

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



*Year-ended June 30, 2013
With Report of Certified Public Accountants*

CITY OF SHOW LOW, ARIZONA

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City of Show Low

Administrative Services Department
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November 28, 2013

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, 2013, 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 2013 city sales tax collections over FY 2012 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 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,

Doug Sandstrom
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, 2012

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

Doug Sandstrom, Administrative Services Director

Joel Weeks, Community Services Director

Brad Provost, Co-Interim Police Chief

Jeff McNeil, Co-Interim Police Chief

William Kopp, Public Works Director

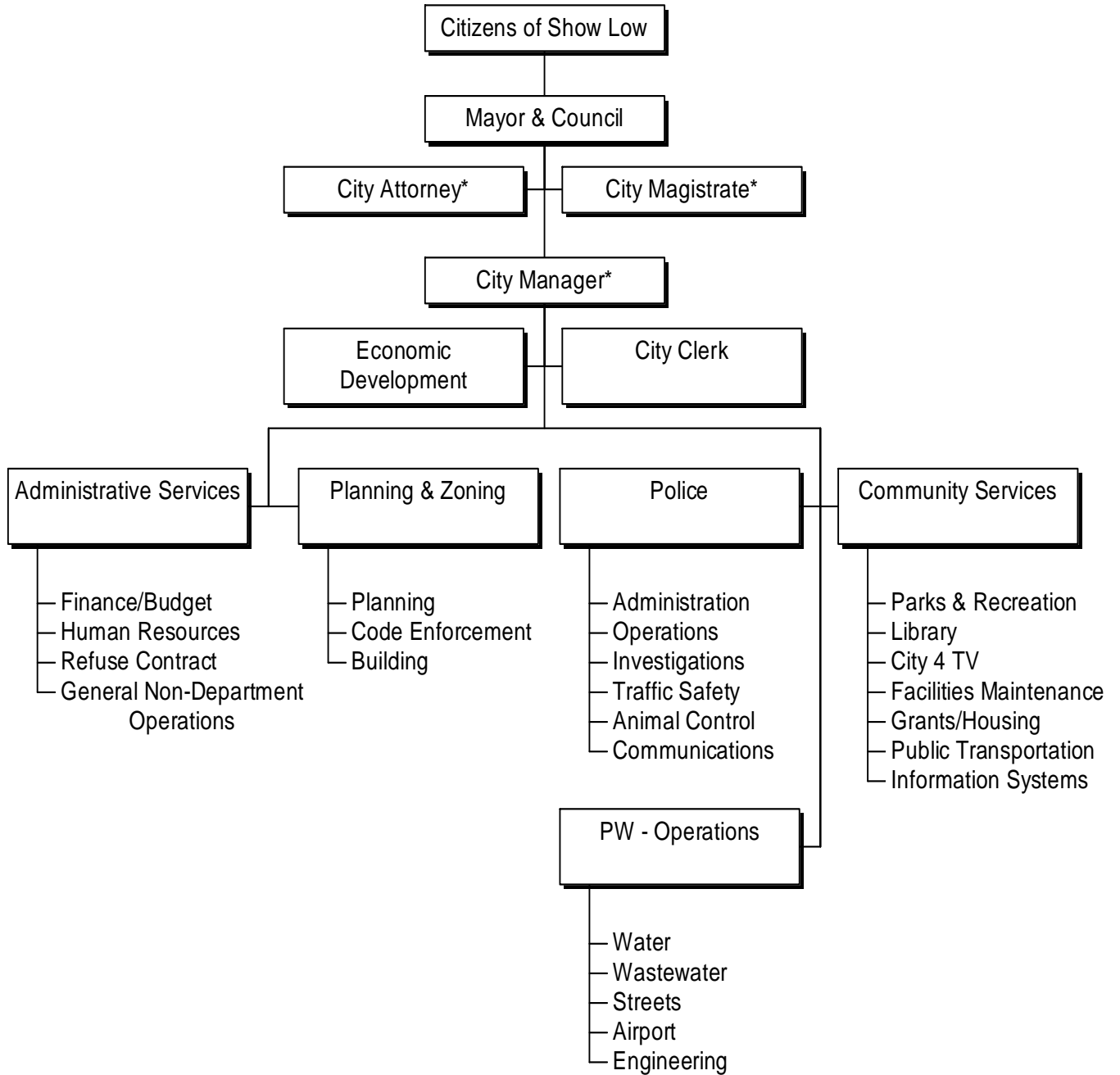
Justen Tregaskes, Planning & Zoning Director

Ann Kurasaki, City Clerk



City of Show Low, Arizona

Organizational Chart



*Appointed by Council

FINANCIAL SECTION

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MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

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, 2013, 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, 2013, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously/Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the public safety retirement system information on page 56 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 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 4, 2013, 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 4, 2013

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**CITY OF SHOW LOW, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

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, 2013. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- City Sales tax revenue continues to rise for the third year after three years of decline; collections rose by 4.9% over last year and remain the single largest revenue in the General fund budget at 65.5% 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 2013 is almost \$1.8 million or 16% 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 \$185,000 or 2.8%.
- 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 2013. Some of the significant capital outlay projects included energy efficiency improvements like upgraded outdoor lighting at Senior and Ponderosa ball fields; updated lighting and heating, ventilation and air conditioning systems at the aquatics center; and installation of more cost effective lighting at City Hall. 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 2013. 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, 2013.

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 \$117.6 million as of June 30, 2013 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	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 16,360,636	\$ 18,269,777	\$ 12,177,151	\$ 11,197,068	\$ 28,537,787	\$ 29,466,845
Capital assets	66,382,399	66,751,897	47,075,696	46,516,049	113,458,095	113,267,946
Total assets	<u>82,743,035</u>	<u>85,021,674</u>	<u>59,252,847</u>	<u>57,713,117</u>	<u>141,995,882</u>	<u>142,734,791</u>
Long-term liabilities outstanding	16,416,005	18,187,268	5,085,047	3,336,133	21,501,052	21,523,401
Other liabilities	2,256,994	1,976,449	677,784	668,981	2,934,778	2,645,430
Total liabilities	<u>18,672,999</u>	<u>20,163,717</u>	<u>5,762,831</u>	<u>4,005,114</u>	<u>24,435,830</u>	<u>24,168,831</u>
Net position:						
Net investment in capital assets	50,755,411	49,319,010	41,990,649	43,255,726	92,746,060	92,574,736
Restricted	2,273,641	2,741,846	4,689,551	4,630,387	6,963,192	7,372,233
Unrestricted	<u>11,040,984</u>	<u>12,797,101</u>	<u>6,809,816</u>	<u>5,821,890</u>	<u>17,850,800</u>	<u>18,618,991</u>
Total net position	<u>\$ 64,070,036</u>	<u>\$ 64,857,957</u>	<u>\$ 53,490,016</u>	<u>\$ 53,708,003</u>	<u>\$ 117,560,052</u>	<u>\$ 118,565,960</u>

Governmental Activities

The City has \$141,995,882 in total assets, with \$113,458,095 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.

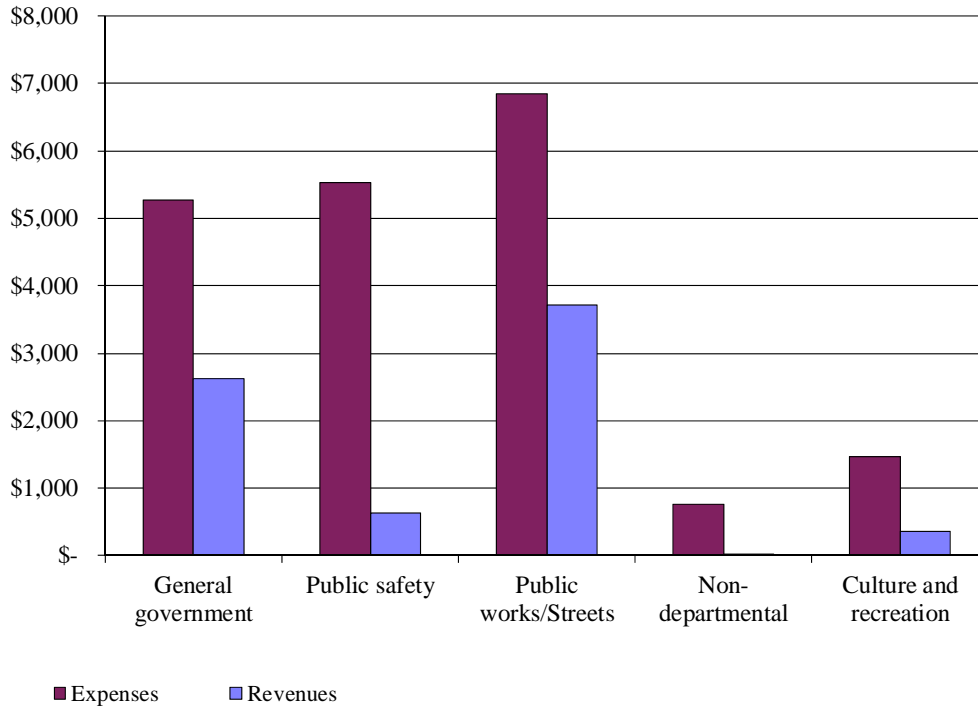
**City of Show Low
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,418,198	\$ 5,057,635	\$ 6,335,272	\$ 5,804,830	\$ 10,753,470	\$ 10,862,465
Operating grants and contributions	2,409,041	1,997,735	-	-	2,409,041	1,997,735
Capital grants and contributions	518,379	1,539,014	192,773	242,189	711,152	1,781,203
General revenues:						
Taxes	11,167,281	10,736,890	-	-	11,167,281	10,736,890
Urban revenue sharing	1,097,262	915,474	-	-	1,097,262	915,474
Other revenue/(expense)	(43,581)	137,663	62,039	73,926	18,458	211,589
Total revenues	<u>19,566,580</u>	<u>20,384,411</u>	<u>6,590,084</u>	<u>6,120,945</u>	<u>26,156,664</u>	<u>26,505,356</u>
Expenses:						
General government	5,280,088	5,738,988	-	-	5,280,088	5,738,988
Public safety	5,522,554	5,301,285	-	-	5,522,554	5,301,285
Public works/Streets	6,848,761	6,529,143	-	-	6,848,761	6,529,143
Economic development	760,566	745,924	-	-	760,566	745,924
Culture and recreation	1,466,630	1,281,887	-	-	1,466,630	1,281,887
Interest on long-term debt	806,952	860,185	-	-	806,952	860,185
Water	-	-	3,079,893	2,534,172	3,079,893	2,534,172
Wastewater	-	-	2,386,319	2,458,078	2,386,319	2,458,078
Refuse	-	-	938,989	896,932	938,989	896,932
Total expenses	<u>20,685,551</u>	<u>20,457,412</u>	<u>6,405,201</u>	<u>5,889,182</u>	<u>27,090,752</u>	<u>26,346,594</u>
Increase (Decrease) in net position before transfers	(1,118,971)	(73,001)	184,883	231,763	(934,088)	158,762
Transfers	<u>331,050</u>	<u>293,748</u>	<u>(331,050)</u>	<u>(293,748)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net position	(787,921)	220,747	(146,167)	(61,985)	(934,088)	158,762
Net position, beginning	64,857,957	64,637,210	53,708,003	53,769,988	118,565,960	118,407,198
Restatement adjustment	-	-	(71,820)	-	(71,820)	-
Net position, ending	<u>\$ 64,070,036</u>	<u>\$ 64,857,957</u>	<u>\$ 53,490,016</u>	<u>\$ 53,708,003</u>	<u>\$ 117,560,052</u>	<u>\$ 118,565,960</u>

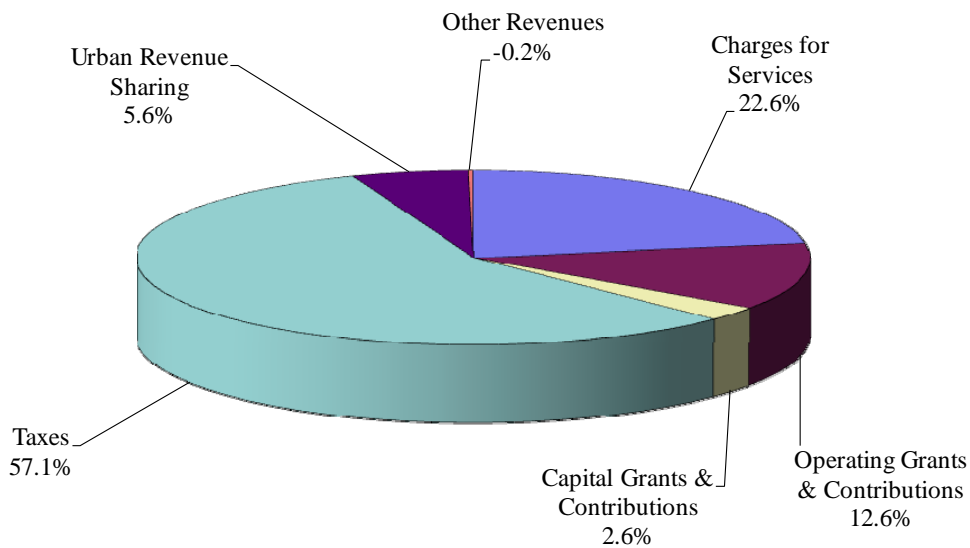
Total resources available during the year to finance governmental operations were \$84.4 million consisting of Net Position at July 1, 2012 of \$64.8 million, program revenues of \$7.34 million and General Revenues of \$12.2 million. Total Governmental Activities during the year were \$20.7 million; thus Governmental Net Position was decreased by \$787,921 to \$64 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)



