105	7,276	32,298	7,083
GEOCACHING AGENCY FUND:				
ASSETS				
Cash	\$ 26,479	54	25,394	1,138
Total assets	26,479	54	25,394	1,138
LIABILITIES				
Accounts payable	25	1,154	1,179	-
Deposits:				
Geocaching	26,454	1,463	26,778	1,138
Total liabilities	\$ 26,479	2,617	27,957	1,138
TOTAL - ALL AGENCY FUNDS:				
ASSETS				
Cash	\$ 70,502	536	50,548	20,490
Total assets	70,502	536	50,548	20,490
LIABILITIES				
Accounts payable	4,477	8,356	12,834	-
Deposits	66,024	2,007	47,541	20,490
Total liabilities	\$ 70,502	10,363	60,375	20,490

STATISTICAL SECTION

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

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

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

Fiscal Year	Fiscal Year									
	<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>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 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	57,155,354
Restricted	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	1,205,807
Unrestricted	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)	833,822
Total governmental activities net assets	<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>	<u>59,194,983</u>
Business-type activities										
Net investment in capital assets	\$ 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	46,551,538
Restricted	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	2,107,329
Unrestricted	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	3,623,613
Total Business-type activities net assets	<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>	<u>52,282,480</u>
Primary government										
Net investment in capital assets	\$ 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	103,706,892
Restricted	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	3,313,136
Unrestricted	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)	4,457,435
	<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>	<u>111,477,463</u>

CITY OF SHOW LOW, ARIZONA

Financial Trends

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

Expenses	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 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	5,267,322
Public safety	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	6,867,413
Public Works ¹	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	6,432,718
Economic development ²	-	631,619	767,177	623,313	745,924	760,566	762,562	992,984	932,005	702,637
Culture and recreation ³	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	1,865,145
Interest on long-term debt	755,375	1,277,768	974,645	975,981	860,185	806,952	722,366	708,157	568,898	326,758
Total governmental activities expenses	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	21,461,993
Business-type activities:										
Water	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	3,612,167
Wastewater	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	3,202,975
Airport	2,297,975	2,301,370	-	-	-	-	-	-	-	-
Family Aquatic	481,478	660,355	-	-	-	-	-	-	-	-
Refuse	586,308	502,044	653,491	675,893	896,932	938,989	962,046	790,890	818,157	804,210
Total business-type activities expenses	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	7,619,352
Total primary government expenses	\$ 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	29,081,345
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	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	2,318,678
Culture and recreation	674,822	128,149	289,722	218,512	245,116	214,112	222,690	244,318	247,390	249,262
Other activities	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	1,290,078
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	2,615,705
Capital grants and contributions	3,013,594	2,808,785	3,715,329	824,743	1,539,014	518,379	3,536,328	770,197	306,077	843,347
Total governmental activities program revenues	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	7,317,070
Business-type activities:										
Charges for services:										
Water	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	3,954,512
Wastewater	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	2,536,493
Airport ¹	1,240,029	1,083,344	-	-	-	-	-	-	-	-
Family Aquatic Center ³	102,547	109,637	-	-	-	-	-	-	-	-
Refuse	634,950	692,644	723,717	746,192	959,287	1,000,501	1,031,544	865,593	886,599	868,639
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	6,023,858	1,280,860	1,692,976	236,198	242,189	192,773	277,278	263,677	371,484	484,013
Total business-type activities program revenues	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	7,843,657
Total primary government program revenues	\$ 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	15,160,727

² Economic Development is reported with General Government prior to 2009

³ Family Aquatic Center is reported with Culture and Recreation beginning 2010

(continued)

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

	<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>	<u>2017</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (14,144,923)
Business-type activities	4,809,315	(1,869,127)	893,142	(26,804)	157,837	122,844	155,840	280,194	539,470	224,305
Total primary government net expense	\$ (4,358,809)	\$ (10,715,583)	\$ (7,453,651)	\$ (11,210,962)	\$ (11,705,191)	\$ (13,217,089)	\$ (10,400,666)	\$ (12,968,956)	\$ (13,700,694)	\$ (13,920,618)

