



City of Eloy, Arizona



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2016

628 North Main Street – Eloy, Arizona 85131

City of Eloy, Arizona



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Prepared by the Finance Department
Brian M. Wright, Finance Director

CITY OF ELOY, ARIZONA

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INTRODUCTORY SECTION

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628 North Main Street, AZ 85131, (520) 466-9201, (520) 466-3760 Fax, (520) 466-7455 TDD

December 20, 2016

To the Honorable Mayor, Members of the City Council and Citizens of Eloy, Arizona:

State Statutes require that cities and towns publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Eloy, Arizona (the City), for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the City of Eloy. Consequently, management assumes full responsibility for the accuracy of the data, and the completeness and fairness of all of the information presented in this report. To provide a reasonable basis for making these representations, 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 basic financial statements in conformity with accounting principles generally accepted in the United States of America. 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 misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Heinfeld, Meech & Co., P.C., certified public accounting firm. The goal of the independent audit is to prove reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a boarder, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF ELOY

The City was incorporated in 1949 with an estimated population of 4,700. In 1965, the Toltec area was annexed increasing the City's incorporated area to 11 square miles. By the year 2000, the city limits had increased to 71 square miles. As of June 2016, the incorporated city limits is 113.3 square miles with a planning area of 534.7 square miles and has an estimated population of 17,787.

Located in central Pinal County, the City is located along Interstate 10 (I-10) approximately halfway between the cities of Phoenix and Tucson. Historically, the City's economy has been largely dependent upon agriculture. The area is part of the Santa Cruz Basin, which is one of Arizona's most fertile soil and agricultural areas. The economy has diversified, with over three-quarters of its businesses and nearly half its employment now in the industrial, wholesale/retail trade, and service sector.

The City operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and six Council Members. Council Members are elected to four-year staggered terms. The citizens elect the Mayor then the Council, from among its members, selects the Vice-Mayor.

The City Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees, the hiring and removal of the City Manager, City Attorney, City Magistrate, and City Clerk. The City Manager is responsible for the implementation of the policies of the City Council. The City Manager appoints all other department heads except those mentioned above under the City Council responsibilities.

The City provides a full range of municipal services, including police protection, the construction and maintenance of streets and infrastructure, as well as recreational and cultural activities. The City's three enterprise funds provide water, sewer, and solid waste disposal. The City also operates a library, a cemetery, and general aviation airport.

As with all cities in the State of Arizona, the City is required to comply with Article IX, Section 20(1) of the Arizona Constitution, which sets limits on the City's legal budget capacity. The City of Eloy currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the City Council to establish the budgetary limits locally, rather than being restricted by the State-imposed expenditure limitation. The voters must authorize this option every four years. The citizens of Eloy last authorized it in August 2014.

The annual operating budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual operating budget approved by the City Council. The City's proposed operating budget is presented to the City Council for review throughout the budget cycle starting in January with final approval in June. The City Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. Budget amendments and transfers requiring the approval of the City Council include the following: budget transfers between funds; transfers to fund additional personnel or increased expenditures as a result of personnel reclassifications; transfers that would reduce or eliminate funding for items designated in the adopted Capital Improvement Plan; and transfers that would reduce or eliminate funding for debt service. All other operational budget amendments that involve transfers between line items or expenditure categories require approval by the City Manager.

ECONOMIC CONDITIONS

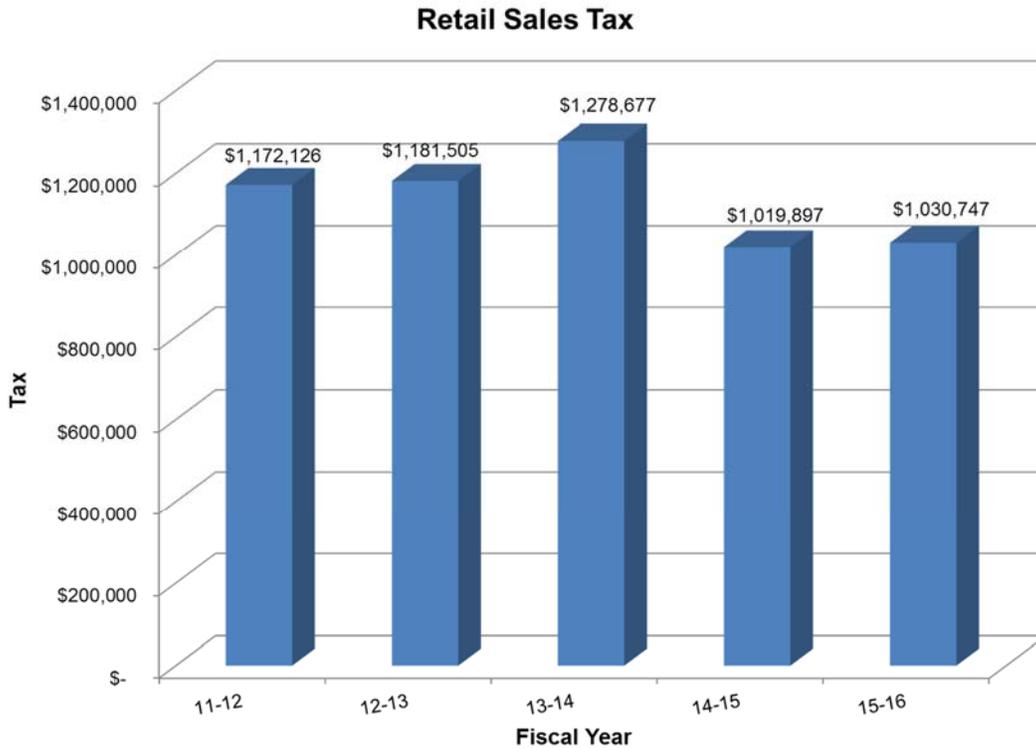
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The local economy of Eloy is a diverse combination of agriculture, manufacturing, commercial, private prisons, and service activities. The majority of the local tax base is located along Interstate 10, which is supported by restaurants, truck stops and local businesses. Local indicators continue to point towards stagnant to slow growth. However, during FY 2015-2016 revenues in the General Fund increased \$1,444,514 or 13% over last fiscal year. One of the primary factors was city sales taxes increased \$701,719 or 15% over last fiscal year.

The reason for this increase was construction activity exceeded budgeted expectations and the City Council reestablishment of the food tax for home base consumption. Other contributing factors, to the General Fund increase, were higher returns on investment income along with increases to permits and user fees.

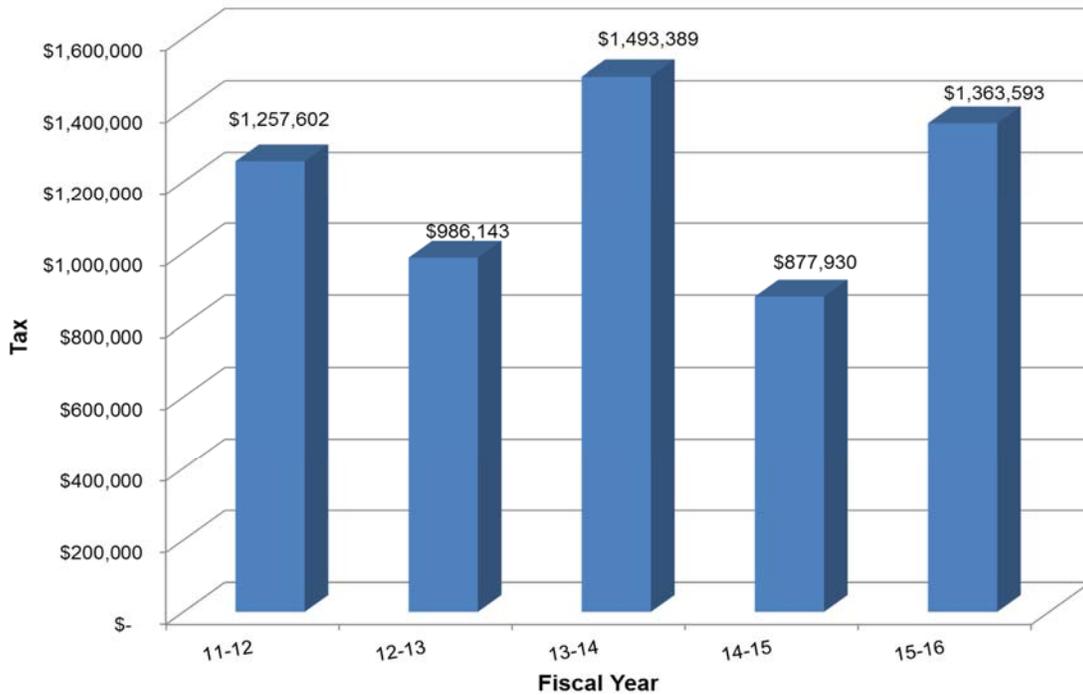
The City, like most municipalities, is significantly dependent upon local sales taxes, which are subject to economic fluctuations. Local sales taxes, also known as city sales tax, comprised 42% of the total general fund revenues collected. Local sales taxes are comprised of retail, construction, restaurant/bar, hotel/motel, and other taxing categories. Of those revenues, retail, construction and restaurant/bars comprised 63% of the total local sales tax revenues.

The local tax base is stable however; a few of the taxing sources are volatile. One of those taxing sources is retail tax. Over the last five years, the average retail tax collected is \$1,136,590. Since July 2011, retail sales tax has decreased 13% over the last five years. A few contributing factors is the continual growth along I-10 in the Casa Grande area along with the diverse economic conditions in Eloy. The chart below demonstrates the volatility of the retail tax.



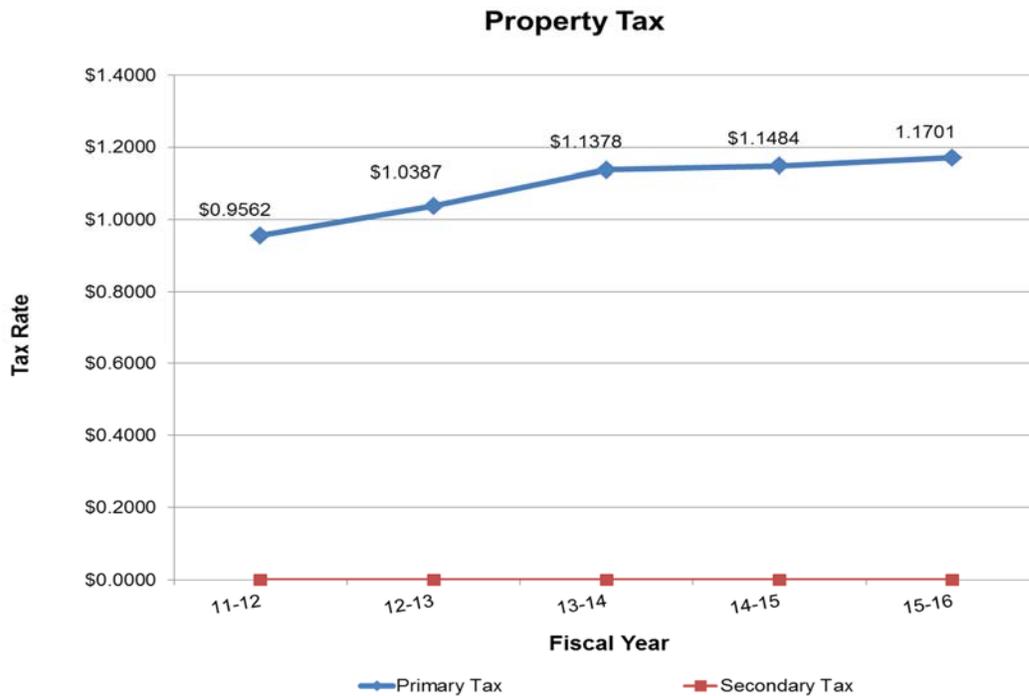
Retail sales tax is collected on items such as supplies, tools, clothing, materials, etc. The tax rate on retail items is 3%. In January 2016, the Eloy City Council approved the reestablishment of the tax on food for home base consumption. The tax rate is 2% with revenue collected from this tax being dedicated for community and/or economic development purposes.

Construction Sales Tax



Construction Sales Tax represents one of the largest taxing sources from the City’s local tax base. It is also the most volatile and unstable tax. The tax rate is 4.5% with 3.0% dedicated to one-time capital projects and 1.5% dedicated to Street Improvements. The City does not budget construction sales tax into the operations and maintenance of city services, but uses this one-time revenue source to fund capital projects or one-time expenses.

Since 2011, the average construction sales tax collected is \$1,195,731. However, the graph above shows construction activities fluctuating yearly over the past five years. Much of this fluctuation is due to the housing construction industry along with the decline in economic development projects. In FY 2015-2016, construction sales tax collections were \$1,363,593 or \$485,663 more than that of the prior year. This increase was primarily due to a facility expansion at Corporations Corrections of America (CCA).



Property tax is one of the most stable sources of revenue because it is not subject to the same fluctuations sometimes experienced with other excise taxes.

Eloy has a primary property tax rate but no secondary property tax rate. The primary property tax rate has increased from \$1.1484 in FY 2014-2015 to \$1.1701 in FY 2015-2016 per \$100 of assessed valuation. In FY 2015-2016, the primary property tax collected was \$981,586, which is an increase of \$30,548 over the prior fiscal year.

MAJOR INITIATIVES AND ACCOMPLISHMENTS FOR THE YEAR

In FY 2015-2016, the City continued to invest in programs and infrastructure that makes Eloy a better community. The following are the major accomplishments during the year:

General Administration

- o Constructed the 1st phase of the Veterans Park
- o Obtained 3.84 acres for the future development of a new city complex
- o Received digitization grant from State Library to digitize local newspaper
- o Re-established the tax on food for home base consumption with the funding being dedicated to community and economic development activities

Community Development

- o Constructed new community signage
- o Conducted four community/street clean ups-collecting 136 tons of trash
- o Initiated a dedicated telephone line for next day building inspection requests
- o Conducted 1,311 building inspections and issued 268 building permits
- o Updated the Land Use and Circulation Elements of the General Plan

Parks and Recreation

- Renovated Shumway Park basketball and tennis courts
- Replaced dugouts and backstop fencing at Jones Park ballfield
- Replaced kitchen appliances and cabinets at Toltec Senior Center
- Implemented new recreation programs - adult dance and youth gymnastics

Police

- Purchased three new police cars vehicles and associated equipment
- Awarded Governor's Office of Highway Safety Grant for laser speed detectors and portable breath testers
- Purchased new voice recorder to be interactive with CAD system and 911 system
- Six animals were adopted while 35 were turned over to no kill shelters for adoption

Airport

- Initiated process for land acquisition around the airport for future airport improvements
- Obtained a grant for design and construction of three new taxi-lanes

Public Works

- Chip Sealed over 5 miles of roadways
- Reconstruction over 1.65 miles of roadways with asphalt
- Established a curbside recycling program with a diversion rate of 15%
- Installed new water mains on Main Street and 11th Street
- Produced and delivered over 400 million gallons of water to customers

FUTURE ECONOMIC OUTLOOK

The City's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in Eloy's excellent fiscal health. The City will continue to use General Fund one-time revenue to fund capital projects along with constructing, repairing and maintaining city roadways. The City will be undertaking strategic planning during the City's budgeting process in order to continue to make timely and essential improvements to the City's basic infrastructure.