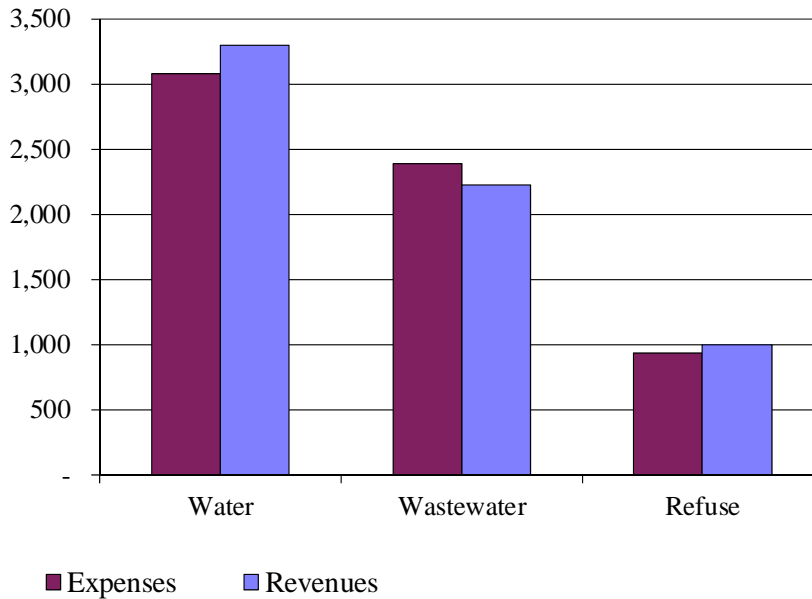
Revenue By Source - Governmental Activities



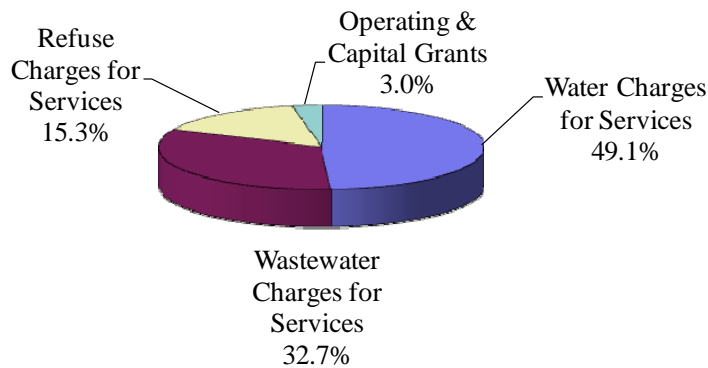
Business Type Activities

Net Position of the Business Type activities at June 30, 2013, as reflected in the Statement of Net Position was \$53.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$6.4 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$6.3 million and there was \$192,773 subsidized by capital grants and contributions. Interest earnings and other revenues were \$62,039. The Net Position decreased by \$146,167.

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 \$9,912,465, a decrease of \$1,213,421 or 10.9%, compared to FY 2012. The decline is due primarily to the spending of fund balance in two areas: the Highway User Revenue Fund (HURF) and Non-major funds. For HURF, the fund balance was drawn down \$691,686 for planned street-related capital outlay. For the Non-major funds, the fund balance was drawn down \$736,386 primarily attributable to planned capital outlay in one of the non-major funds, the Family Aquatic Center.

Approximately 53% of the combined ending fund balances of \$9,912,465, or \$5,264,338, constitutes unassigned fund balance which is available for new spending at the government's discretion. The almost \$5.3 million combined unassigned fund balance includes \$2,000,000 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 March 13, 2012 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 \$1,000,000 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 \$5,390,951, while total General fund balance was \$5,566,106. 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 38.3% of total General fund expenditures while total fund balance represents 39.6% of the same amount. During the year, the City of Show Low's General fund balance increased by \$422,880. This positive change in fund balance is primarily attributable to: General fund revenues increasing by \$705,344 which was offset, in part by, transfers out increasing and transfers in decreasing.

The Highway User Revenue Fund has a total fund balance of \$1,068,915, 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 \$691,686 as a result of planned capital outlay.

The Airport Fund has a total fund balance of \$132,340 primarily the result of special purpose fuel inventory and pre-paid insurance. An unassigned fund balance of (\$103,157) offsets, to an extent, the total fund balance.

Improvement District #5 is a debt service fund. The fund balance of this fund declined by (\$132,919) 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 (\$76,021) 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 \$46,307 for FY 2013 primarily due to an increase in special assessment revenue.

General Fund Budgetary Highlights

Tax revenues have a positive variance of \$926,537 mainly due to stronger than budgeted sales tax collections. Intergovernmental revenues also have a positive variance of \$230,806 due to the City's practice of budgeting 95% of the state-provided estimates. Total revenues have a positive variance of 9.3% or \$1,196,181.

General fund expenditures were \$1,680,830 or 14% less than budgeted with the most significant positive variances in the following areas:

- In the General Government category, total spending was \$608,052 or 18.9% less than budgeted as a result of personnel-related savings. Most notable in this category was City Council spending \$189,977 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 \$566,064 or 10.2% less than budgeted due to personnel-related and program savings.
- In the Non-departmental category, spending was \$261,148 or 25.6% 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 \$102,018 or 12.2% 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 2013, net capital assets of the government activities totaled \$66.4 million and the net capital assets of the business-type activities totaled \$47.1 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 \$16.4 million in governmental type debt and \$5.2 million in business-type debt. The debt is a liability of the government and amounts to approximately \$2,025.84 per capita. During the current fiscal year, the City's total debt decreased \$22,542. 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. As a result, the City has in past years reduced expenditures in order to match lowered revenues. 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 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, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 8,652,096	\$ 10,843,199	\$ 19,495,295
Receivables (net of allowance)	5,828,312	977,565	6,805,877
Prepaid items/Inventory	1,119,638	250,569	1,370,207
Temporarily restricted assets:			
Cash and cash equivalents	760,590	105,818	866,408
Capital assets (net of accumulated depreciation):			
Land	5,746,001	1,246,033	6,992,034
Construction in progress	824,241	831,229	1,655,470
Buildings	10,677,332	45,745	10,723,077
Improvements	7,518,210	-	7,518,210
System improvements	-	43,122,234	43,122,234
Machinery and equipment	2,305,212	1,688,789	3,994,001
Vehicles	1,257,896	141,666	1,399,562
Infrastructure/Roads	38,053,507	-	38,053,507
Total assets	<u>82,743,035</u>	<u>59,252,847</u>	<u>141,995,882</u>
Liabilities			
Accounts payable and other current liabilities	1,907,257	580,213	2,487,470
Interest payable	191,454	74,775	266,229
Unearned revenues	158,283	22,796	181,079
Noncurrent liabilities:			
Due within one year	2,494,763	230,606	2,725,369
Due in more than one year	13,921,242	4,854,441	18,775,683
Total liabilities	<u>18,672,999</u>	<u>5,762,831</u>	<u>24,435,830</u>
Net Position			
Net investment in capital assets	50,755,411	41,990,649	92,746,060
Restricted for:			
Highways and streets	739,708	-	739,708
Debt service	1,515,916	-	1,515,916
Capital projects and other	18,017	4,689,551	4,707,568
Unrestricted	11,040,984	6,809,816	17,850,800
Total net position	<u>\$ 64,070,036</u>	<u>\$ 53,490,016</u>	<u>\$ 117,560,052</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, 2013

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	\$ 5,280,088	\$ 2,513,700	\$ 115,817	\$ -	\$ (2,650,571)	\$ -	\$ (2,650,571)
Public safety	5,522,554	236,342	296,188	96,921	(4,893,103)	-	(4,893,103)
Public works/Streets	6,848,761	1,442,988	1,875,891	401,679	(3,128,203)	-	(3,128,203)
Non-departmental	760,566	11,056	-	-	(749,510)	-	(749,510)
Culture and recreation	1,466,630	214,112	121,145	19,779	(1,111,594)	-	(1,111,594)
Interest on long-term debt	806,952	-	-	-	(806,952)	-	(806,952)
Total governmental activities	20,685,551	4,418,198	2,409,041	518,379	(13,339,933)	-	(13,339,933)
Business-type activities:							
Water	3,079,893	3,202,844	-	94,677	-	217,628	217,628
Wastewater	2,386,319	2,131,927	-	98,096	-	(156,296)	(156,296)
Refuse	938,989	1,000,501	-	-	-	61,512	61,512
Total business-type activities	6,405,201	6,335,272	-	192,773	-	122,844	122,844
Total primary government	\$ 27,090,752	\$ 10,753,470	\$ 2,409,041	\$ 711,152			
General Revenues:							
Taxes:							
City sales tax					9,206,224	-	9,206,224
Franchise tax					442,213	-	442,213
Property tax					142,788	-	142,788
Auto lieu tax (unrestricted)					503,515	-	503,515
State sales tax (unrestricted)					872,541	-	872,541
Urban revenue sharing (unrestricted)					1,097,262	-	1,097,262
Unrestricted investment earnings					(43,581)	61,955	18,374
Gain on sale of capital assets					-	84	84
Transfers					331,050	(331,050)	-
Total general revenues & transfers					12,552,012	(269,011)	12,283,001
Change in net position					(787,921)	(146,167)	(934,088)
Net position - beginning					64,857,957	53,708,003	118,565,960
Restatement adjustment					-	(71,820)	(71,820)
Net position - ending					\$ 64,070,036	\$ 53,490,016	\$ 117,560,052

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

CITY OF SHOW LOW, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue		Debt Service	
		Highway User Revenue Fund	Airport	Improvement District #5	Improvement District #6
ASSETS					
Cash and cash equivalents	\$ 4,582,061	\$ 1,453,395	\$ -	\$ 49,014	\$ 425,110
Receivables:					
Taxes	1,226,127	-	-	-	-
Interest	-	-	-	3,225	7,288
Other	50,755	-	-	-	-
Assessments	-	-	-	612,419	1,458,088
Intergovernmental	86,316	175,714	152,005	-	-
Due from other funds	169,544	-	-	-	-
Inventories	-	-	115,351	-	-
Prepaid items	-	-	120,146	-	-
Restricted cash and investments	604,556	-	-	-	-
Total assets	\$ 6,719,359	\$ 1,629,109	\$ 387,502	\$ 664,658	\$ 1,890,486
LIABILITIES					
Accounts payable	\$ 168,728	\$ 546,711	\$ 96,833	\$ 7,090	\$ 224
Accrued wages and benefits	238,306	13,483	4,333	-	-
Accrued liabilities	107,815	-	16,065	-	-
Deposits held	527,576	-	-	-	-
Due to other funds	-	-	137,931	-	-
Unearned revenue	110,828	-	-	-	-
Total liabilities	1,153,253	560,194	255,162	7,090	224
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-special assessments	-	-	-	602,989	1,457,635
Total deferred inflows of resources	-	-	-	602,989	1,457,635
FUND BALANCES					
Nonspendable:					
Inventories and prepaid items	-	-	235,497	-	-
Restricted:					
Public safety	-	-	-	-	-
Public works/streets	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service	76,980	-	-	54,579	432,627
Committed:					
Cemetery	98,175	-	-	-	-
Public transportation	-	-	-	-	-
Assigned:					
Public works/streets	-	1,068,915	-	-	-
Unassigned	5,390,951	-	(103,157)	-	-
Total fund balances	5,566,106	1,068,915	132,340	54,579	432,627
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,719,359	\$ 1,629,109	\$ 387,502	\$ 664,658	\$ 1,890,486

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

Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ 685,241	\$ 942,036	\$ 8,136,857
857	-	1,226,984
7,092	1,077	18,682
18,522	-	69,277
1,624,837	240,440	3,935,784
-	154,244	568,279
-	-	169,544
-	-	115,351
-	884,141	1,004,287
156,034	-	760,590
<u>\$ 2,492,583</u>	<u>\$ 2,221,938</u>	<u>\$ 16,005,635</u>
\$ 112	\$ 91,428	\$ 911,126
-	8,243	264,365
-	-	123,880
-	-	527,576
-	31,613	169,544
-	47,455	158,283
<u>112</u>	<u>178,739</u>	<u>2,154,774</u>
<u>1,637,431</u>	<u>240,341</u>	<u>3,938,396</u>
<u>1,637,431</u>	<u>240,341</u>	<u>3,938,396</u>
-	884,141	1,119,638
-	-	-
-	736,766	736,766
-	20,959	20,959
855,040	96,690	1,515,916
-	-	98,175
-	87,758	87,758
-	-	1,068,915
-	(23,456)	5,264,338
<u>855,040</u>	<u>1,802,858</u>	<u>9,912,465</u>
<u>\$ 2,492,583</u>	<u>\$ 2,221,938</u>	<u>\$ 16,005,635</u>

