

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



*Year-ended June 30, 2014
With Report of Certified Public Accountants*

CITY OF SHOW LOW, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by:

Administrative Services Director

CITY OF SHOW LOW, ARIZONA

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City of Show Low

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www.showlowaz.go

December 19, 2014

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, 2014, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The CAFR has been prepared using the new financial reporting requirements as prescribed by Government Accounting Standard Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB

34). GASB 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

Profile of the City of Show Low

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

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

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

Economic Conditions

Along with the rest of the state and nation, the City has experienced an improving economic environment. An indication of the improved economy is the growth in FY 2014 city sales tax collections over FY 2013 receipts, especially in the retail category. The stronger local and Arizona economy is 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 sets out 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 March 13, 2012, in accordance with state statutes, the voters of Show Low passed, and the City adopted, the Home Rule (Alternative Expenditure Limitation) Option, which released the City from the state-imposed limitation. The effect of the Home Rule option is to set the City's expenditure limitation at the adopted budget. The Home Rule option is in effect for four consecutive years (Fiscal Years 2013-2016). Management generally has the ability to transfer funds within a department and within a fund. Transfers between funds require City Council approval. A formal policy on budget amendment authorization levels is in use.

As a condition of the Home Rule Option, the City must maintain a reserve of at least one million dollars before any expenditure can be authorized. City Council subsequently directed an additional \$1,000,000 be set aside. The remaining combined fund balance is non-spendable, restricted, committed or assigned in accordance with GASB 54. For additional information see the Management Discussion & Analysis and the Governmental Funds Balance Sheet.

Financial Policies

The City's practice of conservatively estimating major revenue sources such as city sales tax, state shared revenues and user fees, has continued to have a positive influence on the City's financial position. Another practice that has had a positive influence is the practice of ensuring that funds have been collected before they are allocated to pay for projects. Further, 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 -0.12% (on-tenth of one percent), a result that is attributable to the recognition of unrealized market value (net of the year's gains and losses).

Risk Management

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

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

Other Information

Independent Audit

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

Acknowledgments

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

Respectfully submitted,

Anthony Turley
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, 2013

Executive Director/CEO

City of Show Low, Arizona
List of officials

MAYOR

Daryl Seymore

Vice-Mayor

John Leech Jr.

Council Members

Gene Kelley

Brent Hatch

Connie Kakavas

Rennie Crittenden

Mike Allsop

City Staff

Ed Muder, City Manager

Morgan Brown, City Attorney

Stephen Price, City Magistrate

Anthony Turley, Administrative Services Director

Joel Weeks, Community Services Director

Joseph Shelley, Police Chief

William Kopp, Public Works Director

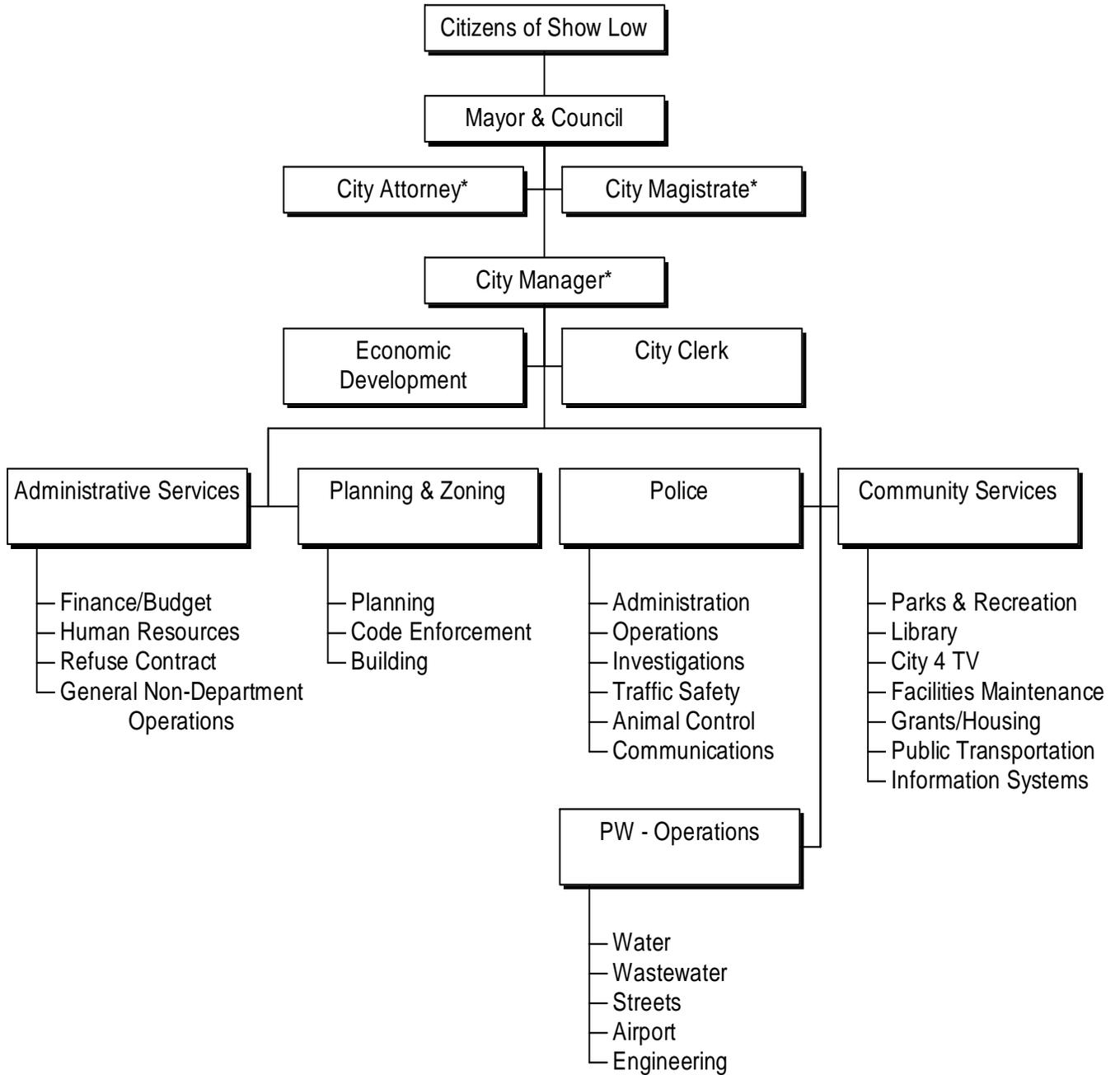
Justen Tregaskes, Planning & Zoning Director

Ann Kurasaki, City Clerk



City of Show Low, Arizona

Organizational Chart



*Appointed by Council

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
Show Low, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Show Low, Arizona, as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund, and the Highway User Revenue and Airport special revenue funds 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 and the public safety retirement system 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 schedules, the nonmajor fund combining statements and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The debt service budgetary comparison schedules, the nonmajor fund combining statements and budgetary comparison schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2014, on our consideration of the City of Show Low, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Show Low, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
November 8, 2014

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**CITY OF SHOW LOW, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

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, 2014. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- City Sales tax revenue continues to rise for the fourth year after three years of decline; collections rose by 7.9% over last year and remain the single largest revenue in the General fund budget at 67% of all General fund revenues. The trend of growth is similar to that being seen across the state and nation as the economy continues to improve. While total city sales tax collected for fiscal year 2014 is almost \$1 million or 9% less than the FY 2007 peak amount, the retail sales tax component, which is the largest segment of total city sales tax, now exceeds the FY 2007 level by about \$733,000 or 11%.
- The acquisition of three private water systems over the past couple of years means the city's total customer base for water, sewer and/or refuse collection totals about 7,400. These acquisitions position the City to be the water provider for approximately 99% of all city residents.
- The City undertook many capital improvement projects during fiscal year 2014. Some of the significant capital outlay projects included the purchase of the Tate's Automotive building on the deuce of clubs for a new public safety building and the underground power line project adjacent to the airport. Additional capital projects included road, water and sewer infrastructure improvements to ensure the continued provision of quality services to the community.
- The City approved a conservative budget for fiscal year 2014. Monthly financial reviews showed that program adjustments were not needed during the year resulting in expenses being within management's revised projections for the year ending June 30, 2014.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$120.5 million as of June 30, 2014 as shown in the following condensed statement of net position. The City has chosen to account for its water, wastewater and refuse operations in enterprise funds which are shown as Business Activities.

City of Show Low Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 13,720,693	\$ 16,360,636	\$ 12,363,185	\$ 12,177,151	\$ 26,083,878	\$ 28,537,787
Capital assets	69,586,044	66,382,399	47,705,972	47,075,696	117,292,016	113,458,095
Total assets	<u>83,306,737</u>	<u>82,743,035</u>	<u>60,069,157</u>	<u>59,252,847</u>	<u>143,375,894</u>	<u>141,995,882</u>
Long-term liabilities outstanding	14,533,377	16,416,005	5,537,861	5,085,047	20,071,238	21,501,052
Other liabilities	1,766,660	2,256,994	1,018,999	677,784	2,785,659	2,934,778
Total liabilities	<u>16,300,037</u>	<u>18,672,999</u>	<u>6,556,860</u>	<u>5,762,831</u>	<u>22,856,897</u>	<u>24,435,830</u>
Net position:						
Net investment in capital assets	55,862,056	50,755,411	42,263,016	41,990,649	98,125,072	92,746,060
Restricted	1,512,628	2,273,641	4,274,822	4,689,551	5,787,450	6,963,192
Unrestricted	9,632,016	11,040,984	6,974,459	6,809,816	16,606,475	17,850,800
Total net position	<u>\$ 67,006,700</u>	<u>\$ 64,070,036</u>	<u>\$ 53,512,297</u>	<u>\$ 53,490,016</u>	<u>\$ 120,518,997</u>	<u>\$ 117,560,052</u>

Governmental Activities

The City has \$141,375,894 in total assets, with \$117,292,016 in capital assets (net of depreciation). Funds included in the business-type activities column are the City's enterprise funds operation, which are Wastewater, Water, and Refuse. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities. See Note 6, Capital Assets, for more information about the City's capital assets.

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

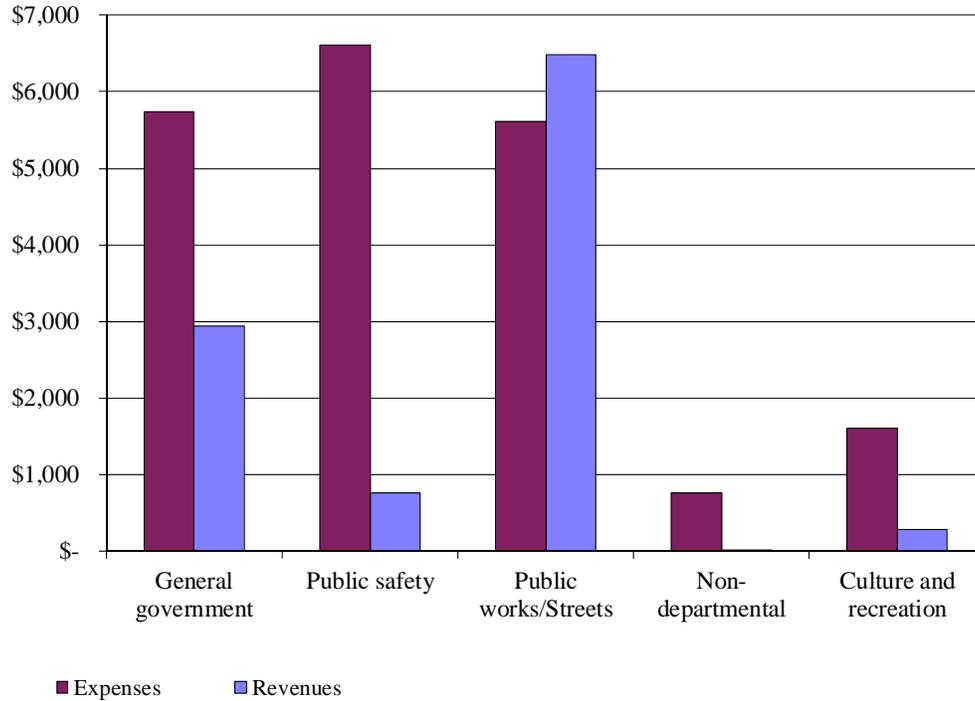
**City of Show Low
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,876,447	\$ 4,418,198	\$ 6,806,136	\$ 6,335,272	\$ 11,682,583	\$ 10,753,470
Operating grants and contributions	2,074,646	2,409,041	-	-	2,074,646	2,409,041
Capital grants and contributions	3,536,328	518,379	277,278	192,773	3,813,606	711,152
General revenues:						
Taxes	11,997,825	11,167,281	-	-	11,997,825	11,167,281
Urban revenue sharing	1,196,624	1,097,262	-	-	1,196,624	1,097,262
Other revenue/(expense)	139,950	(43,581)	228,241	62,039	368,191	18,458
Total revenues	<u>23,821,820</u>	<u>19,566,580</u>	<u>7,311,655</u>	<u>6,590,084</u>	<u>31,133,475</u>	<u>26,156,664</u>
Expenses:						
General government	5,741,359	5,280,088	-	-	5,741,359	5,280,088
Public safety	6,602,929	5,522,554	-	-	6,602,929	5,522,554
Public works/Streets	5,605,479	6,848,761	-	-	5,605,479	6,848,761
Economic development	762,562	760,566	-	-	762,562	760,566
Culture and recreation	1,609,232	1,466,630	-	-	1,609,232	1,466,630
Interest on long-term debt	722,366	806,952	-	-	722,366	806,952
Water	-	-	3,468,286	3,079,893	3,468,286	3,079,893
Wastewater	-	-	2,497,242	2,386,319	2,497,242	2,386,319
Refuse	-	-	962,046	938,989	962,046	938,989
Total expenses	<u>21,043,927</u>	<u>20,685,551</u>	<u>6,927,574</u>	<u>6,405,201</u>	<u>27,971,501</u>	<u>27,090,752</u>
Increase (decrease) in net position before transfers	2,777,893	(1,118,971)	384,081	184,883	3,161,974	(934,088)
Transfers	361,800	331,050	(361,800)	(331,050)	-	-
Increase (decrease) in net position	3,139,693	(787,921)	22,281	(146,167)	3,161,974	(934,088)
Net position, beginning	64,070,036	64,857,957	53,490,016	53,708,003	117,560,052	118,565,960
Prior period adjustment	(203,029)	-	-	-	(203,029)	-
Restatement adjustment	-	-	-	(71,820)	-	(71,820)
Net position, ending	<u>\$ 67,006,700</u>	<u>\$ 64,070,036</u>	<u>\$ 53,512,297</u>	<u>\$ 53,490,016</u>	<u>\$ 120,518,997</u>	<u>\$ 117,560,052</u>

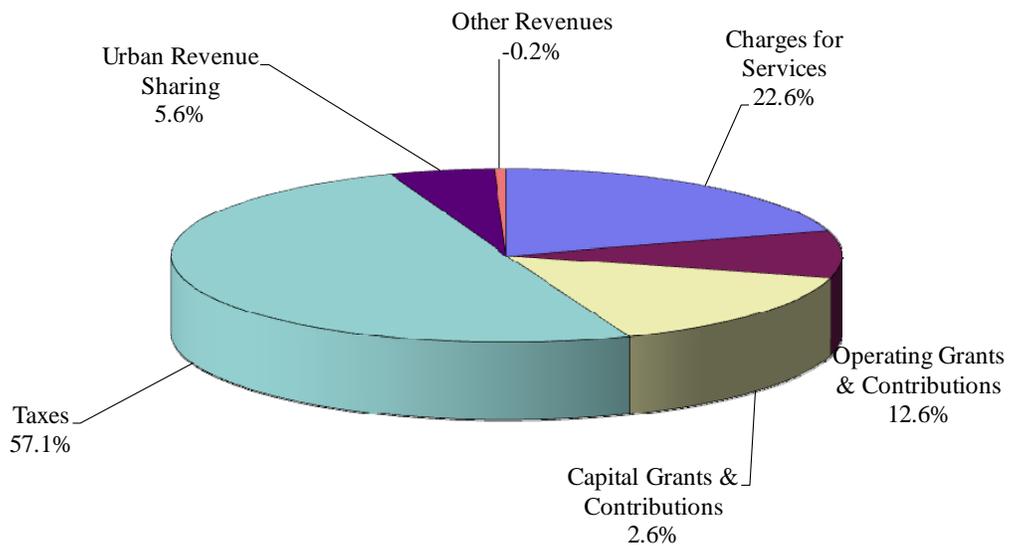
Total resources available during the year to finance governmental operations were \$87.6 million consisting of Net Position at July 1, 2013 of \$63.9 million, program revenues of \$10.4 million and General Revenues of \$13.3 million. Total Governmental Activities during the year were \$21.0 million; thus Governmental Net Position was increased by \$3,139,693 to \$67.0 million.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