The City is dedicated to enhancing the quality of life for its citizens and to provide municipal services in the most effective and efficient manner while exercising fiscal responsibility. For FY 2016- 2017, the City will continue investing in the City's operations and facilities that provide the highest return on investment for the future – our employees, our infrastructure, and continued delivery of quality community services.

A few of the strategies in the budget for FY 2016-2017 are:

- Employee performance merit and step increases have been budgeted, along with continuing to fund all employee healthcare benefits and 70% of dependents benefits.
- Modifying the City's compensation schedule by increasing the maximum range to ensure competitive salaries and provide long-term growth.
- Over \$1.1 million in street projects including G Street, Sunshine Blvd, South Toltec Road and 5th Street.
- Over \$750,000 in various capital related projects and equipment for Parks, Police, and Streets.
- Over \$3.5 million in Water and Sewer improvements for the reconstruction of Pump Station 1, rehabilitation of the reservoir at Pump Station 2, equipment upgrades at the sewer treatment plant and the rehabilitation of sewer lift stations.
- The City will seek financing and contractual agreements towards the construction of a new city complex after land was secured in FY 2015-2016.

Awards and Acknowledgements

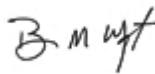
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Eloy for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the fourth year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for only one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report would not have been possible without the efficient and dedicated staff of the Finance Department and to the many members of other departments who assisted and contributed to the preparation of this report. The Mayor and City Council are also to be commended for their leadership and support for maintaining the highest standards of professionalism in the management of the City of Eloy's finances.

Respectfully submitted,


Harvey Krauss
City Manager


Brian M. Wright
Finance Director



Government Finance Officers Association

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

Presented to

**City of Eloy
Arizona**

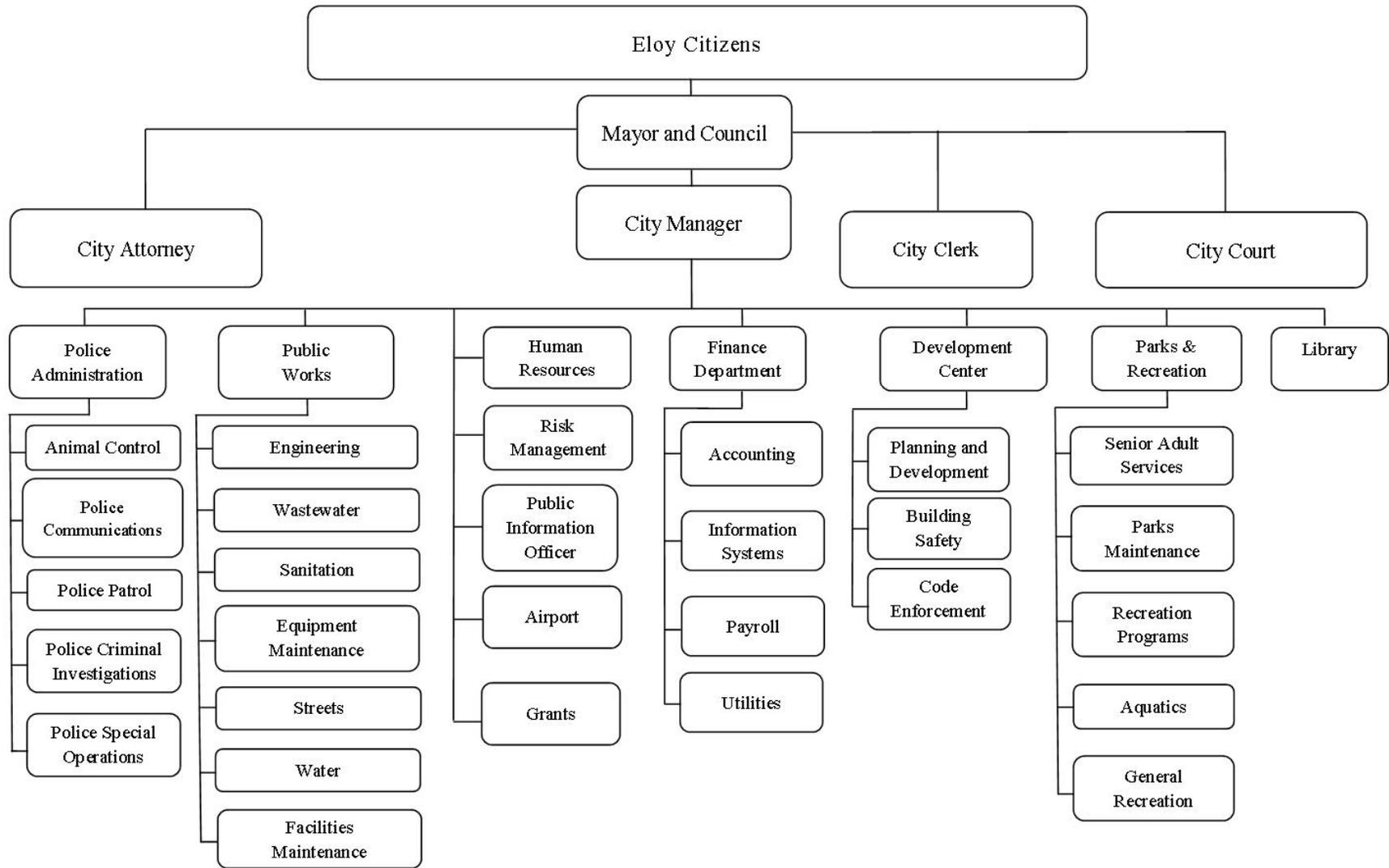
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

City of Eloy Organizational Chart



CITY OF ELOY



List of Elected and Principal Officials for Fiscal Year Ended June 30, 2016

City Council

Joel G. Belloc

Mayor

Micah Powell

Vice Mayor

J.W. Tidwell

Augustine Saucedo

J.R. Nagy

Andrew Rodriguez

JoAnne Galindo

City Manager

Harvey Krauss

Finance Director

Brian M. Wright

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Eloy, 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 City of Eloy, Arizona (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eloy, Arizona, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016, which represents a change in accounting principle. 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, budgetary comparison information, net pension liability information, and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of City of Eloy, 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 the 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 City of Eloy, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

As management of the City of Eloy, Arizona (the City), 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 ending June 30, 2016. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

The financial statements, which follow Management's Discussion and Analysis, provide those significant key financial highlights for 2016 as follow:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$43,941,856 (net position). Of this amount, \$6,652,792 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- General revenues from governmental activities, excluding transfers, accounted for \$11,405,725 or 69% of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,137,387 or 31% of total governmental activities revenues. The City had \$5,031,509 of program revenues and \$2,365 in general revenues related to business-type activities.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balances of \$21,416,453, an increase of \$1,745,080 in comparison with the prior fiscal year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$14,692,428 or 153% of the total general fund expenditures.
- As of June 30, 2016, the net capital assets were \$44,096,343, an increase of \$2,356,603 from the prior fiscal year. Net capital assets for governmental activities increased by \$1,937,578 while business-type activities increased by \$419,025.
- General Fund revenues exceeded expenditures by \$3,044,965 before transfers. After transfers of \$1,637,287, a positive change in fund balance occurred in the amount of \$1,407,678. This positive change was due to local sales taxes, license/permits and charges for services exceeding budget estimates along with conservative spending.
- The current year net loss in the HURF Fund, before transfers, was \$839,377 due to the road improvements expenditures during the year on Shedd Road, Main Street, Sunshine, 11th Street, and Alsdorf Road.
- Total business-type revenues exceeded total business-type expenses (excluding transfers) by \$356,505. This positive change is due to fees and charges exceeding budgeted estimates along with conservative spending.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets liabilities, and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, culture and recreation, public safety, airport, and public works. Taxes and general revenues finance most of these activities.
- **Business-type activities** – The services provided by the City included here are water, sewer, and sanitation. The services are primarily financed through user fees and charges.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

OVERVIEW OF FINANCIAL STATEMENTS

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Highway User Revenue Funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. Enterprise funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: the Water, Sewer, and Sanitation Funds. The basic proprietary fund financial statements can be found on pages 52-56 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

OVERVIEW OF FINANCIAL STATEMENTS

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and pension plan. The City adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and the major Special Revenue Fund as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

Fund Balance Reporting and Governmental Fund Type Definitions, also known as GASB 54, is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Clarifications of the governmental fund type definitions, in Note 2 (page 64-65), will reduce uncertainty about which resources can or should be reported in the respective fund types.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements or as required supplementary information after the notes. The City has chosen to present these budgetary statements as part of the required supplementary information after the notes. Additionally, governments are required to disclose certain information about employee pension funds and other postemployment benefit plans. The City has disclosed this information starting on page 92 of the financial statements. Schedules for the pension plan have been provided as required supplementary information.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ending June 30, 2016.

Statement of Net Position

Net position may serve over time as a useful indicator of the City's financial position. The following table reflects the condensed statement of net position as of June 30, 2016. The City has chosen to account for its water, sewer and sanitation operations in the enterprise funds which are shown as Business-Type Activities.

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and Other Assets	\$ 21,220,827	\$ 23,027,535	\$ 4,207,697	\$ 4,442,333	\$ 25,428,524	\$27,469,868
Capital Assets	23,054,282	24,991,860	18,685,458	19,104,483	41,739,740	44,096,343
Total Assets	44,275,109	48,019,395	22,893,155	23,546,816	67,168,264	71,566,211
Pension Plan Items	1,681,916	1,996,395	154,235	130,553	1,836,151	2,126,948
Total Deferred Outflows	1,681,916	1,996,395	154,235	130,553	1,836,151	2,126,948
Current Liabilities	1,520,477	1,577,622	453,668	392,262	1,974,145	1,969,884
Noncurrent Liabilities	11,139,657	11,742,688	14,538,938	15,212,471	25,678,595	26,955,159
Total Liabilities	12,660,134	13,320,310	14,992,606	15,604,733	27,652,740	28,925,043
Pension Plan Items	1,180,772	716,050	266,110	110,210	1,446,882	826,260
Total Deferred Inflows	1,180,772	716,050	266,110	110,210	1,446,882	826,260
Net Position:						
Net Investments in Capital Assets	20,268,071	22,423,567	9,479,546	9,402,108	29,747,617	31,825,675
Restricted	4,629,220	4,745,019	716,976	718,370	5,346,196	5,463,389
Unrestricted	7,218,828	8,810,844	(2,407,848)	(2,158,052)	4,810,980	6,652,792
Total Net Position	\$ 32,116,119	\$ 35,979,430	\$ 7,788,674	\$ 7,962,426	\$ 39,904,793	\$43,941,856

At year-end, the net position of the City totaled \$43,941,856, an increase of \$4,037,063 over the prior fiscal year. Of this amount, \$35,979,430 was in governmental activities, a 12% increase and \$7,962,426 was in the business-type activities, a 2% increase from the prior fiscal year.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position consists of three components. The largest portion of the City's net position (\$31,825,675 or 72%) reflects its investment in capital assets net of accumulated depreciation and any related outstanding debt used to acquire or construct those assets. The City uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets and they are therefore not available for future spending.

The restricted portion of the City's net position (\$5,463,389 or 12%) represents resources subject to external restrictions on how they may be spent. This component is primarily made up of required fund balance reserves and accumulated development impact fees collected by the City.

The third portion consists of unrestricted net position (\$6,652,792 or 15%), which may be used to meet the City's ongoing obligations to citizens and creditors.

The following are significant current year transactions, which had affected the change in net position.

- Completed asphalt road reconstructed for Main Street, Toltec Road, 11th Street, Sunshine Blvd. and Alsdorf Road in the amount of \$1,538,031.
- Completed double chip seal road work projects on Cocopah, Kiva, Tewa, Chaco, Maya and Grace Circle in the amount of \$197,175.
- Installed new water mains on 11th and Main Streets in the amount of \$1,123,311.
- Completed parks improvements to fields and equipment at Jones and Shumway Parks in the amount of \$300,996.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in Net Position

The City's total revenue for the year ended June 30, 2016 was \$21,576,986. The total cost of all programs and services was \$17,539,923. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2016.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
REVENUES						
Program Revenues:						
Charges for Services	\$ 1,243,265	\$ 1,694,672	\$ 4,935,155	\$ 5,031,509	\$ 6,178,420	\$ 6,726,181
Operating Grants and Contributions	2,065,313	2,175,316	-	-	2,065,313	2,175,316
Capital Grants and Contributions	656,941	1,267,399	-	-	656,941	1,267,399
General Revenue:						
City Sales Tax	4,801,113	5,561,071	-	-	4,801,113	5,561,071
Property Taxes	951,247	1,000,499	-	-	951,247	1,000,499
Franchise Taxes	144,163	145,408	-	-	144,163	145,408
Share of State Income Tax	2,013,285	2,002,370	-	-	2,013,285	2,002,370
Share of State Sales Tax	1,519,806	1,571,675	-	-	1,519,806	1,571,675
County Auto Lieu Tax	831,046	900,658	-	-	831,046	900,658
Investment Earnings (losses)	37,981	157,229	8,837	2,365	46,818	159,594
Other Revenue	53,810	66,815	-	-	53,810	66,815
Total Revenues	\$14,317,970	\$16,543,112	\$ 4,943,992	\$5,033,874	\$19,261,962	\$21,576,986
EXPENSES						
Program Expenses:						
General Government	\$ 3,413,448	\$ 2,990,284	\$ -	\$ -	\$ 3,413,448	\$ 2,990,284
Public Safety	4,260,754	4,064,775	-	-	4,260,754	4,064,775
Public Works	2,380,812	2,601,939	-	-	2,380,812	2,601,939
Culture and Recreation	1,493,063	1,465,764	-	-	1,493,063	1,465,764
Community Development	1,021,468	1,282,378	-	-	1,021,468	1,282,378
Health and Welfare	191,679	155,982	-	-	191,679	155,982
Interest on Long-Term Debt	82,075	79,352	-	-	82,075	79,352
Water	-	-	2,207,156	2,179,624	2,207,156	2,179,624
Sewer	-	-	1,222,770	1,288,523	1,222,770	1,288,523
Sanitation	-	-	1,509,258	1,431,302	1,509,258	1,431,302
Total Expenses	12,843,299	12,640,474	4,939,184	4,899,449	17,782,483	17,539,923
Excess before Transfers	1,474,671	3,902,638	4,808	134,425	1,479,479	4,037,063
Transfers	(618,537)	(39,327)	618,537	39,327	-	-
Change in Net Position	856,134	3,863,311	623,345	173,752	1,479,479	4,037,063
Net Position, 6/30/14 as previously reported	38,267,389	-	8,573,995	-	46,841,384	-
Net Pension Liability	(7,007,404)	-	(1,408,666)	-	(8,416,070)	-
Net Position, 7/1/15 as restated	31,259,985	32,116,119	7,165,329	7,788,674	38,425,314	39,904,793
Net Position, Ending	\$32,116,119	\$35,979,430	\$ 7,788,674	\$7,962,426	\$39,904,793	\$43,941,856