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CITY OF SHOW LOW, ARIZONA
Reconciliation of Total Governmental Fund Balance
To Net Position of Governmental Activities
June 30, 2013

Total governmental fund balances	\$	9,912,465
<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	\$	99,456,586
Less accumulated depreciation		<u>(33,074,187)</u>
		66,382,399
<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	\$	(8,510,000)
Bonds payable		(860,000)
Special assessment bonds		(4,624,000)
Landfill monitoring costs		(26,988)
Leases payable		(1,606,000)
Compensated absences		<u>(789,017)</u>
		(16,416,005)
<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>		
		(191,454)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>		
		3,938,396
<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>444,235</u>
Total net position of governmental activities	\$	<u><u>64,070,036</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, 2013

REVENUES	General	Special Revenue		Debt Service	
		Highway User Revenue Fund	Airport	Improvement District #5	Improvement District #6
Taxes	\$ 9,648,437	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	130,075	-	-	-	-
Intergovernmental revenue	2,974,206	1,172,122	109,518	-	-
Charges for services	312,776	-	1,134,196	-	-
Fines and forfeitures	728,522	-	-	3,819	1,447
Interest	(26,394)	(3,652)	(21)	310	(1,659)
Impact fees	-	-	-	-	-
Special assessments	-	-	-	420,502	414,055
Other revenues	280,059	61,926	8,046	-	-
Total revenues	<u>14,047,681</u>	<u>1,230,396</u>	<u>1,251,739</u>	<u>424,631</u>	<u>413,843</u>
EXPENDITURES					
Current:					
General government	2,615,648	-	-	-	2,691
Public safety	4,994,736	-	-	-	-
Public works/Streets	1,191,652	943,533	1,088,718	-	-
Non-departmental	758,652	-	-	-	-
Culture and recreation	734,182	-	-	-	-
Capital outlay	-	2,409,979	113,792	-	-
Debt service					
Principal	-	-	80,000	480,000	345,000
Interest and fiscal charges	-	-	68,025	62,550	127,173
Total expenditures	<u>10,294,870</u>	<u>3,353,512</u>	<u>1,350,535</u>	<u>542,550</u>	<u>474,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,752,811</u>	<u>(2,123,116)</u>	<u>(98,796)</u>	<u>(117,919)</u>	<u>(61,021)</u>
OTHER FINANCING SOURCES (USES)					
Debt issued	-	-	-	-	-
Sale of assets	7,040	2,951	-	-	-
Transfers out	(3,765,314)	-	-	(15,000)	(15,000)
Transfers in	428,343	1,428,479	53,200	-	-
Total other financing sources (uses)	<u>(3,329,931)</u>	<u>1,431,430</u>	<u>53,200</u>	<u>(15,000)</u>	<u>(15,000)</u>
Net change in fund balances	422,880	(691,686)	(45,596)	(132,919)	(76,021)
Fund balances, beginning of year	5,143,226	1,760,601	177,936	187,498	508,648
Fund balances, end of year	<u>\$ 5,566,106</u>	<u>\$ 1,068,915</u>	<u>\$ 132,340</u>	<u>\$ 54,579</u>	<u>\$ 432,627</u>

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

Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ -	\$ 142,788	\$ 9,791,225
-	-	130,075
-	738,876	4,994,722
-	89,509	1,536,481
1,614	-	735,402
(3,543)	(4,929)	(39,888)
-	49,605	49,605
307,945	54,867	1,197,369
-	97,136	447,167
<u>306,016</u>	<u>1,167,852</u>	<u>18,842,158</u>
9,993	557,213	3,185,545
-	312,923	5,307,659
-	192,564	3,416,467
-	-	758,652
-	325,847	1,060,029
-	1,501,844	4,025,615
80,000	820,899	1,805,899
<u>161,716</u>	<u>432,873</u>	<u>852,337</u>
<u>251,709</u>	<u>4,144,163</u>	<u>20,412,203</u>
<u>54,307</u>	<u>(2,976,311)</u>	<u>(1,570,045)</u>
-	-	-
-	15,583	25,574
(8,000)	(102,101)	(3,905,415)
-	2,326,443	4,236,465
<u>(8,000)</u>	<u>2,239,925</u>	<u>356,624</u>
46,307	(736,386)	(1,213,421)
808,733	2,539,244	11,125,886
<u>\$ 855,040</u>	<u>\$ 1,802,858</u>	<u>\$ 9,912,465</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, 2013

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

Net change in fund balances - total governmental funds		\$ (1,213,421)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay	\$ 3,252,531	
Depreciation expense	<u>(3,438,754)</u>	(186,223)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position</p>		
		(183,275)
<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>		
		(897,981)
<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>		
		1,805,899
<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>		
		(34,636)
<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>		
		45,385
<p>The net revenues of certain activities of the internal service fund is reported with governmental activities.</p>		
		<u>(123,669)</u>
Change in net position of governmental activities		<u>\$ (787,921)</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
City sales tax	\$ 8,300,000	\$ 8,300,000	\$ 9,206,224	\$ 906,224
Franchise taxes	421,900	421,900	442,213	20,313
Total taxes	<u>8,721,900</u>	<u>8,721,900</u>	<u>9,648,437</u>	<u>926,537</u>
Licenses and permits	171,800	171,800	130,075	(41,725)
Intergovernmental revenues:				
State sales tax	846,800	846,800	872,541	25,741
Auto lieu tax	523,300	523,300	503,515	(19,785)
Urban revenue sharing	1,034,400	1,034,400	1,097,262	62,862
Grant revenues	352,900	338,900	500,888	161,988
Total intergovernmental	<u>2,757,400</u>	<u>2,743,400</u>	<u>2,974,206</u>	<u>230,806</u>
Charges for services	280,700	293,200	312,776	19,576
Fines and forfeitures	710,700	710,700	728,522	17,822
Interest earnings	25,500	25,500	(26,394)	(51,894)
Other revenues:				
Cemetery plot sales and services	25,000	25,000	35,645	10,645
Charges for administrative services	5,000	5,000	25,023	20,023
Rent income	32,400	32,400	35,749	3,349
Miscellaneous revenues	122,600	122,600	183,642	61,042
Total other revenues	<u>185,000</u>	<u>185,000</u>	<u>280,059</u>	<u>95,059</u>
Total revenues	<u>12,853,000</u>	<u>12,851,500</u>	<u>14,047,681</u>	<u>1,196,181</u>
EXPENDITURES				
Current:				
General government:				
City council	319,400	261,200	71,223	189,977
Finance	619,300	619,300	560,380	58,920
City magistrate	199,100	199,100	169,758	29,342
City attorney	240,300	240,300	230,245	10,055
City manager	351,500	351,500	316,773	34,727
Planning and zoning	422,800	422,800	370,942	51,858
Public information	220,200	240,200	217,933	22,267
Information systems	320,100	320,100	313,939	6,161
Human resources	242,800	244,300	179,097	65,203
Community services administration	234,900	234,900	170,000	64,900
Cemetery	90,000	90,000	15,358	74,642
Total general government	<u>3,260,400</u>	<u>3,223,700</u>	<u>2,615,648</u>	<u>608,052</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Public safety	5,492,500	5,560,800	4,994,736	566,064
Total public safety	5,492,500	5,560,800	4,994,736	566,064
Public works:				
Maintenance	790,300	798,300	718,457	79,843
City engineer	536,900	536,900	473,195	63,705
Total public works	1,327,200	1,335,200	1,191,652	143,548
Non-departmental				
Non-departmental	849,600	849,600	602,026	247,574
City 4 cable TV	170,200	170,200	156,626	13,574
Total non-departmental	1,019,800	1,019,800	758,652	261,148
Culture and recreation:				
Parks and recreation	347,100	369,100	313,325	55,775
Library	467,100	467,100	420,857	46,243
Total culture and recreation	814,200	836,200	734,182	102,018
Total expenditures	11,914,100	11,975,700	10,294,870	1,680,830
Excess of revenues over expenditures	938,900	875,800	3,752,811	2,877,011
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	2,500	2,500	7,040	4,540
Transfers out	(4,015,500)	(4,046,900)	(3,765,314)	281,586
Transfers in	539,900	539,900	428,343	(111,557)
Total other financing sources and (uses)	(3,473,100)	(3,504,500)	(3,329,931)	174,569
Net change in fund balance	(2,534,200)	(2,628,700)	422,880	3,051,580
Fund balance, beginning of year	5,143,226	5,143,226	5,143,226	-
Fund balance, end of year	<u>\$ 2,609,026</u>	<u>\$ 2,514,526</u>	<u>\$ 5,566,106</u>	<u>\$ 3,051,580</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 3,414,600	\$ 4,014,600	\$ 1,172,122	\$ (2,842,478)
Interest	500	500	(3,652)	(4,152)
Other revenues	1,000	1,000	61,926	60,926
Total revenues	<u>3,416,100</u>	<u>4,016,100</u>	<u>1,230,396</u>	<u>(2,785,704)</u>
EXPENDITURES				
Current:				
Public works/streets	1,010,500	1,005,600	943,533	62,067
Capital outlay	<u>5,121,800</u>	<u>6,091,400</u>	<u>2,409,979</u>	<u>3,681,421</u>
Total expenditures	<u>6,132,300</u>	<u>7,097,000</u>	<u>3,353,512</u>	<u>3,743,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,716,200)</u>	<u>(3,080,900)</u>	<u>(2,123,116)</u>	<u>957,784</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,000	2,000	2,951	951
Transfers in	<u>1,460,600</u>	<u>1,499,400</u>	<u>1,428,479</u>	<u>(70,921)</u>
Total other financing sources (uses)	<u>1,462,600</u>	<u>1,501,400</u>	<u>1,431,430</u>	<u>(69,970)</u>
Net change in fund balance	(1,253,600)	(1,579,500)	(691,686)	887,814
Fund balance, beginning of year	<u>1,760,601</u>	<u>1,760,601</u>	<u>1,760,601</u>	<u>-</u>
Fund balance, end of year	<u>\$ 507,001</u>	<u>\$ 181,101</u>	<u>\$ 1,068,915</u>	<u>\$ 887,814</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 624,700	\$ 301,900	\$ 109,518	\$ (192,382)
Charges for services	1,140,300	1,140,300	1,134,196	(6,104)
Interest	-	-	(21)	(21)
Other revenues	5,000	5,000	8,046	3,046
Total revenues	<u>1,770,000</u>	<u>1,447,200</u>	<u>1,251,739</u>	<u>(195,461)</u>
EXPENDITURES				
Current:				
Public works/streets	1,145,700	1,144,100	1,088,718	55,382
Capital outlay	2,280,400	298,700	113,792	184,908
Debt service				
Principal	75,000	75,000	80,000	(5,000)
Interest and fiscal charges	71,400	71,400	68,025	3,375
Total expenditures	<u>3,572,500</u>	<u>1,589,200</u>	<u>1,350,535</u>	<u>238,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,802,500)</u>	<u>(142,000)</u>	<u>(98,796)</u>	<u>43,204</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	161,200	100,800	53,200	(47,600)
Total other financing sources (uses)	<u>161,200</u>	<u>100,800</u>	<u>53,200</u>	<u>(47,600)</u>
Net change in fund balance	(1,641,300)	(41,200)	(45,596)	(4,396)
Fund balance, beginning of year	<u>177,936</u>	<u>177,936</u>	<u>177,936</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (1,463,364)</u></u>	<u><u>\$ 136,736</u></u>	<u><u>\$ 132,340</u></u>	<u><u>\$ (4,396)</u></u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
ASSETS					
Current Assets:					
Cash	\$ 2,534,248	\$ 8,114,919	\$ 194,032	\$ 10,843,199	\$ 515,239
Receivables (net of allowance)	629,040	161,317	82,789	873,146	9,306
Due from other governments	104,419	-	-	104,419	-
Inventories	195,113	37,417	-	232,530	-
Prepaid items	18,039	-	-	18,039	-
Total current assets	<u>3,480,859</u>	<u>8,313,653</u>	<u>276,821</u>	<u>12,071,333</u>	<u>524,545</u>
Noncurrent Assets:					
Restricted cash and investments	105,818	-	-	105,818	-
Land	421,555	824,478	-	1,246,033	-
Construction in progress	399,142	432,087	-	831,229	-
Buildings	74,054	-	-	74,054	-
System improvements	30,988,164	37,873,543	-	68,861,707	-
Machinery and equipment	1,847,096	1,002,804	-	2,849,900	-
Vehicles	390,212	178,757	-	568,969	-
Accumulated depreciation	(10,448,284)	(16,907,912)	-	(27,356,196)	-
Total noncurrent assets	<u>23,777,757</u>	<u>23,403,757</u>	<u>-</u>	<u>47,181,514</u>	<u>-</u>
Total Assets	<u>27,258,616</u>	<u>31,717,410</u>	<u>276,821</u>	<u>59,252,847</u>	<u>524,545</u>
LIABILITIES					
Current liabilities:					
Accounts payable	95,883	169,208	89,471	354,562	80,310
Accrued wages and benefits	13,456	11,931	-	25,387	-
Compensated absences	55,869	38,577	-	94,446	-
Unearned revenue	22,796	-	-	22,796	-
Interest payable	71,613	3,162	-	74,775	-
Customer deposits	105,818	-	-	105,818	-
Notes payable - current portion	220,338	10,268	-	230,606	-
Total current liabilities	<u>585,773</u>	<u>233,146</u>	<u>89,471</u>	<u>908,390</u>	<u>80,310</u>
Noncurrent liabilities:					
Notes payable, net of current portion	4,643,830	210,611	-	4,854,441	-
Total noncurrent liabilities	<u>4,643,830</u>	<u>210,611</u>	<u>-</u>	<u>4,854,441</u>	<u>-</u>
Total liabilities	<u>5,229,603</u>	<u>443,757</u>	<u>89,471</u>	<u>5,762,831</u>	<u>80,310</u>
NET POSITION					
Net investment in capital assets	18,807,771	23,182,878	-	41,990,649	-
Restricted for developer fees	141,494	4,548,057	-	4,689,551	-
Unrestricted	3,079,748	3,542,718	187,350	6,809,816	444,235
Total net position	<u>\$ 22,029,013</u>	<u>\$ 31,273,653</u>	<u>\$ 187,350</u>	<u>\$ 53,490,016</u>	<u>\$ 444,235</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, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
Operating Revenues					
Charges for services	\$ 3,135,257	\$ 2,112,433	\$ 999,530	\$ 6,247,220	\$ -
Premiums	-	-	-	-	1,626,095
Other revenues	67,587	19,494	971	88,052	-
Total operating revenues	<u>3,202,844</u>	<u>2,131,927</u>	<u>1,000,501</u>	<u>6,335,272</u>	<u>1,626,095</u>
Operating Expenses					
Salaries, wages and benefits	844,335	638,138	-	1,482,473	-
Administration/legal/contract services	86,465	36,926	897,372	1,020,763	1,746,071
Field supplies	128,631	50,079	34,992	213,702	-
Repairs and maintenance	384,631	268,079	-	652,710	-
Utilities	452,762	207,739	-	660,501	-
Miscellaneous	19,381	27,060	-	46,441	-
Bad debt expense	32,582	15,118	6,625	54,325	-
Depreciation	996,077	1,136,856	-	2,132,933	-
Total operating expenses	<u>2,944,864</u>	<u>2,379,995</u>	<u>938,989</u>	<u>6,263,848</u>	<u>1,746,071</u>
Operating income (loss)	<u>257,980</u>	<u>(248,068)</u>	<u>61,512</u>	<u>71,424</u>	<u>(119,976)</u>
Non-operating Revenues (Expenses)					
Grant revenue	30,000	-	-	30,000	-
Interest income	95,878	(33,393)	(530)	61,955	(3,693)
Interest expense and fiscal charges	(135,029)	(6,324)	-	(141,353)	-
Capacity fees	64,677	98,096	-	162,773	-
Gain (loss) on sale of assets	84	-	-	84	-
Total non-operating revenue (expense)	<u>55,610</u>	<u>58,379</u>	<u>(530)</u>	<u>113,459</u>	<u>(3,693)</u>
Income (loss) before contributions and transfers	313,590	(189,689)	60,982	184,883	(123,669)
Transfers out	<u>(157,705)</u>	<u>(108,345)</u>	<u>(65,000)</u>	<u>(331,050)</u>	<u>-</u>
Change in net position	155,885	(298,034)	(4,018)	(146,167)	(123,669)
Total net position, beginning of year	21,944,948	31,571,687	191,368	53,708,003	567,904
Restatement adjustment	<u>(71,820)</u>	<u>-</u>	<u>-</u>	<u>(71,820)</u>	<u>-</u>
Total net position, end 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>