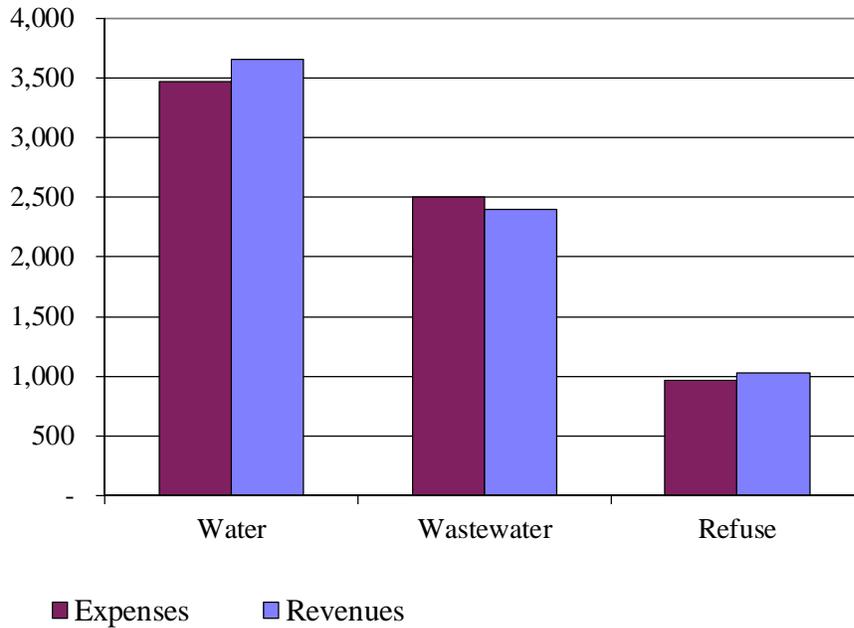
Revenue By Source - Governmental Activities



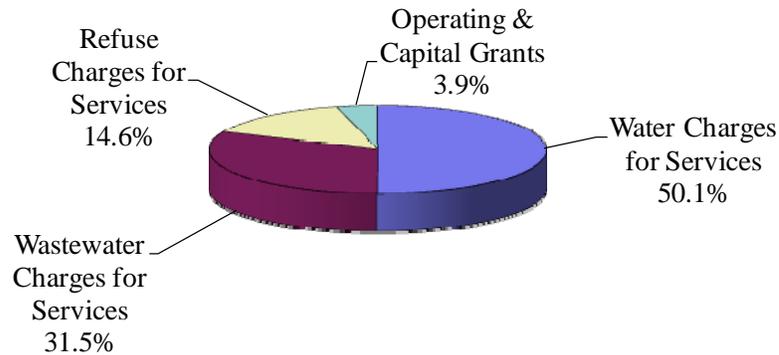
Business Type Activities

Net Position of the Business Type activities at June 30, 2014, as reflected in the Statement of Net Position was \$53.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$6.9 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$6.8 million and there was \$272,278 subsidized by capital grants and contributions. Interest earnings and other revenues were \$228,241. The Net Position increased by \$22,281.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the City of Show Low's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able 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 \$8,756,382, a decrease of \$1,156,083 or 12%, compared to FY 2013. The decline is due primarily to the spending of fund balance in three areas: the Highway User Revenue Fund (HURF), the Airport Special Revenue Fund and Non-major funds. For HURF, the fund balance was drawn down \$155,621 for planned street-related capital outlay. For the Airport, the fund balance was drawn down \$166,848 for planned capital improvements. For the Non-major funds, the fund balance was drawn down \$1,065,667 primarily attributable to planned capital outlay in one of the non-major funds, the Public Safety Building purchase.

Approximately 53% of the combined ending fund balances of \$8,756,382, or \$4,933,368, constitutes unassigned fund balance which is available for new spending at the government's discretion. The almost \$4.9 million combined unassigned fund balance includes \$2,600,000 established as a General Fund reserve, of which at least \$1,000,000 is a condition of the Home Rule Option and must be maintained before any expenditure can be authorized. The City held an election on August 26, 2014 in which the voters of Show Low passed, and the City Council adopted, the Home Rule (Alternative Expenditure Limitation) Option, which released the City from the state-imposed limitation. City Council subsequently directed an additional \$1,600,000 be set aside. The remaining combined fund balance is non-spendable, restricted, committed or assigned in accordance with GASB 54.

The General fund is the chief operating fund of the City of Show Low. At the end of the current fiscal year, unassigned fund balance in the general fund was \$5,528,415, while total General fund balance was \$5,810,885. 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 (including transfers out). The General fund unassigned fund balance represents 50% of total General fund expenditures while total fund balance represents 53% of the same amount. During the year, the City of Show Low's General fund balance increased by \$4,447,808. This positive change in fund balance is primarily attributable to General fund revenues increasing by \$848,053 which was offset, in part by, transfers out increasing and transfers in decreasing.

The Highway User Revenue Fund has a total fund balance of \$913,294, all of which is assigned for road and street construction and improvements per state statute. The net decrease in the fund balance during the current year was \$155,621 as a result of planned capital outlay.

The Airport Fund has a total fund balance of (\$34,508) primarily the result of special purpose fuel inventory and pre-paid insurance. An unassigned fund balance of (\$224,930) offsets, to an extent, the total fund balance.

Improvement District #5 is a debt service fund. The fund balance of this fund declined by (\$194,302) primarily due to the early receipt of principal and interest payments in prior years, thus decreasing collections in the current year.

Improvement District #6 is a debt service fund. The fund balance of this fund declined by (\$25,440) primarily due to the early receipt of principal and interest payments in prior years, thus decreasing collections in the current year.

The Show Low Bluff Communities Facilities District debt service fund experienced an increase of \$48,997 for FY 2014 primarily due to an increase in special assessment revenue.

General Fund Budgetary Highlights

Tax revenues have a positive variance of \$1,390,793 mainly due to stronger than budgeted sales tax collections. Intergovernmental revenues also have a positive variance of \$158,144 due to the City's practice of budgeting 95% of the state-provided estimates. Total revenues have a positive variance of 13% or \$1,691,534. General fund expenditures were \$1,379,975 or 11% less than budgeted with the most significant positive variances in the following areas:

- In the General Government category, total spending was \$606,098 or 18% less than budgeted as a result of personnel-related savings. Most notable in this category was City Council spending \$197,241 less than budgeted due to limited use of council contingencies that comprise the majority of the council budget.
- In the Public Safety category of expenditures, actual spending was \$450,350 or 8% less than budgeted due to personnel-related and program savings.
- In the Public Works category of expenditures, actual spending was \$130,979 or 10% less than budgeted due to personnel-related and program savings.
- In the Non-departmental category, spending was \$108,528 or 12% less than budgeted because of limited use of contingencies for economic development incentives and liability deductibles.
- In the Culture and Recreation category, actual spending was \$84,020 or 10% less than budgeted due to personnel-related and contractual savings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2014, net capital assets of the government activities totaled \$69.6 million and the net capital assets of the business-type activities totaled \$47.7 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. See also Note 6 to the financial statements.

Debt

At year-end, the City had \$14.5 million in governmental type debt and \$5.4 million in business-type debt. The debt is a liability of the government and amounts to approximately \$1,844.78 per capita. During the current fiscal year, the City's total debt decreased \$1,324,262. See also Note 7 to the financial statements.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The City of Show Low is experiencing slow economic growth due to the regional, state and national recession. The City serves as a regional trade and services center for the southern part of Navajo County and a portion of Apache County. The City of Show Low remains a favorite place for retired people to build a summer home. 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 Anthony Turley, the City's Administrative Services Director, City of Show Low, 180 North 9th Street, Suite B, Show Low, Arizona 85901.

BASIC FINANCIAL STATEMENTS

CITY OF SHOW LOW, ARIZONA
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 7,170,460	\$ 11,044,752	\$ 18,215,212
Receivables (net of allowance)	5,181,103	979,183	6,160,286
Internal balances	31,799	(31,799)	-
Prepaid items/Inventory	1,083,502	283,477	1,366,979
Temporarily restricted assets:			
Cash and cash equivalents	253,829	87,572	341,401
Capital assets (net of accumulated depreciation):			
Land	6,095,240	1,246,033	7,341,273
Construction in progress	4,417,622	1,415,823	5,833,445
Buildings	11,002,002	40,329	11,042,331
Improvements	7,222,932	-	7,222,932
System improvements	-	42,983,893	42,983,893
Machinery and equipment	2,579,912	1,904,107	4,484,019
Vehicles	1,280,030	115,787	1,395,817
Infrastructure/Roads	36,988,306	-	36,988,306
Total assets	<u>83,306,737</u>	<u>60,069,157</u>	<u>143,375,894</u>
Liabilities			
Accounts payable and other current liabilities	1,469,028	912,592	2,381,620
Interest payable	153,166	84,373	237,539
Unearned revenues	144,466	22,034	166,500
Noncurrent liabilities:			
Due within one year	2,179,042	308,676	2,487,718
Due in more than one year	12,354,335	5,229,185	17,583,520
Total liabilities	<u>16,300,037</u>	<u>6,556,860</u>	<u>22,856,897</u>
Net Position			
Net investment in capital assets	55,862,056	42,263,016	98,125,072
Restricted for:			
Highways and streets	3,817	-	3,817
Debt service	1,423,180	-	1,423,180
Capital projects and other	85,631	4,274,822	4,360,453
Unrestricted	9,632,016	6,974,459	16,606,475
Total net position	<u>\$ 67,006,700</u>	<u>\$ 53,512,297</u>	<u>\$ 120,518,997</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 5,741,359	\$ 2,885,314	\$ 50,576	\$ -	\$ (2,805,469)	\$ -	\$ (2,805,469)
Public safety	6,602,929	259,897	348,015	159,432	(5,835,585)	-	(5,835,585)
Public works/Streets	5,605,479	1,496,316	1,648,678	3,340,537	880,052	-	880,052
Non-departmental	762,562	12,230	-	-	(750,332)	-	(750,332)
Culture and recreation	1,609,232	222,690	27,377	36,359	(1,322,806)	-	(1,322,806)
Interest on long-term debt	722,366	-	-	-	(722,366)	-	(722,366)
Total governmental activities	<u>21,043,927</u>	<u>4,876,447</u>	<u>2,074,646</u>	<u>3,536,328</u>	<u>(10,556,506)</u>	<u>-</u>	<u>(10,556,506)</u>
Business-type activities:							
Water	3,468,286	3,545,618	-	107,987	-	185,319	185,319
Wastewater	2,497,242	2,228,974	-	169,291	-	(98,977)	(98,977)
Refuse	962,046	1,031,544	-	-	-	69,498	69,498
Total business-type activities	<u>6,927,574</u>	<u>6,806,136</u>	<u>-</u>	<u>277,278</u>	<u>-</u>	<u>155,840</u>	<u>155,840</u>
Total primary government	<u>\$ 27,971,501</u>	<u>\$ 11,682,583</u>	<u>\$ 2,074,646</u>	<u>\$ 3,813,606</u>			
General Revenues:							
Taxes:							
City sales tax					9,931,755	-	9,931,755
Franchise tax					429,038	-	429,038
Property tax					164,528	-	164,528
Auto lieu tax (unrestricted)					544,628	-	544,628
State sales tax (unrestricted)					927,876	-	927,876
Urban revenue sharing (unrestricted)					1,196,624	-	1,196,624
Unrestricted investment earnings					113,603	228,241	341,844
Gain on sale of capital assets					26,347	-	26,347
Transfers					361,800	(361,800)	-
Total general revenues & transfers					<u>13,696,199</u>	<u>(133,559)</u>	<u>13,562,640</u>
Change in net position					3,139,693	22,281	3,161,974
Net position - beginning					64,070,036	53,490,016	117,560,052
Prior period adjustment					(203,029)	-	(203,029)
Net position - ending					<u>\$ 67,006,700</u>	<u>\$ 53,512,297</u>	<u>\$ 120,518,997</u>

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

CITY OF SHOW LOW, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

	General	Special Revenue		Debt Service
		Highway User Revenue Fund	Airport	Improvement District #6
ASSETS				
Cash and cash equivalents	\$ 4,409,708	\$ 1,180,191	\$ 200	\$ 367,572
Receivables:				
Taxes	1,058,727	-	-	-
Interest	-	-	-	5,588
Other	59,504	-	-	-
Assessments	-	-	-	1,115,478
Intergovernmental	89,010	118,384	333,717	-
Due from other funds	788,039	-	-	-
Inventories	-	-	69,066	-
Prepaid items	1,302	-	121,356	-
Restricted cash and investments	97,791	-	-	-
	<u>\$ 6,504,081</u>	<u>\$ 1,298,575</u>	<u>\$ 524,339</u>	<u>\$ 1,488,638</u>
Total assets				
	<u>\$ 6,504,081</u>	<u>\$ 1,298,575</u>	<u>\$ 524,339</u>	<u>\$ 1,488,638</u>
LIABILITIES				
Accounts payable	\$ 199,958	\$ 371,133	\$ 229,216	\$ -
Accrued wages and benefits	209,433	14,148	3,818	-
Accrued liabilities	120,849	-	20,865	-
Retainage payable	32,076	-	-	-
Deposits held	20,802	-	-	-
Due to other funds	-	-	304,948	-
Unearned revenue	110,078	-	-	-
	<u>693,196</u>	<u>385,281</u>	<u>558,847</u>	<u>-</u>
Total liabilities				
	<u>693,196</u>	<u>385,281</u>	<u>558,847</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	-	1,117,734
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,117,734</u>
Total deferred inflows of resources				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,117,734</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Inventories and prepaid items	1,302	-	190,422	-
Restricted:				
Public works/streets	-	-	-	-
Capital outlay	-	-	-	-
Debt service	76,989	-	-	370,904
Committed:				
Cemetery	204,179	-	-	-
Public transportation	-	-	-	-
Assigned:				
Public works/streets	-	913,294	-	-
Unassigned	5,528,415	-	(224,930)	-
	<u>5,810,885</u>	<u>913,294</u>	<u>(34,508)</u>	<u>370,904</u>
Total fund balances (deficits)				
	<u>5,810,885</u>	<u>913,294</u>	<u>(34,508)</u>	<u>370,904</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 6,504,081</u>	<u>\$ 1,298,575</u>	<u>\$ 524,339</u>	<u>\$ 1,488,638</u>

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

Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ 709,295	\$ 192,491	\$ 6,859,457
34,494	3,174	1,096,395
6,606	2,375	14,569
18,522	-	78,026
1,515,293	482,507	3,113,278
-	338,702	879,813
-	-	788,039
-	-	69,066
-	891,778	1,014,436
156,038	-	253,829
<u>\$ 2,440,248</u>	<u>\$ 1,911,027</u>	<u>\$ 14,166,908</u>
\$ 11,292	\$ 144,739	\$ 956,338
-	10,699	238,098
-	-	141,714
-	-	32,076
-	-	20,802
-	451,292	756,240
-	34,388	144,466
<u>11,292</u>	<u>641,118</u>	<u>2,289,734</u>
<u>1,524,919</u>	<u>478,139</u>	<u>3,120,792</u>
<u>1,524,919</u>	<u>478,139</u>	<u>3,120,792</u>
-	891,779	1,083,503
-	3,817	3,817
-	85,631	85,631
904,037	71,250	1,423,180
-	-	204,179
-	109,410	109,410
-	-	913,294
-	(370,117)	4,933,368
<u>904,037</u>	<u>791,770</u>	<u>8,756,382</u>
<u>\$ 2,440,248</u>	<u>\$ 1,911,027</u>	<u>\$ 14,166,908</u>