**CITY OF ELOY, ARIZONA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

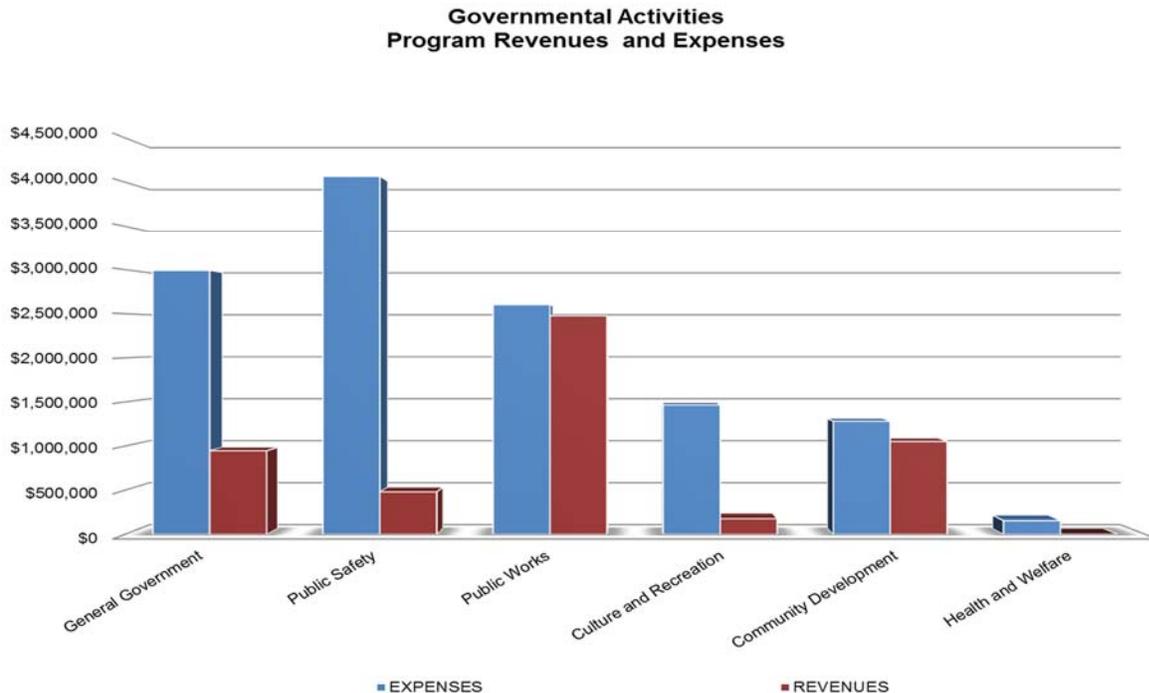
Government Activities

During the year, net position for governmental activities increased, \$3,863,311 or 12% more than the change in net position last year.

Significant variances between fiscal year 2015 and 2016 program revenues are explained below:

- Capital grants and contributions increased \$610,458 or 93% over the prior fiscal year as the City received more federal grants during the fiscal year for Housing Rehabilitation, Airport Improvements and Infrastructure Projects.
- General revenues increased \$1,053,273 to \$11,405,725, which comprised 69% of all governmental activities revenue sources. Explanations for the primary impacts are:
 - City Sales Taxes were \$759,958 or 16% more than last year. This increase is primarily attributed to higher than anticipated construction activity along with reestablishing the food tax for home base consumption.
 - Investment Earnings were \$119,248 or 314% more than last year. The City entered into a contract with PFM Asset Management to manage reserve funds.

As shown on the chart below, all functions had greater program expenses than program revenues. Accordingly, general revenues were used to fund each of these functions.



**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

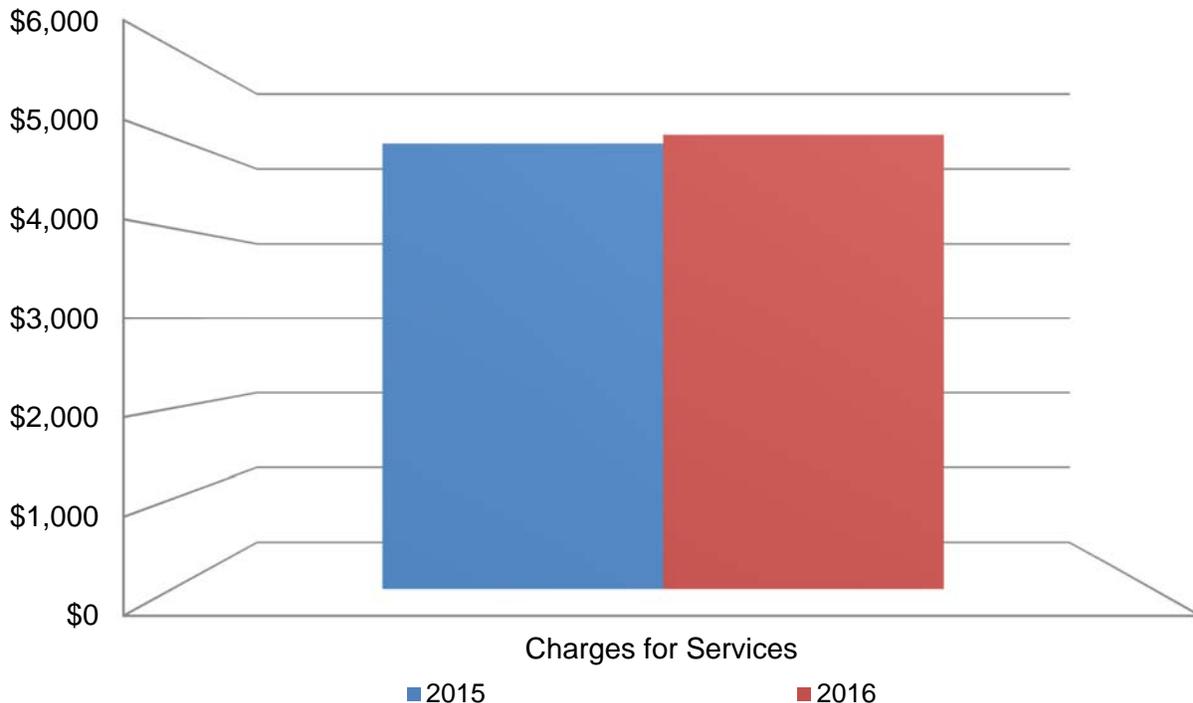
Business-Type Activities

The City's net position for Business-Type activities, after transfers, increased \$173,752 in fiscal year 2016. Last year, the change in net position was a positive \$623,345, a difference of \$449,593 when compared to the current year change.

Significant variances between fiscal year 2015 and 2016 program revenues are explained below:

- Charges for services were \$96,354 or 2% more than last fiscal year. The primary cause was an increase in water collection during the year.
- Transfers were \$579,210 or 94% less than last fiscal year. The primary cause for the decrease was the reduction of General Fund subsidy for general operating purposes.

**Business-Type Activities
Revenues by Source
(In Thousands)**



**CITY OF ELOY, ARIZONA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

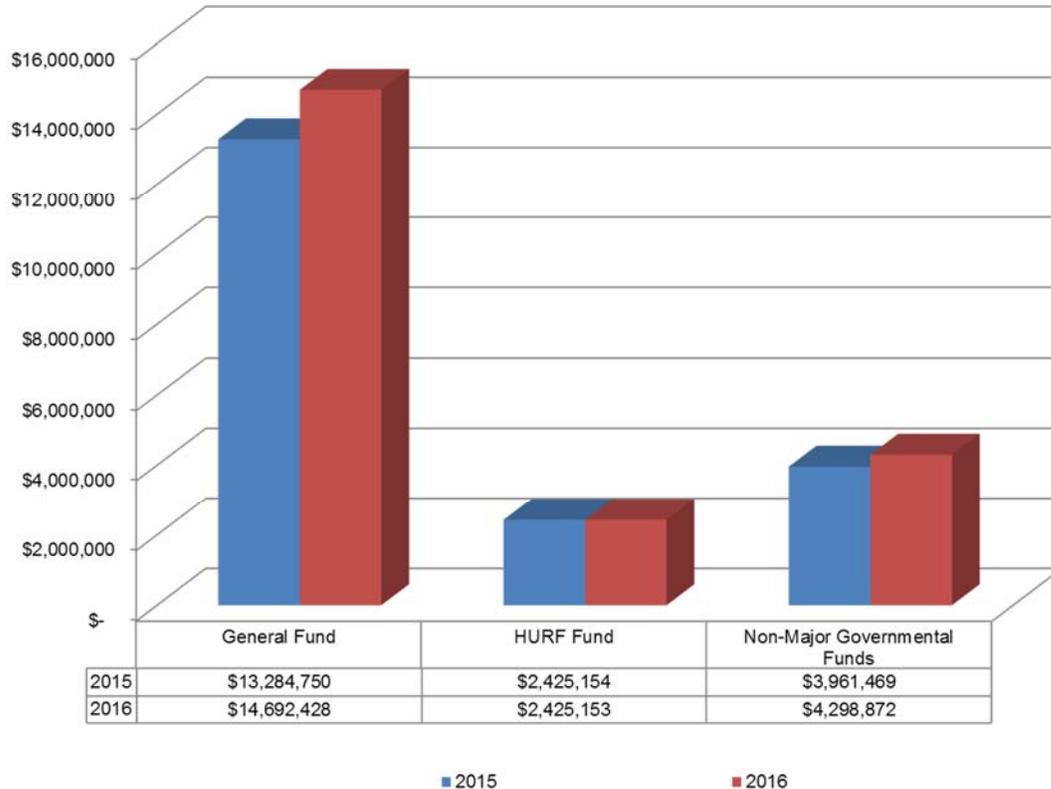
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental funds

The focus of the City’s governmental fund financial statements (pages 44-51) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, discretionary (i.e., unassigned, committed and assigned) fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

For fiscal year ending June 30, 2016, governmental funds reflect a combined fund balance of \$21,416,453, an increase of \$1,745,080 compared to last fiscal year. Approximately 69% of this total amount, \$14,692,428, constitutes fund balance of the General Fund, which is available for contribution to assigned or committed fund balance.

Governmental Fund Balances



**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund is the principal operating fund of the City and accounts for many functions of the government, including public safety, culture and recreation, and general government. The general fund revenues total \$12,659,657 for fiscal year ending June 30, 2016. The expenditures before other financing sources and uses totaled \$9,614,692.

The net change of fund balance for the General Fund was \$1,407,678 after other financing sources and uses. This positive change was due to fiscal spending constraints, conservative budgeting forecasts, along with an increase in revenue from city sales tax, property taxes, permits/fees and intergovernmental revenues.

The Highway User Revenue Fund (HURF) is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments and are required to be used for transportation purposes. Revenues in this fund totaled \$1,943,995, while expenses totaled \$2,783,372 for the fiscal year ending June 30, 2016. The net change of fund balance for the HURF Fund, prior to transfers, was a negative \$839,377. The primary reason for this negative decrease was due to the completion of road improvement projects to Main Street, Toltec Road, 11th Street, Sunshine Blvd. and Alsdorf Road

Other non-major governmental funds of the City include funds from the Public Works Facility, LTAF, Economic and Community Development, Impact Fee, Grants, JCEF, Court Recovery, Cemetery, Airport, and Capital Projects. All non-major funds of the City are combined into one column on the governmental fund statements. The fund balance for all other major governmental funds has increased by \$337,403. This increase can be attributed to increases in fees and taxes from the Impact Fees and Public Works Facility Funds.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

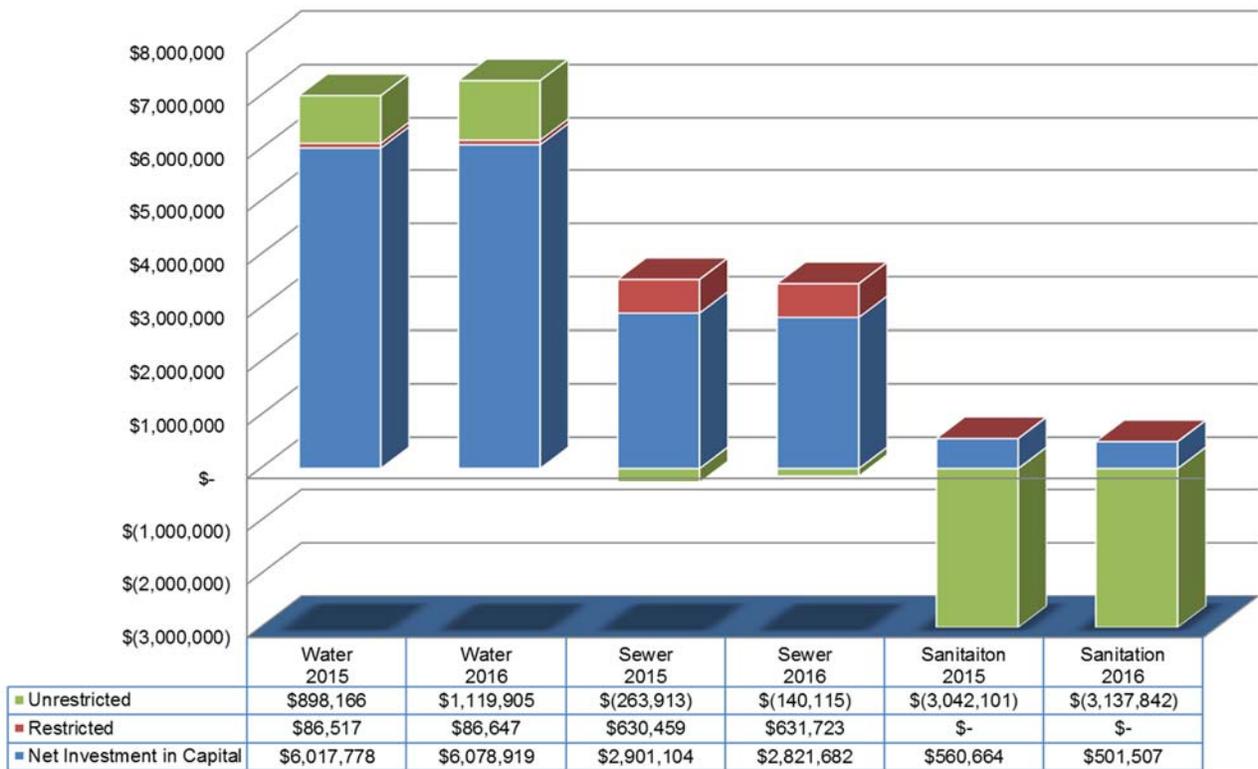
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Proprietary Funds

The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown discretely on the fund statements.