General Revenues and Other Changes in Net Assets

Governmental activities:										
Taxes:										
Sales taxes	\$ 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	10,963,170
Franchise taxes	397,091	416,309	460,863	420,157	429,826	442,213	429,038	441,349	430,861	405,434
State sales taxes	908,471	786,482	725,415	761,358	832,976	872,541	927,876	970,816	1,006,843	995,864
Urban revenue sharing	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	1,332,380
Auto-in-lieu	589,820	560,171	514,687	511,760	551,817	503,515	544,628	561,552	610,273	648,842
Other	3,139,681	142,188	139,867	136,979	142,745	142,788	164,528	168,994	187,171	192,045
Investment earnings	489,904	157,504	65,012	113,005	137,663	(43,581)	113,603	84,745	131,848	80,394
Gain (Loss) on sales of assets	1,416,206	12,535	4,700	-	-	-	26,347	-	124,748	10,144
Miscellaneous	398,052	-	-	-	-	-	-	-	-	323,470
Transfers	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400	381,800	547,900
Total governmental activities	17,130,484	11,691,261	11,627,325	11,790,807	12,083,775	12,552,012	13,696,199	14,331,081	14,813,227	15,499,645
Business-type activities:										
Investment earnings	660,278	235,930	107,417	136,625	271,780	61,955	228,241	204,154	175,864	111,812
Gain (Loss) on sales of assets	10,544	3,833	(305,132)	-	(197,854)	84	-	6,604	1,021	-
Transfers	2,665,190	881,872	(125,000)	(195,000)	(293,748)	(331,050)	(361,800)	(366,400)	(381,800)	(547,900)
Total business-type activities	3,336,012	1,121,635	(322,715)	(58,375)	(219,822)	(269,011)	(133,559)	(155,642)	(204,915)	(436,088)
Total Primary government	\$ 20,466,496	\$ 12,812,896	\$ 11,304,610	\$ 11,732,432	\$ 11,863,953	\$ 12,283,001	\$ 13,562,640	\$ 14,175,439	\$ 14,608,312	\$ 15,063,556
Change in Net Asset										
Governmental activities	\$ 7,962,360	\$ 2,844,805	\$ 3,280,532	\$ 606,649	\$ 220,747	\$ (787,921)	\$ 3,139,693	\$ 1,081,931	\$ 573,063	\$ 1,354,722
Business-type activities	8,145,327	(747,492)	570,427	(85,179)	(61,985)	(146,167)	22,281	124,552	334,555	(211,784)
Total primary government	\$ 16,107,687	\$ 2,097,313	\$ 3,850,959	\$ 521,470	\$ 158,762	\$ (934,088)	\$ 3,161,974	\$ 1,206,483	\$ 907,618	\$ 1,142,937

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

	Fiscal Year									
	<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>	<u>2017</u>
General fund										
Nonspendable:										
Inventories and prepaids	\$ 44,344	\$ 57,763	\$ 44,348	\$ 14,071	\$ 31,408	\$ -	\$ 1,302	\$ -	143,284	74,073
Restricted for:										
Debt service	-	-	-	76,980	76,980	76,980	76,989	77,001	77,022	77,053
Capital outlay	443,232	-	-	-	-	-	-	-	-	-
Committed to:										
Cemetery	128,494	160,876	184,844	188,835	42,707	98,175	204,179	105,522	91,544	98,860
Unassigned	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	8,039,567
Total general fund	\$ 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	\$ 8,289,553
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	1,171,926
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	8,282
Economic development	-	-	171,445	175,793	138,680	-	-	-	-	-
Parks and recreation	-	-	193,771	211,625	984,793	20,959	-	-	-	-
Debt service	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	1,010,957
Capital outlay	-	-	-	-	-	-	85,631	111,772	82,419	109,515
Other	-	-	-	-	-	-	-	-	-	-
Committed to:										
Public transportation	33,749	116,410	134,102	118,306	170,819	87,758	109,410	114,182	144,980	79,583
Aquatic Center	-	-	-	-	-	-	-	-	-	4,307
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	1,483,844
Debt service	-	-	-	35,783	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	-	(21,490)	(10,395)	(16,582)	(126,613)	(595,047)	(157,306)	(201,745)	(112,249)
Total all other governmental funds	\$ 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	3,756,165

* 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.