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CITY OF SHOW LOW, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Total governmental fund balances	\$	8,756,382
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$	105,968,021
Less accumulated depreciation		<u>(36,381,977)</u>
		69,586,044
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Notes payable	\$	(7,840,000)
Bonds payable		(825,000)
Special assessment bonds		(3,623,000)
Landfill monitoring costs		(26,988)
Leases payable		(1,409,000)
Compensated absences		<u>(809,389)</u>
		(14,533,377)
<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>		
		(153,166)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>		
		3,120,792
<p>Internal service funds are used by management to charge costs of certain activities to individual funds. This amount represents the assets and liabilities of the internal service funds reported as governmental activities</p>		
		<u>230,025</u>
Total net position of governmental activities	\$	<u><u>67,006,700</u></u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

REVENUES	General	Special Revenue		Debt Service
		Highway User Revenue Fund	Airport	Improvement District #6
Taxes	\$ 10,360,793	\$ -	\$ -	\$ -
Licenses, permits and fees	153,196	-	-	-
Intergovernmental revenue	3,025,144	1,232,535	2,961,485	-
Charges for services	299,802	-	1,100,955	-
Fines and forfeitures	736,970	-	-	3,304
Interest	81,615	7,764	4,337	3,308
Impact fees	-	-	-	-
Special assessments	-	-	-	421,819
Other revenues	238,214	7,059	9,604	650
Total revenues	14,895,734	1,247,358	4,076,381	429,081
EXPENDITURES				
Current:				
General government	2,720,510	-	-	81
Public safety	5,500,050	-	-	-
Public works/Streets	1,246,709	898,477	1,013,790	-
Non-departmental	761,583	-	-	-
Culture and recreation	751,672	-	-	-
Capital outlay	-	1,816,692	3,234,079	-
Debt service				
Principal	-	-	85,000	370,000
Interest and fiscal charges	-	-	64,519	105,723
Total expenditures	10,980,524	2,715,169	4,397,388	475,804
Excess (deficiency) of revenues over (under) expenditures	3,915,210	(1,467,811)	(321,007)	(46,723)
OTHER FINANCING SOURCES (USES)				
Sale of assets	11,898	14,290	159	-
Transfers out	(3,948,800)	-	-	(15,000)
Transfers in	469,500	1,297,900	154,000	-
Total other financing sources (uses)	(3,467,402)	1,312,190	154,159	(15,000)
Net change in fund balances	447,808	(155,621)	(166,848)	(61,723)
Fund balances, beginning of year	5,566,106	1,068,915	132,340	432,627
Prior period adjustments	(203,029)	-	-	-
Fund balances (deficits), end of year	\$ 5,810,885	\$ 913,294	\$ (34,508)	\$ 370,904

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

Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ -	\$ 164,528	\$ 10,525,321
-	-	153,196
-	750,701	7,969,865
-	123,434	1,524,191
2,268	5,799	748,341
7,776	4,580	109,380
-	90,990	90,990
310,095	405,107	1,137,021
(486)	85,367	340,408
<u>319,653</u>	<u>1,630,506</u>	<u>22,598,713</u>
8,937	586,826	3,316,354
-	1,747,828	7,247,878
-	194,378	3,353,354
-	-	761,583
-	415,342	1,167,014
-	379,306	5,430,077
95,000	1,353,000	1,903,000
<u>159,719</u>	<u>430,693</u>	<u>760,654</u>
<u>263,656</u>	<u>5,107,373</u>	<u>23,939,914</u>
<u>55,997</u>	<u>(3,476,867)</u>	<u>(1,341,201)</u>
-	-	26,347
(7,000)	(117,900)	(4,088,700)
-	2,529,100	4,450,500
<u>(7,000)</u>	<u>2,411,200</u>	<u>388,147</u>
48,997	(1,065,667)	(953,054)
855,040	1,857,437	9,912,465
-	-	(203,029)
<u>\$ 904,037</u>	<u>\$ 791,770</u>	<u>\$ 8,756,382</u>

CITY OF SHOW LOW, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	(953,054)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay	\$	6,724,513
Depreciation expense		<u>(3,520,868)</u>
		3,203,645
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of current year payments on assessments.</p>		
		(817,604)
<p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,903,000
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(20,372)
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		38,288
<p>The net revenues of certain activities of the internal service fund is reported with governmental activities.</p>		
		<u>(214,210)</u>
Change in net position of governmental activities	\$	<u><u>3,139,693</u></u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
City sales tax	\$ 8,550,000	\$ 8,550,000	\$ 9,931,755	\$ 1,381,755
Franchise taxes	420,000	420,000	429,038	9,038
Total taxes	<u>8,970,000</u>	<u>8,970,000</u>	<u>10,360,793</u>	<u>1,390,793</u>
Licenses and permits	121,800	121,800	153,196	31,396
Intergovernmental revenues:				
State sales tax	875,000	875,000	927,876	52,876
Auto lieu tax	521,100	521,100	544,628	23,528
Urban revenue sharing	1,129,800	1,129,800	1,196,624	66,824
Grant revenues	341,100	341,100	356,016	14,916
Total intergovernmental	<u>2,867,000</u>	<u>2,867,000</u>	<u>3,025,144</u>	<u>158,144</u>
Charges for services	291,000	291,000	299,802	8,802
Fines and forfeitures	743,000	743,000	736,970	(6,030)
Interest earnings	40,100	40,100	81,615	41,515
Other revenues:				
Cemetery plot sales and services	25,000	25,000	37,158	12,158
Charges for administrative services	5,000	5,000	1,867	(3,133)
Rent income	32,400	32,400	32,723	323
Miscellaneous revenues	108,900	108,900	166,466	57,566
Total other revenues	<u>171,300</u>	<u>171,300</u>	<u>238,214</u>	<u>66,914</u>
Total revenues	<u>13,204,200</u>	<u>13,204,200</u>	<u>14,895,734</u>	<u>1,691,534</u>
EXPENDITURES				
Current:				
General government:				
City council	334,400	272,619	75,378	197,241
Finance	647,800	647,800	582,882	64,918
City magistrate	202,200	202,200	165,941	36,259
City attorney	240,500	240,500	224,432	16,068
City manager	358,100	357,881	339,358	18,523
Planning and zoning	414,600	414,600	383,641	30,959
Public information	229,300	229,300	214,669	14,631
Information systems	331,100	319,908	292,029	27,879
Human resources	252,000	252,000	216,876	35,124
Community services administration	239,800	239,800	214,023	25,777
Cemetery	112,500	150,000	11,281	138,719
Total general government	<u>3,362,300</u>	<u>3,326,608</u>	<u>2,720,510</u>	<u>606,098</u>

(Continued)

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

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual (Continued)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Public safety	5,903,700	5,950,400	5,500,050	450,350
Total public safety	5,903,700	5,950,400	5,500,050	450,350
Public works:				
Maintenance	762,600	772,688	730,631	42,057
City engineer	603,500	605,000	516,078	88,922
Total public works	1,366,100	1,377,688	1,246,709	130,979
Non-departmental				
Non-departmental	1,055,300	697,300	589,457	107,843
City 4 cable TV	168,900	172,811	172,126	685
Total non-departmental	1,224,200	870,111	761,583	108,528
Culture and recreation:				
Parks and recreation	341,400	340,868	299,127	41,741
Library	488,300	494,824	452,545	42,279
Total culture and recreation	829,700	835,692	751,672	84,020
Total expenditures	12,686,000	12,360,499	10,980,524	1,379,975
Excess of revenues over expenditures	518,200	843,701	3,915,210	3,071,509
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	2,500	2,500	11,898	9,398
Transfers out	(3,938,800)	(3,938,800)	(3,948,800)	(10,000)
Transfers in	469,500	469,500	469,500	-
Total other financing sources and (uses)	(3,466,800)	(3,466,800)	(3,467,402)	(602)
Net change in fund balance	(2,948,600)	(2,623,099)	447,808	3,070,907
Fund balance, beginning of year	5,566,106	5,566,106	5,566,106	-
Prior period adjustment	(203,029)	(203,029)	(203,029)	-
Fund balance, end of year	<u>\$ 2,414,477</u>	<u>\$ 2,739,978</u>	<u>\$ 5,810,885</u>	<u>\$ 3,070,907</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Highway User Revenue Fund
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 4,000,100	\$ 4,136,500	\$ 1,232,535	\$ (2,903,965)
Interest	5,000	5,000	7,764	2,764
Other revenues	1,000	1,000	7,059	6,059
Total revenues	<u>4,006,100</u>	<u>4,142,500</u>	<u>1,247,358</u>	<u>(2,895,142)</u>
EXPENDITURES				
Current:				
Public works/streets	1,033,600	1,033,600	898,477	135,123
Capital outlay	<u>5,210,000</u>	<u>5,419,800</u>	<u>1,816,692</u>	<u>3,603,108</u>
Total expenditures	<u>6,243,600</u>	<u>6,453,400</u>	<u>2,715,169</u>	<u>3,738,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,237,500)</u>	<u>(2,310,900)</u>	<u>(1,467,811)</u>	<u>843,089</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,000	2,000	14,290	12,290
Transfers in	<u>1,297,900</u>	<u>1,297,900</u>	<u>1,297,900</u>	<u>-</u>
Total other financing sources (uses)	<u>1,299,900</u>	<u>1,299,900</u>	<u>1,312,190</u>	<u>12,290</u>
Net change in fund balance	(937,600)	(1,011,000)	(155,621)	855,379
Fund balance, beginning of year	<u>1,068,915</u>	<u>1,068,915</u>	<u>1,068,915</u>	<u>-</u>
Fund balance, end of year	<u>\$ 131,315</u>	<u>\$ 57,915</u>	<u>\$ 913,294</u>	<u>\$ 855,379</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Airport Special Revenue Fund
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenue	\$ 4,342,000	\$ 4,395,300	\$ 2,961,485	\$ (1,433,815)
Charges for services	1,161,000	1,161,000	1,100,955	(60,045)
Interest	-	-	4,337	4,337
Other revenues	5,000	5,000	9,604	4,604
Total revenues	<u>5,508,000</u>	<u>5,561,300</u>	<u>4,076,381</u>	<u>(1,484,919)</u>
EXPENDITURES				
Current:				
Public works/streets	1,147,600	1,147,600	1,013,790	133,810
Capital outlay	4,462,600	4,514,900	3,234,079	1,280,821
Debt service				
Principal	85,000	85,000	85,000	-
Interest and fiscal charges	64,600	64,600	64,519	81
Total expenditures	<u>5,759,800</u>	<u>5,812,100</u>	<u>4,397,388</u>	<u>1,414,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(251,800)</u>	<u>(250,800)</u>	<u>(321,007)</u>	<u>(70,207)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	159	159
Transfers in	154,000	154,000	154,000	-
Total other financing sources (uses)	<u>154,000</u>	<u>154,000</u>	<u>154,159</u>	<u>159</u>
Net change in fund balance	(97,800)	(96,800)	(166,848)	(70,048)
Fund balance, beginning of year	<u>132,340</u>	<u>132,340</u>	<u>132,340</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 34,540</u>	<u>\$ 35,540</u>	<u>\$ (34,508)</u>	<u>\$ (70,048)</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor) Refuse	Totals	Internal Service Health Insurance
ASSETS					
Current Assets:					
Cash	\$ 3,112,118	\$ 7,732,197	\$ 200,437	\$ 11,044,752	\$ 311,003
Receivables (net of allowance)	672,147	165,232	82,077	919,456	(978)
Due from other governments	59,727	-	-	59,727	-
Inventories	191,440	71,855	-	263,295	-
Prepaid items	20,182	-	-	20,182	-
Total current assets	<u>4,055,614</u>	<u>7,969,284</u>	<u>282,514</u>	<u>12,307,412</u>	<u>310,025</u>
Noncurrent Assets:					
Restricted cash and investments	87,572	-	-	87,572	-
Land and water rights	421,555	824,478	-	1,246,033	-
Construction in progress	253,318	1,162,505	-	1,415,823	-
Buildings	74,054	-	-	74,054	-
System improvements	32,049,405	38,636,785	-	70,686,190	-
Machinery and equipment	1,994,700	1,302,254	-	3,296,954	-
Vehicles	390,212	164,268	-	554,480	-
Accumulated depreciation	(11,527,917)	(18,039,645)	-	(29,567,562)	-
Total noncurrent assets	<u>23,742,899</u>	<u>24,050,645</u>	<u>-</u>	<u>47,793,544</u>	<u>-</u>
Total Assets	<u>27,798,513</u>	<u>32,019,929</u>	<u>282,514</u>	<u>60,100,956</u>	<u>310,025</u>
LIABILITIES					
Current liabilities:					
Accounts payable	132,213	575,246	88,777	796,236	80,000
Accrued wages and benefits	15,014	13,770	-	28,784	-
Due to other funds	-	31,799	-	31,799	-
Compensated absences	42,758	28,421	-	71,179	-
Unearned revenue	22,034	-	-	22,034	-
Interest payable	81,358	3,015	-	84,373	-
Customer deposits	87,572	-	-	87,572	-
Notes payable - current portion	226,935	10,562	-	237,497	-
Total current liabilities	<u>607,884</u>	<u>662,813</u>	<u>88,777</u>	<u>1,359,474</u>	<u>80,000</u>
Noncurrent liabilities:					
Compensated absences	14,252	9,474	-	23,726	-
Notes payable, net of current portion	5,005,410	200,049	-	5,205,459	-
Total noncurrent liabilities	<u>5,019,662</u>	<u>209,523</u>	<u>-</u>	<u>5,229,185</u>	<u>-</u>
Total liabilities	<u>5,627,546</u>	<u>872,336</u>	<u>88,777</u>	<u>6,588,659</u>	<u>80,000</u>
NET POSITION					
Net investment in capital assets	18,422,982	23,840,034	-	42,263,016	-
Restricted for developer fees	137,530	4,137,292	-	4,274,822	-
Unrestricted	3,610,455	3,170,267	193,737	6,974,459	230,025
Total net position	<u>\$ 22,170,967</u>	<u>\$ 31,147,593</u>	<u>\$ 193,737</u>	<u>\$ 53,512,297</u>	<u>\$ 230,025</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor) Refuse	Totals	Internal Service Health Insurance
Operating Revenues					
Charges for services	\$ 3,456,796	\$ 2,228,776	\$ 1,028,437	\$ 6,714,009	\$ -
Premiums	-	-	-	-	2,010,141
Other revenues	88,822	198	3,107	92,127	-
Total operating revenues	<u>3,545,618</u>	<u>2,228,974</u>	<u>1,031,544</u>	<u>6,806,136</u>	<u>2,010,141</u>
Operating Expenses					
Salaries, wages and benefits	907,375	697,357	-	1,604,732	-
Administration/legal/contract services	52,322	17,053	921,372	990,747	2,228,574
Field supplies	134,337	39,601	32,566	206,504	-
Repairs and maintenance	653,094	363,788	-	1,016,882	-
Utilities	419,710	190,827	-	610,537	-
Miscellaneous	28,005	17,594	-	45,599	-
Bad debt expense	38,685	18,770	8,108	65,563	-
Depreciation	1,080,849	1,146,222	-	2,227,071	-
Total operating expenses	<u>3,314,377</u>	<u>2,491,212</u>	<u>962,046</u>	<u>6,767,635</u>	<u>2,228,574</u>
Operating income (loss)	<u>231,241</u>	<u>(262,238)</u>	<u>69,498</u>	<u>38,501</u>	<u>(218,433)</u>
Non-operating Revenues (Expenses)					
Interest income	135,635	90,717	1,889	228,241	4,223
Interest expense and fiscal charges	(153,909)	(6,030)	-	(159,939)	-
Impact fees/Investment fees	(941)	-	-	(941)	-
Capacity fees	108,928	169,291	-	278,219	-
Total non-operating revenue (expense)	<u>89,713</u>	<u>253,978</u>	<u>1,889</u>	<u>345,580</u>	<u>4,223</u>
Income (loss) before contributions and transfers	320,954	(8,260)	71,387	384,081	(214,210)
Transfers out	<u>(179,000)</u>	<u>(117,800)</u>	<u>(65,000)</u>	<u>(361,800)</u>	<u>-</u>
Change in net position	141,954	(126,060)	6,387	22,281	(214,210)
Total net position, beginning of year	<u>22,029,013</u>	<u>31,273,653</u>	<u>187,350</u>	<u>53,490,016</u>	<u>444,235</u>
Total net position, end of year	<u>\$ 22,170,967</u>	<u>\$ 31,147,593</u>	<u>\$ 193,737</u>	<u>\$ 53,512,297</u>	<u>\$ 230,025</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor)	Totals	Internal Service Health Insurance
			Refuse		
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 3,457,619	\$ 2,224,861	\$ 1,029,149	\$ 6,711,629	\$ 2,020,424
Cash received from customers, other	86,679	198	3,107	89,984	-
Cash paid to suppliers	(1,286,151)	(276,034)	(962,740)	(2,524,925)	(2,228,883)
Cash paid to employees	(922,922)	(664,401)	-	(1,587,323)	-
Cash flows from operating activities	<u>1,335,225</u>	<u>1,284,624</u>	<u>69,516</u>	<u>2,689,365</u>	<u>(208,459)</u>
Cash Flows From Noncapital Financing Activities:					
Transfers	(179,000)	(117,800)	(65,000)	(361,800)	-
Cash flows from noncapital financing activities	<u>(179,000)</u>	<u>(117,800)</u>	<u>(65,000)</u>	<u>(361,800)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from long term debt	588,514	-	-	588,514	-
Purchase of capital assets	(1,064,236)	(1,793,110)	-	(2,857,346)	-
Principal paid on long term debt	(220,337)	(10,268)	-	(230,605)	-
Interest paid	(144,164)	(6,176)	-	(150,340)	-
Connection, capacity & impact fees	107,987	169,291	-	277,278	-
Cash flows from capital and related financing activities	<u>(732,236)</u>	<u>(1,640,263)</u>	<u>-</u>	<u>(2,372,499)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest on investments	135,635	90,717	1,889	228,241	4,223
Net change in cash and cash equivalents	559,624	(382,722)	6,405	183,307	(204,236)
Cash and cash equivalents, including temporarily restricted cash, beginning of year	2,640,066	8,114,919	194,032	10,949,017	515,239
Cash and cash equivalents, including temporarily restricted cash, end of year	<u>\$ 3,199,690</u>	<u>\$ 7,732,197</u>	<u>\$ 200,437</u>	<u>\$ 11,132,324</u>	<u>\$ 311,003</u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ 231,241	\$ (262,238)	\$ 69,498	\$ 38,501	\$ (218,433)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	1,080,849	1,146,222	-	2,227,071	-
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	823	(3,915)	712	(2,380)	10,283
(Increase) decrease in prepaid items	(2,143)	-	-	(2,143)	-
(Increase) decrease in inventory	3,673	(34,438)	-	(30,765)	-
Increase (decrease) in payables	36,329	406,037	(694)	441,672	(309)
Increase (decrease) in accrued liabilities & deposits	(15,547)	32,956	-	17,409	-
Net cash flows from operating activities	<u>\$ 1,335,225</u>	<u>\$ 1,284,624</u>	<u>\$ 69,516</u>	<u>\$ 2,689,365</u>	<u>\$ (208,459)</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Agency Fund	White Mountain Partnership Agency Fund
ASSETS		
Cash	\$ 12,216	\$ 19,414
Total assets	\$ 12,216	\$ 19,414
 LIABILITIES		
Slovakian/Sister Cities	\$ 2,581	\$ -
Police Citizens Academy	485	-
Police Department Evidence	9,150	-
White Mountain Partnership	-	19,414
Total liabilities	\$ 12,216	\$ 19,414