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

CITY OF SHOW LOW, ARIZONA
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 2,971,834	\$ 2,125,721	\$ 1,004,208	\$ 6,101,763	\$ 1,626,129
Cash received from customers, other	60,475	19,494	971	80,940	-
Cash paid to suppliers	(1,191,524)	(547,361)	(935,192)	(2,674,077)	(1,745,849)
Cash paid to employees	(835,705)	(636,133)	-	(1,471,838)	-
Cash flows from operating activities	<u>1,005,080</u>	<u>961,721</u>	<u>69,987</u>	<u>2,036,788</u>	<u>(119,720)</u>
Cash Flows From Noncapital Financing Activities:					
Transfers	(157,705)	(108,345)	(65,000)	(331,050)	-
Cash flows from noncapital financing activities	<u>(157,705)</u>	<u>(108,345)</u>	<u>(65,000)</u>	<u>(331,050)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from long term debt	1,898,939	-	-	1,898,939	-
Purchase of capital assets	(2,257,931)	(434,648)	-	(2,692,579)	-
Proceeds from sale of capital assets	84	-	-	84	-
Principal paid on long term debt	(140,045)	(9,982)	-	(150,027)	-
Interest paid	(101,986)	(6,466)	-	(108,452)	-
Grant proceeds	30,000	-	-	30,000	-
Connection, capacity & impact fees	64,677	98,096	-	162,773	-
Cash flows from capital and related financing activities	<u>(506,262)</u>	<u>(353,000)</u>	<u>-</u>	<u>(859,262)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest on investments	95,878	(33,393)	(530)	61,955	(3,693)
Net change in cash and cash equivalents	436,991	466,983	4,457	908,431	(123,413)
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>2,203,075</u>	<u>7,647,936</u>	<u>189,575</u>	<u>10,040,586</u>	<u>638,652</u>
Cash and cash equivalents, including temporarily restricted cash, end of year	<u>\$ 2,640,066</u>	<u>\$ 8,114,919</u>	<u>\$ 194,032</u>	<u>\$ 10,949,017</u>	<u>\$ 515,239</u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ 257,980	\$ (248,068)	\$ 61,512	\$ 71,424	\$ (119,976)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation/amortization	996,077	1,136,856	-	2,132,933	-
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	(163,423)	13,288	4,678	(145,457)	34
(Increase) decrease in prepaid items	(7,112)	-	-	(7,112)	-
(Increase) decrease in inventory	(1,069)	3,145	-	2,076	-
Increase (decrease) in payables	(86,003)	54,495	3,797	(27,711)	222
Increase (decrease) in accrued liabilities & deposits	8,630	2,005	-	10,635	-
Net cash flows from operating activities	<u>\$ 1,005,080</u>	<u>\$ 961,721</u>	<u>\$ 69,987</u>	<u>\$ 2,036,788</u>	<u>\$ (119,720)</u>

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

CITY OF SHOW LOW, ARIZONA
Statement of Fiduciary Net Position
Agency Fund
June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 12,830
Total assets	<u>\$ 12,830</u>
LIABILITIES	
Slovakian/Sister Cities	\$ 2,552
Police Citizens Academy	663
Police Department Evidence	<u>9,615</u>
Total liabilities	<u>\$ 12,830</u>

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

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, 2013

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 #5 and # 6 Funds** are 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, 2013

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. 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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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.

New Pronouncements

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2013, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 13).

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, 2013

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, 2013.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

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 on pages 23-26, 58-60, 66-75 present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2013, if any.

Highway User Revenue Funds

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

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 19,495,295
Restricted cash and cash equivalents	866,408
Agency fund monies	12,830
	<u>\$ 20,374,533</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, 2013, none of the City's bank balance of \$1,436,527 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.

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.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 4. Deposits and Investments, Continued

Investments, Continued

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, 2013 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	\$ 1,107,175	N/A	N/A
Cash on hand	2,145	N/A	N/A
Local Governments Investment Pool 5 *	2,516,090	AAAF/S1+	25 days
Local Governments Investment Pool 500 *	10,339,871	AA	1.99 years
Local Governments Investment Pool 700 *	6,409,252	AA+	2.12 years
	<u>\$ 20,374,533</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.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the City’s investment portfolio maturities do not exceed five years from the time of purchase.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 4. Deposits and Investments, Continued

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, 2013:

Governmental Activities:

General Fund:

Reserve for arbitrage - GADA 2006	\$ 76,980
Restricted for developer performance bond	527,576

Debt Service Funds:

Restricted for debt service CFD Bonds	156,034
Total Governmental Activities	<u>\$ 760,590</u>

Business-Type Activities:

Water Fund:

Customer security deposits	\$ 105,818
Total Business-Type Activities	<u>\$ 105,818</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital assets, not being depreciated:				
Land	\$ 5,446,315	\$ 299,686	\$ -	\$ 5,746,001
Construction in progress	4,095,537	213,689	(3,484,985)	824,240
Total capital assets, not being depreciated	<u>9,541,852</u>	<u>513,375</u>	<u>(3,484,985)</u>	<u>6,570,241</u>
Capital assets, being depreciated:				
Buildings	16,149,832	200,006	-	16,349,838
Improvements other than buildings	10,378,877	1,964,908	(282,003)	12,061,783
Machinery and equipment	4,456,301	529,064	(114,221)	4,871,143
Infrastructure	52,738,802	3,255,262	(530,806)	55,463,258
Vehicles	4,066,127	274,901	(200,706)	4,140,322
Total capital assets, being depreciated	<u>87,789,939</u>	<u>6,224,141</u>	<u>(1,127,736)</u>	<u>92,886,345</u>
Less accumulated depreciation for:				
Buildings	(5,064,934)	(607,572)	-	(5,672,506)
Improvements other than buildings	(4,370,333)	(445,580)	272,341	(4,543,572)
Machinery and equipment	(2,343,263)	(330,906)	108,237	(2,565,931)
Infrastructure	(16,018,749)	(1,777,201)	386,199	(17,409,751)
Vehicles	(2,782,615)	(277,495)	177,684	(2,882,426)
Total accumulated depreciation	<u>(30,579,894)</u>	<u>(3,438,754)</u>	<u>944,461</u>	<u>(33,074,186)</u>
Total capital assets, being depreciated, net	<u>57,210,045</u>	<u>2,785,388</u>	<u>(183,274)</u>	<u>59,812,159</u>
Governmental activities capital assets, net	<u>\$ 66,751,897</u>	<u>\$ 3,298,763</u>	<u>\$ (3,668,260)</u>	<u>\$ 66,382,400</u>

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

Governmental Activities:	
General government	\$ 182,733
Public safety	201,504
Public works/streets	2,650,590
Culture & recreation	403,927
Non-departmental	-
Total depreciation expense - governmental activities	<u>\$ 3,438,754</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

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 6/30/2012	Adjustments	Additions	Deletions	Balance 6/30/2013
Capital assets not being depreciated:					
Land	\$ 1,089,833	-	\$ 46,200	\$ -	\$ 1,136,033
Water rights	110,000	-	-	-	110,000
Construction in progress	1,270,686	-	796,093	(1,235,550)	831,229
Total capital assets, not being depreciated	<u>2,470,519</u>	<u>-</u>	<u>842,293</u>	<u>(1,235,550)</u>	<u>2,077,262</u>
Capital assets being depreciated:					
Buildings	74,054	-	-	-	74,054
Improvements other than buildings	66,381,667	14,872	2,618,649	(153,482)	68,861,707
Machinery and equipment	2,487,855	(14,872)	414,758	(37,841)	2,849,900
Vehicles	516,540	-	52,429	-	568,969
Total capital assets, being depreciated	<u>69,460,116</u>	<u>-</u>	<u>3,085,836</u>	<u>(191,322)</u>	<u>72,354,630</u>
Less accumulated depreciation for:					
Buildings	(22,893)	-	(5,416)	-	(28,309)
Improvements other than buildings	(23,987,606)	-	(1,905,349)	153,482	(25,739,473)
Machinery and equipment	(977,886)	-	(183,225)	-	(1,161,111)
Vehicles	(426,200)	-	(38,943)	37,840	(427,303)
Total accumulated depreciation	<u>(25,414,585)</u>	<u>-</u>	<u>(2,132,933)</u>	<u>191,322</u>	<u>(27,356,196)</u>
Total capital assets, being depreciated, net	<u>44,045,531</u>	<u>-</u>	<u>952,903</u>	<u>(0)</u>	<u>44,998,434</u>
Business-type activities capital assets, net	<u>\$ 46,516,050</u>	<u>\$ -</u>	<u>\$ 1,795,196</u>	<u>\$ (1,235,550)</u>	<u>\$ 47,075,696</u>

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

Business-Type Activities:	
Wastewater	1,136,856
Water	996,077
Total depreciation expense - business-type activities	<u>\$ 2,132,933</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