Net position of the Proprietary Funds was \$7,962,426 as of June 30, 2016. Total operating revenues in fiscal year 2016 were \$5,020,097, while total operating expenses totaled \$4,663,592 resulting in an operating income of \$356,505 before transfers.

Proprietay Fund's Net Position



**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds and can be found on pages 92-94. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see page 66 for more information on budget policies). No amendments increasing the City's total adopted budget of \$39,464,545 occurred during fiscal year 2016. Budget amendments between funds or from budgeted contingencies into operational expense/expenditures accounts did not occur.

Budgetary comparison highlights for the General Fund are as follows:

- General fund expenditures of \$9,614,692 were only 90% of budgeted expenditures. Reduced expenditures and unfunded personnel were some of the unspent budget items.
- General fund revenue of \$12,659,657 exceed final budget of \$11,611,195 by \$1,048,462 or 8%. The primary factors to this increase were increased sales taxes, license and permits along with higher than anticipated charges for services.
- Sales Taxes exceeded budget expectations by \$617,377 or 13% primarily due to increase construction activity.
- Licenses and Permits were \$153,452 or 54% more than budget expectations due to increases in housing permits and construction permits for a prison expansion.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the City had invested \$31,825,672 in various capital assets, net of accumulated depreciation and related debt. The capital assets of the City (net of depreciation, but not capital debt) are \$44,096,343. This is a net increase of \$2,356,603. There was an increase in capital assets of \$1,937,578 within governmental activities. While within business-type activities capital assets increased by \$419,025.

The following table provides a breakdown of capital assets of the City at June 30, 2015 and 2016. Additional information on the City's capital assets can be found in Note 6 on pages 69-70.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Land	\$ 7,163,628	\$ 7,331,305	\$ 347,468	\$ 455,060	\$ 7,511,096	\$ 7,786,365
Land Improvements	664,757	1,046,843	-	28,579	664,757	1,075,422
Construction In Progress	1,229,466	415,144	31,564	152,730	1,261,030	567,874
Buildings and Improvements	4,609,988	4,514,267	1,533	1,443	4,611,521	4,515,710
Infrastructure	7,224,659	9,406,964	-	-	7,224,659	9,406,964
Furniture, equipment and vehicles	2,161,784	2,277,337	1,160,517	1,032,094	3,322,301	3,309,431
Sewer lines and equipment	-	-	8,408,477	7,962,453	8,408,477	7,962,453
Water lines and equipment	-	-	8,735,899	9,472,124	8,735,899	9,472,124
Total	\$23,054,282	\$ 24,991,860	\$ 18,685,458	\$ 19,104,483	\$ 41,739,740	\$44,096,343

Major additions to capital assets during the fiscal year included the following:

- The City installed a new water main on Main Street in the amount of \$892,105.
- The City completed 1.87 miles of double chip seal of residential roadways in the Toltec area in the amount of \$232,852.
- The City installed a new water main and completed reconstruction of 11th Street in the amount of \$704,465.
- The City purchased three police vehicles and associated equipment in the amount of \$196,473.
- The City completed new tennis and basketball courts at Shumway Park in the amount of \$236,777.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Long-term Debt

The City's outstanding long-term debt, including compensated absences, bonds, loans, landfill costs, and pension liability, was \$26,955,162 at June 30, 2016. Of this total, \$11,742,688 was in governmental activities, while business-type activities were \$15,212,474. All outstanding debt is secured by pledges of specific revenue sources of the City. Additional information on the City's long-term debt can be found in Notes 7-9 on pages 71-75.

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2015 and 2016.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Loans Payable	\$ 2,786,211	\$ 2,568,293	\$ 8,660,501	\$ 9,181,503	\$11,446,712	\$ 11,749,796
Revenue Bonds	-	-	545,411	520,875	545,411	520,875
Compensated Absences	654,022	666,924	56,683	53,079	710,705	720,003
Landfill Closure and Post-Closure Costs Payable	-	-	4,004,446	4,063,461	4,004,446	4,063,461
Net Pension Liability	7,699,424	8,507,471	1,271,897	1,393,556	8,971,321	9,901,027
	<u>\$11,139,657</u>	<u>\$11,742,688</u>	<u>\$14,538,938</u>	<u>\$15,212,474</u>	<u>\$25,678,595</u>	<u>\$ 26,955,162</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

City officials considered several factors during the process of developing the budget for FY 2016-2017. When developing the FY 2016-2017 budget staff considered four primary factors in the development of the budget. Those factors were a stagnant revenue base, the increasing cost to conduct business, aging water and sewer infrastructure, and the deteriorating state of roadways. Also, considered in the development of the budget was the local economy. The adopted FY 2016-2017 budget expects general fund revenues to increase by \$648,960 before record fund balance. The primary cause of this increase is City Sales Taxes which should increase by \$338,500 over the prior fiscal year. This increase to City Sales Taxes is based on historical data collection along with current construction projects which are anticipated to continue during the fiscal year. The overall budget for FY 2016-2017 is expected to decrease by \$2,184,180 over FY 2015-2016. The primary reasons for this decrease are less special revenue projects occurring during the fiscal year. The City's population should remain stable in the upcoming year. The unemployment rate in Eloy should remain stable at 10.2%, which is above the national average of 4.9% and Pinal County rate of 6.3%. These indicators were considered when adopting the budget for FY 2016-2017.

**CITY OF ELOY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the City of Eloy, Arizona's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be directed to the Finance Department, City of Eloy, 624 North Main Street, Eloy, AZ 85131.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF ELOY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 21,626,084	\$ 2,952,156	\$ 24,578,240
Other Receivables	15,098		15,098
Property Taxes Receivable	44,447		44,447
Due from Governmental Entities	1,062,735		1,062,735
Accounts Receivable (Net of Allowance)		648,946	648,946
Loan Proceeds Receivable		222,144	222,144
Inventory		94,768	94,768
Internal Balances	194,051	(194,051)	
Total current assets	<u>22,942,415</u>	<u>3,723,963</u>	<u>26,666,378</u>
Noncurrent assets:			
Restricted Cash and Investments	85,120	718,370	803,490
Capital Assets, Non-Depreciable	7,746,449	607,790	8,354,239
Capital Assets, Depreciable (Net)	17,245,411	18,496,693	35,742,104
Total noncurrent assets	<u>25,076,980</u>	<u>19,822,853</u>	<u>44,899,833</u>
Total assets	<u>48,019,395</u>	<u>23,546,816</u>	<u>71,566,211</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan Items	<u>1,996,395</u>	<u>130,553</u>	<u>2,126,948</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	942,317	97,621	1,039,938
Accrued Salaries and Wages Payable	510,596	29,603	540,199
Unearned revenue	7,074		7,074
Customer Deposits		166,846	166,846
Bonds Payable		25,664	25,664
Loans Payable	223,712	646,298	870,010
Compensated Absences	66,692	5,308	72,000
Interest Payable		97,842	97,842
Other Current Liabilities	117,635	350	117,985
Total current liabilities	<u>1,868,026</u>	<u>1,069,532</u>	<u>2,937,558</u>
Noncurrent liabilities:			
Noncurrent Portion of Long-Term Obligations	<u>11,452,284</u>	<u>14,535,201</u>	<u>25,987,485</u>
Total noncurrent liabilities	<u>11,452,284</u>	<u>14,535,201</u>	<u>25,987,485</u>
Total liabilities	<u>13,320,310</u>	<u>15,604,733</u>	<u>28,925,043</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Plan Items	<u>716,050</u>	<u>110,210</u>	<u>826,260</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	22,423,567	9,402,108	31,825,675
Restricted for:			
Debt Service		718,370	718,370
Highways and Streets	2,354,567		2,354,567
Grants	146,919		146,919
Capital Projects	1,995,424		1,995,424
Other Purposes	248,109		248,109
Unrestricted	8,810,844	(2,158,052)	6,652,792
Total net position	<u>\$ 35,979,430</u>	<u>\$ 7,962,426</u>	<u>\$ 43,941,856</u>

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

**CITY OF ELOY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General Government	\$ 2,990,284	\$ 947,386	\$	\$	\$ (2,042,898)
Public Safety	4,064,775	29,560	200,657	251,815	(3,582,743)
Public Works	2,601,939	163,363	1,931,798	381,909	(124,869)
Community Development	1,282,378	511,015		541,956	(229,407)
Health and Welfare	155,982				(155,982)
Culture and Recreation	1,465,764	43,348	42,861	91,719	(1,287,836)
Interest on Long Term Debt	79,352				(79,352)
Total governmental activities	<u>12,640,474</u>	<u>1,694,672</u>	<u>2,175,316</u>	<u>1,267,399</u>	<u>(7,503,087)</u>
Business-type activities:					
Water	2,179,624	2,450,421			
Sewer	1,288,523	1,304,684			
Sanitation	1,431,302	1,276,404			
Total business-type activities	<u>4,899,449</u>	<u>5,031,509</u>			
Total primary government	<u>\$ 17,539,923</u>	<u>\$ 6,726,181</u>	<u>\$ 2,175,316</u>	<u>\$ 1,267,399</u>	<u>(7,503,087)</u>

General revenues:

Taxes:

Sales Taxes	5,561,071
Propert Taxes Levied for General Purposes	1,000,499
Franchise Taxes	145,408
County Auto Lieu Tax	900,658
Unrestricted State Revenues	3,574,045
Investment Income	157,229
Other Revenues	66,815

Transfers

Total general revenues and transfers	<u>11,366,398</u>
---	-------------------

Changes in net position

3,863,311

Net position, beginning of year

32,116,119

Net position, end of year

\$ 35,979,430

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

Net (Expense) Revenue and
Changes in Net Position

Business-type Activities	Totals																						
\$	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;"></td><td style="width: 85%; text-align: right;">(2,042,898)</td></tr> <tr><td></td><td style="text-align: right;">(3,582,743)</td></tr> <tr><td></td><td style="text-align: right;">(124,869)</td></tr> <tr><td></td><td style="text-align: right;">(229,407)</td></tr> <tr><td></td><td style="text-align: right;">(155,982)</td></tr> <tr><td></td><td style="text-align: right;">(1,287,836)</td></tr> <tr><td></td><td style="text-align: right;">(79,352)</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">(7,503,087)</td></tr> </table>		(2,042,898)		(3,582,743)		(124,869)		(229,407)		(155,982)		(1,287,836)		(79,352)		(7,503,087)						
	(2,042,898)																						
	(3,582,743)																						
	(124,869)																						
	(229,407)																						
	(155,982)																						
	(1,287,836)																						
	(79,352)																						
	(7,503,087)																						
	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;"></td><td style="width: 85%; text-align: right;">270,797</td></tr> <tr><td></td><td style="text-align: right;">16,161</td></tr> <tr><td></td><td style="text-align: right;">(154,898)</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">132,060</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">132,060</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">(7,371,027)</td></tr> </table>		270,797		16,161		(154,898)		132,060		132,060		(7,371,027)										
	270,797																						
	16,161																						
	(154,898)																						
	132,060																						
	132,060																						
	(7,371,027)																						
	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;"></td><td style="width: 85%; text-align: right;">5,561,071</td></tr> <tr><td></td><td style="text-align: right;">1,000,499</td></tr> <tr><td></td><td style="text-align: right;">145,408</td></tr> <tr><td></td><td style="text-align: right;">900,658</td></tr> <tr><td></td><td style="text-align: right;">3,574,045</td></tr> <tr><td></td><td style="text-align: right;">2,365</td></tr> <tr><td></td><td style="text-align: right;">159,594</td></tr> <tr><td></td><td style="text-align: right;">66,815</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">39,327</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">41,692</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">11,408,090</td></tr> </table>		5,561,071		1,000,499		145,408		900,658		3,574,045		2,365		159,594		66,815		39,327		41,692		11,408,090
	5,561,071																						
	1,000,499																						
	145,408																						
	900,658																						
	3,574,045																						
	2,365																						
	159,594																						
	66,815																						
	39,327																						
	41,692																						
	11,408,090																						
	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;"></td><td style="width: 85%; text-align: right;">173,752</td></tr> <tr><td></td><td style="text-align: right;">4,037,063</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">7,788,674</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">39,904,793</td></tr> </table>		173,752		4,037,063		7,788,674		39,904,793														
	173,752																						
	4,037,063																						
	7,788,674																						
	39,904,793																						
\$	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;"></td><td style="width: 85%; text-align: right;">7,962,426</td></tr> <tr><td></td><td style="text-align: right;">\$ 43,941,856</td></tr> </table>		7,962,426		\$ 43,941,856																		
	7,962,426																						
	\$ 43,941,856																						

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FUND FINANCIAL STATEMENTS

CITY OF ELOY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Highway User Revenue Fund	Non-Major Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 14,613,913	\$ 2,743,864	\$ 4,268,307
Restricted Cash and Investments	85,120		
Other Receivables	9,673		5,425
Property Taxes Receivable	44,447		
Due from Governmental Entities	437,705	179,734	445,296
Due from Other Funds	465,210		
Total assets	\$ 15,656,068	\$ 2,923,598	\$ 4,719,028
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 329,672	\$ 476,860	\$ 135,785
Accrued Salaries and Wages Payable	486,456	21,585	2,555
Unearned revenue			7,074
Due to Other Funds			271,159
Other Current Liabilities	114,052		3,583
Total liabilities	930,180	498,445	420,156
Deferred inflows of resources:			
Unavailable Revenue - Property Taxes	33,460		
Fund balances:			
Restricted		2,354,567	2,390,452
Committed		70,586	665,010
Assigned			1,243,410
Unassigned	14,692,428		
Total fund balances	14,692,428	2,425,153	4,298,872
 Total liabilities, deferred inflows of resources and fund balances	\$ 15,656,068	\$ 2,923,598	\$ 4,719,028