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting Entity

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

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

Blended component units included within the reporting entity:

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

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – government-wide financial statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise funds:

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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

Additionally, the City reports the following fund types:

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

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

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

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

Measurement focus and basis of accounting

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

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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

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

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

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

Deposits and Investments

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

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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City does not, currently, have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Net position flow assumption

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

Fund balance flow assumptions

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

Fund balance policies

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

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

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

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

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

Property taxes

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

Compensated Absences

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

Proprietary funds operating and nonoperating revenues and expenses

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Use of Estimates

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

Note 2 Reconciliation of Government-Wide and Fund Financial Statements

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

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on March 11, 2013.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service, Internal Service and Enterprise funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

Supplementary budgetary appropriations were made during the year ended June 30, 2014.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability, Continued

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

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports found on page 68 present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2014, if any.

Deficit Fund Balances

At June 30, 2014, the airport fund, a major fund, had a deficit fund balance of \$34,508. Also, the family aquatic fund, the special projects fund, and the improvement district #5 fund, all non-major funds, had deficit fund balances as of June 30, 2014, of \$10,490, \$208,644, and \$139,723, respectively. Management intends to eliminate these fund deficits in future years based on expected revenue activity and budgeted expenditures.

Highway User Revenue Funds

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

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 18,215,212
Restricted cash and cash equivalents	341,401
Agency fund monies	31,630
	<u>\$ 18,588,243</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the City's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2014, none of the City's bank balance of \$934,078 was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. 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 rated “P1” by Moody’s investors or “A1” by Standard and Poor’s rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2014 the City had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Cash on deposit	\$ 816,120	N/A	N/A
Cash on hand	2,045	N/A	N/A
Local Governments Investment Pool 5 *	748,180	AAAF/S1+	59 days
Local Governments Investment Pool 500 *	10,517,417	AA	1.64 years
Local Governments Investment Pool 700 *	6,504,481	AA+	2.18 years
	<u>\$ 18,588,243</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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. 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.

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.

Note 5. Restricted Assets

Restricted assets consisted of the following cash reserves at June 30, 2014:

Governmental Activities:

General Fund:

Reserve for arbitrage - GADA 2006	\$ 76,989
Restricted for developer performance bond	20,802

Debt Service Funds:

Restricted for debt service CFD Bonds	156,038
Total Governmental Activities	<u>\$ 253,829</u>

Business-Type Activities:

Water Fund:

Customer security deposits	\$ 87,572
Total Business-Type Activities	<u>\$ 87,572</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ 5,746,001	\$ 349,239	\$ -	\$ 6,095,240
Construction in progress	824,240	4,348,775	(755,394)	4,417,621
Total capital assets, not being depreciated	<u>6,570,241</u>	<u>4,698,014</u>	<u>(755,394)</u>	<u>10,512,861</u>
Capital assets, being depreciated:				
Buildings	16,349,838	931,514	-	17,281,352
Improvements other than buildings	12,061,783	126,609	-	12,188,391
Machinery and equipment	4,871,143	652,492	(173,726)	5,349,910
Infrastructure	55,463,258	789,613	-	56,252,872
Vehicles	4,140,322	281,665	(39,353)	4,382,634
Total capital assets, being depreciated	<u>92,886,345</u>	<u>2,781,894</u>	<u>(213,079)</u>	<u>95,455,160</u>
Less accumulated depreciation for:				
Buildings	(5,672,506)	(606,844)	-	(6,279,350)
Improvements other than buildings	(4,543,572)	(421,887)	-	(4,965,459)
Machinery and equipment	(2,565,931)	(377,792)	173,726	(2,769,998)
Infrastructure	(17,409,751)	(1,854,814)	-	(19,264,565)
Vehicles	(2,882,426)	(259,531)	39,353	(3,102,604)
Total accumulated depreciation	<u>(33,074,186)</u>	<u>(3,520,868)</u>	<u>213,079</u>	<u>(36,381,976)</u>
Total capital assets, being depreciated, net	<u>59,812,159</u>	<u>(738,974)</u>	<u>-</u>	<u>59,073,184</u>
Governmental activities capital assets, net	<u>\$ 66,382,400</u>	<u>\$ 3,959,040</u>	<u>\$ (755,394)</u>	<u>\$ 69,586,045</u>

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

Governmental Activities:	
General government	\$ 192,168
Public safety	218,029
Public works/streets	2,669,954
Culture & recreation	440,718
Total depreciation expense - governmental activities	<u>\$ 3,520,868</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2013	Reclassification	Additions	Deletions	Balance 6/30/2014
Capital assets not being depreciated:					
Land	\$ 1,136,033	\$ -	\$ -	\$ -	\$ 1,136,033
Water rights	110,000	-	-	-	110,000
Construction in progress	831,229	50,878	1,220,984	(687,268)	1,415,823
Total capital assets, not being depreciated	<u>2,077,262</u>	<u>50,878</u>	<u>1,220,984</u>	<u>(687,268)</u>	<u>2,661,856</u>
Capital assets being depreciated:					
Buildings	74,054	-	-	-	74,054
Improvements other than buildings	68,861,707	(52,094)	1,876,577	-	70,686,190
Machinery and equipment	2,849,900	-	447,054	-	3,296,954
Vehicles	568,970	-	-	(14,490)	554,480
Total capital assets, being depreciated	<u>72,354,631</u>	<u>(52,094)</u>	<u>2,323,631</u>	<u>(14,490)</u>	<u>74,611,678</u>
Less accumulated depreciation for:					
Buildings	(28,309)	-	(5,416)	-	(33,725)
Improvements other than buildings	(25,739,473)	1,216	(1,964,040)	-	(27,702,297)
Machinery and equipment	(1,161,111)	-	(231,736)	-	(1,392,847)
Vehicles	(427,301)	-	(25,881)	14,490	(438,692)
Total accumulated depreciation	<u>(27,356,194)</u>	<u>1,216</u>	<u>(2,227,073)</u>	<u>14,490</u>	<u>(29,567,561)</u>
Total capital assets, being depreciated, net	<u>44,998,438</u>	<u>(50,878)</u>	<u>96,556</u>	<u>-</u>	<u>45,044,116</u>
Business-type activities capital assets, net	<u>\$ 47,075,701</u>	<u>\$ -</u>	<u>\$ 1,317,540</u>	<u>\$ (687,268)</u>	<u>\$ 47,705,972</u>

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

Business-Type Activities:	
Wastewater	1,146,222
Water	1,080,849
Total depreciation expense - business-type activities	<u>\$ 2,227,071</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
Governmental Activities:					
Accrued compensated absences	\$ 789,017	\$ 497,454	\$ (477,082)	\$ 809,389	\$ 607,042
Capital leases	1,606,000	-	(197,000)	1,409,000	203,000
Landfill monitoring costs	26,988	-	-	26,988	-
Total Other	<u>2,422,005</u>	<u>497,454</u>	<u>(674,082)</u>	<u>2,245,377</u>	<u>810,042</u>
Special assessment bonds					
Improvement District #5	630,000	-	(510,000)	120,000	120,000
Improvement District #6	1,935,000	-	(370,000)	1,565,000	390,000
Improvement District #7	339,000	-	(61,000)	278,000	64,000
Community Facilities District	1,720,000	-	(60,000)	1,660,000	60,000
Total Special Assessment Bonds	<u>4,624,000</u>	<u>-</u>	<u>(1,001,000)</u>	<u>3,623,000</u>	<u>634,000</u>
General obligation bonds					
Community Facilities					
District bonds - Series 2007	425,000	-	(10,000)	415,000	10,000
District bonds - Series 2011	435,000	-	(25,000)	410,000	30,000
Total General Obligation	<u>860,000</u>	<u>-</u>	<u>(35,000)</u>	<u>825,000</u>	<u>40,000</u>
Loans payable					
GADA Bonds Series - Series 2006B	6,430,000	-	(360,000)	6,070,000	370,000
GADA Bonds Series - Series 2008A	2,080,000	-	(310,000)	1,770,000	325,000
Total Loans Payable	<u>8,510,000</u>	<u>-</u>	<u>(670,000)</u>	<u>7,840,000</u>	<u>695,000</u>
Total Governmental Debt	<u>\$ 16,416,005</u>	<u>\$ 497,454</u>	<u>\$ (2,380,082)</u>	<u>\$ 14,533,377</u>	<u>\$ 2,179,042</u>
Business-Type Activities:					
Accrued compensated absences	\$ 94,447	\$ 91,215	\$ (90,757)	\$ 94,905	\$ 71,179
Total Other	<u>94,447</u>	<u>91,215</u>	<u>(90,757)</u>	<u>94,905</u>	<u>71,179</u>
Loans payable					
WIFA Loan - Water PV/FH	1,657,725	134,001	(75,957)	1,715,768	78,085
WIFA Loan - Water Pineview	3,206,444	454,513	(144,380)	3,516,577	148,850
WIFA Loan - Sewer	220,879	-	(10,268)	210,611	10,562
Total Loans Payable	<u>5,085,048</u>	<u>588,514</u>	<u>(230,605)</u>	<u>5,442,956</u>	<u>237,497</u>
Total Business-Type Long-Term Debt	<u>\$ 5,179,495</u>	<u>\$ 679,729</u>	<u>\$ (321,362)</u>	<u>\$ 5,537,861</u>	<u>\$ 308,676</u>
Total Long-Term Liabilities	<u>\$ 21,595,500</u>	<u>\$ 1,177,183</u>	<u>\$ (2,701,444)</u>	<u>\$ 20,071,238</u>	<u>\$ 2,487,718</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

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

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

Due to requirements placed on Navajo County Lone Pine Landfill by Federal and State regulatory agencies (e.g. EPA and ADEQ) in 1995, the landfill was closed and must be monitored for thirty years. Landfill monitoring costs are the City's share of total estimated costs of closing and monitoring the Lone Pine Landfill. The remaining post-closure costs have been estimated based on engineering studies and will be revised each year based on inflation/deflation and/or technology changes. No changes were made during the fiscal year ending June 30, 2014.

The following is a listing of special assessment bonds outstanding as of June 30, 2014:

Special Assessment Bonds:

Show Low Improvement District No. 5 bonds at an interest rate of 6.375% due in annual principal installments ranging from \$200,000 to \$465,000 through January 1, 2015. Interest is payable semiannually.	\$ 120,000
Show Low Improvement District No. 6 bonds at an interest rate of 6% due in annual principal installments ranging from \$270,000 to \$545,000 through January 1, 2018. Interest is payable semiannually.	1,565,000
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.	278,000
Show Low Bluff Community Facilities District bonds at an interest rate ranging from 5.2% to 5.6%, due in annual installments ranging from \$39,000 to \$160,000 through July 1, 2031. Interest is payable semiannually.	<u>1,660,000</u>
Total Special Assessment Bonds	<u><u>\$ 3,623,000</u></u>

Special Assessment debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2015	\$ 634,000	\$ 193,148	\$ 827,148
2016	548,000	158,613	706,613
2017	581,000	125,928	706,928
2018	465,000	95,671	560,671
2019	75,000	78,120	153,120
2020-2024	450,000	322,000	772,000
2025-2029	585,000	181,720	766,720
2030-2031	285,000	24,080	309,080
Total	<u><u>\$ 3,623,000</u></u>	<u><u>\$ 1,179,280</u></u>	<u><u>\$ 4,802,280</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

The following is a listing of general obligation bonds outstanding as of June 30, 2014:

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.	\$ 415,000
Show Low Bluff Community Facilities District bonds - Series 2011 were issued in the amount of \$450,000. The bonds have an interest rate of 7.75%, due in annual principal installments from \$15,000 to \$55,000 through July 15, 2023. Interest is payable semiannually.	<u>410,000</u>
Total General Obligation Bonds	<u><u>\$ 825,000</u></u>

General obligation bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2015	\$ 40,000	\$ 54,700	\$ 94,700
2016	45,000	51,641	96,641
2017	50,000	48,241	98,241
2018	50,000	44,647	94,647
2019	55,000	40,859	95,859
2020-2024	330,000	138,219	468,219
2025-2029	125,000	57,722	182,722
2030-2033	130,000	15,862	145,862
Total	<u>\$ 825,000</u>	<u>\$ 451,891</u>	<u>\$ 1,276,891</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

The following is a listing of loans payable outstanding as of June 30, 2014:

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.	\$ 6,070,000	\$ -
GADA Bonds Series 2008A were issued April 1, 2008 in the amount of \$3,185,000, bearing interest ranging from 3% to 5% with an average rate of 4.53%. The 2008 loans were issued to finance the costs of building a new library, council chambers and remodeling existing library for administrative purposes.	1,770,000	-
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.863%, maturing July 2029. This loan was approved in July 2009 with a maximum principal balance of \$500,000. On the date of the loan closing, \$250,000 of the principal amount of the loan was forgiven by the Authority in the form of a grant to the City.	-	210,611
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.8%, maturing July 2032. This loan was approved in September 2012 with a maximum principal balance of \$2,000,000. As of June 30, 2013 the outstanding principal balance to be drawn down was \$207,273.	-	1,715,768
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.096%, maturing July 2031. This loan was approved in January 2011 with a maximum principal balance of \$3,800,000.	-	3,516,577
Total Loans Payable	\$ 7,840,000	\$ 5,442,956