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

	Fiscal Year									
	<u>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>	<u>2017</u>
Revenues										
Taxes	\$ 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	11,560,649
Licenses and permits	697,482	175,143	170,564	181,638	144,466	130,075	153,196	170,541	166,362	257,322
Intergovernmental	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	5,592,792
Charges for services	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	1,640,082
Fines	167,787	225,171	608,860	826,720	730,882	735,402	748,341	227,675	150,698	171,056
Special assessments	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	550,094
Investment earnings	489,904	150,024	63,957	114,720	135,595	(39,888)	109,380	81,048	126,584	74,658
Impact Fees	-	-	-	-	-	-	-	-	-	125,369
Miscellaneous	398,052	1,168,981	463,964	351,183	667,430	496,772	431,398	615,077	420,131	323,470
Total Revenues	\$ 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	20,295,492
Expenditures										
Current:										
General government	\$ 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	3,905,552
Public safety	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	5,583,466
Public works	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	3,883,719
Economic Development/General Operations	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	1,941,449
Capital outlay	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	6,222,574
Principal	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	1,735,000
Interest and fiscal charges	951,412	1,016,563	1,046,806	988,913	880,470	852,337	760,654	672,870	559,047	449,480
Total expenditures	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	23,721,239
Revenues over (under) expenditures	(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)	(3,425,747)
Other finance sources (Uses)										
Sale of Assets	1,416,206	12,534	4,696	-	12,762	25,574	26,347	7,157	59,346	10,144
Bond Proceeds	4,265,000	250,000	-	450,000	1,703,899	-	-	8,865,000	-	243,862
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(4,837,448)	-	-
Transfers in (out)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400	381,800	547,900
Total other finance sources (uses)	3,016,016	(619,338)	129,696	645,000	2,010,409	356,624	388,147	4,401,109	441,146	801,906
Net change in fund balances	\$ (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)	(2,623,841)
Debt service as a percentage of noncapital expenditures	15.03%	17.11%	18.41%	15.35%	15.29%	15.49%	15.47%	13.34%	12.38%	12.48%
Total	\$ 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	\$ 21,536,760
Capital Outlay as per page 22 of CAFR	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	6,222,574
Non-capital outlay	\$ 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	\$ 15,314,186

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

<u>Tax Remitter</u>	<u>Fiscal Year 2017</u>			<u>Fiscal Year 2007</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
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
2017	980,483,714

Navajo County (1)

Fiscal Year	Amount
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
2017	896,175,069

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

(2) TPT Detail - Business Code codes 17 and 62 - Finance Department

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>
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	10,652,385	430,861	610,273	11,693,519
2017	10,963,170	405,434	648,842	12,017,446

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
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%
2016-2017	417,020	283,692	-	8,732,947	781,360	183,015	400,967	83,783	80,387	10,963,170	3.13%

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>
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%
2017	142,807,373	1,253,988,894	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>
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
2016-15	-	-	0.8903	1.8067	4.2377	6.9347

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)

Collected to June 30th,
End of Tax Fiscal Year

Tax Year	Original Property Assessments	Adjustments	Amount	Percent of Adjusted Levy	Taxes Receivable
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
2017	192,045	-	-	0%	192,045

Source: Navajo County Treasurer's Office

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

<u>Fiscal Year</u>	<u>Total Assessments Billed</u>	<u>Total Assessments Collected</u>	<u>Ratio of Collections to Amount Billed</u>	<u>Net Outstanding Assessments</u>
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)
2016-2017	493,035	515,903	104.64%	(22,868)

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			
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
2017	395,000	2,155,000	-	769,000	10,700,000	293,862	-	-	7,188,768	-	21,501,630	15.58%	1,924

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)
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%	-
2017	142,807,373	-	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	2016-2017 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	1,349,016	\$ 690,000	100.00%	\$ 690,000
Special Assessment Bonds		\$ 1,465,000	100.00%	1,465,000
GADA Bonds Series 2006B		\$ 400,000	100.00%	400,000
Gada Bonds Series 2008A		\$ 755,000	100.00%	755,000
Gada Bonds Series 2006B		\$ 8,790,000	100.00%	8,790,000
Reidhead Note Payable		\$ 100,000	100.00%	100,000
Equipment (Grader) Purchase Note Payable		\$ 243,862	100.00%	243,862
Capital Leases		\$ 769,000	100.00%	769,000
Total direct debt		\$ -		<u>\$ 13,212,862</u>
Overlapping Debt Repaid with Property Taxes:				
Navajo County	865,076,310	\$ 14,521,577	n/a	\$ -
Timber Mesa Fire & Medical District	281,829,562	\$ 3,449,621	n/a	\$ -
Northland Pioneer College	865,076,310	\$ 1,463	n/a	\$ -
Show Low School District #10 - 2003B	198,455,808	\$ 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>\$ 14,137,018</u></u>

Source: Navajo County Finance Department/www.azdor.gov/Report of Bonded Indebtedness/City of Show Low Finance Department
<https://openbooks.az.gov/bonded-indebtedness>

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
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%
2017	6,573,853	3,512,788	3,061,065	721,507	190,233	911,740	335.7%

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
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%	11,693,519	725,000	334,480	1104%
2017	347,414	325,066	26,733	99%	145,621	69,374	76,247	100%	12,017,446	830,000	281,276	1081%

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
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%
2017 (Estimated)	11,176	110,285	3,350,337	30,379	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).
 2011-17 county data unavailable and estimated based on statewide information