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

Total
Governmental
Funds

\$ 21,626,084
85,120
15,098
44,447
1,062,735
465,210

\$ 23,298,694

\$ 942,317
510,596
7,074
271,159
117,635

1,848,781

33,460

4,745,019
735,596
1,243,410
14,692,428

21,416,453

\$ 23,298,694

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CITY OF ELOY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total governmental fund balances	\$	21,416,453
<p>Amounts reported for <i>governmental activities</i> 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	\$ 34,362,340	
Less accumulated depreciation	<u>(9,370,480)</u>	24,991,860
<p>Some property tax receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
		33,460
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	1,996,395	
Deferred inflows of resources related to pensions	<u>(716,050)</u>	1,280,345
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences payable	(666,924)	
Loans payable	(2,568,293)	
Net pension liability	<u>(8,507,471)</u>	<u>(11,742,688)</u>
Net position of governmental activities	\$	<u>35,979,430</u>

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

CITY OF ELOY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Highway User Revenue Fund</u>	<u>Non-Major Governmental Funds</u>
Revenues:			
Sales Taxes	\$ 5,342,377	\$	\$ 218,694
Property Taxes	996,016		
Franchise Taxes	145,408		
Licenses, Permits, and Fees	439,952		
Intergovernmental Revenue	4,559,203	1,936,697	1,272,655
Charges for Services	737,512		244,635
Fines and Forfeitures	241,462		
Investment Income	145,877	7,298	4,054
Impact Fees			179,974
Other Revenues	51,850		14,965
Total revenues	<u>12,659,657</u>	<u>1,943,995</u>	<u>1,934,977</u>
Expenditures:			
Current -			
General Government	2,617,592		164,190
Public Safety	3,526,848		280,092
Public Works	765,995	1,249,971	
Community Development	602,075		681,986
Health and Welfare			34,957
Culture and Recreation	1,455,310		23,773
Capital Outlay	426,893	1,533,401	1,093,869
Debt service -			
Principal Retirement	150,008		67,910
Interest and Fiscal Charges	69,971		9,381
Total expenditures	<u>9,614,692</u>	<u>2,783,372</u>	<u>2,356,158</u>
Excess (deficiency) of revenues over expenditures	<u>3,044,965</u>	<u>(839,377)</u>	<u>(421,181)</u>
Other financing sources (uses):			
Transfers In		839,376	797,911
Transfers Out	(1,637,287)		(39,327)
Total other financing sources (uses):	<u>(1,637,287)</u>	<u>839,376</u>	<u>758,584</u>
Changes in fund balances	<u>1,407,678</u>	<u>(1)</u>	<u>337,403</u>
Fund balances, beginning of year	13,284,750	2,425,154	3,961,469
Fund balances, end of year	<u>\$ 14,692,428</u>	<u>\$ 2,425,153</u>	<u>\$ 4,298,872</u>

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

Total
Governmental
Funds

\$ 5,561,071
996,016
145,408
439,952
7,768,555
982,147
241,462
157,229
179,974
66,815

16,538,629

2,781,782
3,806,940
2,015,966
1,284,061
34,957
1,479,083
3,054,163

217,918
79,352

14,754,222

1,784,407

1,637,287
(1,676,614)
(39,327)

1,745,080

19,671,373

\$ 21,416,453

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CITY OF ELOY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Changes in fund balances - total governmental funds **\$ 1,745,080**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 2,951,801	
Less current year depreciation	<u>(1,014,223)</u>	1,937,578

Property taxes in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		4,483
--	--	-------

Repayments of loan principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		217,918
--	--	---------

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	718,591	
Pension expense	<u>(747,437)</u>	(28,846)

Expenses for compensated absences 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.		<u>(12,902)</u>
---	--	-----------------

Changes in net position in governmental activities **\$ 3,863,311**

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

**CITY OF ELOY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

	Enterprise Funds		
	Water	Sewer	Sanitation
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 1,580,005	\$	\$ 1,372,151
Accounts Receivable (Net of Allowance)	406,413	145,704	96,829
Loan Proceeds Receivable	98,575	123,569	
Inventory	94,768		
Total current assets	<u>2,179,761</u>	<u>269,273</u>	<u>1,468,980</u>
Noncurrent assets:			
Restricted Cash and Investments	86,647	631,723	
Capital Assets, Non-Depreciable	97,827	509,963	
Capital Assets, Depreciable (Net)	9,604,682	8,390,504	501,507
Total noncurrent assets	<u>9,789,156</u>	<u>9,532,190</u>	<u>501,507</u>
Total assets	<u>11,968,917</u>	<u>9,801,463</u>	<u>1,970,487</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Plan Items	<u>97,692</u>	<u>17,888</u>	<u>14,973</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	55,524	22,797	19,300
Accrued Salaries and Wages Payable	21,484	3,932	4,187
Customer Deposits	147,706	7,980	11,160
Due to Other Funds		194,051	
Bonds Payable	25,664		
Loans Payable	271,332	374,966	
Compensated Absences	4,670		638
Interest Payable	39,240	58,602	
Other Current Liabilities	350		
Total current liabilities	<u>565,970</u>	<u>662,328</u>	<u>35,285</u>
Noncurrent liabilities:			
Compensated Absences	42,029		5,742
Landfill Closure and Post Closure Costs			4,063,461
Bonds Payable	495,211		
Loans Payable	2,831,383	5,703,819	
Net Pension Liability	762,267	126,948	504,341
Total noncurrent liabilities	<u>4,130,890</u>	<u>5,830,767</u>	<u>4,573,544</u>
Total liabilities	<u>4,696,860</u>	<u>6,493,095</u>	<u>4,608,829</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Plan Items	<u>84,278</u>	<u>12,966</u>	<u>12,966</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	6,078,919	2,821,682	501,507
Restricted for:			
Debt Service	86,647	631,723	
Unrestricted	1,119,905	(140,115)	(3,137,842)
Total net position	<u>\$ 7,285,471</u>	<u>\$ 3,313,290</u>	<u>\$ (2,636,335)</u>

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

Enterprise Funds

Totals

\$ 2,952,156
648,946
222,144
94,768
3,918,014

718,370
607,790
18,496,693
19,822,853
23,740,867

130,553

97,621
29,603
166,846
194,051
25,664
646,298
5,308
97,842
350
1,263,583

47,771
4,063,461
495,211
8,535,202
1,393,556
14,535,201
15,798,784

110,210

9,402,108

718,370
(2,158,052)
\$ 7,962,426

CITY OF ELOY, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds		
	Water	Sewer	Sanitation
Operating revenues:			
Charges for Services	\$ 2,442,997	\$ 1,300,696	\$ 1,275,963
Rent and Other Revenues			441
Total operating revenues	<u>2,442,997</u>	<u>1,300,696</u>	<u>1,276,404</u>
Operating expenses:			
Salaries	470,711	140,197	82,049
Employee Benefits	195,079	51,968	41,308
Service, Supplies and Other	1,034,630	418,667	1,160,791
Landfill Closure and Post Closure Expense			59,015
Depreciation	400,172	520,866	88,139
Total operating expenses	<u>2,100,592</u>	<u>1,131,698</u>	<u>1,431,302</u>
Operating income (loss)	<u>342,405</u>	<u>168,998</u>	<u>(154,898)</u>
Nonoperating revenues (expenses):			
Investment Income	671	1,694	
Impact Fees	7,424	3,988	
Interest Expense and Fiscal Charges	(79,032)	(156,825)	
Total nonoperating revenues (expenses)	<u>(70,937)</u>	<u>(151,143)</u>	
Income (loss) before transfers	<u>271,468</u>	<u>17,855</u>	<u>(154,898)</u>
Transfers In	<u>11,542</u>	<u>27,785</u>	
Changes in net position	<u>283,010</u>	<u>45,640</u>	<u>(154,898)</u>
Total net position, beginning of year	7,002,461	3,267,650	(2,481,437)
Total net position, end of year	<u>\$ 7,285,471</u>	<u>\$ 3,313,290</u>	<u>\$ (2,636,335)</u>

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

Enterprise Funds

Totals
\$ 5,019,656
441
5,020,097

692,957
288,355
2,614,088
59,015
1,009,177
4,663,592
356,505

2,365
11,412
(235,857)
(222,080)

134,425

39,327

173,752

7,788,674

\$ 7,962,426

**CITY OF ELOY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from Customers, Service Fees	\$ 2,481,053	\$ 1,305,409	\$ 1,292,374	\$ 5,078,836
Cash received from Customers, Other			441	441
Cash paid to Suppliers	(1,312,029)	(459,177)	(1,191,698)	(2,962,904)
Cash paid to Employees	(472,919)	(146,368)	(91,916)	(711,203)
Net cash provided by operating activities	696,105	699,864	9,201	1,405,170
Cash flows from non-capital financing activities:				
Interfund borrowing		(55,592)		(55,592)
Transfers in	11,542	27,785		39,327
Net cash provided by (used for) non-capital financing activities	11,542	(27,807)		(16,265)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,191,339)	(207,881)	(28,982)	(1,428,202)
Loan proceeds	1,019,814	133,658		1,153,472
Decrease in loan receivable	91,461	(74,292)		17,169
Principal paid on debt	(289,788)	(367,221)		(657,009)
Interest paid on debt	(80,999)	(160,739)		(241,738)
Impact Fees	7,424	3,988		11,412
Net cash used for capital and related financing activities	(443,427)	(672,487)	(28,982)	(1,144,896)
Cash flows from investing activities:				
Investment income	671	1,694		2,365
Net cash provided by investing activities	671	1,694		2,365
Net increase (decrease) in cash and cash equivalents	264,891	1,264	(19,781)	246,374
Cash and cash equivalents, beginning of year	1,401,761	630,459	1,391,932	3,424,152
Cash and cash equivalents, end of year	\$ 1,666,652	\$ 631,723	\$ 1,372,151	\$ 3,670,526
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>				
Cash and cash equivalents	\$ 1,580,005	\$ 631,723	\$ 1,372,151	\$ 2,952,156
Restricted cash and investments	86,647			718,370
Total cash and cash equivalents	\$ 1,666,652	\$ 631,723	\$ 1,372,151	\$ 3,670,526
<u>Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities</u>				
Operating income (loss)	\$ 342,405	\$ 168,998	\$ (154,898)	\$ 356,505
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	400,172	520,866	88,139	1,009,177
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	36,306	(3,267)	5,251	38,290
Decrease in inventory	11,871			11,871
Decrease in compensated absences payable	(100)		(3,504)	(3,604)
Increase in deposits held for others	1,750	7,980	11,160	20,890
Increase (decrease) in accrued payroll and employee benefits	3,824	(2,400)	(5,507)	(4,083)
Increase (decrease) in accounts payable	(94,191)	11,458	10,401	(72,332)
Increase in landfill closure and post closure payable			59,015	59,015
Decrease in pension items	(5,932)	(3,771)	(856)	(10,559)
Total adjustments	353,700	530,866	164,099	1,048,665
Net cash provided by operating activities	\$ 696,105	\$ 699,864	\$ 9,201	\$ 1,405,170

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Eloy, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also enhances accountability and transparency through revised note disclosures.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the City for financial statement presentation purposes, and the City, are not included in any other governmental reporting entity. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

Blended Component Unit – Eloy Municipal Property Corporation (MPC). The MPC Board of Directors consists of six members which are appointed by the City of Eloy, Arizona, City Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. For financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the City's operations.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted state aid, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. The City does not present funds that do not have activity.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements – 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.

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Unearned revenue arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Highway User Revenue (HURF) Fund – This fund accounts for state and county shared revenue sources that are legally restricted for road construction and maintenance.

The City reports the following major proprietary funds.

Water Fund – This fund is used to account for the activities related to the City's water storage and distribution system.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sewer Fund – This fund is used to account for the activities related to the City’s sewer collection and treatment operations.

Sanitation Fund – This fund is used to account for the activities related to the City’s garbage collection and treatment operations.

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column.

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 City’s enterprise fund are charges to customers for water, sewer and sanitation. Operating expenses for these funds include the cost of sales and services and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash on hand, restricted and unrestricted cash in bank and investments.

E. Inventory

Water Fund inventories consist of supplies and fixtures used in the Water Department’s operations and are valued using the first in/first out (FIFO) method. Inventories are recorded as expenses when consumed in the government-wide and fund financial statements.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer’s Office. The purpose of the pooled collateral program is to ensure that governmental entities’ public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository’s compliance with the program.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

F. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables, including and property tax receivables, are shown net of an allowance for uncollectibles.

H. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal property taxes are levied on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, sewer plant, water mains and lines, sewer collection system, vehicles, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 2003.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Certain capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Land Improvements	5-50
Furniture, Equipment, and Vehicles	5-20
Infrastructure	10-50
Water and Sewer System	50

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to liabilities, the statement of financial position may 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 and so will not be recognized as an inflow of resources (revenue) until that time.

K. Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are 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. Generally, resources from the General Fund are used to pay for compensated absences.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Debt premiums and discounts, are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

O. Net Position Flow Assumption

In the government-wide and proprietary fund financial statements the City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

P. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Restricted fund balance is reported when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Committed. Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the City Council. A resolution or ordinance are equally binding actions of the City Council which is required to establish, modify or rescind a fund balance commitment.

Assigned. Assigned fund balance is constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City’s budget policy.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The table below provides detail of the major components of the City’s fund balance classifications at year end.

	General Fund	Highway User Revenue Fund	Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Restricted:			
Highways and Streets	\$	\$ 2,354,567	\$
Grants			146,919
Capital Projects			1,995,424
Court Equipment			126,524
Cemetery			121,585
Committed:			
Highways and Streets		70,586	292,104
Airport			270,215
Cemetery			72,689
Community Development			30,002
Assigned:			
Capital Projects			1,243,410
Unassigned	14,692,428		
Total Fund Balances	<u>\$ 14,692,428</u>	<u>\$ 2,425,153</u>	<u>\$ 4,298,872</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 – 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 public comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. 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 September 8, 2014.
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 Manager subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds 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 Cities and Towns. 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.

No supplementary budgetary appropriations were made during the year.