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 695,000	\$ 359,363	\$ 237,497	\$ 165,197	\$ 1,457,057
2016	725,000	326,875	244,594	157,993	1,454,462
2017	755,000	293,150	251,904	150,574	1,450,628
2018	770,000	261,150	259,432	142,933	1,433,515
2019	795,000	224,875	267,186	135,062	1,422,123
2020-2024	2,325,000	743,875	1,460,621	548,754	5,078,250
2025-2029	1,775,000	147,125	1,692,442	313,460	3,928,027
2030-2032	-	-	1,236,553	62,553	1,299,106
less undrawn amounts	-	-	(207,273)	-	(207,273)
Total	\$ 7,840,000	\$ 2,356,413	\$ 5,442,956	\$ 1,676,526	\$ 17,315,895

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

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
2015	\$ 261,854
2016	264,989
2017	268,629
2018	175,897
2019	83,975
2020-2024	429,242
2025-2029	298,637
Total remaining minimum lease payments	1,783,223
Less amount representing interest	374,223
Present value of net remaining minimum lease payments	\$ 1,409,000

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

	Activities
Machinery and equipment	\$ 140,961
Construction in progress	1,268,039
Less: Accumulated depreciation	(143,372)
Total	\$ 1,265,628

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 8. Interfund Receivables, Payables and Transfers

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:			
	Airport Fund	Non-major Governmental Funds	Wastewater Fund	Total
General Fund	\$ 304,948	\$ 451,292	\$ 31,799	\$ 788,039
Total	\$ 304,948	\$ 451,292	\$ 31,799	\$ 788,039

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, 2014 are as follows:

Transfers out:	Transfers in:				
	General	Highway User Revenue Fund	Airport Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,297,900	\$ 154,000	\$ 2,496,900	\$ 3,948,800
Improvement District #6	15,000	-	-	-	15,000
Show Low Bluff	7,000	-	-	-	7,000
Nonmajor Governmental Funds	93,900	-	-	24,000	117,900
Water Fund	179,000	-	-	-	179,000
Wastewater Fund	109,600	-	-	8,200	117,800
Nonmajor Enterprise Funds	65,000	-	-	-	65,000
Total	\$ 469,500	\$ 1,297,900	\$ 154,000	\$ 2,529,100	\$ 4,450,500

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 9. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan Description - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778. www.azasrs.gov

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the current fiscal year, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The City's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$ 381,219	\$ 24,333	\$ 9,270
2013	441,611	28,005	10,340
2014	490,891	27,527	11,011

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575. www.psprs.com

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 9. Retirement and Pension Plans, Continued

Funding Policy - For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 23.61 percent of covered compensation. The health insurance premium portion of the contribution rate was actuarially set at 1.39 percent of covered payroll.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (health insurance subsidies and long-term disability), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 8.0 percent investment rate of return and (b) projected salary increases of 5.0 to 9.0 percent per year. The assumptions did not include cost-of-living adjustments and healthcare cost trend rates are not applicable. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments and spreads differences between actual and assumed investment return over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 24 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made.

Annual Pension/OPEB Cost - During the year ended June 30, 2014 the City's annual pension cost of \$331,194 and the annual OPEB cost of \$24,746 was equal to the City's required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2012	\$ 269,316	100%	\$ -
	2013	330,904	100%	-
	2014	333,194	100%	-
Health Insurance	2012	\$ 26,404	100%	\$ -
	2013	27,036	100%	-
	2014	24,746	100%	-

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 9. Retirement and Pension Plans, Continued

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2014 is as follows:

	Retirement	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 11,846,807	\$ 296,009
Actuarial value of plan assets	6,127,779	323,139
Unfunded actuarial accrued liability (UAAL)	\$ 5,719,028	\$ (27,130)
Funded ratio (actuarial value of plan assets/AAL)	51.7%	109.2%
Covered payroll (active plan members)	\$ 1,909,357	\$ 1,909,357
UAAL as a percentage of covered payroll	299.5%	-1.4%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents 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. This historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Note 10. Risk Management

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

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

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 11. Contingent Liabilities and Commitments

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2014. At year end, the City had the following major construction projects/commitments open:

Project	Estimated Cost	Construction in Progress
WWTP EXPANSION	\$ 10,000,000	\$ 902,896
HWY77 - UNDERGROUND POWERLINES	\$ 4,000,000	\$ 3,246,487
SCOTT RANCH ROAD - PHASE III	\$ 1,346,400	\$ 58,280
WHIPPLE ROAD - PHASE II	\$ 868,800	\$ 254,027
US60 MULTI-USE PATHWAY	\$ 802,300	\$ 12,923
SIERRA PINES UNIT 1, 2, AND 3	\$ 802,000	\$ 783,695

Note 12. Stabilization Arrangement

By resolution, the City has established a General Fund reserve policy to set aside funds that may be needed in the event of an emergency or other unknown event that may adversely affect the City's financial condition. The cash reserve of at least \$1,000,000 must be maintained before any expenditure can be authorized. An additional \$1,000,000 has been set aside as directed by the City Council. As of June 30, 2014, the total reserve is \$2,000,000 and is included in the unassigned fund balance of the General Fund.

Note 13. Prior Period Adjustments

Subsequent to the fiscal year ended June 30, 2014, and before the issuance of these statements, the City discovered that certain City sales tax revenues had been improperly accrued during fiscal years 2011, 2012 and 2013. Accordingly revenues and fund balance on the prior years' statements of revenues, expenditures, and changes in fund balance were overstated. A prior period adjustment was recorded to correct that error resulting in a decrease to fund balance of \$226,824.

In addition, the City discovered that bank charges to the Court bank account that should have been offsetting the Court liability account had been instead recorded to general fund expenditures. Accordingly, expenditures in prior years' statements of revenues, expenditures, and changes in fund balance were overstated and fund balance was understated. A prior period adjustment was recorded to correct the error, resulting in an increase to fund balance of \$23,795.

The overall effect or the change in fund balance in the General Fund due to the prior period adjustments was a decrease to fund balance of \$203,029.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHOW LOW, ARIZONA
Required Supplementary Information

Schedule of Funding Progress
PSPRS

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2009 through June 30, 2014, based on actuarial valuations follows:

(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	
2009	\$ 5,036,852	\$ 6,395,367	\$ 1,358,515	78.8%	\$ 1,658,183	81.9%
2010	5,274,412	6,885,684	1,611,272	76.6%	1,636,027	98.5%
2011	5,849,869	8,178,477	2,328,608	71.5%	1,726,926	134.8%
2012	6,264,238	9,371,297	3,107,059	66.8%	1,614,782	192.4%
2013	6,133,449	9,929,275	3,795,826	61.8%	1,753,529	216.5%
2014	6,127,779	11,846,807	5,719,028	51.7%	1,909,357	299.5%

Post-retirement health insurance subsidy measurements under GASB Statement No. 45

(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	
2009	\$ -	\$ 187,220	\$ 187,220	0.0%	\$ 1,658,183	11.29%
2010	-	215,089	215,089	0.0%	1,636,027	13.15%
2011	-	308,081	308,081	0.0%	1,726,926	17.84%
2012	-	304,157	304,157	0.0%	1,614,782	18.84%
2013	-	280,120	280,120	0.0%	1,753,529	15.97%
2014	323,139	296,009	(27,130)	109.2%	1,909,357	0.00%

Health insurance subsidy payments reported for fiscal year 2014: \$6,142.

In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements were made and reported; thus, pension and health benefit amounts are disaggregated and reported separately.

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:

Debt Service Funds

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

CITY OF SHOW LOW, ARIZONA
IMPROVEMENT DISTRICT #6 DEBT SERVICE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 3,304	\$ (3,696)
Interest	2,000	2,000	3,308	1,308
Special assessments	481,300	481,300	421,819	(59,481)
Other revenues	-	-	650	(650)
Total revenues	<u>490,300</u>	<u>490,300</u>	<u>429,081</u>	<u>(62,519)</u>
EXPENDITURES				
Current:				
General government	1,500	1,581	81	1,500
Capital outlay	510,400	485,319	-	485,319
Debt service				
Principal	345,000	370,000	370,000	-
Interest and fiscal charges	<u>128,000</u>	<u>128,000</u>	<u>105,723</u>	<u>22,277</u>
Total expenditures	<u>984,900</u>	<u>984,900</u>	<u>475,804</u>	<u>509,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(494,600)</u>	<u>(494,600)</u>	<u>(46,723)</u>	<u>447,877</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(509,600)	(509,600)	(61,723)	447,877
Fund balance, beginning of year	<u>432,627</u>	<u>432,627</u>	<u>432,627</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (76,973)</u>	<u>\$ (76,973)</u>	<u>\$ 370,904</u>	<u>\$ 447,877</u>

CITY OF SHOW LOW, ARIZONA
SHOW LOW BLUFF COMMUNITIES FACILITIES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 2,268	\$ (2,732)
Interest	500	500	7,776	7,276
Special assessments	232,600	232,600	310,095	77,495
Other revenues	-	-	(486)	(486)
Total revenues	<u>238,100</u>	<u>238,100</u>	<u>319,653</u>	<u>81,553</u>
EXPENDITURES				
Current:				
General government	8,000	9,035	8,937	98
Capital outlay	767,600	759,565	-	759,565
Debt service:				
Principal	90,000	95,000	95,000	-
Interest and fiscal charges	174,100	176,100	159,719	16,381
Total expenditures	<u>1,039,700</u>	<u>1,039,700</u>	<u>263,656</u>	<u>776,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(801,600)</u>	<u>(801,600)</u>	<u>55,997</u>	<u>857,597</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>-</u>
Net change in fund balance	(808,600)	(808,600)	48,997	857,597
Fund balance, beginning of year	<u>855,040</u>	<u>855,040</u>	<u>855,040</u>	<u>-</u>
Fund balance, end of year	<u>\$ 46,440</u>	<u>\$ 46,440</u>	<u>\$ 904,037</u>	<u>\$ 857,597</u>

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SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- The **Street Lighting District** fund is used to account for property taxes assessed and collected for the payment of street lighting utilities, maintenance and improvements.
- The **Public Transportation** fund is used to account for charges for services and grants for the operation, maintenance and improvement of the City's rural transportation system.
- The **Family Aquatic** fund is used to account for activities of the City's Family Aquatic center.
- The **Special Projects** fund is used to account for RICO funds, JCEF funds, Magistrate funds and other grants and debt service proceeds restricted for a specific use or project.

Debt Service Funds

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

Capital Project Funds

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

CITY OF SHOW LOW, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue			
	Street Lighting District	Public Transportation	Family Aquatic	Special Projects
ASSETS				
Cash	\$ 16,821	\$ -	\$ 19,752	\$ -
Receivables:				
Taxes	3,174	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Intergovernmental	-	231,095	-	107,607
Prepaid items	-	-	-	-
Total assets	<u>\$ 19,995</u>	<u>\$ 231,095</u>	<u>\$ 19,752</u>	<u>\$ 107,607</u>
LIABILITIES				
Accounts payable	\$ 16,178	\$ 49,105	\$ 19,543	\$ 59,913
Accrued wages and salaries	-	-	10,699	-
Due to other funds	-	72,580	-	221,950
Unearned revenues	-	-	-	34,388
Total liabilities	<u>16,178</u>	<u>121,685</u>	<u>30,242</u>	<u>316,251</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Public works/streets	3,817	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Committed:				
Public transportation	-	109,410	-	-
Unassigned	-	-	(10,490)	(208,644)
Total fund balances (deficits)	<u>3,817</u>	<u>109,410</u>	<u>(10,490)</u>	<u>(208,644)</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 19,995</u>	<u>\$ 231,095</u>	<u>\$ 19,752</u>	<u>\$ 107,607</u>

Debt Service			Capital Project			Total
Improvement District #5	Improvement District #7	Other Debt Service	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ -	\$ 70,287	\$ -	\$ 45,055	\$ 5,716	\$ 34,860	\$ 192,491
-	-	-	-	-	-	3,174
1,494	881	-	-	-	-	2,375
285,299	197,208	-	-	-	-	482,507
-	-	-	-	-	-	338,702
-	-	891,778	-	-	-	891,778
<u>\$ 286,793</u>	<u>\$ 268,376</u>	<u>\$ 891,778</u>	<u>\$ 45,055</u>	<u>\$ 5,716</u>	<u>\$ 34,860</u>	<u>\$ 1,911,027</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,739
-	-	-	-	-	-	10,699
145,503	-	11,259	-	-	-	451,292
-	-	-	-	-	-	34,388
<u>145,503</u>	<u>-</u>	<u>11,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,118</u>
<u>281,013</u>	<u>197,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,139</u>
<u>281,013</u>	<u>197,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,139</u>
-	-	891,779	-	-	-	891,779
-	-	-	-	-	-	3,817
-	-	-	45,055	5,716	34,860	85,631
-	71,250	-	-	-	-	71,250
-	-	-	-	-	-	109,410
<u>(139,723)</u>	<u>-</u>	<u>(11,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,117)</u>
<u>(139,723)</u>	<u>71,250</u>	<u>880,519</u>	<u>45,055</u>	<u>5,716</u>	<u>34,860</u>	<u>791,770</u>
<u>\$ 286,793</u>	<u>\$ 268,376</u>	<u>\$ 891,778</u>	<u>\$ 45,055</u>	<u>\$ 5,716</u>	<u>\$ 34,860</u>	<u>\$ 1,911,027</u>

CITY OF SHOW LOW, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue			
	Street Lighting District	Public Transportation	Family Aquatic Center	Special Projects
REVENUES				
Taxes	\$ 164,528	\$ -	\$ -	\$ -
Intergovernmental	-	567,921	-	158,872
Charges for services	-	-	123,434	-
Fines and forfeitures	-	-	-	-
Investment earnings	14	-	-	-
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Other revenues	-	85,367	-	-
	<u>164,542</u>	<u>653,288</u>	<u>123,434</u>	<u>158,872</u>
Total revenues	<u>164,542</u>	<u>653,288</u>	<u>123,434</u>	<u>158,872</u>
EXPENDITURES				
Current:				
General government	-	586,826	-	-
Public safety	-	-	-	1,747,828
Public works/streets	194,378	-	-	-
Culture and recreation	-	-	415,342	-
Capital outlay	-	49,510	-	329,796
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>194,378</u>	<u>636,336</u>	<u>415,342</u>	<u>2,077,624</u>
Total expenditures	<u>194,378</u>	<u>636,336</u>	<u>415,342</u>	<u>2,077,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,836)</u>	<u>16,952</u>	<u>(291,908)</u>	<u>(1,918,752)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,200)	(74,700)	-	-
Transfers in	38,300	79,400	292,600	970,400
	<u>37,100</u>	<u>4,700</u>	<u>292,600</u>	<u>970,400</u>
Total other financing sources (uses):	<u>37,100</u>	<u>4,700</u>	<u>292,600</u>	<u>970,400</u>
Net change in fund balances	7,264	21,652	692	(948,352)
Fund balances (deficits), beginning of year	<u>(3,447)</u>	<u>87,758</u>	<u>(11,182)</u>	<u>739,708</u>
Fund balances (deficits), end of year	<u>\$ 3,817</u>	<u>\$ 109,410</u>	<u>\$ (10,490)</u>	<u>\$ (208,644)</u>