	Balance 6/30/2012	Additions	Retirements	Balance 6/30/2013	Current Portion
Governmental Activities:					
Accrued compensated absences	\$ 754,381	\$ 502,904	\$ (468,268)	\$ 789,017	\$ 591,763
Capital leases	1,703,899	-	(97,899)	1,606,000	197,000
Landfill monitoring costs	26,988	-	-	26,988	-
Total Other	<u>2,485,268</u>	<u>502,904</u>	<u>(566,167)</u>	<u>2,422,005</u>	<u>788,763</u>
Special assessment bonds					
Improvement District #5	1,110,000	-	(480,000)	630,000	510,000
Improvement District #6	2,280,000	-	(345,000)	1,935,000	370,000
Improvement District #7	397,000	-	(58,000)	339,000	61,000
Community Facilities District	1,775,000	-	(55,000)	1,720,000	60,000
Total Special Assessment Bonds	<u>5,562,000</u>	<u>-</u>	<u>(938,000)</u>	<u>4,624,000</u>	<u>1,001,000</u>
General obligation bonds					
Community Facilities					
District bonds - Series 2007	435,000	-	(10,000)	425,000	10,000
District bonds - Series 2011	450,000	-	(15,000)	435,000	25,000
Total General Obligation	<u>885,000</u>	<u>-</u>	<u>(25,000)</u>	<u>860,000</u>	<u>35,000</u>
Loans payable					
Senior Center Note	100,000	-	(100,000)	-	-
GADA Bonds Series - Series 2006B	6,775,000	-	(345,000)	6,430,000	360,000
GADA Bonds Series - Series 2008A	2,380,000	-	(300,000)	2,080,000	310,000
Total Loans Payable	<u>9,255,000</u>	<u>-</u>	<u>(745,000)</u>	<u>8,510,000</u>	<u>670,000</u>
Total Governmental Debt	<u>\$ 18,187,268</u>	<u>\$ 502,904</u>	<u>\$ (2,274,167)</u>	<u>\$ 16,416,005</u>	<u>\$ 2,494,763</u>
Business-Type Activities:					
Accrued compensated absences	\$ 94,641	\$ 90,727	\$ (90,921)	\$ 94,447	\$ 70,835
Total Other	<u>94,641</u>	<u>90,727</u>	<u>(90,921)</u>	<u>94,447</u>	<u>70,835</u>
Loans payable					
WIFA Loan - Water PV/FH	-	1,657,725	-	1,657,725	75,958
WIFA Loan - Water Pineview	3,105,272	241,216	(140,044)	3,206,444	144,380
WIFA Loan - Sewer	230,861	-	(9,982)	220,879	10,268
Total Loans Payable	<u>3,336,133</u>	<u>1,898,941</u>	<u>(150,026)</u>	<u>5,085,048</u>	<u>230,606</u>
Total Business-Type Long-Term Debt	<u>\$ 3,430,774</u>	<u>\$ 1,989,668</u>	<u>\$ (240,947)</u>	<u>\$ 5,179,495</u>	<u>\$ 301,441</u>
Total Long-Term Liabilities	<u>\$ 21,618,042</u>	<u>\$ 2,492,572</u>	<u>\$ (2,515,114)</u>	<u>\$ 21,595,500</u>	<u>\$ 2,796,204</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

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, 2013.

The following is a listing of special assessment bonds outstanding as of June 30, 2013:

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.	\$ 630,000
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.	1,935,000
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.	339,000
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>1,720,000</u>
Total Special Assessment Bonds	<u><u>\$ 4,624,000</u></u>

Special Assessment debt service maturities are as follows:

Year Ended June 30,	<u>Governmental Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 1,001,000	\$ 242,427	\$ 1,243,427
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
2019-2023	425,000	345,800	770,800
2024-2028	555,000	212,800	767,800
2029-2031	415,000	47,320	462,320
Total	<u><u>\$ 4,624,000</u></u>	<u><u>\$ 1,421,707</u></u>	<u><u>\$ 6,045,707</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 7. Long-Term Debt, Continued

The following is a listing of general obligation bonds outstanding as of June 30, 2013:

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. \$ 425,000

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. 435,000

Total General Obligation Bonds \$ 860,000

General obligation bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2014	\$ 35,000	\$ 57,419	\$ 92,419
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
2019-2023	310,000	161,378	471,378
2024-2028	170,000	66,903	236,903
2029-2033	160,000	24,381	184,381
Total	<u>\$ 860,000</u>	<u>\$ 509,310</u>	<u>\$ 1,369,310</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 7. Long-Term Debt, Continued

The following is a listing of loans payable outstanding as of June 30, 2013:

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.	\$ 6,430,000	\$ -
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.	2,080,000	-
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.	-	220,879
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 \$342,275.	-	1,657,725
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. As of June 30, 2012 the outstanding principal balance to be drawn down was \$453,303.	-	3,206,443
Total Loans Payable	\$ 8,510,000	\$ 5,085,047

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2014	\$ 670,000	\$ 387,575	\$ 230,606	\$ 166,690	\$ 1,454,871
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
2019-2023	2,615,000	867,375	1,418,224	591,787	5,492,386
2024-2028	2,280,000	248,500	1,643,300	363,338	4,535,138
2029-2032	0	0	1,595,279	104,705	1,699,984
less undrawn amounts	-	-	(795,789)	-	(795,789)
Total	\$ 8,510,000	\$ 2,743,988	\$ 5,085,047	\$ 1,843,217	\$ 18,182,252

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

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:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2014	\$ 262,525
2015	261,854
2016	264,989
2017	268,629
2018	175,897
2019-2023	427,075
2024-2028	384,778
Total remaining minimum lease payments	2,045,747
Less amount representing interest	439,747
Present value of net remaining minimum lease payments	\$ 1,606,000

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

	<u>Activities</u>
Machinery and equipment	\$ 140,961
Construction in progress	1,136,025
Less: Accumulated depreciation	(16,568)
Total	\$ 1,260,418

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 8. Interfund Receivables, Payables and Transfers

As of June 30, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:		
	Airport Fund	Non-major Funds	Total
General Fund	\$ 137,931	\$ 31,613	\$ 169,544
Total	\$ 137,931	\$ 31,613	\$ 169,544

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, 2013 are as follows:

Transfers out:	Transfers in:				
	General	Highway User Revenue Fund	Airport Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,428,479	\$ 53,200	\$ 2,283,635	\$ 3,765,314
Improvement District #5	15,000	-	-	-	15,000
Improvement District #6	15,000	-	-	-	15,000
Show Low Bluff	8,000	-	-	-	8,000
Nonmajor Governmental Funds	67,493	-	-	34,608	102,101
Water Fund	157,705	-	-	-	157,705
Wastewater Fund	100,145	-	-	8,200	108,345
Nonmajor Enterprise Funds	65,000	-	-	-	65,000
Total	\$ 428,343	\$ 1,428,479	\$ 53,200	\$ 2,326,443	\$ 4,236,465

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, 2013

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 11.14 percent (10.9 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 11.14 percent (10.25 percent for retirement, 0.65 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
2011	\$ 354,531	\$ 23,216	\$ 9,837
2012	381,219	24,333	9,270
2013	441,611	28,005	10,340

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, 2013

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 1.42 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, 2013 were established by the June 30, 2010 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 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, 2013, 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, 2013 the City's annual pension cost of \$330,904 and the annual OPEB cost of \$27,036 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	2011	\$ 252,478	100%	\$ -
	2012	269,316	100%	-
	2013	330,904	100%	-
Health Insurance	2011	\$ 23,993	100%	\$ -
	2012	26,404	100%	-
	2013	27,036	100%	-

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2013

Note 9. Retirement and Pension Plans, Continued

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2013 is as follows:

	Retirement	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 9,929,275	\$ 280,120
Actuarial value of plan assets	6,133,449	-
Unfunded actuarial accrued liability (UAAL)	\$ 3,795,826	\$ 280,120
Funded ratio (actuarial value of plan assets/AAL)	61.8%	0.0%
Covered payroll (active plan members)	\$ 1,753,529	\$ 1,753,529
UAAL as a percentage of covered payroll	216.5%	16.0%

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, 2013

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, 2013.

At year end, the City had the following major construction projects/commitments open:

Project	Estimated Cost	Construction in Progress
WWTP Expansion	\$10,000,000	\$ 72,807
Scott Ranch Road	5,500,000	652,207
HWY 77 - Underground Power Lines	4,000,000	50,000
US60 Multi-Use Pathway	802,300	12,923
Whipple Road - Phase II	692,700	5,923
Pineview - PRV & Connections	561,400	70,047
SL Heights Water Line Replacement - Phase 4	425,000	267,441
PV & FH Water Co - Interconnect	400,000	61,654
Old City Hall Area W Cooley to OLR Sewer Line Replacement	325,000	21,475
6th St. Sewer Main Replacement	225,000	196,890
SL Plaza Sewer Realignment	149,000	131,416
Public Works Yard Improvements	130,000	103,187
N 5th Dr. to OLR to Cooley Sewer Line Replacement	93,000	9,500

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, 2013, the total reserve is \$2,000,000 and is included in the unassigned fund balance of the General Fund.

Note 13. Restatements and Reclassifications

As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the City's Water Fund in the amount of \$71,820. Assets of the Water Fund were reduced by the same amount.

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, 2008 through June 30, 2013, based on actuarial valuations follows:

(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll	
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
2008	\$ 3,868,452	\$ 5,275,916	\$ 1,407,464	73.3%	\$ 1,674,273	84.1%
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%

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	
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
2008	\$ -	\$ 132,915	\$ 132,915	0.0%	\$ 1,674,273	7.94%
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%

Health insurance subsidy payments reported for fiscal year 2013: \$9.209

* For fiscal years prior to 2009 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements were made and reported; thus, these benefits are disaggregated and reported separately.

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:

Debt Service Funds

- The **Improvement District #5 Debt Service Fund** is used to account for the accumulation of resources for and the payment of current and future debt service requirements for Improvement District #5 governmental debt principal and interest.
- The **Improvement District #6 Debt Service Fund** is used to account for the accumulation of resources for and the payment of current and future debt service requirements for Improvement District #6 governmental debt principal and interest.
- The **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 #5 DEBT SERVICE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<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	\$ 3,819	\$ (3,181)
Interest	2,000	2,000	310	(1,690)
Special assessments	<u>520,000</u>	<u>520,000</u>	<u>420,502</u>	<u>(99,498)</u>
Total revenues	<u>529,000</u>	<u>529,000</u>	<u>424,631</u>	<u>(104,369)</u>
EXPENDITURES				
Debt service				
Principal	450,000	450,000	480,000	(30,000)
Interest and fiscal charges	<u>284,000</u>	<u>284,000</u>	<u>62,550</u>	<u>221,450</u>
Total expenditures	<u>734,000</u>	<u>734,000</u>	<u>542,550</u>	<u>191,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(205,000)</u>	<u>(205,000)</u>	<u>(117,919)</u>	<u>87,081</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	(220,000)	(220,000)	(132,919)	87,081
Fund balance, beginning of year	<u>187,498</u>	<u>187,498</u>	<u>187,498</u>	<u>-</u>
Fund balance, end of year	<u>\$ (32,502)</u>	<u>\$ (32,502)</u>	<u>\$ 54,579</u>	<u>\$ 87,081</u>

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, 2013

	<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	\$ 1,447	\$ (5,553)
Interest	2,000	2,000	(1,659)	(3,659)
Special assessments	481,300	481,300	414,055	(67,245)
Total revenues	<u>490,300</u>	<u>490,300</u>	<u>413,843</u>	<u>(76,457)</u>
EXPENDITURES				
Current:				
General government	1,500	1,500	2,691	(1,191)
Capital outlay	500,300	500,300	-	500,300
Debt service				
Principal	325,000	325,000	345,000	(20,000)
Interest and fiscal charges	148,200	148,200	127,173	21,027
Total expenditures	<u>975,000</u>	<u>975,000</u>	<u>474,864</u>	<u>500,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(484,700)</u>	<u>(484,700)</u>	<u>(61,021)</u>	<u>423,679</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	(499,700)	(499,700)	(76,021)	423,679
Fund balance, beginning of year	<u>508,648</u>	<u>508,648</u>	<u>508,648</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,948</u>	<u>\$ 8,948</u>	<u>\$ 432,627</u>	<u>\$ 423,679</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, 2013

	<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	\$ 1,614	\$ (3,386)
Interest	500	500	(3,543)	(4,043)
Special assessments	250,600	250,600	307,945	57,345
Total revenues	<u>256,100</u>	<u>256,100</u>	<u>306,016</u>	<u>49,916</u>
EXPENDITURES				
Current:				
General government	7,000	7,000	9,993	(2,993)
Capital outlay	82,600	82,600	-	82,600
Debt service:				
Principal	80,000	80,000	80,000	-
Interest and fiscal charges	179,000	179,000	161,716	17,284
Total expenditures	<u>348,600</u>	<u>348,600</u>	<u>251,709</u>	<u>96,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(92,500)</u>	<u>(92,500)</u>	<u>54,307</u>	<u>146,807</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>
Net change in fund balance	(100,500)	(100,500)	46,307	146,807
Fund balance, beginning of year	<u>808,733</u>	<u>808,733</u>	<u>808,733</u>	<u>-</u>
Fund balance, end of year	<u>\$ 708,233</u>	<u>\$ 708,233</u>	<u>\$ 855,040</u>	<u>\$ 146,807</u>