(3) Source: AZSTATS.GOV

<https://www.census.gov/2010census/popmap/ipmtext.php>

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

Employer	Fiscal Year 2017**			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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Airport	5.2	5.2	4.2	4.2	4.5	4.1	4.1	4.1	4.1	4.5
Aquatics & Recreation	15.1	14.7	14.7	14.2	14.2	14.2	14.4	14.8	14.8	14.8
Show Low TV	3.0	3.0	2.7	2.0	2.0	2.3	2.3	2.3	2.3	2.3
City Attorney	2.0	2.0	1.0	-	-	1.6	1.6	1.6	1.6	1.6
City Clerk	4.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2
City Magistrate	2.5	2.5	4.5	4.0	3.0	3.0	3.0	2.5	2.5	2.5
City Manager	1.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2
Community Services Admin	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2
Engineering	11.0	11.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6
Finance	10.0	9.0	6.5	-	-	-	-	-	-	0
Human Resources	2.0	2.0	2.0	-	-	-	-	-	-	0
Administrative Services	-	-	-	8.2	9.2	10.0	10.0	10.0	10.0	10
Information Systems	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2
Library	9.7	10.2	8.1	7.5	7.5	7.5	7.5	7.5	8.0	8
Parks & Facilities Maintenance	10.3	10.7	9.2	9.1	7.5	7.0	7.0	7.0	8.0	8
Planning & Zoning	12.7	11.7	6.5	5.0	4.5	4.5	4.5	4.5	4.5	4.5
Police	48.6	48.6	50.2	46.6	49.4	49.1	49.1	48.1	48.1	49.1
Public Works Administration	-	-	-	-	-	-	-	-	-	0
Streets	9.3	9.3	10.3	10.0	11.0	11.0	11.0	11.0	11.0	11
Wastewater	12.1	12.1	11.6	11.5	10.5	10.0	10.0	10.0	11.0	12
Water	11.1	11.1	11.5	10.5	13.5	15.0	15.0	15.0	14.0	14
Total Employees	173.6	174.1	156.0	145.8	149.8	153.3	153.5	152.4	153.9	156.3

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

Function	Fiscal Year									
	<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>	<u>2017</u>
Police										
Arrests	2,160	1,852	1,698	1,605	1,630	1,569	1,758	1,792	1,465	1,129
Citations	6,896	7,467	5,947	4,928	3,701	3,015	4,251	2,959	1,901	4,509
Traffic Stops	9,510	10,362	8,390	10,261	6,821	5,040	6,494	7,041	6,298	5,447
Officer Reports	4,164	3,735	3,021	2,749	2,854	2,955	3,074	3,010	2,745	2,324
Photo Enforcement - Notices Printed	0	0	15,524	15,813	12,452	13,150	7,452	0	0	0
Calls for Service	20,176	19,985	19,425	17,304	19,316	18,318	19,230	17,031	22,504	15,833
Highways & Streets										
Street resurfacing (miles)	15	27	17	25	61	90	137	35	20	16
Potholes repaired	312	359	741	791	1,118	655	677	1,189	258	407
Street sweeping (miles)	3,000	1,670	2,094	965	505	1,671	1,252	904	1,670	746
Water										
New Connections	150	36	45	34	21	32	49	55	64	98
Line Breaks	133	65	158	128	119	108	89	72	32	19
Average Daily Consumption	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	1,582,630
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	971,000	956,739	830,000	867,000	892,000	789,258	907,463	972,000	1,022,000	1,115,000
Line cleaning (feet)	340,000	204,033	258,768	268,231	99,556	109,812	126,362	136,387	127,363	118,281
Line Plugs	43	26	41	53	56	112	13	6	100	85
Recreation & Aquatics										
Aquatic center admissions	56,860	64,797	49,352	32,164	47,880	43,920	50,101	50,131	52,258	56,427

*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	
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
2016-17	17,776,492	10,531,462	28,307,953	87

(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>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>	<u>2017</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Authorized Patrol units	20	23	23	23	20	20	20	20	20	20
Highways and streets										
Streets (miles)	96	97	181	182	182	182	184	184	184	184
Streetlights	665	675	675	735	735	735	782	782	782	782
Water										
Water mains (miles)	111	119	124	164	164	183	185	187	187	187
Fire hydrants	815	815	810	817	1,033	1,096	1,149	1,168	1,174	1178
Sewer										
Sanitary Sewer (miles)	131	139	146	148	148	148	150	152	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	2,500,000*
Recreation and aquatics										
Parks acreage	414	414	428	428	428	428	428	428	428	428
Number of Parks	9	9	10	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	5	5	5	5	5	5	5	5
Community centers	2	2	2	2	2	2	2	2	2	2

*Completed new Wastewater Treatment Plant Facility in FY 2017 increasing the maximum daily treatment capacity.

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, 2017, 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 December 20, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 Arizona, PLLC
Flagstaff, Arizona
December 20, 2017

**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, 2017, and have issued our report thereon dated December 20, 2017. 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, 2017.

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 Arizona, PLLC
Flagstaff, Arizona
December 20, 2017

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