Debt Service			Capital Project			Total
Improvement District #5	Improvement District #7	Other Debt Service	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,528
-	-	23,908	-	-	-	750,701
-	-	-	-	-	-	123,434
5,596	203	-	-	-	-	5,799
(699)	729	3,912	358	37	229	4,580
-	-	-	26,680	9,679	54,631	90,990
350,316	54,791	-	-	-	-	405,107
-	-	-	-	-	-	85,367
<u>355,213</u>	<u>55,723</u>	<u>27,820</u>	<u>27,038</u>	<u>9,716</u>	<u>54,860</u>	<u>1,630,506</u>
-	-	-	-	-	-	586,826
-	-	-	-	-	-	1,747,828
-	-	-	-	-	-	194,378
-	-	-	-	-	-	415,342
-	-	-	-	-	-	379,306
510,000	61,000	782,000	-	-	-	1,353,000
24,515	17,163	389,015	-	-	-	430,693
<u>534,515</u>	<u>78,163</u>	<u>1,171,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,107,373</u>
<u>(179,302)</u>	<u>(22,440)</u>	<u>(1,143,195)</u>	<u>27,038</u>	<u>9,716</u>	<u>54,860</u>	<u>(3,476,867)</u>
(15,000)	(3,000)	-	-	(4,000)	(20,000)	(117,900)
-	-	1,148,400	-	-	-	2,529,100
<u>(15,000)</u>	<u>(3,000)</u>	<u>1,148,400</u>	<u>-</u>	<u>(4,000)</u>	<u>(20,000)</u>	<u>2,411,200</u>
(194,302)	(25,440)	5,205	27,038	5,716	34,860	(1,065,667)
54,579	96,690	875,314	18,017	-	-	1,857,437
<u>\$ (139,723)</u>	<u>\$ 71,250</u>	<u>\$ 880,519</u>	<u>\$ 45,055</u>	<u>\$ 5,716</u>	<u>\$ 34,860</u>	<u>\$ 791,770</u>

**CITY OF SHOW LOW, ARIZONA
STREET LIGHTING DISTRICT
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 163,000	\$ 163,000	\$ 164,528	\$ 1,528
Interest	300	300	14	(286)
Total revenues	<u>163,300</u>	<u>163,300</u>	<u>164,542</u>	<u>1,242</u>
EXPENDITURES				
Current:				
Public works/streets	<u>200,400</u>	<u>200,400</u>	<u>194,378</u>	<u>6,022</u>
Total expenditures	<u>200,400</u>	<u>200,400</u>	<u>194,378</u>	<u>6,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,100)</u>	<u>(37,100)</u>	<u>(29,836)</u>	<u>7,264</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,200)	(1,200)	(1,200)	-
Transfers in	<u>38,300</u>	<u>38,300</u>	<u>38,300</u>	<u>-</u>
Total other financing sources (uses)	<u>37,100</u>	<u>37,100</u>	<u>37,100</u>	<u>-</u>
Net change in fund balance	-	-	7,264	7,264
Fund balance (deficit), beginning of year	<u>(3,447)</u>	<u>(3,447)</u>	<u>(3,447)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (3,447)</u>	<u>\$ (3,447)</u>	<u>\$ 3,817</u>	<u>\$ 7,264</u>

CITY OF SHOW LOW, ARIZONA
PUBLIC TRANSPORTATION
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 954,300	\$ 954,300	\$ 567,921	\$ (386,379)
Miscellaneous	96,900	96,900	85,367	(11,533)
Total revenues	<u>1,051,200</u>	<u>1,051,200</u>	<u>653,288</u>	<u>(397,912)</u>
EXPENDITURES				
Current:				
General government	583,300	583,300	586,826	(3,526)
Capital outlay	<u>516,400</u>	<u>516,400</u>	<u>49,510</u>	<u>466,890</u>
Total expenditures	<u>1,099,700</u>	<u>1,099,700</u>	<u>636,336</u>	<u>463,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,500)</u>	<u>(48,500)</u>	<u>16,952</u>	<u>65,452</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	10,000	10,000	-	(10,000)
Transfers out	(74,700)	(74,700)	(74,700)	-
Transfers in	<u>79,400</u>	<u>79,400</u>	<u>79,400</u>	<u>-</u>
Total other financing sources (uses)	<u>14,700</u>	<u>14,700</u>	<u>4,700</u>	<u>(10,000)</u>
Net change in fund balance	(33,800)	(33,800)	21,652	55,452
Fund balance, beginning of year	<u>87,758</u>	<u>87,758</u>	<u>87,758</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 53,958</u></u>	<u><u>\$ 53,958</u></u>	<u><u>\$ 109,410</u></u>	<u><u>\$ 55,452</u></u>

**CITY OF SHOW LOW, ARIZONA
FAMILY AQUATIC CENTER
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 94,800	\$ 94,800	\$ 123,434	\$ 28,634
Total revenues	<u>94,800</u>	<u>94,800</u>	<u>123,434</u>	<u>28,634</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>387,400</u>	<u>414,400</u>	<u>415,342</u>	<u>(942)</u>
Total expenditures	<u>387,400</u>	<u>414,400</u>	<u>415,342</u>	<u>(942)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(292,600)</u>	<u>(319,600)</u>	<u>(291,908)</u>	<u>27,692</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>292,600</u>	<u>319,600</u>	<u>292,600</u>	<u>(27,000)</u>
Total other financing sources (uses)	<u>292,600</u>	<u>319,600</u>	<u>292,600</u>	<u>(27,000)</u>
Net change in fund balance	-	-	692	692
Fund balance (deficit), beginning of year	<u>(11,182)</u>	<u>(11,182)</u>	<u>(11,182)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (11,182)</u>	<u>\$ (11,182)</u>	<u>\$ (10,490)</u>	<u>\$ 692</u>

CITY OF SHOW LOW, ARIZONA
SPECIAL PROJECTS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 4,227,300	\$ 4,264,400	\$ 158,872	\$ (4,105,528)
Total revenues	<u>4,227,300</u>	<u>4,264,400</u>	<u>158,872</u>	<u>(4,105,528)</u>
EXPENDITURES				
Current:				
Public safety	551,100	1,810,192	1,747,828	62,364
Grant contingencies	4,000,000	3,229,608	-	3,229,608
Capital outlay	<u>1,247,800</u>	<u>585,200</u>	<u>329,796</u>	<u>255,404</u>
Total expenditures	<u>5,798,900</u>	<u>5,625,000</u>	<u>2,077,624</u>	<u>3,547,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,571,600)</u>	<u>(1,360,600)</u>	<u>(1,918,752)</u>	<u>(558,152)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>970,400</u>	<u>970,400</u>	<u>970,400</u>	<u>-</u>
Total other financing sources (uses)	<u>970,400</u>	<u>970,400</u>	<u>970,400</u>	<u>-</u>
Net change in fund balance	(601,200)	(390,200)	(948,352)	(558,152)
Fund balance, beginning of year	<u>739,708</u>	<u>739,708</u>	<u>739,708</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 138,508</u>	<u>\$ 349,508</u>	<u>\$ (208,644)</u>	<u>\$ (558,152)</u>

**CITY OF SHOW LOW, ARIZONA
IMPROVEMENT DISTRICT #5
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 5,596	\$ (1,404)
Interest	2,000	2,000	(699)	(2,699)
Special assessments	<u>520,000</u>	<u>520,000</u>	<u>350,316</u>	<u>(169,684)</u>
Total revenues	<u>529,000</u>	<u>529,000</u>	<u>355,213</u>	<u>(173,787)</u>
EXPENDITURES				
Debt service				
Principal	480,000	510,000	510,000	-
Interest and fiscal charges	<u>195,300</u>	<u>165,300</u>	<u>24,515</u>	<u>140,785</u>
Total expenditures	<u>675,300</u>	<u>675,300</u>	<u>534,515</u>	<u>140,785</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,300)</u>	<u>(146,300)</u>	<u>(179,302)</u>	<u>(33,002)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(161,300)	(161,300)	(194,302)	(33,002)
Fund balance, beginning of year	<u>54,579</u>	<u>54,579</u>	<u>54,579</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (106,721)</u>	<u>\$ (106,721)</u>	<u>\$ (139,723)</u>	<u>\$ (33,002)</u>

CITY OF SHOW LOW, ARIZONA
IMPROVEMENT DISTRICT #7
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 203	\$ (1,797)
Interest	500	500	729	229
Special assessments	79,300	79,300	54,791	(24,509)
Total revenues	<u>81,800</u>	<u>81,800</u>	<u>55,723</u>	<u>(26,077)</u>
EXPENDITURES				
Capital outlay	119,900	116,819	-	116,819
Debt service:				
Principal	58,000	61,000	61,000	-
Interest and fiscal charges	22,400	22,481	17,163	5,318
Total expenditures	<u>200,300</u>	<u>200,300</u>	<u>78,163</u>	<u>122,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(118,500)</u>	<u>(118,500)</u>	<u>(22,440)</u>	<u>96,060</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,000)	(3,000)	(3,000)	-
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Net change in fund balance	(121,500)	(121,500)	(25,440)	96,060
Fund balance, beginning of year	<u>96,690</u>	<u>96,690</u>	<u>96,690</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (24,810)</u>	<u>\$ (24,810)</u>	<u>\$ 71,250</u>	<u>\$ 96,060</u>

CITY OF SHOW LOW, ARIZONA
OTHER DEBT SERVICE
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 23,300	\$ 23,300	\$ 23,908	\$ 608
Interest	-	-	3,912	3,912
Total revenues	<u>23,300</u>	<u>23,300</u>	<u>27,820</u>	<u>4,520</u>
EXPENDITURES				
Debt service				
Principal	772,000	782,000	782,000	-
Interest and fiscal charges	389,700	389,700	389,015	685
Total expenditures	<u>1,161,700</u>	<u>1,171,700</u>	<u>1,171,015</u>	<u>685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,138,400)</u>	<u>(1,148,400)</u>	<u>(1,143,195)</u>	<u>5,205</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,138,400</u>	<u>1,148,400</u>	<u>1,148,400</u>	<u>-</u>
Total other financing sources (uses)	<u>1,138,400</u>	<u>1,148,400</u>	<u>1,148,400</u>	<u>-</u>
Net change in fund balance	-	-	5,205	5,205
Fund balance, beginning of year	<u>875,314</u>	<u>875,314</u>	<u>875,314</u>	<u>-</u>
Fund balance, end of year	<u>\$ 875,314</u>	<u>\$ 875,314</u>	<u>\$ 880,519</u>	<u>\$ 5,205</u>

CITY OF SHOW LOW, ARIZONA
RECREATION IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 400	\$ 400	\$ 358	\$ (42)
Impact fees	<u>7,500</u>	<u>7,500</u>	<u>26,680</u>	<u>19,180</u>
Total revenues	<u>7,900</u>	<u>7,900</u>	<u>27,038</u>	<u>19,138</u>
EXPENDITURES				
Capital outlay	<u>21,400</u>	<u>21,400</u>	<u>-</u>	<u>21,400</u>
Total expenditures	<u>21,400</u>	<u>21,400</u>	<u>-</u>	<u>21,400</u>
Excess (deficiency) of revenues over (under) expenditures	(13,500)	(13,500)	27,038	40,538
Fund balance, beginning of year	<u>18,017</u>	<u>18,017</u>	<u>18,017</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,517</u>	<u>\$ 4,517</u>	<u>\$ 45,055</u>	<u>\$ 40,538</u>

CITY OF SHOW LOW, ARIZONA
LIBRARY DEVELOPMENT IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 37	\$ 37
Impact fees	4,000	4,000	9,679	5,679
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>9,716</u>	<u>5,716</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,000</u>	<u>4,000</u>	<u>9,716</u>	<u>5,716</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balance	-	-	5,716	5,716
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,716</u>	<u>\$ 5,716</u>

CITY OF SHOW LOW, ARIZONA
TRANSPORTATION DEVELOPMENT IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 229	\$ 229
Impact fees	20,000	20,000	54,631	34,631
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>54,860</u>	<u>34,860</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,000</u>	<u>20,000</u>	<u>54,860</u>	<u>34,860</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balance	-	-	34,860	34,860
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,860</u>	<u>\$ 34,860</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	77
<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	82
<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	90
<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.....	96
<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	99
<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									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 8,025,270	\$ 11,108,140	\$ 10,495,243	\$ 17,649,736	\$ 26,842,932	\$ 47,397,604	\$ 49,802,236	\$ 49,419,010	\$ 50,755,411	\$ 55,862,056
Restricted	8,719,606	8,366,723	2,014,571	3,613,847	2,406,492	2,343,990	1,793,086	2,741,846	2,273,641	1,512,628
Unrestricted	6,020,782	8,969,170	24,688,903	23,897,494	18,756,457	14,288,968	13,041,888	12,797,101	11,040,984	9,632,016
Total governmental activities net assets	<u>\$ 22,765,658</u>	<u>\$ 28,444,033</u>	<u>\$ 37,198,717</u>	<u>\$ 45,161,077</u>	<u>\$ 48,005,881</u>	<u>\$ 64,030,562</u>	<u>\$ 64,637,210</u>	<u>\$ 64,957,957</u>	<u>\$ 64,070,036</u>	<u>\$ 67,006,700</u>
Business-type activities										
Net investment in capital assets	\$ 43,445,397	\$ 46,176,330	\$ 51,406,630	\$ 59,791,861	\$ 59,558,080	\$ 45,065,106	\$ 44,340,440	\$ 43,255,726	\$ 41,990,649	\$ 42,263,016
Restricted	3,909,842	3,909,842	5,985,776	6,101,282	6,825,104	7,170,515	1,470,312	4,630,387	4,689,551	4,274,822
Unrestricted	1,075,383	2,478,312	3,696,002	3,531,432	2,293,898	1,619,549	7,959,236	5,821,890	6,809,816	6,974,459
Total Business-type activities net assets	<u>\$ 48,430,622</u>	<u>\$ 52,564,484</u>	<u>\$ 61,088,408</u>	<u>\$ 69,424,575</u>	<u>\$ 68,677,082</u>	<u>\$ 53,855,170</u>	<u>\$ 53,769,988</u>	<u>\$ 53,708,003</u>	<u>\$ 53,490,016</u>	<u>\$ 53,512,297</u>
Primary government										
Net investment in capital assets	\$ 51,470,667	\$ 57,284,470	\$ 61,901,873	\$ 77,441,597	\$ 86,401,012	\$ 92,462,710	\$ 94,142,676	\$ 92,674,736	\$ 92,746,060	\$ 98,125,072
Restricted	12,629,448	12,276,565	8,000,347	9,715,129	9,231,596	9,514,505	3,263,398	7,372,233	6,963,192	5,787,450
Unrestricted	7,096,165	11,447,482	28,384,905	27,428,926	21,050,355	15,908,517	21,001,124	18,618,991	17,850,800	16,606,475
	<u>\$ 71,196,280</u>	<u>\$ 81,008,517</u>	<u>\$ 98,287,125</u>	<u>\$ 114,585,652</u>	<u>\$ 116,682,963</u>	<u>\$ 117,885,732</u>	<u>\$ 118,407,198</u>	<u>\$ 118,665,960</u>	<u>\$ 117,560,052</u>	<u>\$ 120,518,997</u>