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

Special Revenue Funds

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

- The **Street Lighting District** fund is used to account for property taxes assessed and collected for the payment of street lighting utilities, maintenance and improvements.
- The **Public Transportation** fund is used to account for charges for services and grants for the operation, maintenance and improvement of the City's rural transportation system.
- The **Family Aquatic** fund is used to account for activities of the City's Family Aquatic center.
- 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 #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 **Open Spaces Impact Fee** fund is used to account for development impact fees earmarked for open spaces development.
- 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, 2013

	Special Revenue			
	Street Lighting District	Public Transportation	Family Aquatic	Special Projects
ASSETS				
Cash	\$ 14,009	\$ -	\$ 15,376	\$ 799,120
Receivables:				
Taxes	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Intergovernmental	-	151,544	-	2,700
Prepaid items	-	-	-	-
Total assets	<u>\$ 14,009</u>	<u>\$ 151,544</u>	<u>\$ 15,376</u>	<u>\$ 801,820</u>
LIABILITIES				
Accounts payable	\$ 17,456	\$ 41,000	\$ 18,315	\$ 14,657
Accrued wages and salaries	-	-	8,243	-
Due to other funds	-	22,786	-	-
Unearned revenues	-	-	-	47,455
Total liabilities	<u>17,456</u>	<u>63,786</u>	<u>26,558</u>	<u>62,112</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 safety	-	-	-	-
Public works/streets	-	-	-	736,766
Non-departmental	-	-	-	-
Parks and recreation	-	-	-	2,942
Debt service	-	-	-	-
Committed:				
Public transportation	-	87,758	-	-
Unassigned	<u>(3,447)</u>	<u>-</u>	<u>(11,182)</u>	<u>-</u>
Total fund balances (deficits)	<u>(3,447)</u>	<u>87,758</u>	<u>(11,182)</u>	<u>739,708</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 14,009</u>	<u>\$ 151,544</u>	<u>\$ 15,376</u>	<u>\$ 801,820</u>

Debt Service		Capital Project				Total
Improvement District #7	Other Debt Service	Open Spaces Impact Fee	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ 95,514	\$ -	\$ -	\$ 18,017	\$ -	\$ -	\$ 942,036
-	-	-	-	-	-	-
1,077	-	-	-	-	-	1,077
240,440	-	-	-	-	-	240,440
-	-	-	-	-	-	154,244
-	884,141	-	-	-	-	884,141
<u>\$ 337,031</u>	<u>\$ 884,141</u>	<u>\$ -</u>	<u>\$ 18,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,221,938</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,428
-	-	-	-	-	-	8,243
-	8,827	-	-	-	-	31,613
-	-	-	-	-	-	47,455
-	8,827	-	-	-	-	178,739
240,341	-	-	-	-	-	240,341
240,341	-	-	-	-	-	240,341
-	884,141	-	-	-	-	884,141
-	-	-	-	-	-	-
-	-	-	-	-	-	736,766
-	-	-	-	-	-	-
-	-	-	18,017	-	-	20,959
96,690	-	-	-	-	-	96,690
-	-	-	-	-	-	87,758
-	(8,827)	-	-	-	-	(23,456)
96,690	875,314	-	18,017	-	-	1,802,858
<u>\$ 337,031</u>	<u>\$ 884,141</u>	<u>\$ -</u>	<u>\$ 18,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,221,938</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, 2013

	Special Revenue			
	Street Lighting District	Public Transportation	Family Aquatic Center	Special Projects
REVENUES				
Taxes	\$ 142,788	\$ -	\$ -	\$ -
Intergovernmental	-	564,792	-	149,962
Charges for services	-	-	89,509	-
Investment earnings	4	329	-	-
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Other revenues	-	91,905	5,000	-
Total revenues	<u>142,792</u>	<u>657,026</u>	<u>94,509</u>	<u>149,962</u>
EXPENDITURES				
Current:				
General government	-	557,213	-	-
Public safety	-	-	-	312,923
Public works/streets	192,564	-	-	-
Culture and recreation	-	-	325,847	-
Capital outlay	-	202,064	484,966	675,721
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>192,564</u>	<u>759,277</u>	<u>810,813</u>	<u>988,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,772)</u>	<u>(102,251)</u>	<u>(716,304)</u>	<u>(838,682)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	15,583	-	-
Transfers out	(1,200)	(63,293)	-	-
Transfers in	45,143	66,900	349,800	706,800
Total other financing sources (uses):	<u>43,943</u>	<u>19,190</u>	<u>349,800</u>	<u>706,800</u>
Net change in fund balances	(5,829)	(83,061)	(366,504)	(131,882)
Fund balance, beginning of year	<u>2,382</u>	<u>170,819</u>	<u>355,322</u>	<u>871,590</u>
Fund balance (deficit), end of year	<u><u>\$ (3,447)</u></u>	<u><u>\$ 87,758</u></u>	<u><u>\$ (11,182)</u></u>	<u><u>\$ 739,708</u></u>

Debt Service		Capital Project				Total
Improvement District #7	Other Debt Service	Open Spaces Impact Fee	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,788
-	24,122	-	-	-	-	738,876
-	-	-	-	-	-	89,509
(301)	(5,252)	413	(80)	(6)	(36)	(4,929)
-	-	-	14,955	4,824	29,826	49,605
54,867	-	-	-	-	-	54,867
231	-	-	-	-	-	97,136
<u>54,797</u>	<u>18,870</u>	<u>413</u>	<u>14,875</u>	<u>4,818</u>	<u>29,790</u>	<u>1,167,852</u>
-	-	-	-	-	-	557,213
-	-	-	-	-	-	312,923
-	-	-	-	-	-	192,564
-	-	-	-	-	-	325,847
-	-	139,093	-	-	-	1,501,844
58,000	762,899	-	-	-	-	820,899
20,662	412,211	-	-	-	-	432,873
<u>78,662</u>	<u>1,175,110</u>	<u>139,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,144,163</u>
<u>(23,865)</u>	<u>(1,156,240)</u>	<u>(138,680)</u>	<u>14,875</u>	<u>4,818</u>	<u>29,790</u>	<u>(2,976,311)</u>
-	-	-	-	-	-	15,583
(3,000)	-	-	-	(4,818)	(29,790)	(102,101)
-	1,157,800	-	-	-	-	2,326,443
<u>(3,000)</u>	<u>1,157,800</u>	<u>-</u>	<u>-</u>	<u>(4,818)</u>	<u>(29,790)</u>	<u>2,239,925</u>
(26,865)	1,560	(138,680)	14,875	-	-	(736,386)
123,555	873,754	138,680	3,142	-	-	2,539,244
<u>\$ 96,690</u>	<u>\$ 875,314</u>	<u>\$ -</u>	<u>\$ 18,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,802,858</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 143,000	\$ 143,000	\$ 142,788	\$ (212)
Interest	300	300	4	(296)
Total revenues	<u>143,300</u>	<u>143,300</u>	<u>142,792</u>	<u>(508)</u>
EXPENDITURES				
Current:				
Public works/streets	200,400	200,400	192,564	7,836
Total expenditures	<u>200,400</u>	<u>200,400</u>	<u>192,564</u>	<u>7,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,100)</u>	<u>(57,100)</u>	<u>(49,772)</u>	<u>7,328</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	-	-
Transfers out	(1,200)	(1,200)	(1,200)	-
Transfers in	57,000	57,000	45,143	(11,857)
Total other financing sources (uses)	<u>55,800</u>	<u>55,800</u>	<u>43,943</u>	<u>(11,857)</u>
Net change in fund balance	(1,300)	(1,300)	(5,829)	(4,529)
Fund balance, beginning of year	<u>2,382</u>	<u>2,382</u>	<u>2,382</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,082</u>	<u>\$ 1,082</u>	<u>\$ (3,447)</u>	<u>\$ (4,529)</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 1,090,500	\$ 1,090,500	\$ 564,792	\$ (525,708)
Interest	-	-	329	329
Miscellaneous	77,300	77,300	91,905	14,605
Total revenues	<u>1,167,800</u>	<u>1,167,800</u>	<u>657,026</u>	<u>(510,774)</u>
EXPENDITURES				
Current:				
General government	624,500	624,500	557,213	67,287
Capital outlay	651,700	651,700	202,064	449,636
Total expenditures	<u>1,276,200</u>	<u>1,276,200</u>	<u>759,277</u>	<u>516,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(108,400)</u>	<u>(108,400)</u>	<u>(102,251)</u>	<u>6,149</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	15,583	15,583
Transfers out	(95,300)	(95,300)	(63,293)	32,007
Transfers in	89,200	89,200	66,900	(22,300)
Total other financing sources (uses)	<u>(6,100)</u>	<u>(6,100)</u>	<u>19,190</u>	<u>25,290</u>
Net change in fund balance	(114,500)	(114,500)	(83,061)	31,439
Fund balance, beginning of year	<u>170,819</u>	<u>170,819</u>	<u>170,819</u>	<u>-</u>
Fund balance, end of year	<u>\$ 56,319</u>	<u>\$ 56,319</u>	<u>\$ 87,758</u>	<u>\$ 31,439</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 91,700	\$ 91,700	\$ 89,509	\$ (2,191)
Miscellaneous	-	-	5,000	5,000
Total revenues	<u>91,700</u>	<u>91,700</u>	<u>94,509</u>	<u>2,809</u>
EXPENDITURES				
Current:				
Culture and recreation	304,300	326,500	325,847	653
Capital outlay	<u>115,000</u>	<u>485,800</u>	<u>484,966</u>	<u>834</u>
Total expenditures	<u>419,300</u>	<u>812,300</u>	<u>810,813</u>	<u>1,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(327,600)</u>	<u>(720,600)</u>	<u>(716,304)</u>	<u>4,296</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	-	-
Transfers out	-	-	-	-
Transfers in	<u>328,600</u>	<u>349,800</u>	<u>349,800</u>	<u>-</u>
Total other financing sources (uses)	<u>328,600</u>	<u>349,800</u>	<u>349,800</u>	<u>-</u>
Net change in fund balance	1,000	(370,800)	(366,504)	4,296
Fund balance, beginning of year	<u>355,322</u>	<u>355,322</u>	<u>355,322</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 356,322</u>	<u>\$ (15,478)</u>	<u>\$ (11,182)</u>	<u>\$ 4,296</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 8,520,000	\$ 9,505,700	\$ 149,962	\$ (9,355,738)
Total revenues	<u>8,520,000</u>	<u>9,505,700</u>	<u>149,962</u>	<u>(9,355,738)</u>
EXPENDITURES				
Current:				
Public safety	301,500	351,100	312,923	38,177
Grant contingencies	8,500,000	8,394,700	-	8,394,700
Capital outlay	<u>988,000</u>	<u>1,346,500</u>	<u>675,721</u>	<u>670,779</u>
Total expenditures	<u>9,789,500</u>	<u>10,092,300</u>	<u>988,644</u>	<u>9,103,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,269,500)</u>	<u>(586,600)</u>	<u>(838,682)</u>	<u>(252,082)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	-	-
Transfers out	-	-	-	-
Transfers in	<u>719,500</u>	<u>751,300</u>	<u>706,800</u>	<u>(44,500)</u>
Total other financing sources (uses)	<u>719,500</u>	<u>751,300</u>	<u>706,800</u>	<u>(44,500)</u>
Net change in fund balance	(550,000)	164,700	(131,882)	(296,582)
Fund balance, beginning of year	<u>871,590</u>	<u>871,590</u>	<u>871,590</u>	<u>-</u>
Fund balance, end of year	<u>\$ 321,590</u>	<u>\$ 1,036,290</u>	<u>\$ 739,708</u>	<u>\$ (296,582)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 231	\$ (1,769)
Interest	500	500	(301)	(801)
Special assessments	79,300	79,300	54,867	(24,433)
Total revenues	<u>81,800</u>	<u>81,800</u>	<u>54,797</u>	<u>(27,003)</u>
EXPENDITURES				
Capital outlay	73,500	73,500	-	73,500
Debt service:				
Principal	55,000	55,000	58,000	(3,000)
Interest and fiscal charges	25,300	25,300	20,662	4,638
Total expenditures	<u>153,800</u>	<u>153,800</u>	<u>78,662</u>	<u>75,138</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(72,000)</u>	<u>(72,000)</u>	<u>(23,865)</u>	<u>48,135</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Net change in fund balance	(75,000)	(75,000)	(26,865)	48,135
Fund balance, beginning of year	<u>123,555</u>	<u>123,555</u>	<u>123,555</u>	<u>-</u>
Fund balance, end of year	<u>\$ 48,555</u>	<u>\$ 48,555</u>	<u>\$ 96,690</u>	<u>\$ 48,135</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, 2013

	<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	\$ 24,122	\$ 822
Interest	-	-	(5,252)	(5,252)
Total revenues	<u>23,300</u>	<u>23,300</u>	<u>18,870</u>	<u>(4,430)</u>
EXPENDITURES				
Debt service				
Principal	762,900	762,900	762,899	1
Interest and fiscal charges	418,200	418,200	412,211	5,989
Total expenditures	<u>1,181,100</u>	<u>1,181,100</u>	<u>1,175,110</u>	<u>5,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,157,800)</u>	<u>(1,157,800)</u>	<u>(1,156,240)</u>	<u>1,560</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,157,800</u>	<u>1,157,800</u>	<u>1,157,800</u>	<u>-</u>
Total other financing sources (uses)	<u>1,157,800</u>	<u>1,157,800</u>	<u>1,157,800</u>	<u>-</u>
Net change in fund balance	-	-	1,560	1,560
Fund balance, beginning of year	<u>873,754</u>	<u>873,754</u>	<u>873,754</u>	<u>-</u>
Fund balance, end of year	<u>\$ 873,754</u>	<u>\$ 873,754</u>	<u>\$ 875,314</u>	<u>\$ 1,560</u>