Individual Deficit Net Position – At year end, the Sanitation Fund, a major fund, reported a deficit of \$2,636,800 in net position.

The deficit arose because of the City's operation of the landfill and the associated closure and post-closure costs associated with landfill. Additional revenues received in future fiscal years due to user rate increases are expected to help reduce the deficit.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City’s deposits was \$15,065,588 and the bank balance was \$15,510,055. At year the City’s deposits were entirely covered by collateral held by the pledging financial institution in the City’s name. Additionally, the City had cash on hand of \$1,200.

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. Participants in the pools are not required to categorize the value of shares in accordance with the fair value hierarchy.

All investments in which the fair value hierarchy is applicable are measured at fair value on a recurring basis. At year end, the City’s investments consisted of the following:

Investment Type	Category	Fair Value	Investment Maturities (in Years)	
			Less than 1	1-5
U.S. Treasuries	Level 2	\$ 3,768,520	\$	\$ 3,768,520
U.S. Agencies	Level 2	6,320,709	2,401,109	3,919,600
Cash	Not Applicable	26,868	26,868	
			<u>\$ 2,427,977</u>	<u>\$ 7,688,120</u>
State Treasurer’s investment pool 5	Not Applicable	32,562	22 days average maturities	
State Treasurer’s investment pool 7	Not Applicable	167,483	73 days average maturities	
Total		<u>\$ 10,316,142</u>		

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CASH AND INVESTMENTS

Interest Rate Risk. The City has implemented an investment policy that will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will decline due to increases in market interest rates by the following:

1. Investing funds primarily in shorter-term securities or similar investment pools and limiting the weighted average duration of the investment portfolio; and
2. Utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

Credit Risk. The City has implemented an investment policy that will minimize credit risk, which is the risk of loss due to the insolvency of the security issuer or underlying borrower by the following:

1. Limiting investments in the portfolio to the asset classes designated as acceptable in A.R.S. §35-323;
2. Diversifying the investment portfolio so that the impact of potential losses from any one individual issuer held in the portfolio will be limited;
3. Utilizing external research and advice regarding the current global economic condition and its impact on the outlook for domestic corporate credit quality.

As of year-end, the City's investment in the State's investment pool 5 received a credit quality rating of AA Af/S1+ from Standard & Poor's and the State's investment pool 7 had a weighted average rating of AAA at year end as it was invested in obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

Custodial Credit Risk – Investments. The City's investment in the State Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the City’s individual major funds and non-major governmental funds in the aggregate were as follows:

	General Fund	Highway User Revenue Fund	Non-Major Governmental Funds
Due from Other Governmental Entities:			
Due from federal government	\$	\$	\$ 269,685
Due from state government	397,917	108,310	50,004
Due from county government	39,788	71,424	125,607
Net Due from Governmental Entities	<u>\$ 437,705</u>	<u>\$ 179,734</u>	<u>\$ 445,296</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows:

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, not being Depreciated:				
Land	\$ 7,163,628	\$ 167,677	\$	\$ 7,331,305
Construction in Progress	1,229,466	334,118	1,148,440	415,144
Total Capital Assets, not being Depreciated	<u>8,393,094</u>	<u>501,795</u>	<u>1,148,440</u>	<u>7,746,449</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	7,280,696	109,631		7,390,327
Furniture, Equipment and Vehicles	6,254,667	511,108	380,905	6,384,870
Land Improvements	718,916	413,887		1,132,803
Infrastructure	9,144,071	2,563,820		11,707,891
Total Capital Assets being Depreciated	<u>23,398,350</u>	<u>3,598,446</u>	<u>380,905</u>	<u>26,615,891</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,670,708)	(205,352)		(2,876,060)
Furniture, Equipment and Vehicles	(4,092,883)	(395,555)	(380,905)	(4,107,533)
Land Improvements	(54,159)	(31,801)		(85,960)
Infrastructure	(1,919,412)	(381,515)		(2,300,927)
Total Accumulated Depreciation	<u>(8,737,162)</u>	<u>(1,014,223)</u>	<u>(380,905)</u>	<u>(9,370,480)</u>
Total Capital Assets, being depreciated, net	<u>14,661,188</u>	<u>2,584,223</u>		<u>17,245,411</u>
Governmental Activities Capital Assets, net	<u>\$ 23,054,282</u>	<u>\$ 3,086,018</u>	<u>\$ 1,148,440</u>	<u>\$ 24,991,860</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 108,529
Public Safety	193,345
Public Works	591,324
Health and Welfare	121,025
Total Depreciation Expense	\$ 1,014,223

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, not being Depreciated:				
Land and Water Rights	\$ 347,468	\$ 107,592	\$	\$ 455,060
Construction in Progress	31,564	121,166		152,730
Total	379,032	228,758		607,790
Capital Assets, being Depreciated:				
Water System	14,044,701	1,123,311		15,168,012
Sewer System	14,734,923	27,212		14,762,135
Land improvements		28,982		28,982
Buildings and Improvements	32,704			32,704
Furniture, Equipment and Vehicles	3,099,079	19,939	100,648	3,018,370
Total Capital Assets being Depreciated	31,911,407	1,199,444	100,648	33,010,203
Less Accumulated Depreciation for:				
Water System	(5,308,802)	(387,086)		(5,695,888)
Sewer System	(6,326,446)	(473,236)		(6,799,682)
Land improvements		(403)		(403)
Buildings and Improvements	(31,171)	(90)		(31,261)
Furniture, Equipment and Vehicles	(1,938,562)	(148,362)	(100,648)	(1,986,276)
Total Accumulated Depreciation	(13,604,981)	(1,009,177)	(100,648)	(14,513,510)
Total Capital Assets, being Depreciated, net	18,306,426	190,267		18,496,693
Business-Type Activities Capital Assets, net	\$ 18,685,458	\$ 419,025	\$	\$ 19,104,483

Depreciation expense was charged to business-type activities as follows:

Water	\$ 400,171
Sewer	520,866
Sanitation	88,140
Total Depreciation Expense	\$ 1,009,177

Construction Commitments – At year end, the City had contractual commitments related to a capital project for the construction of infrastructure improvements. At year end, the City had spent \$567,874 on the projects and had an estimated remaining contractual commitment of \$3.5 million.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT

At year end, the City had outstanding revenue bonds and loans from the Water Infrastructure Finance Authority of Arizona. These balances are being repaid from Business-Type Activities revenues.

Bonds Payable - Business-Type Activities:

Water Revenue Bonds, Series 1997A, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	\$ 207,045
Water Revenue Bonds, Series 1997B, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	<u>313,830</u>
Total Revenue Bonds Payable	520,875
Less Current Portion	<u>25,664</u>
Total revenue bonds, net of current portion	<u>\$ 495,211</u>

Principal and interest payments on the business-type activities bonds payable at year end are summarized as follows:

Year Ending June 30:	Business-Type Activities	
	Principal	Interest
2017	\$ 25,664	\$ 23,439
2018	26,843	22,284
2019	28,076	21,076
2020	29,365	19,814
2021	30,714	18,492
2022-26	176,082	70,412
2027-31	204,131	26,982
Total	\$ 520,875	\$ 202,499

Pledged Revenues – Business-Type Activities. The City has pledged future water and sewer revenues to repay the outstanding Water Revenue Bonds loans of \$794,709. Proceeds from the original bond issuances provided financing for improvements to the City’s water and sewer systems infrastructure. The bonds are paid solely from water and sewer revenues and are payable through 2031. The total principal and interest to be paid on the bonds is \$723,374. The current total customer gross revenues were \$3.7 million and the total principal and interest paid on the bonds was \$49,080, or one percent of gross revenues.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT

Loans Payable - Business-Type Activities:

Water Infrastructure Finance Authority (WIFA) Loan 910103-09, bearing interest at 2.312% to 3.24% due in semiannual principal and interest installments, maturing July 1, 2021.	\$ 4,959,985
Water Infrastructure Finance Authority (WIFA) Loan 92A150-10, bearing interest at 2.933% due in semiannual principal and interest installments, maturing on July 1, 2029.	374,498
Water Infrastructure Finance Authority (WIFA) Loan 920216-12, bearing interest at 2.625% due in semiannual principal and interest installments maturing July 1, 2031.	1,678,354
Water Infrastructure Finance Authority (WIFA) Loan 910164-15 bearing interest at 2.168% due in semiannual principal and interest installments maturing at July 1, 2034. \$950,000 has been authorized by WIFA with a \$475,000 forgivable portion; however, at June 30, 2016, the City had only drawn down \$182,935. The City expects to draw down the remaining balance during fiscal years 2017 and 2018.	163,710
Water Infrastructure Finance Authority (WIFA) Loan 920256-15 bearing interest at 2.033% due in semiannual principal and interest installments maturing at July 1, 2034. \$4,500,000 has been authorized by WIFA with a \$600,000 forgivable portion; however, at June 30, 2016, the City had only drawn down \$1,209,850. The City expects to draw down the remaining balance during fiscal years 2017 and 2018.	1,049,866
United States Department of Agriculture (USDA), bearing interest at 4.125% due in annual principal and interest installments beginning September 1, 2008, maturing September 1, 2045.	<u>955,090</u>
Total Loans Payable	9,181,503
Less Current Portion	<u>646,298</u>
Total Loans Payable, net of Current Portion	<u>\$ 8,535,205</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT

Principal and interest payments on the business-type activities loans payable at year end are summarized as follows:

Year Ending June 30:	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 646,298	\$ 206,173
2018	473,817	194,446
2019	484,460	189,563
2020	495,352	183,753
2021	506,501	169,880
2022-26	2,709,187	645,707
2027-31	2,108,542	264,001
2032-36	302,591	111,511
2037-41	216,358	70,345
2042-45	207,697	21,830
Total	<u>\$ 8,150,803</u>	<u>\$ 2,057,209</u>

Pledged Revenues – Business-Type Activities. The City has pledged future excise, transaction privilege, franchise, and income tax revenues to repay outstanding WIFA loan 910103-09 and 92A150-10 of \$7.5 million. Proceeds from the original loan issuances provided financing for improvements to the City’s water and sewer systems infrastructure. The loans are paid solely from excise, transaction privilege, franchise, and income tax revenues and are payable through 2021 and 2029, respectively. The total principal and interest to be paid on the loans is \$6.3 million. The current total excise, transaction privilege, franchise, and income tax revenues were \$9.3 million and the total principal and interest paid on the loans was \$481,106, or 5.2 percent of gross revenues.

The City has pledged future water revenues to repay WIFA loan 920216-12, 910164-15, and 920256-15 of \$7.5 million. Proceeds from the original loan issuances provided financing for improvements to the City’s water and sewer systems infrastructure. The loans are paid solely from water revenues and are payable through 2034. The total principal and interest to be paid on the loans is \$2.3 million. The current total water customer gross revenues were \$3.7 million and the total principal paid on the loans was \$306,829, or 8.1 percent of gross revenues.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT

The City has pledged future excise, transaction privilege, franchise, and income tax revenues to repay the outstanding USDA loan of \$1.1 million. Proceeds from the original loan issuances provided financing for improvements to the City’s sewer system infrastructure. The loan is paid solely from excise, transaction privilege, franchise, and income tax revenues and is payable through 2045. The total principal and interest to be paid on the loans is \$1.7 million. The current total excise, transaction privilege, franchise, and income tax revenues were \$9.3 million and the total principal and interest paid on the loan was \$56,844, or 0.61 percent of gross revenues.

Loans Payable – Governmental Activities:

Great Western Bank, bearing interest at 0.05%, due in monthly principal and interest installments, maturing October 1, 2022. The interest rate is variable and will be adjusted on September 1, 2017.	\$ 227,824
Great Western Bank, bearing interest at 3.1%, due in monthly principal and interest installments, maturing November 1, 2027.	<u>2,340,469</u>
Total Loans Payable	2,568,293
Less Current Portion	<u>223,712</u>
Total Loans Payable, net of Current Portion	<u>\$ 2,344,581</u>

Principal and interest payments on the governmental activities loans payable at year end are summarized as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2017	\$ 223,712	\$ 73,547
2018	229,476	67,785
2019	235,412	61,848
2020	241,380	55,880
2021	214,250	49,489
2022-26	1,071,297	150,764
2027-28	<u>352,766</u>	<u>11,258</u>
Total	<u>\$ 2,568,293</u>	<u>\$ 470,571</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an addition to long term liabilities on the Statement of Net Position in each period based on the landfill capacity the City used as of fiscal year end. The \$4,063,461 reported as landfill closure and postclosure care liability at year end, represents the cumulative amount reported to date based on prior closure and post closure costs recognized and the use of 57 percent of the estimated additional capacity added to the landfill during the fiscal year. The City will recognize the remaining estimated cost of closure and postclosure care of \$3,111,880 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the current fiscal year. Resources from the Landfill Fund will be used to liquidate the landfill closure and postclosure payable. The estimated remaining life of the landfill site is 30 years.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Loans payable	\$ 2,786,211	\$	\$ 217,918	\$ 2,568,293	\$ 223,712
Compensated absences	654,022	325,049	312,147	666,924	66,692
Net pension liability	<u>7,699,424</u>	<u>808,047</u>	<u></u>	<u>8,507,471</u>	<u></u>
Governmental activity long-term liabilities	<u>\$ 11,139,657</u>	<u>\$ 1,133,096</u>	<u>\$ 530,065</u>	<u>\$ 11,742,688</u>	<u>\$ 290,404</u>
Business-type activities:					
Revenue bonds payable	\$ 545,411	\$	\$ 24,536	520,875	25,664
Loans payable	8,660,501	1,153,472	632,473	9,181,500	646,298
Compensated absences	56,683	32,230	35,834	53,079	5,308
Landfill closure and post-closure costs payable	4,004,446	59,015	<u></u>	4,063,461	<u></u>
Net pension liability	<u>1,271,897</u>	<u>121,659</u>	<u></u>	<u>1,393,556</u>	<u></u>
Business-type activity long-term liabilities	<u>\$ 14,538,938</u>	<u>\$ 1,366,376</u>	<u>692,843</u>	<u>15,212,471</u>	<u>677,270</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows:

Due To/From Other Funds:

	General Fund
Non-Major Governmental Funds	\$ 271,159
Sewer Fund	194,051
Total Due from Other Funds	\$ 465,210

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances. The terms for repayment of the interfund balances will be determined by the City Council and any amounts expected to be repaid within one year have not been determined as of the date of the financial statements.