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

Expenses	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government	\$ 4,002,302	\$ 3,989,285	\$ 4,779,683	\$ 4,884,207	\$ 5,658,484	\$ 5,513,628	\$ 4,426,519	\$ 5,738,988	\$ 5,280,088	\$ 5,741,359
Public safety	3,005,895	3,759,395	4,061,614	4,270,497	4,389,665	5,105,901	5,301,924	5,301,285	5,522,554	6,602,929
Public Works ¹	2,872,918	3,077,390	4,261,420	4,051,944	4,507,493	6,055,886	6,550,314	6,529,143	6,848,761	5,605,479
Economic development ²	-	-	-	-	631,619	767,177	623,313	745,924	760,566	762,562
Culture and recreation ³	845,588	849,871	985,496	973,501	1,026,732	1,573,326	1,463,546	1,281,887	1,466,630	1,609,232
Interest on long-term debt	929,135	603,688	826,485	755,375	1,277,768	974,645	975,981	860,185	806,952	722,366
Total governmental activities expenses	11,655,838	12,279,629	14,914,698	14,935,524	17,491,761	19,990,563	19,341,597	20,457,412	20,685,551	21,043,927
Business-type activities:										
Water	1,928,857	1,992,474	2,088,639	2,264,614	2,791,811	2,378,246	2,255,641	2,534,172	3,079,893	3,468,286
Wastewater	1,742,718	2,066,814	1,659,410	2,482,065	2,712,337	2,455,025	2,233,567	2,458,078	2,386,319	2,497,242
Airport	1,926,814	1,764,740	2,129,881	2,297,975	2,301,370	-	-	-	-	-
Family Aquatic	456,557	468,936	463,100	481,478	660,355	-	-	-	-	-
Refuse	559,758	645,161	506,854	586,308	502,044	653,491	675,893	896,932	938,989	962,046
Total business-type activities expenses	6,614,704	6,938,125	6,847,884	8,112,440	8,967,917	5,486,762	5,165,101	5,889,182	6,405,201	6,927,574
Total primary government expenses	\$ 18,270,542	\$ 19,217,754	\$ 21,762,582	\$ 23,047,964	\$ 26,459,678	\$ 25,477,325	\$ 24,506,698	\$ 26,346,594	\$ 27,090,752	\$ 27,971,501
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	998,298	456,815	608,541	509,708	2,787,815	2,213,490	2,424,804	2,964,534	2,513,700	2,885,314
Culture and recreation	104,526	78,507	1,017,628	674,822	128,149	289,722	218,512	245,116	214,112	222,690
Other activities	82,312	895,774	1,593,626	1,569,276	650,640	1,620,410	1,716,854	1,847,985	1,690,386	1,768,443
Operating grants and contributions	654,087	152,870	-	-	2,269,916	3,804,819	2,972,526	1,997,735	2,409,041	2,074,646
Capital grants and contributions	379,539	333,283	6,210,914	3,013,594	2,808,785	3,715,329	824,743	1,539,014	518,379	3,536,328
Total governmental activities program revenues	2,218,762	1,917,249	9,430,709	5,767,400	8,645,305	11,643,770	8,157,439	8,594,384	7,345,618	10,487,421
Business-type activities:										
Charges for services:										
Water	2,189,915	2,030,071	2,365,512	2,373,304	2,020,118	2,048,688	2,190,079	2,785,093	3,202,844	3,545,618
Wastewater	1,938,463	2,270,913	2,686,146	2,547,067	1,912,187	1,914,523	1,965,828	2,060,450	2,131,927	2,228,974
Airport ¹	930,197	1,040,160	1,898,709	1,240,029	1,083,344	-	-	-	-	-
Family Aquatic Center ³	131,190	98,166	100,440	102,547	109,637	-	-	-	-	-
Refuse	577,425	661,289	522,023	634,950	692,644	723,717	746,192	959,287	1,000,501	1,031,544
Operating grants and contributions	-	-	20,000	-	-	-	-	-	-	-
Capital grants and contributions	3,472,317	3,544,000	5,654,682	6,023,858	1,280,860	1,692,976	236,198	242,189	192,773	277,278
Total business-type activities program revenues	9,239,507	9,644,599	13,247,512	12,921,755	7,098,790	6,379,904	5,138,297	6,047,019	6,528,045	7,083,414
Total primary government program revenues	\$ 11,458,269	\$ 11,561,848	\$ 22,678,221	\$ 18,689,155	\$ 15,744,095	\$ 18,023,674	\$ 13,295,736	\$ 14,641,403	\$ 13,873,663	\$ 17,570,835

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)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (9,437,076)	\$ (10,362,380)	\$ (5,483,989)	\$ (9,168,124)	\$ (8,846,456)	\$ (8,346,793)	\$ (11,184,158)	\$ (11,863,028)	\$ (13,339,933)	\$ (10,556,506)
Business-type activities	2,624,803	2,706,474	6,399,628	4,809,315	(1,869,127)	893,142	(26,804)	157,837	122,844	155,840
Total primary government net expense	\$ (6,812,273)	\$ (7,655,906)	\$ 915,639	\$ (4,358,809)	\$ (10,715,583)	\$ (7,453,651)	\$ (11,210,962)	\$ (11,705,191)	\$ (13,217,089)	\$ (10,400,666)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales taxes	\$ 8,544,891	\$ 9,924,958	10,964,955	\$ 10,942,341	\$ 9,038,647	\$ 8,341,697	\$ 8,695,613	\$ 8,779,526	\$ 9,206,224	\$ 9,931,755
Franchise taxes	283,449	301,769	349,826	397,091	416,309	460,863	420,157	429,826	442,213	429,038
State sales taxes	712,867	830,093	939,542	908,471	786,482	725,415	761,358	832,976	872,541	927,876
Urban revenue sharing	715,536	831,807	1,029,042	1,514,108	1,459,297	1,250,084	956,935	915,474	1,097,262	1,196,624
Auto-in-lieu	440,379	498,645	590,144	589,820	560,171	514,687	511,760	551,817	503,515	544,628
Other	2,171,592	4,262,883	779,170	3,139,681	142,188	139,867	136,979	142,745	142,788	164,528
Investment earnings	172,331	337,177	828,583	489,904	157,504	65,012	113,005	137,663	(43,581)	113,603
Gain (Loss) on sales of assets	-	-	-	1,416,206	12,535	4,700	-	-	-	26,347
Miscellaneous	29,165	263,448	471,063	398,052	-	-	-	-	-	-
Transfers	(928,434)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800
Total governmental activities	12,141,776	16,040,755	14,238,673	17,130,484	11,691,261	11,627,325	11,790,807	12,083,775	12,552,012	13,696,199
Business-type activities:										
Investment earnings	146,124	212,550	408,605	660,278	235,930	107,417	136,625	271,780	61,955	228,241
Gain (Loss) on sales of assets	1,178	4,813	2,039	10,544	3,833	(305,132)	-	(197,854)	84	-
Transfers	928,434	1,210,025	1,713,652	2,665,190	881,872	(125,000)	(195,000)	(293,748)	(331,050)	(361,800)
Total business-type activities	1,075,736	1,427,388	2,124,296	3,336,012	1,121,635	(322,715)	(58,375)	(219,822)	(269,011)	(133,559)
Total Primary government	\$ 13,217,512	\$ 17,468,143	\$ 16,362,969	\$ 20,466,496	\$ 12,812,896	\$ 11,304,610	\$ 11,732,432	\$ 11,863,953	\$ 12,283,001	\$ 13,562,640
Change in Net Asset										
Governmental activities	\$ 2,704,700	\$ 5,678,375	\$ 8,754,684	\$ 7,962,360	\$ 2,844,805	\$ 3,280,532	\$ 606,649	\$ 220,747	\$ (787,921)	\$ 3,139,693
Business-type activities	3,700,539	4,133,862	8,523,924	8,145,327	(747,492)	570,427	(85,179)	(61,985)	(146,167)	22,281
Total primary government	\$ 6,405,239	\$ 9,812,237	\$ 17,278,608	\$ 16,107,687	\$ 2,097,313	\$ 3,850,959	\$ 521,470	\$ 158,762	\$ (934,088)	\$ 3,161,974

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

	Fiscal Year									
	<u>2005 *</u>	<u>2006 *</u>	<u>2007 *</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund										
Nonspendable:										
Inventories and prepaids	\$ -	\$ -	\$ -	\$ 44,344	\$ 57,763	\$ 44,348	\$ 14,071	\$ 31,408	\$ -	\$ 1,302
Restricted for:										
Debt service	-	-	-	-	-	-	76,980	76,980	76,980	76,989
Capital outlay	457,619	780,003	488,534	443,232	-	-	-	-	-	-
Committed to:										
Cemetery	-	-	-	128,494	160,876	184,844	188,835	42,707	98,175	204,179
Unassigned	5,174,543	8,036,445	10,874,318	12,722,515	10,907,754	6,432,775	4,936,910	4,992,131	5,390,951	5,528,415
Total general fund	<u>\$ 5,632,162</u>	<u>\$ 8,816,448</u>	<u>\$ 11,362,852</u>	<u>\$ 13,338,585</u>	<u>\$ 11,126,393</u>	<u>\$ 6,661,967</u>	<u>\$ 5,216,796</u>	<u>\$ 5,143,226</u>	<u>\$ 5,566,106</u>	<u>\$ 5,810,885</u>
All other governmental funds										
Nonspendable:	\$ -	\$ -	\$ -	\$ 445,200	\$ 748,916	\$ 895,900	\$ 900,072	\$ 952,943	\$ 1,119,638	\$ 1,082,201
Restricted for:										
Public safety	-	-	-	-	-	-	-	59,486	-	-
Public works/streets	-	-	-	24,967	40,705	58,079	90,349	203,486	736,766	3,817
Economic development	-	-	-	-	-	171,445	175,793	138,680	-	-
Parks and recreation	-	-	-	-	-	193,771	211,625	984,793	20,959	-
Debt service	650,680	714,149	852,413	1,840,435	1,516,965	1,212,075	1,281,007	1,728,434	1,438,936	1,346,191
Capital outlay	-	-	-	-	-	-	-	-	-	85,631
Other	-	-	-	-	-	-	-	-	-	-
Committed to:										
Public transportation	-	-	-	33,749	116,410	134,102	118,306	170,819	87,758	109,410
Assigned to:										
Public works/streets	-	-	-	3,086,694	112,863	1,033,882	1,202,967	1,760,601	1,068,915	913,294
Debt service	-	-	-	-	-	-	35,783	-	-	-
Unassigned, reported in:										
Special revenue funds	251,762	230,371	7,848,236	-	-	(21,490)	(10,395)	(16,582)	(126,613)	(595,047)
Total all other governmental fund:	<u>\$ 902,442</u>	<u>\$ 944,520</u>	<u>\$ 8,700,649</u>	<u>\$ 5,431,045</u>	<u>\$ 2,535,859</u>	<u>\$ 3,677,764</u>	<u>\$ 4,005,507</u>	<u>\$ 5,982,660</u>	<u>\$ 4,346,359</u>	<u>\$ 2,945,497</u>

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 12,085,009	\$ 13,846,075	\$ 15,586,015	\$ 15,921,108	\$ 9,597,142	\$ 8,942,430	\$ 9,252,749	\$ 9,352,097	\$ 9,791,225	\$ 10,525,321
Licenses and permits	623,009	1,192,968	1,043,028	697,482	175,143	170,564	181,638	144,466	130,075	153,196
Intergovernmental	1,032,926	1,531,190	1,534,809	1,355,159	5,754,141	7,250,735	5,520,122	5,249,315	4,994,722	7,969,865
Charges for services	449,387	736,688	583,141	487,048	236,118	1,479,960	1,581,724	1,657,809	1,536,481	1,524,191
Fines	122,958	126,915	131,878	167,787	225,171	608,860	826,720	730,882	735,402	748,341
Special assessments	1,165,709	1,133,569	1,162,670	1,401,906	1,501,157	1,465,205	1,375,197	1,366,683	1,197,369	1,137,021
Investment earnings	166,180	337,177	828,583	489,904	150,024	63,957	114,720	135,595	(39,888)	109,380
Miscellaneous	298,768	263,448	564,102	398,052	1,168,981	463,964	351,183	667,430	496,772	431,398
Total Revenues	\$ 15,943,946	\$ 19,168,030	\$ 21,434,226	\$ 20,918,446	\$ 18,807,877	\$ 20,445,675	\$ 19,204,053	\$ 19,304,277	\$ 18,842,158	\$ 22,598,713
Expenditures										
Current:										
General government	\$ 3,668,296	\$ 3,752,094	\$ 4,577,097	\$ 5,094,448	\$ 4,433,502	\$ 4,352,980	\$ 3,274,650	\$ 3,161,365	\$ 3,185,545	\$ 3,316,354
Public safety	2,660,077	3,295,460	3,719,234	3,841,165	4,392,538	4,596,844	4,761,547	4,998,867	5,307,659	7,247,878
Public works	2,586,569	2,890,444	3,454,781	2,951,496	3,037,275	3,001,780	3,382,640	3,524,603	3,416,467	3,353,354
Economic Development/General Operations	864,334	985,085	1,023,658	1,023,432	2,645,887	5,755,111	4,699,849	2,072,755	1,818,681	1,928,597
Capital outlay	2,614,386	2,124,818	3,378,240	9,977,641	6,247,917	3,345,259	2,376,881	3,208,043	4,025,615	5,430,077
Principal	1,232,146	1,080,052	1,175,440	1,332,048	1,522,234	2,071,500	1,482,000	1,565,000	1,805,899	1,903,000
Interest and fiscal charges	680,594	603,688	805,199	951,412	1,016,563	1,046,806	988,913	880,470	852,337	760,654
Total expenditures	14,306,402	14,731,641	18,133,649	25,171,642	23,295,916	24,170,280	20,966,480	19,411,103	20,412,203	23,939,914
Revenues over (under) expenditures	1,637,544	4,436,389	3,300,577	(4,253,196)	(4,488,039)	(3,724,605)	(1,762,427)	(106,826)	(1,570,045)	(1,341,201)
Other finance sources (Uses)										
Sale of Assets	-	-	-	1,416,206	12,534	4,696	-	12,762	25,574	26,347
Bond Proceeds	-	-	8,658,917	4,265,000	250,000	-	450,000	1,703,899	-	-
Transfers in (out)	(915,672)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800
Total other finance sources (uses)	(915,672)	(1,210,025)	6,945,265	3,016,016	(619,338)	129,696	645,000	2,010,409	356,624	388,147
Net change in fund balance:	\$ 721,872	\$ 3,226,364	\$ 10,245,842	\$ (1,237,180)	\$ (5,107,377)	\$ (3,594,909)	\$ (1,117,427)	\$ 1,903,583	\$ (1,213,421)	\$ (953,054)
Debt service as a percentage of noncapital expenditures	19.56%	15.41%	15.50%	17.69%	17.50%	17.61%	15.33%	17.78%	19.36%	16.81%

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

<u>Tax Remitter</u>	<u>Fiscal Year 2014</u>			<u>Fiscal Year 2004</u>		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
	<u>\$ -</u>		<u>0.0%</u>	<u>\$ -</u>		<u>0%</u>

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

CITY OF SHOW LOW, ARIZONA

Revenue Capacity

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

Last Ten Fiscal Years

(modified accrual basis of accounting)

TAXABLE RETAIL SALES (1)

City of Show Low (1)

<u>Fiscal Year</u>	<u>Amount</u>
2005	283,279,602
2006	313,876,233
2007	334,022,100
2008	332,620,700
2009	306,724,210
2010	297,933,456
2011	297,772,527
2012	323,196,420
2013	342,827,914
2014	370,212,200

Navajo County (1)

<u>Fiscal Year</u>	<u>Amount</u>
2005	669,120,354
2006	756,087,523
2007	786,854,498
2008	818,594,217
2009	788,925,825
2010	705,557,999
2011	758,437,095
2012	819,160,593
2013	840,818,316
2014	888,647,272

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

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

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

CITY OF SHOW LOW, ARIZONA

Revenue Capacity

Actual Excise Tax Collection:

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>Privilege & Use Tax</u>	<u>State Shared Sales Tax</u>	<u>Urban Revenue Share</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2005	8,544,891	712,867	715,536	283,449	440,379	10,697,122
2006	9,924,958	830,093	831,807	301,769	498,646	12,387,273
2007	10,964,955	939,542	1,029,042	349,826	590,144	13,873,509
2008	10,942,341	908,471	1,514,108	397,091	589,820	14,351,831
2009	8,910,530	786,482	1,459,297	416,309	560,171	12,132,788
2010	8,226,903	725,415	1,250,084	460,863	514,687	11,177,952
2011	8,258,333	761,358	956,935	420,157	511,760	10,908,542
2012	8,741,125	832,976	915,474	429,826	551,817	11,471,218
2013	9,206,661	872,541	1,097,262	442,213	503,515	12,122,191
2014	9,931,755	927,876	1,196,624	429,038	544,628	13,029,921

Source: City of Show Low Finance Departmen

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
2004-2005	1,000,458	107,850	205,425	5,665,592	444,885	81,791	414,040	203,978	502,663	8,544,891	11.18%
2005-2006	1,471,231	144,500	265,074	6,277,525	540,826	89,491	473,152	191,733	560,920	9,924,958	16.15%
2006-2007	1,725,329	184,492	305,802	6,680,442	577,688	106,895	680,273	170,973	639,955	10,964,954	10.48%
2007-2008	1,819,140	245,124	255,190	6,652,414	553,708	128,520	648,069	152,106	616,590	10,942,341	-0.21%
2008-2009	801,477	219,915	165,420	6,134,484	528,757	128,083	543,947	135,887	508,726	8,910,530	-18.57%
2009-2010	436,445	288,846	123,085	5,958,669	502,095	114,801	433,503	131,006	468,055	8,226,903	-7.67%
2010-2011	451,684	269,502	178,849	5,955,451	458,669	124,935	424,060	127,555	517,498	8,258,333	0.38%
2011-2012	427,107	285,535	171,905	6,463,928	486,181	123,520	368,225	143,893	517,872	8,741,125	5.85%
2012-2013	383,747	214,896	180,469	6,856,558	504,870	122,429	423,217	163,575	479,632	9,206,661	5.33%
2013-2014	578,188	65,190	188,573	7,404,244	565,559	139,014	477,048	168,504	345,434	9,931,755	7.88%