CITY OF SHOW LOW, ARIZONA
OPEN SPACES IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ 1,000	\$ 413	\$ (587)
Impact fees	-	-	-	-
Total revenues	<u>-</u>	<u>1,000</u>	<u>413</u>	<u>(587)</u>
EXPENDITURES				
Capital outlay	<u>129,200</u>	<u>142,500</u>	<u>139,093</u>	<u>3,407</u>
Total expenditures	<u>129,200</u>	<u>142,500</u>	<u>139,093</u>	<u>3,407</u>
Excess (deficiency) of revenues over (under) expenditures	(129,200)	(141,500)	(138,680)	2,820
Fund balance, beginning of year	<u>138,680</u>	<u>138,680</u>	<u>138,680</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,480</u>	<u>\$ (2,820)</u>	<u>\$ -</u>	<u>\$ 2,820</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 1,200	\$ 1,200	\$ (80)	\$ (1,280)
Impact fees	7,500	7,500	14,955	7,455
Total revenues	<u>8,700</u>	<u>8,700</u>	<u>14,875</u>	<u>6,175</u>
EXPENDITURES				
Capital outlay	<u>13,300</u>	<u>13,300</u>	-	<u>13,300</u>
Total expenditures	<u>13,300</u>	<u>13,300</u>	-	<u>13,300</u>
Excess (deficiency) of revenues over (under) expenditures	(4,600)	(4,600)	14,875	19,475
Fund balance, beginning of year	<u>3,142</u>	<u>3,142</u>	<u>3,142</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,458)</u>	<u>\$ (1,458)</u>	<u>\$ 18,017</u>	<u>\$ 19,475</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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ (6)	\$ (6)
Impact fees	5,000	5,000	4,824	(176)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>4,818</u>	<u>(182)</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,818</u>	<u>(182)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(4,818)</u>	<u>182</u>
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(4,818)</u>	<u>182</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SHOW LOW, ARIZONA
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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ (36)	\$ (36)
Impact fees	20,000	20,000	29,826	9,826
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>29,790</u>	<u>9,790</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>29,790</u>	<u>9,790</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(29,790)</u>	<u>(9,790)</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(29,790)</u>	<u>(9,790)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	Fiscal Year									
	<u>2004</u>	<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>
Governmental activities										
Net investment in capital assets	\$ 5,047,274	\$ 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
Restricted	9,833,472	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
Unrestricted	5,180,212	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
Total governmental activities net assets	<u>\$ 20,060,958</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 42,473,129	\$ 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
Restricted	8,819,520	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
Unrestricted	(6,181,546)	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
Total Business-type activities net assets	<u>\$ 45,111,103</u>	<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>
Primary government										
Net investment in capital assets	\$ 47,520,403	\$ 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
Restricted	18,652,992	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
Unrestricted	(1,001,334)	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
	<u>\$ 65,172,061</u>	<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>

CITY OF SHOW LOW, ARIZONA

Financial Trends

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

Expenses	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
General government	\$ 4,104,054	\$ 4,002,302	\$ 3,989,285	\$ 4,779,683	\$ 4,884,207	\$ 5,658,484	\$ 5,513,628	\$ 4,426,519	\$ 5,738,988	\$ 5,280,888
Public safety	2,844,624	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
Public Works ¹	2,872,362	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
Economic development ²	-	-	-	-	-	631,619	767,177	623,313	745,924	760,566
Culture and recreation ³	704,400	845,588	849,871	985,496	973,501	1,026,732	1,573,326	1,463,546	1,281,887	1,466,630
Interest on long-term debt	725,521	929,135	603,688	826,485	755,375	1,277,768	974,645	975,981	860,185	806,952
Total governmental activities expenses	11,250,961	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
Business-type activities:										
Water	1,579,290	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
Wastewater	1,467,116	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
Airport	1,359,784	1,926,814	1,764,740	2,129,881	2,297,975	2,301,370	-	-	-	-
Family Aquatic	520,308	456,557	468,936	463,100	481,478	660,355	-	-	-	-
Refuse	537,815	559,758	645,161	506,854	586,308	502,044	653,491	675,893	896,932	938,989
Total business-type activities expenses	5,464,313	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
Total primary government expenses	\$ 16,715,274	\$ 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
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	272,940	998,298	456,815	608,541	509,708	2,787,815	2,213,490	2,424,804	2,964,534	2,513,700
Culture and recreation	82,630	104,526	78,507	1,017,628	674,822	128,149	289,722	218,512	245,116	214,112
Other activities	79,052	82,312	895,774	1,593,626	1,569,276	650,640	1,620,410	1,716,854	1,847,985	1,690,386
Operating grants and contributions	216,550	654,087	152,870	-	-	2,269,916	3,804,819	2,972,526	1,997,735	2,409,041
Capital grants and contributions	382,948	379,539	333,283	6,210,914	3,013,594	2,808,785	3,715,329	824,743	1,539,014	518,379
Total governmental activities program revenues	1,034,120	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
Business-type activities:										
Charges for services:										
Water	1,800,949	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
Wastewater	1,668,035	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
Airport ¹	767,773	930,197	1,040,160	1,898,709	1,240,029	1,083,344	-	-	-	-
Family Aquatic Center ³	99,982	131,190	98,166	100,440	102,547	109,637	-	-	-	-
Refuse	512,061	577,425	661,289	522,023	634,950	692,644	723,717	746,192	959,287	1,000,501
Operating grants and contributions	-	-	-	20,000	-	-	-	-	-	-
Capital grants and contributions	952,107	3,472,317	3,544,000	5,654,682	6,023,858	1,280,860	1,692,976	236,198	242,189	192,773
Total business-type activities program revenues	5,800,907	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
Total primary government program revenues	\$ 6,835,027	\$ 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

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	\$ (10,216,841)	\$ (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)
Business-type activities	336,594	2,624,803	2,706,474	6,399,628	4,809,315	(1,869,127)	893,142	(26,804)	157,837	122,844
Total primary government net expense	\$ (9,880,247)	\$ (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)

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes:										
Sales taxes	\$ 7,685,555	\$ 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
Franchise taxes	250,610	283,449	301,769	349,826	397,091	416,309	460,863	420,157	429,826	442,213
State sales taxes	647,382	712,867	830,093	939,542	908,471	786,482	725,415	761,358	832,976	872,541
Urban revenue sharing	694,977	715,536	831,807	1,029,042	1,514,108	1,459,297	1,250,084	956,935	915,474	1,097,262
Auto-in-lieu	426,779	440,379	498,645	590,144	589,820	560,171	514,687	511,760	551,817	503,515
Other	3,616,225	2,171,592	4,262,883	779,170	3,139,681	142,188	139,867	136,979	142,745	142,788
Investment earnings	78,058	172,331	337,177	828,583	489,904	157,504	65,012	113,005	137,663	(43,581)
Gain (Loss) on sales of assets	(67,670)	-	-	-	1,416,206	12,535	4,700	-	-	-
Miscellaneous	91,976	29,165	263,448	471,063	398,052	-	-	-	-	-
Transfers	(621,104)	(928,434)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050
Total governmental activities	12,802,788	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
Business-type activities:										
Investment earnings	100,665	146,124	212,550	408,605	660,278	235,930	107,417	136,625	271,780	61,955
Gain (Loss) on sales of assets	169,704	1,178	4,813	2,039	10,544	3,833	(305,132)	-	(197,854)	84
Transfers	621,104	928,434	1,210,025	1,713,652	2,665,190	881,872	(125,000)	(195,000)	(293,748)	(331,050)
Total business-type activities	891,473	1,075,736	1,427,388	2,124,296	3,336,012	1,121,635	(322,715)	(58,375)	(219,822)	(269,011)
Total Primary government	\$ 13,694,261	\$ 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

Change in Net Asset

Governmental activities	\$ 2,585,947	\$ 2,704,700	\$ 5,678,375	\$ 8,754,684	\$ 7,962,360	\$ 2,844,805	\$ 3,280,532	\$ 606,649	\$ 220,747	\$ (787,921)
Business-type activities	1,228,067	3,700,539	4,133,862	8,523,924	8,145,327	(747,492)	570,427	(85,179)	(61,985)	(146,167)
Total primary government	\$ 3,814,014	\$ 6,405,239	\$ 9,812,237	\$ 17,278,608	\$ 16,107,687	\$ 2,097,313	\$ 3,850,959	\$ 521,470	\$ 158,762	\$ (934,088)

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

	Fiscal Year									
	<u>2004 *</u>	<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>
General fund										
Nonspendable:										
Inventories and prepaids	\$ -	\$ -	\$ -	\$ -	\$ 44,344	\$ 57,763	\$ 44,348	\$ 14,071	\$ 31,408	\$ -
Restricted for:										
Debt service	-	-	-	-	-	-	-	76,980	76,980	76,980
Capital outlay	382,809	457,619	780,003	488,534	443,232	-	-	-	-	-
Committed to:										
Cemetery	-	-	-	-	128,494	160,876	184,844	188,835	42,707	98,175
Unassigned	4,581,623	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
Total general fund	<u>\$ 4,964,432</u>	<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>
All other governmental funds										
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ 445,200	\$ 748,916	\$ 895,900	\$ 900,072	\$ 952,943	\$ 1,119,638
Restricted for:										
Public safety	-	-	-	-	-	-	-	-	59,486	-
Public works/streets	-	-	-	-	24,967	40,705	58,079	90,349	203,486	736,766
Economic development	-	-	-	-	-	-	171,445	175,793	138,680	-
Parks and recreation	-	-	-	-	-	-	193,771	211,625	984,793	20,959
Debt service	619,181	650,680	714,149	852,413	1,840,435	1,516,965	1,212,075	1,281,007	1,728,434	1,438,936
Other	-	-	-	-	-	-	-	-	-	-
Committed to:										
Public transportation	-	-	-	-	33,749	116,410	134,102	118,306	170,819	87,758
Assigned to:										
Public works/streets	-	-	-	-	3,086,694	112,863	1,033,882	1,202,967	1,760,601	1,068,915
Debt service	-	-	-	-	-	-	-	35,783	-	-
Unassigned, reported in:										
Special revenue funds	229,119	251,762	230,371	7,848,236	-	-	(21,490)	(10,395)	(16,582)	(126,613)
Total all other governmental funds	<u>\$ 848,300</u>	<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>

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

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

	Fiscal Year									
	<u>2004</u>	<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>
Revenues										
Taxes	\$ 11,044,732	\$ 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
Licenses and permits	529,895	623,009	1,192,968	1,043,028	697,482	175,143	170,564	181,638	144,466	130,075
Intergovernmental	735,695	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
Charges for services	400,102	449,387	736,688	583,141	487,048	236,118	1,479,960	1,581,724	1,657,809	1,536,481
Fines	202,023	122,958	126,915	131,878	167,787	225,171	608,860	826,720	730,882	735,402
Special assessments	1,134,646	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
Investment earnings	78,058	166,180	337,177	828,583	489,904	150,024	63,957	114,720	135,595	(39,888)
Miscellaneous	400,531	298,768	263,448	564,102	398,052	1,168,981	463,964	351,183	667,430	496,772
Total Revenues	\$ 14,525,682	\$ 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
Expenditures										
Current:										
General government	\$ 3,333,143	\$ 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
Public safety	2,366,808	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
Public works	2,190,291	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
Economic Development/General Operations	717,434	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
Capital outlay	1,977,143	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
Principal	1,389,866	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
Interest and fiscal charges	725,521	680,594	603,688	805,199	951,412	1,016,563	1,046,806	988,913	880,470	852,337
Total expenditures	12,700,206	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
Revenues over (under) expenditures	1,825,476	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)
Other finance sources (Uses)										
Sale of Assets	-	-	-	-	1,416,206	12,534	4,696	-	12,762	25,574
Bond Proceeds	-	-	-	8,658,917	4,265,000	250,000	-	450,000	1,703,899	-
Transfers in (out)	(621,104)	(915,672)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050
Total other finance sources (uses)	(621,104)	(915,672)	(1,210,025)	6,945,265	3,016,016	(619,338)	129,696	645,000	2,010,409	356,624
Net change in fund balance:	\$ 1,204,372	\$ 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)
Debt service as a percentage of noncapital expenditures	24.58%	19.56%	15.41%	15.50%	17.69%	17.50%	17.61%	15.33%	17.78%	19.36%

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

<u>Tax Remitter</u>	<u>Fiscal Year 2013</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>
2004	260,656,750
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

Navajo County (1)

<u>Fiscal Year</u>	<u>Amount</u>
2004	615,673,414
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