Interfund Transfers:

	Transfers in				
	Highway User Revenue Fund	Non-Major Governmental Funds	Water Fund	Sewer Fund	Total
General Fund	\$ 839,376	\$ 797,911	\$	\$	\$ 1,637,287
Non-Major Governmental Funds			11,542	27,785	39,327
Total	\$ 839,376	\$ 797,911	\$ 11,542	\$ 27,785	\$ 1,676,614

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 certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Lawsuits – The City is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, City management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

NOTE 12 – 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; injuries to employees; and natural disasters.

The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is \$2.0 million per occurrence on a claims made basis. Excess coverage is for an additional \$8.0 million per occurrence on a follow form, claims made basis. The aggregate limit is also \$2.0 million. The Arizona Municipal Risk Retention Pool is structured such that member 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. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The City is insured by Arizona State Workers Compensation Fund for potential worker related accidents.

The City continues to carry commercial insurance for all other risks of loss to include employee health and life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the pension plans described below. The plans are component units of the State of Arizona.

The City reported \$747,437 of pension expense in the governmental activities and \$58,011 in enterprise funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description. City employees not covered by the other pension plans described after this section participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	*With actuarially reduced benefits	

**CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members’ annual covered payroll. The City’s contributions to the pension plan for the year ended June 30, 2016 were \$399,030.

The City’s contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

		Health Benefit Supplement Fund		Long-Term Disability Fund
Year ending June 30:				
2016	\$	18,388	\$	4,413
2015		22,073		4,489
2014		21,133		8,453

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Liability. At June 30, 2016, the City reported a liability of \$6.3 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City’s proportion was 0.041 percent, which was an increase of 0.002 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2016, the City recognized pension expense for ASRS of \$341,242 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 173,208	\$ 332,612
Net difference between projected and actual earnings on pension plan investments		203,421
Changes in proportion and differences between contributions and proportionate share of contributions	191,397	112,259
Contributions subsequent to the measurement date	399,030	
Total	<u>\$ 763,635</u>	<u>\$ 648,292</u>

The deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2017	\$	(134,060)
2018		(166,879)
2019		(129,593)
2020		146,845

**CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2011. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class of ASRS are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	58%	6.79%
Fixed income	25	3.70
Real estate	10	4.25
Multi-asset	5	3.41
Commodities	2	3.93
Total	100%	

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
City’s proportionate share of the net pension liability	\$8,317,301	\$6,347,429	\$4,997,421

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

B. Public Safety Personnel Retirement System

Plan Descriptions. City public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided. The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

Employees Covered by Benefit Terms. At June 30, 2016, the following employees were covered by the agent pension plan's benefit terms:

	<u>PSPRS – Police</u>
Retirees and beneficiaries	8
Inactive, non-retired members	10
Active members	26
Total	<u>44</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Contributions and Annual OPEB Cost. State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>PSPRS – Police</u>
Active members – pension	11.65%
City:	
Pension	23.40
Health insurance	0.00

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

For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	<u>PSPRS – Police</u>
Pension:	
Contributions made	\$ 388,131
Health insurance premium benefit:	
Annual OPEB cost	- 0 -
Contributions made	- 0 -

Pension Liability. At June 30, 2016, the City reported \$3,553,598 in net pension liability for police. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2015, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

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

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0 - 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	0.75%
Absolute return	5	4.11
Risk parity	4	5.13
Fixed income	7	2.92
Real assets	8	4.77
GTAA	10	4.38
Private equity	11	9.50
Real estate	10	4.48
Credit opportunities	13	7.08
Non-U.S. equity	14	8.25
U.S. equity	16	6.23
Total	<u>100%</u>	

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Discount Rates. The discount rate of 7.85 percent was used to measure the total pension liability.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension PSPRS plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Agent Plans Net Pension Liability

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
PSPRS – Police			
Balances at June 30, 2015	\$ 9,214,306	\$ 6,024,335	\$ 3,189,971
Changes for the year:			
Service cost	333,771		333,771
Interest on the total pension liability	723,594		723,594
Differences between expected and actual experience in the measurement of the pension liability	86,283		86,283
Contributions – employer		284,427	(284,427)
Contributions – employee		290,218	(290,218)
Net investment income		225,871	(225,871)
Benefit payments, including refunds of employee contributions	(326,877)	(326,877)	
Administrative expense		(5,892)	5,892
Other changes		(14,603)	14,603
Net changes	<u>816,771</u>	<u>453,144</u>	<u>363,627</u>
Balances at June 30, 2016	<u>\$ 10,031,077</u>	<u>\$ 6,477,479</u>	<u>\$ 3,553,598</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s net pension liability calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

PSPRS – Police:	<u>1%</u>	<u>Current</u>	<u>1%</u>
Rate	Decrease	Discount	Increase
Net pension liability	6.85%	Rate	8.85%
	\$4,842,120	7.85%	\$2,490,806
		\$3,553,598	

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

Pension Expense. For the year ended June 30, 2016, the City recognized \$464,206 as pension expense.

Pension Deferred Outflows/Inflows of Resources. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS – Police	<u>Deferred</u>	<u>Deferred</u>
	Outflows of	Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ 156,223	\$
Changes of assumptions or other inputs	614,191	
Net difference between projected and actual earnings on pension plan investments	204,768	177,968
Contributions subsequent to the measurement date	388,131	
Total	<u>\$ 1,363,313</u>	<u>\$ 177,968</u>

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
	2017	\$ 158,084
	2018	158,084
	2019	158,082
	2020	217,406
	2021	100,629
	Thereafter	4,929

Agent Plan OPEB Trend Information. The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS – Police:			
June 30, 2016	\$ - 0 -	100%	\$ - 0 -
June 30, 2015	17,731	100%	- 0 -
June 30, 2014	17,179	100%	- 0 -

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

CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Projections of benefits are based on (1) the plan as understood by the City and plan’s members and include the types of benefits inforce at the valuation date, and (2) the pattern of sharing benefit costs between the City and plan’s members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay closed
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4%-8% 4%

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2015, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay closed
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for funding excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4%-8% 4%

**CITY OF ELOY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2015.

	<u>PSPRS – Police</u>
Actuarial value of assets	\$ 321,427
Actuarial accrued liability	203,892
Funding excess	117,535
Funded ratio	157.65%
Annual covered payroll	1,738,237
Funding excess as a percentage of covered payroll	6.8%

The schedule of funding progress for the health insurance premium benefit plan is disclosed immediately following the notes to the financial statements and includes multi-year trend information.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts	Actual	Variance with Final Budget
	Original & Final		Positive (Negative)
Revenues:			
Sales Taxes	\$ 4,725,000	\$ 5,342,377	\$ 617,377
Property Taxes	1,012,475	996,016	(16,459)
Franchise Taxes	143,375	145,408	2,033
Licenses, Permits, and Fees	286,500	439,952	153,452
Intergovernmental Revenue	4,493,645	4,559,203	65,558
Charges for Services	620,650	737,512	116,862
Fines and Forfeitures	232,500	241,462	8,962
Investment income	65,000	145,877	80,877
Other Revenues	32,050	51,850	19,800
Total revenues	11,611,195	12,659,657	1,048,462
Expenditures:			
Current -			
General Government			
Mayor and Council	188,465	172,137	16,328
City Clerk	387,695	340,157	47,538
Magistrate	385,225	362,216	23,009
City Manager	555,280	540,400	14,880
Finance	587,975	542,678	45,297
Legal and Professional	134,845	132,833	2,012
Contingency	550,000	527,171	22,829
Total General Government	2,789,485	2,617,592	171,893
Public Safety			
Law Enforcement	3,929,735	3,526,848	402,887
Total Public Safety	3,929,735	3,526,848	402,887
Public Works			
Vehicle Maintenance	256,650	227,950	28,700
Facilities Maintenance	279,825	254,551	25,274
Public Works Administration	196,470	184,790	11,680
G.I.S	102,670	98,704	3,966
Total Public Works	835,615	765,995	69,620
Community Development			
Community Development	638,355	602,075	36,280
Total Community Development	638,355	602,075	36,280

(Continued)

See accompanying notes to this schedule.

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	Positive (Negative)
Culture and Recreation			
Park Maintenance	372,020	321,508	50,512
Parks and Recreation	523,475	486,077	37,398
Library	297,620	285,771	11,849
Recreation	362,195	361,954	241
Total Culture and Recreation	<u>1,555,310</u>	<u>1,455,310</u>	<u>100,000</u>
Capital Outlay	<u>772,390</u>	<u>426,893</u>	<u>345,497</u>
Total Capital Outlay	<u>772,390</u>	<u>426,893</u>	<u>345,497</u>
Debt Services			
Principal Retirement	150,008	150,008	
Interest and Fiscal Charges	69,962	69,971	(9)
Total Debt Services	<u>219,970</u>	<u>219,979</u>	<u>(9)</u>
Total expenditures	<u>10,740,860</u>	<u>9,614,692</u>	<u>1,126,168</u>
Excess (deficiency) of revenues over expenditures	<u>870,335</u>	<u>3,044,965</u>	<u>(2,174,630)</u>
Other financing sources (uses):			
Transfers Out	<u>(2,920,905)</u>	<u>(1,637,287)</u>	<u>1,283,618</u>
Total other financing sources (uses)	<u>(2,920,905)</u>	<u>(1,637,287)</u>	<u>1,283,618</u>
Change in fund balances	<u>(2,050,570)</u>	<u>1,407,678</u>	<u>(3,458,248)</u>
Fund balances, beginning of year	2,487,070	13,284,750	10,797,680
Fund balances (deficits), end of year	<u>\$ 436,500</u>	<u>\$ 14,692,428</u>	<u>\$ 14,255,928</u>

**CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental Revenue	\$ 1,837,765	\$ 1,936,697	\$ 98,932
Investment Income	14,500	7,298	(7,202)
Other Revenues	500		(500)
Total revenues	<u>1,852,765</u>	<u>1,943,995</u>	<u>91,230</u>
Expenditures:			
Current -			
Public Works	1,547,795	1,249,971	297,824
Capital Outlay	2,352,665	1,533,401	819,264
Debt service -			
Principal Retirement	29,540		29,540
Total expenditures	<u>3,930,000</u>	<u>2,783,372</u>	<u>1,146,628</u>
Excess (deficiency) of revenues over expenditures	<u>(2,077,235)</u>	<u>(839,377)</u>	<u>1,237,858</u>
Other financing sources (uses):			
Transfers In	1,077,235	839,376	(237,859)
Total other financing sources (uses):	<u>1,077,235</u>	<u>839,376</u>	<u>(237,859)</u>
Changes in fund balances	<u>(1,000,000)</u>	<u>(1)</u>	<u>999,999</u>
Fund balances, beginning of year	1,000,000	2,425,154	1,425,154
Fund balances, end of year	<u>\$</u>	<u>\$ 2,425,153</u>	<u>\$ 2,425,153</u>

See accompanying notes to this schedule.

CITY OF ELOY, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.04%	0.04%
City's proportionate share of the net pension liability (asset)	\$ 6,347,429	\$ 5,781,350
City's covered payroll	\$ 3,739,605	\$ 3,522,084
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	169.74%	164.15%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

CITY OF ELOY, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - POLICE
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 333,771	\$ 326,003
Interest	723,594	590,306
Changes of benefit terms		130,020
Differences between expected and actual experience	86,283	120,039
Changes of assumptions		882,961
Benefit payments, including refunds of employee contributions	(326,877)	(383,684)
Net change in total pension liability	<u>816,771</u>	<u>1,665,645</u>
Total pension liability—beginning	<u>9,214,306</u>	<u>7,548,661</u>
Total pension liability—ending	<u><u>\$ 10,031,077</u></u>	<u><u>\$ 9,214,306</u></u>
Plan fiduciary net position		
Contributions—employer	\$ 284,427	\$ 306,183
Contributions—employee	290,218	220,644
Net investment income	225,871	725,455
Benefit payments, including refunds of employee contributions	(326,877)	(383,684)
Administrative expense	(5,892)	(5,842)
Other	(14,603)	(67,854)
Net change in plan fiduciary net position	<u>453,144</u>	<u>794,902</u>
Plan fiduciary net position—beginning	<u>6,024,335</u>	<u>5,229,433</u>
Plan fiduciary net position—ending	<u><u>\$ 6,477,479</u></u>	<u><u>\$ 6,024,335</u></u>
Net pension liability—ending	<u><u>\$ 3,553,598</u></u>	<u><u>\$ 3,189,971</u></u>
Plan fiduciary net position as a percentage of the total pension liability	64.57%	65.38%
Covered payroll	\$ 1,738,327	\$ 1,172,432
Net pension liability as a percentage of covered payroll	204.43%	272.08%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**CITY OF ELOY, ARIZONA
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Arizona State Retirement System:		
Actuarially determined contribution	\$ 399,030	\$ 407,409
Contributions in relation to the actuarially determined contribution	<u>399,030</u>	<u>407,409</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 3,677,696	\$ 3,739,605
Contributions as a percentage of covered payroll	10.85%	10.89%
 Public Safety Personnel Retirement System - Police:		
Actuarially determined contribution	\$ 388,131	\$ 284,738
Contributions in relation to the actuarially determined contribution	<u>388,131</u>	<u>284,738</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 1,658,679	\$ 1,738,327
Contributions as a percentage of covered payroll	23.40%	16.38%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

**CITY OF ELOY, ARIZONA
SCHEDULE OF FUNDING PROGRESS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
OTHER POSTEMPLOYMENT BENEFITS
LAST THREE ACTUARIAL VALUATIONS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAAL as a percentage of Covered Payroll</u>
Public Safety Personnel Retirement System - Police:						
2015	\$ 321,427	\$ 203,892	\$ 117,535	157.65 %	\$ 1,738,327	(6.76) %
2014	292,853	189,537	103,316	154.51	1,760,803	(5.87)
2013		187,325	(187,325)	-	1,747,297	10.72

See accompanying notes to this schedule.

CITY OF ELOY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the City is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

NOTE 2 – PENSION PLAN SCHEDULES

Change in Accounting Principle. For the year ended June 30, 2016, the City implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2014, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2014, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The actuarial assumptions used in the June 30, 2015, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2015, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.

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**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources, other than major capital projects, that are restricted to expenditures for specified purposes.

Public Works Facility – accounts for the collection of sales tax revenues which are set aside for the maintaining, repairing, and upgrading of streets.

Local Transportation Assistance (LTAF) – accounts for the City’s share of lottery proceeds which are set aside for transportation costs and the maintaining, repairing, and upgrading of streets.

Economic and Community Development Fund – accounts for the collection of sales tax revenues which are set aside for economic and community development projects.

Impact Fee – accounts for the collection of impact fees and the various infrastructure projects they fund.