Source: Arizona Department of Revenue

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

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

<u>Tax Year</u>	<u>Net Assessed Value</u>	<u>Total Value</u>	<u>Ratio of Net Assessed to Cash Values</u>
2005	94,162,089	677,090,505	14%
2006	103,182,998	767,788,032	13%
2007	115,815,162	882,912,270	13%
2008	144,656,369	1,124,883,712	13%
2009	183,337,696	1,599,217,618	11%
2010	190,067,004	1,559,074,446	12%
2011	170,077,968	1,409,163,131	12%
2012	158,030,998	1,304,286,735	12%
2013	151,504,389	1,193,127,603	13%
2014	132,641,017	1,121,524,201	12%

Source: Arizona Department of Revenue - [/http://azmemory.azlibrary.gov/cdm/ref/collection/statepubs/id/11068](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>
2004-05	-	-	0.6316	1.5092	5.4816	7.6224
2005-06	-	-	0.6337	1.5200	5.0497	7.2034
2006-07	-	-	0.6229	1.4858	4.8494	6.9581
2007-08	-	-	0.6041	1.4206	4.3062	6.3309
2008-09	-	-	0.5594	1.1352	4.5665	6.2611
2009-10	-	-	0.5572	1.1308	4.5345	6.2225
2010-11	-	-	0.5984	1.2387	5.0214	6.8585
2011-12	-	-	0.6401	1.3515	5.1577	7.1493
2012-13	-	-	0.6995	1.4769	5.4928	7.6692
2013-14	-	-	0.8185	1.6610	4.5325	7.0120

Source: Navajo County Assessor's Office

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

Tax Year	Original Property Assessments	Collected to June 30th, End of Tax Fiscal Year		Percent of Adjusted Levy	Taxes Receivable
		Adjustments	Amount		
2005	97,986	412	97,555	100%	18
2006	101,262	54	101,180	100%	28
2007	125,990	141	125,816	100%	33
2008	142,973	320	142,615	100%	38
2009	140,460	499	139,718	100%	243
2010	138,824	880	137,555	100%	388
2011	142,602	479	141,682	100%	440
2012	142,956	241	137,418	96%	5,297
2013	143,000	-	-	0%	143,000
2014	163,300	-	-	0%	163,300

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>
2004-2005	1,150,101	1,108,736	96.40%	41,365
2005-2006	1,164,262	1,199,034	102.99%	(34,772)
2006-2007	1,185,339	1,183,457	99.84%	1,881
2007-2008	1,399,158	1,437,350	102.73%	(38,192)
2008-2009	1,408,092	1,428,904	92.43%	(20,812)
2009-2010	1,398,024	1,387,109	99.22%	10,915
2010-2011	1,251,206	1,229,768	98.29%	21,438
2011-2012	1,327,423	1,392,206	104.88%	(64,783)
2012-2013	1,068,568	1,088,028	101.82%	(19,460)
2013-2014	1,045,067	1,044,708	99.97%	359

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	GADA Bonds	Loans Payable	Certificates of Participation	GADA Bonds	WIFA Bonds	Loans Payable			
2005	8,045,000	-	2,367,740	-	238,608	2,237,260	-	-	380,504	13,269,112	15.98%	1,356
2006	7,445,000	-	1,941,090	-	126,259	1,833,910	-	-	102,551	11,448,810	19.75%	1,158
2007	6,775,000	2,014,000	1,491,241	6,630,000	12,478	1,408,759	1,740,000	-	46,649	20,118,127	11.99%	1,906
2008	6,770,000	2,455,000	1,018,193	9,600,000	9,875	961,807	1,740,000	-	-	22,554,875	11.26%	1,966
2009	6,083,000	2,395,000	521,946	9,305,000	256,167	493,054	1,675,000	-	-	20,729,167	12.71%	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	-	9,155,000	100,000	-	-	3,186,106	-	18,888,106	15.38%	1,745
2013	2,904,000	2,580,000	-	8,510,000	-	-	-	5,085,048	-	19,079,048	15.66%	1,754
2014	1,963,000	2,485,000	-	7,840,000	-	-	-	5,442,956	-	17,730,956		

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)
2005	94,162,089	-	0.0%	-
2006	103,182,998	-	0.0%	-
2007	115,815,162	-	0.0%	-
2008	144,656,369	-	0.0%	-
2009	183,337,696	-	0.0%	-
2010	190,067,004	-	0.0%	-
2011	170,077,968	-	0.0%	-
2012	158,030,998	-	0.0%	-
2013	151,504,389	-	0.0%	-
2014	132,641,017	-	0.0%	-

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, 2014

Jurisdiction	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:			
General obligation bonds payable from property tax	\$ -	100.00%	\$ -
Total direct debt	\$ -		\$ -
Overlapping Debt Repaid with Property Taxes:			
Navajo County	\$ -	n/a	\$ -
Northland Pioneer College	\$ -	n/a	\$ -
Show Low School District #10 - 2003B	\$ 2,065,000	71.80%	\$ 1,482,670
Total overlapping debt			\$ 1,482,670
Total direct and overlapping debt			\$ 1,482,670

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

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Debt Limitations and Computation of Legal Debt Margin

	Water, Sewer, Light, Parks and Open Space Purpose Bonds Debt Limitation 20%	All Other General Obligation Bonds Debt Limitation 6%
Assessed Valuation:		
Assessed Value	\$ 132,641,017	\$ 132,641,017
Total assessed value	<u>\$ 132,641,017</u>	<u>\$ 132,641,017</u>
Legal debt margin:		
Debt limitation	\$ 26,528,203	\$ 7,958,461
Debt applicable to limitation:		
General Obligation Bonds	<u>-</u>	<u>-</u>
Total debt applicable to limitation	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 26,528,203</u>	<u>\$ 7,958,461</u>
Total debt applicable to the limit as a percentage of the limit	0%	0%

Arizona's Constitution states that a municipality cannot issue general obligation bonds in excess of 6% of the assessed valuation for general municipal purposes.

Additional general obligation bonds for up to 20% of assessed valuation can be issued for specific purposes such as supplying water and sewer services and recreational and playground facilities.

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
2005	2,810,749	1,585,495	1,225,254	320,504	97,322	417,826	293.2%
2006	3,491,058	1,873,418	1,617,640	364,186	96,940	461,126	350.8%
2007	3,790,578	2,178,135	1,612,442	365,402	65,155	430,557	374.5%
2008	3,937,159	2,433,130	1,504,029	320,000	49,269	369,269	407.3%
2009	3,798,657	3,228,784	569,873	335,000	33,048	368,048	154.8%
2010	3,853,768	2,346,901	1,506,867	352,500	16,632	369,132	408.2%
2011	4,203,385	2,394,160	1,809,225	9,430	6,490	15,920	11364.1%
2012	4,978,073	3,194,504	1,783,569	9,704	92,015	101,720	1753.4%
2013	5,774,592	3,578,518	2,196,074	150,027	137,363	287,390	764.1%
2014	5,774,592	3,578,518	2,196,074	230,605	150,340	380,945	576.5%

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
2005	1,108,736	626,517	517,538	97%	-	-	-	0%	10,697,122	-	28,595	37409%
2006	1,199,034	600,000	478,416	111%	-	-	-	0%	12,387,273	215,000	386,013	2061%
2007	1,183,457	670,000	438,928	107%	-	-	-	0%	13,873,509	360,000	374,513	1889%
2008	1,437,350	605,000	427,519	139%	150,659	39,000	122,782	93%	14,351,831	375,000	359,813	1953%
2009	1,428,904	687,000	391,587	132%	238,098	60,000	136,319	121%	12,132,788	295,000	346,013	1893%
2010	1,387,109	689,000	349,173	134%	292,735	60,000	133,245	151%	11,177,952	610,000	485,738	1020%
2011	1,229,768	777,000	305,377	114%	304,128	60,000	130,058	160%	10,908,542	595,000	464,213	1030%
2012	1,392,206	830,000	255,951	128%	289,007	65,000	126,870	151%	11,471,218	620,000	440,900	1081%
2013	1,088,028	883,000	203,252	100%	306,016	80,000	123,423	150%	12,122,191	645,000	414,756	1144%
2014	1,044,708	941,000	147,127	96%	319,653	95,000	152,719	129%	13,029,921	670,000	387,575	1232%

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 Informatio
Demographic Statistics - Population Statistics, Unemployment Average

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
2005 (Estimated)	9,786	106,968	2,120,553	19,824	8.0%	4.7%
2006 (Estimated)	9,885	109,000	2,260,966	20,743	7.2%	4.1%
2007 (Estimated)	10,555	110,999	2,412,656	21,736	6.2%	3.7%
2008 (Estimated)	11,473	112,348	2,539,509	22,604	9.8%	6.0%
2009 (Estimated)	12,400	112,975	2,634,137	23,316	15.2%	9.9%
2010 (Census)	10,666	107,677	2,742,716	25,472	16.0%	10.5%
2011 (Estimated)	10,699	107,226	2,822,255	26,321	16.0%	9.5%
2012 (Estimated)	10,826	107,923	2,904,100	26,909	14.0%	8.3%
2013 (Estimated)	10,880	108,463	2,988,319	27,552	13.5%	8.0%
2014 (Estimated)	10,935	109,005	3,074,980	28,210	13.6%	8.1%

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

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

(3) Source: AZSTATS.GOV

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

<u>Employer</u>	<u>Fiscal Year 2014</u>			<u>Fiscal Year 2004*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Top 10 Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Summit Healthcare Regional Medical Center	900	1	34.70%			
Walmart	490	2	18.89%			
Show Low Unified School District	300	3	11.57%			
Cellular One	187	4	7.21%			
Home Depot	150	5	5.78%			
City of Show Low	153	6	5.91%			
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	<u>2,593</u>		<u>100.00%</u>	<u>-</u>		<u>0.00%</u>

*Information Not Available

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

Source: City of Show Low Business Developer

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

	Full-time Equivalent Employee									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Airport	5.0	5.0	5.2	5.2	5.2	4.2	4.2	4.5	4.1	4.1
Aquatics & Recreation	16.0	15.0	15.6	15.1	14.7	14.7	14.2	14.2	14.2	14.4
City 4 TV	2.0	2.0	3.0	3.0	3.0	2.7	2.0	2.0	2.3	2.3
City Attorney	2.0	2.0	2.0	2.0	2.0	1.0	-	-	1.6	1.6
City Clerk	2.0	3.0	3.0	4.0	4.0	2.0	2.0	2.0	2.0	2.0
City Magistrate	2.0	2.0	3.7	2.5	2.5	4.5	4.0	3.0	3.0	3.0
City Manager	1.0	1.0	1.0	1.0	3.0	2.0	2.0	2.0	2.0	2.0
Community Services Admini	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Engineering	5.0	6.0	11.0	11.0	11.0	5.0	5.0	5.0	6.0	6.0
Finance	8.0	8.0	8.0	10.0	9.0	6.5	-	-	-	-
Human Resources	4.0	3.0	2.0	2.0	2.0	2.0	-	-	-	-
Administrative Services	-	-	-	-	-	-	8.2	9.2	10.0	10.0
Information Systems	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Library	8.0	7.0	9.7	9.7	10.2	8.1	7.5	7.5	7.5	7.5
Parks & Facilities Maintenance	7.0	5.0	9.8	10.3	10.7	9.2	9.1	7.5	7.0	7.0
Planning & Zoning	11.0	11.0	13.7	12.7	11.7	6.5	5.0	4.5	4.5	4.5
Police	43.0	43.0	47.3	48.6	48.6	50.2	46.6	49.4	49.1	49.1
Public Works Administrator	4.0	3.0	-	-	-	-	-	-	-	-
Streets	10.0	10.0	10.3	9.3	9.3	10.3	10.0	11.0	11.0	11.0
Wastewater	9.0	9.0	11.6	12.1	12.1	11.6	11.5	10.5	10.0	10.0
Water	7.0	7.0	8.6	11.1	11.1	11.5	10.5	13.5	15.0	15.0
Total Employees	150.0	146.0	169.5	173.6	174.1	156.0	145.8	149.8	153.3	153.5

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

Function	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Arrests	2,028	2,094	2,071	2,160	1,852	1,698	1,605	1,630	1,569	1,758
Citations	5,063	5,331	4,971	6,896	7,467	5,947	4,928	3,701	3,015	4,251
Traffic Stops	5,948	6,452	5,977	9,510	10,362	8,390	10,261	6,821	5,040	6,494
Officer Reports	4,036	4,116	3,929	4,164	3,735	3,021	2,749	2,854	2,955	3,074
Photo Enforcement - Notices Printed	0	0	0	0	0	15,524	15,813	12,452	13,150	7,452
Calls for Service	17,803	18,841	19,022	20,176	19,985	19,425	17,304	19,316	18,318	19,230
Highways & Streets										
Street resurfacing (miles)	*	12	15	15	27	17	25	61	90	137
Potholes repaired	*	214	258	312	359	741	791	1,118	655	677
Street sweeping (miles)	*	3,000	3,000	3,000	1,670	2,094	965	505	1,671	1,252
Water										
New Connections	*	463	273	150	36	45	34	21	32	49
Line Breaks	*	16	56	133	65	158	128	119	108	89
Average Daily Consumption	*	987,103	1,286,236	1,145,174	1,285,073	1,652,551	1,345,038	1,429,566	1,462,578	2,339,890
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	*	741,000	837,000	971,000	956,739	830,000	867,000	892,000	789,258	907,463
Line cleaning (feet)	*	303,996	325,600	340,000	204,033	258,768	268,231	99,556	109,812	126,362
Line Plugs	*	9	32	43	26	41	53	56	112	13
Recreation & Aquatics										
Aquatic center admissions	67,826	68,599	61,197	56,860	64,797	49,352	32,164	47,880	43,920	50,101

* Not available

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	
2004-05	51,129,536	5,272,341	56,401,877	310
2005-06	71,314,455	10,525,607	81,840,062	406
2006-07	52,835,280	34,688,175	87,523,455	268
2007-08	46,335,727	9,905,825	56,241,552	202
2008-09	10,467,757	6,731,048	17,198,805	44
2009-10	7,000,652	5,308,046	12,308,698	29
2010-11	8,027,334	14,095,184	22,122,518	30
2011-12	2,808,231	14,447,139	17,255,370	12
2012-13	5,257,417	6,943,989	12,201,406	19
2013-14	11,661,131	3,186,458	14,847,589	47

(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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Authorized Patrol units	15	15	15	20	23	23	23	20	20	20
Highways and streets										
Streets (miles)	*	92	95	96	97	181	182	182	182	184
Streetlights	*	625	650	665	675	675	735	735	735	1,128
Water										
Water mains (miles)	*	102	109	111	119	124	164	164	183	185
Fire hydrants	*	815	815	815	815	810	817	1,033	1,096	1,149
Sewer										
Sanitary Sewer (miles)	*	120	127	131	139	146	148	148	148	150
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
Recreation and aquatics										
Parks acreage	414	414	414	414	414	428	428	428	428	428
Number of Parks	9	9	9	9	9	10	10	10	10	10
Swimming pool:	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Ball fields	3	3	3	3	3	5	5	5	5	5
Community center:	1	1	1	2	2	2	2	2	2	2

* Not available

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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, 2014, and the related notes to the financial statements, which collectively comprise the City of Show Low, Arizona's basic financial statements, and have issued our report thereon dated November 8, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Show Low, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Show Low, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City Show Low, Arizona's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Show Low, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the City in the schedule of findings and recommendations dated November 8, 2014.

City of Show Low, Arizona's Response to Findings

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

Purpose of this Report

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



HintonBurdick, PLLC
Flagstaff, Arizona
November 8, 2014

MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
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MICHAEL K. SPILKER, CPA
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MARK E. TICHENOR, CPA

**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, 2014, and have issued our report thereon dated November 8, 2014. 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, 2014.

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


HintonBurdick, PLLC
Flagstaff, Arizona
November 8, 2014

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