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 Collections
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>
2004	7,685,555	647,382	694,977	250,610	426,779	9,705,303
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	9,206,964	872,541	1,097,262	442,213	503,515	12,122,495

Source: City of Show Low Finance Department

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

Fiscal Year	Construction	Utilities	Wholesale	Retail	Restaurants	Accomodation	Real Estate	Services	Others	Total	% change from prior year
2003-2004	895,577	137,473	134,455	5,213,135	375,041	29,450	195,926	332,265	401,685	7,685,556	11.67%
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	9,206,964	5.33%

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>
2004	\$ 89,338,936	\$ 634,210,704	14%
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%

Source: Arizona Department of Revenue

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>
2003-04	-	-	0.4772	1.4406	5.9103	7.8281
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

Source: Navajo County Assessor's Office

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

Tax Year	Original Property Assessments	Collected to June 30th, <u>End of Tax Fiscal Year</u>		Percent of Adjusted Levy	Taxes Receivable
		Adjustments	Amount		
2004	100,651	992	99,644	100%	15
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

Source: Navajo County Treasurer's Office

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

Fiscal Year	Total Assessments Billed	Total Assessments Collected	Ratio of Collections to Amount Billed	Net Outstanding Assessments
2003-2004	1,137,258	1,148,061	100.95%	(10,803)
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	1,008,039	970,211	96.25%	37,828
2012-2013	945,437	930,935	98.47%	14,502

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			
2004	\$ 8,665,000	\$ -	2,776,424	\$ -	\$ 304,021	2,623,576	\$ -	\$ -	\$ 351,688	\$ 14,720,709	13.13%	1,572
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

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)
2004	89,338,936	-	0.0%	-
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%	-

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

(a) Population information is shown on page 90

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Computation of Direct and Overlapping Deb
June 30, 2013

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	\$ 3,220,000	71.80%	\$ 2,311,960
Total overlapping debt			\$ 2,311,960
Total direct and overlapping debt			\$ 2,311,960

Source: Navajo County Finance Departmen

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	\$ 158,030,998	\$ 158,030,998
 Total assessed value	<u>\$ 158,030,998</u>	<u>\$ 158,030,998</u>
 Legal debt margin:		
Debt limitation	\$ 31,606,200	\$ 9,481,860
Debt applicable to limitation		
General Obligation Bonds	-	-
Total debt applicable to limitation	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 31,606,200</u>	<u>\$ 9,481,860</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,					Revenue Bond/Loan/CFP Debt Service			
	Operating Revenues (a)	Operating Expenses (b)	Net Revenue Available for Debt Service		Principal	Interest	Total	Coverage
2004	\$ 2,370,779	\$ 1,409,525	\$ 961,253	\$	280,000	\$ 127,047	\$ 407,047	236.2%
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	5,334,771	3,191,926	2,142,845		150,027	137,363	287,390	745.6%

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
2004	\$ 1,148,061	\$ 645,000	\$ 552,606	96%	\$ -	\$ -	\$ -	0%	\$ 9,705,303	\$ -	\$ -	0%
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	303,980	114%	304,128	60,000	130,058	160%	10,908,542	595,000	464,213	1030%
2012	970,211	830,000	280,045	87%	266,404	60,000	153,261	125%	11,471,218	620,000	440,900	1081%
2013	930,935	883,000	201,693	86%	300,853	80,000	157,716	127%	12,122,495	645,000	346,731	1222%

Source: City of Show Low finance department

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

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

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

CITY OF SHOW LOW, ARIZONA
Demographic and Economic Information
Demographic Statistics - Population Statistics, Unemployment 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
2004 (Estimated)	9,365	105,020	\$ 1,933,211	\$ 18,408	8.4%	5.0%
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%

(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 Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2013*</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	841	1	33.18%			
Walmart	490	2	19.33%			
Show Low Unified School District	300	3	11.84%			
Cellular One	187	4	7.38%			
Home Depot	150	5	5.92%			
City of Show Low	153	6	6.05%			
Frontier	125	7	4.93%			
Northland Pioneer College	110	8	4.34%			
Lowe's	108	9	4.26%			
Tates Automotive	70	10	2.76%			
Total Employees	<u>2,534</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Airport	5.0	5.0	5.0	5.2	5.2	5.2	4.2	4.2	4.5	4.1
Aquatics & Recreation	17.0	16.0	15.0	15.6	15.1	14.7	14.7	14.2	14.2	14.2
City 4 TV	2.0	2.0	2.0	3.0	3.0	3.0	2.7	2.0	2.0	2.3
City Attorney	2.0	2.0	2.0	2.0	2.0	2.0	1.0	-	-	1.6
City Clerk	2.0	2.0	3.0	3.0	4.0	4.0	2.0	2.0	2.0	2.0
City Magistrate	2.0	2.0	2.0	3.7	2.5	2.5	4.5	4.0	3.0	3.0
City Manager	1.0	1.0	1.0	1.0	1.0	3.0	2.0	2.0	2.0	2.0
Community Services Admini	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Engineering	5.0	5.0	6.0	11.0	11.0	11.0	5.0	5.0	5.0	6.0
Finance	8.0	8.0	8.0	8.0	10.0	9.0	6.5	-	-	-
Human Resources	3.0	4.0	3.0	2.0	2.0	2.0	2.0	-	-	-
Administrative Services	-	-	-	-	-	-	-	8.2	9.2	10.0
Information Systems	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0
Library	8.0	8.0	7.0	9.7	9.7	10.2	8.1	7.5	7.5	7.5
Parks & Facilities Maintenance	7.0	7.0	5.0	9.8	10.3	10.7	9.2	9.1	7.5	7.0
Planning & Zoning	10.0	11.0	11.0	13.7	12.7	11.7	6.5	5.0	4.5	4.5
Police	38.0	43.0	43.0	47.3	48.6	48.6	50.2	46.6	49.4	49.1
Public Works Administrati	4.0	4.0	3.0	-	-	-	-	-	-	-
Streets	10.0	10.0	10.0	10.3	9.3	9.3	10.3	10.0	11.0	11.0
Wastewater	10.0	9.0	9.0	11.6	12.1	12.1	11.6	11.5	10.5	10.0
Water	6.0	7.0	7.0	8.6	11.1	11.1	11.5	10.5	13.5	15.0
Total Employees	144.0	150.0	146.0	169.5	173.6	174.1	156.0	145.8	149.8	153.3

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

Function	Fiscal Year									
	<u>2004</u>	<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>
Police										
Arrests	2,045	2,028	2,094	2,071	2,160	1,852	1,698	1,605	1,630	1,569
Citations	5,855	5,063	5,331	4,971	6,896	7,467	5,947	4,928	3,701	3,015
Traffic Stops	6,400	5,948	6,452	5,977	9,510	10,362	8,390	10,261	6,821	5,040
Officer Reports	4,190	4,036	4,116	3,929	4,164	3,735	3,021	2,749	2,854	2,955
Photo Enforcement - Notices Printed	0	0	0	0	0	0	15,524	15,813	12,452	13,150
Calls for Service	15,602	17,803	18,841	19,022	20,176	19,985	19,425	17,304	19,316	18,318
Highways & Streets										
Street resurfacing (miles)	*	*	12	15	15	27	17	25	61	90
Potholes repaired	*	*	214	258	312	359	741	791	1,118	655
Street sweeping (miles)	*	*	3,000	3,000	3,000	1,670	2,094	965	505	1,671
Water										
New Connections	*	*	463	273	150	36	45	34	21	32
Line Breaks	*	*	16	56	133	65	158	128	119	108
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
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	*	*	741,000	837,000	971,000	956,739	830,000	867,000	892,000	789,258
Line cleaning (feet)	*	*	303,996	325,600	340,000	204,033	258,768	268,231	99,556	109,812
Line Plugs	*	*	9	32	43	26	41	53	56	112
Recreation & Aquatics										
Aquatic center admissions	69,323	67,826	68,599	61,197	56,860	64,797	49,352	32,164	47,880	43,920

* Not available

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

Year	BUILDING PERMITS (1)			NEW HOUSING STARTS (1)
	Residential	Commercial	Total	
2003-04	35,182,390	4,968,208	40,150,598	275
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

(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>2004</u>	<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>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Authorized Patrol units	15	15	15	15	20	23	23	23	20	20
Highways and streets										
Streets (miles)	*	*	92	95	96	97	181	182	182	182
Streetlights	*	*	625	650	665	675	675	735	735	735
Water										
Water mains (miles)	*	*	102	109	111	119	124	164	164	183
Fire hydrants	*	*	815	815	815	815	810	817	1,033	1,096
Sewer										
Sanitary Sewer (miles)	*	*	120	127	131	139	146	148	148	148
Maximum daily treatment capacity (thousands of gallons)	*	*	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420
Recreation and aquatics										
Parks acreage	71	414	414	414	414	414	428	428	428	428
Number of Parks	7	9	9	9	9	9	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	3	5	5	5	5
Community center:	1	1	1	1	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, 2013, 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 4, 2013.

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 4, 2013.

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 4, 2013



MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
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, 2013, and have issued our report thereon dated November 4, 2013. 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, 2013.

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

HintonBurdick, PLLC
Flagstaff, Arizona
November 4, 2013

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CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed through Arizona State Forestry Division			
Cooperative Forestry Assistance	10.664	WFHF 09-022	\$ 8,483
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	AZ00903	\$ 85,112
U.S. Department of Transportation			
Passed through Arizona Department of Transportation:			
Airport Improvement Program	20.106	3-04-0035-17	45,560
Airport Improvement Program	20.106	3-04-0035-19	12,369
Airport Improvement Program	20.106	3-04-0035-23	23,750
			<u>81,679</u>
Formula Grants for other than Urbanized Areas	20.509	AZ-18-0045	82,279
Formula Grants for other than Urbanized Areas	20.509	AZ-18-0054	339,347
Formula Grants for other than Urbanized Areas - ARRA	20.509	GAR02R3T	108,771
			<u>530,397</u>
Passed through Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2013-AL-037	1,517
State and Community Highway Safety	20.600	2012-AL-015	5,526
			<u>7,043</u>
Total U.S. Department of Transportation			<u>619,119</u>
Institute of Museum and Library Services:			
Passed through State of Arizona:			
Grants to States	45.310	2012 LSTA	23,593
Grants to States	45.310	2012 LSTA	15,501
			<u>39,094</u>
Environmental Protection Agency			
Passed through the Water Infrastructure Finance Authority of Arizona:			
Capitalization Grant for Clean Water-State Revolving Funds	66.458		1,898,941
Capitalization Grants for Drinking Water-State Revolving Funds	66.468	TA-DW-018-2012	30,000
			<u>1,928,941</u>

(continued)

United States Department of Energy			
Energy Efficiency and Conservation Block Grant Program	81.128	EW-ESA-12-2213-00	33,962
Energy Efficiency and Conservation Block Grant Program	81.128	EW-ESA-12-2213-09	49,987
			<u>83,949</u>
U.S. Department of Homeland Security			
Passed through Arizona Division of Emergency Management:			
Disaster Grants - Public Assistance	97.036	PA-09-AZ-1888	96,159
Homeland Security Grant	97.067	888109-02	11,809
			<u>107,968</u>
Passed through the Transportation Security Administration:			
Law Enforcement Officer Reimbursement Agreement	97.090	HSTS02-08-H-SLR349	27,513
Total U.S. Department of Homeland Security			<u>135,481</u>
Total expenditure of federal awards			<u>\$ 2,900,179</u>

Note: This schedule has been prepared on the modified accrual basis of accounting and includes the federal grant activity of the City of Show Low, Arizona. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

The Honorable Mayor and
City Council
Show Low, Arizona

Report on Compliance for Each Major Program

We have audited City of Show Low, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Show Low, Arizona's major federal programs for the year ended June 30, 2013. The City of Show Low, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Show Low, Arizona's compliance.

Opinion on Each Major Federal Program


Report on Internal Control Over Compliance

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

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

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

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


HintonBurdick, PLLC
Flagstaff, Arizona
November 4, 2013

CITY OF SHOW LOW, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

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

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Other than Urbanized Areas
66.458	Capitalization Grants for Clean Water – State Revolving Funds

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

Auditee qualified as low-risk auditee? yes no

CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Significant Deficiencies:

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

Finding

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

Recommendation

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

Response

As always it is the City's goal to have no audit adjustments. We have reviewed all the adjustments with the auditors and have identified areas that we will be able to minimize adjustments in the future with an ultimate goal of having no adjustments. Staff is trying to make adjustments on a monthly basis so year-end adjustments identified by the auditor are not required.

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

Finding

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

CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2013

Section II - Financial Statement Findings, Continued

Recommendation

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

Response

In addition to the processes listed as mitigating this weakness, the City intends to eliminate the court checking account and consolidate it with our general account. This will move the court receipts into our daily cash handling procedures, mandate reconciliation with Aztec system on a daily cash receipting basis and on a monthly basis as checks are cut to the state. It is our intent to consistently improve upon this area within the constraints of an organization of our size. The new Administrative Services Director will address the court checking account issue during FY 2014.

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV – Summary of Prior Year Findings and Questioned Costs

No significant matters were noted.