Grants - accounts for federal and state grants and other contributions that are restricted for a specific use

Judicial Collection Enhancement (JCEF) – accounts for monies received to improve the city’s court operations.

Court Recovery – accounts for court enhancement fee revenues and the capital outlays funded by these revenues.

Cemetery – accounts for the activities of the city’s cemetery.

Airport – accounts for fuel sales, charges for services and related costs and expenses for operation of the City airport.

Capital Projects Fund

Capital Projects Funds are used to account for the construction and acquisition of capital assets.

Capital Projects – accounts for the construction and acquisition of capital assets to be utilized by the City’s governmental funds.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government’s programs.

Perpetual Care – accounts for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

CITY OF ELOY, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

Special Revenue

	Public Works Facility	LTAF	Economic and Community Development Fund	Impact Fee
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 381,490	\$ 9,911	\$ 30,002	\$ 1,995,424
Other Receivables				
Due from Governmental Entities				
Total assets	<u>\$ 381,490</u>	<u>\$ 9,911</u>	<u>\$ 30,002</u>	<u>\$ 1,995,424</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 89,386	\$	\$	\$
Accrued Salaries and Wages Payable				
Unearned revenue				
Due to Other Funds				
Other Current Liabilities				
Total liabilities	<u>89,386</u>	<u></u>	<u></u>	<u></u>
Fund balances:				
Restricted		9,911		1,995,424
Committed	292,104		30,002	
Assigned				
Total fund balances	<u>292,104</u>	<u>9,911</u>	<u>30,002</u>	<u>1,995,424</u>
Total liabilities and fund balances	<u>\$ 381,490</u>	<u>\$ 9,911</u>	<u>\$ 30,002</u>	<u>\$ 1,995,424</u>

Special Revenue					Capital Projects	Permanent	Total Non-Major Governmental Funds
Grants	JCEF	Court Recovery	Cemetery	Airport	Capital Projects	Perpetual Care	
\$	\$ 83,607 300	\$ 35,641 1,469	\$ 74,685 3,656	\$ 282,786	\$ 1,253,179	\$ 121,582	\$ 4,268,307
445,293						3	5,425
<u>\$ 445,293</u>	<u>\$ 83,907</u>	<u>\$ 37,110</u>	<u>\$ 78,341</u>	<u>\$ 282,786</u>	<u>\$ 1,253,179</u>	<u>\$ 121,585</u>	<u>\$ 4,719,028</u>
\$ 24,924 2,291		\$ 4,404	\$ 5,652	\$ 1,650 264 7,074	\$ 9,769		\$ 135,785
271,159				3,583			2,555
<u>298,374</u>		<u>4,404</u>	<u>5,652</u>	<u>12,571</u>	<u>9,769</u>		7,074
146,919	83,907	32,706					271,159
			72,689	270,215		121,585	3,583
<u>146,919</u>	<u>83,907</u>	<u>32,706</u>	<u>72,689</u>	<u>270,215</u>	<u>1,243,410</u>		420,156
\$ 445,293	\$ 83,907	\$ 37,110	\$ 78,341	\$ 282,786	\$ 1,253,179	\$ 121,585	\$ 2,390,452
							665,010
							1,243,410
							4,298,872
<u>\$ 445,293</u>	<u>\$ 83,907</u>	<u>\$ 37,110</u>	<u>\$ 78,341</u>	<u>\$ 282,786</u>	<u>\$ 1,253,179</u>	<u>\$ 121,585</u>	<u>\$ 4,719,028</u>

CITY OF ELOY, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue			
	Public Works Facility	LTAF	Economic and Community Development Fund	Impact Fee
Revenues:				
Sales Taxes	\$ 188,692	\$	\$ 30,002	\$
Intergovernmental Revenue				
Charges for Services				
Investment Income		189		3,542
Impact Fees				179,974
Other Revenues				
Total revenues	<u>188,692</u>	<u>189</u>	<u>30,002</u>	<u>183,516</u>
Expenditures:				
Current -				
General Government	89,386			
Public Safety				
Community Development				
Health and Welfare				
Culture and Recreation				
Capital Outlay				86,777
Debt service -				
Principal Retirement				
Interest and Fiscal Charges				
Total expenditures	<u>89,386</u>	<u></u>	<u></u>	<u>86,777</u>
Excess (deficiency) of revenues over expenditures	<u>99,306</u>	<u>189</u>	<u>30,002</u>	<u>96,739</u>
Other financing sources (uses):				
Transfers In				
Transfers Out				
Total other financing sources (uses):	<u></u>	<u></u>	<u></u>	<u></u>
Changes in fund balances	<u>99,306</u>	<u>189</u>	<u>30,002</u>	<u>96,739</u>
Fund balances, beginning of year	192,798	9,722		1,898,685
Fund balances, end of year	<u>\$ 292,104</u>	<u>\$ 9,911</u>	<u>\$ 30,002</u>	<u>\$ 1,995,424</u>

Special Revenue					Capital Projects	Permanent	Total Non-Major Governmental Funds
Grants	JCEF	Court Recovery	Cemetery	Airport	Capital Projects	Perpetual Care	
\$ 1,246,444	\$ 7,835	\$ 18,376	\$ 86,171	\$ 158,464	\$	\$	\$ 218,694
				207		116	1,272,655
			14,965				244,635
<u>1,246,444</u>	<u>7,835</u>	<u>18,376</u>	<u>101,136</u>	<u>158,671</u>		<u>116</u>	<u>4,054</u>
			45,582	29,222			179,974
280,092							14,965
681,986							1,934,977
34,957							
23,773							
337,370			64,890	56,051	548,781		164,190
		51,250					280,092
		1,599					681,986
<u>1,358,178</u>		<u>52,849</u>	<u>110,472</u>	<u>109,715</u>	<u>548,781</u>		<u>34,957</u>
(111,734)	7,835	(34,473)	(9,336)	48,956	(548,781)	116	23,773
							1,093,869
139,320		29,350					
(11,542)							67,910
127,778		29,350					9,381
							2,356,158
16,044	7,835	(5,123)	(9,336)	48,956	52,675	116	(421,181)
130,875	76,072	37,829	82,025	221,259	1,190,735	121,469	797,911
							(39,327)
<u>\$ 146,919</u>	<u>\$ 83,907</u>	<u>\$ 32,706</u>	<u>\$ 72,689</u>	<u>\$ 270,215</u>	<u>\$ 1,243,410</u>	<u>\$ 121,585</u>	<u>\$ 4,298,872</u>

**CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PUBLIC WORKS FACILITY
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Sales Taxes	\$ 195,000	\$ 188,692	\$ (6,308)
Total revenues	<u>195,000</u>	<u>188,692</u>	<u>(6,308)</u>
Expenditures:			
Current -			
General Government	315,000	89,386	225,614
Total expenditures	<u>315,000</u>	<u>89,386</u>	<u>225,614</u>
Changes in fund balances	<u>(120,000)</u>	<u>99,306</u>	<u>219,306</u>
Fund balances, beginning of year	120,000	192,798	72,798
Fund balances, end of year	<u>\$</u>	<u>\$ 292,104</u>	<u>\$ 292,104</u>

CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LTAf
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment Income	\$ 240	\$ 189	\$ (51)
Total revenues	<u>240</u>	<u>189</u>	<u>(51)</u>
Expenditures:			
Current -			
Public Works	9,950		9,950
Total expenditures	<u>9,950</u>		<u>9,950</u>
Changes in fund balances	<u>(9,710)</u>	<u>189</u>	<u>9,899</u>
Fund balances, beginning of year	9,710	9,722	12
Fund balances, end of year	<u>\$</u>	<u>\$ 9,911</u>	<u>\$ 9,911</u>

**CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ECONOMIC AND COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		(Negative)
Revenues:			
Sales Taxes	\$	30,002	30,002
Total revenues		<u>30,002</u>	<u>30,002</u>
Changes in fund balances		<u>30,002</u>	<u>30,002</u>
Fund balances, beginning of year			
Fund balances, end of year	\$	<u><u>30,002</u></u>	<u><u>30,002</u></u>

**CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
IMPACT FEE
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		(Negative)
Revenues:			
Investment Income	\$ 4,105	\$ 3,542	\$ (563)
Impact Fees	30,000	179,974	149,974
Total revenues	<u>34,105</u>	<u>183,516</u>	<u>149,411</u>
Expenditures:			
Current -			
Capital Outlay	1,903,955	86,777	1,817,178
Total expenditures	<u>1,903,955</u>	<u>86,777</u>	<u>1,817,178</u>
Changes in fund balances	<u>(1,869,850)</u>	<u>96,739</u>	<u>1,966,589</u>
Fund balances, beginning of year	1,869,850	1,898,685	28,835
Fund balances, end of year	<u>\$</u>	<u>\$ 1,995,424</u>	<u>\$ 1,995,424</u>

CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GRANTS
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental Revenue	\$ 8,257,110	\$ 1,246,444	\$ (7,010,666)
Total revenues	<u>8,257,110</u>	<u>1,246,444</u>	<u>(7,010,666)</u>
Expenditures:			
Current -			
Public Safety	466,850	280,092	186,758
Community Development	501,280	681,986	(180,706)
Health and Welfare	6,000,000	34,957	5,965,043
Culture and Recreation	3,300	23,773	(20,473)
Capital Outlay	1,425,000	337,370	1,087,630
Total expenditures	<u>8,396,430</u>	<u>1,358,178</u>	<u>7,038,252</u>
Excess (deficiency) of revenues over expenditures	<u>(139,320)</u>	<u>(111,734)</u>	<u>27,586</u>
Other financing sources (uses):			
Transfers In	139,320	139,320	
Transfers Out		(11,542)	(11,542)
Total other financing sources (uses):	<u>139,320</u>	<u>127,778</u>	<u>(11,542)</u>
Changes in fund balances		<u>16,044</u>	<u>16,044</u>
Fund balances, beginning of year		130,875	130,875
Fund balances, end of year	<u>\$</u>	<u>\$ 146,919</u>	<u>\$ 146,919</u>

CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
JCEF
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental Revenue	\$ 11,050	\$ 7,835	\$ (3,215)
Total revenues	<u>11,050</u>	<u>7,835</u>	<u>(3,215)</u>
Expenditures:			
Current -			
Capital Outlay	11,050		11,050
Total expenditures	<u>11,050</u>		<u>11,050</u>
Changes in fund balances		<u>7,835</u>	<u>7,835</u>
Fund balances, beginning of year		76,072	76,072
Fund balances, end of year	<u>\$</u>	<u>\$ 83,907</u>	<u>\$ 83,907</u>

CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COURT RECOVERY
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental Revenue	\$ 23,500	\$ 18,376	\$ (5,124)
Total revenues	<u>23,500</u>	<u>18,376</u>	<u>(5,124)</u>
Expenditures:			
Debt service -			
Principal Retirement	51,250	51,250	
Interest and Fiscal Charges	1,600	1,599	1
Total expenditures	<u>52,850</u>	<u>52,849</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>(29,350)</u>	<u>(34,473)</u>	<u>(5,123)</u>
Other financing sources (uses):			
Transfers In	29,350	29,350	
Total other financing sources (uses):	<u>29,350</u>	<u>29,350</u>	
Changes in fund balances		<u>(5,123)</u>	<u>(5,123)</u>
Fund balances, beginning of year		37,829	37,829
Fund balances, end of year	<u>\$</u>	<u>\$ 32,706</u>	<u>\$ 32,706</u>

**CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CEMETERY
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Charges for Services	\$ 83,000	\$ 86,171	\$ 3,171
Other Revenues	13,500	14,965	1,465
Total revenues	<u>96,500</u>	<u>101,136</u>	<u>4,636</u>
Expenditures:			
Current -			
General Government	67,645	45,582	22,063
Capital Outlay	50,000	64,890	(14,890)
Total expenditures	<u>117,645</u>	<u>110,472</u>	<u>7,173</u>
Excess (deficiency) of revenues over expenditures	<u>(21,145)</u>	<u>(9,336)</u>	<u>11,809</u>
Other financing sources (uses):			
Transfers Out	(3,500)		3,500
Total other financing sources (uses):	<u>(3,500)</u>		<u>3,500</u>
Changes in fund balances	<u>(24,645)</u>	<u>(9,336)</u>	<u>15,309</u>
Fund balances, beginning of year	24,645	82,025	57,380
Fund balances, end of year	<u>\$</u>	<u>\$ 72,689</u>	<u>\$ 72,689</u>

CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AIRPORT
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Charges for Services	\$ 152,125	\$ 158,464	\$ 6,339
Investment Income	300	207	(93)
Total revenues	<u>152,425</u>	<u>158,671</u>	<u>6,246</u>
Expenditures:			
Current -			
General Government	51,420	29,222	22,198
Capital Outlay	115,000	56,051	58,949
Debt service -			
Principal Retirement	16,660	16,660	
Interest and Fiscal Charges	7,765	7,782	(17)
Total expenditures	<u>190,845</u>	<u>109,715</u>	<u>81,130</u>
Changes in fund balances	<u>(38,420)</u>	<u>48,956</u>	<u>87,376</u>
Fund balances, beginning of year	38,420	221,259	182,839
Fund balances, end of year	<u>\$</u>	<u>\$ 270,215</u>	<u>\$ 270,215</u>

**CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Expenditures:			
Current -			
Capital Outlay	\$ 1,389,000	\$ 548,781	\$ 840,219
Total expenditures	<u>1,389,000</u>	<u>548,781</u>	<u>840,219</u>
Excess (deficiency) of revenues over expenditures	<u>(1,389,000)</u>	<u>(548,781)</u>	<u>840,219</u>
Other financing sources (uses):			
Transfers In	600,000	629,241	29,241
Transfers Out	<u>(600,000)</u>	<u>(27,785)</u>	<u>(27,785)</u>
Total other financing sources (uses):	<u>600,000</u>	<u>601,456</u>	<u>1,456</u>
Changes in fund balances	<u>(789,000)</u>	<u>52,675</u>	<u>841,675</u>
Fund balances, beginning of year	789,000	1,190,735	401,735
Fund balances, end of year	<u>\$</u>	<u>\$ 1,243,410</u>	<u>\$ 1,243,410</u>

CITY OF ELOY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PERPETUAL CARE
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment Income	\$ 250	\$ 116	\$ (134)
Total revenues	<u>250</u>	<u>116</u>	<u>(134)</u>
Expenditures:			
Current -			
General Government	3,750		3,750
Total expenditures	<u>3,750</u>		<u>3,750</u>
Excess (deficiency) of revenues over expenditures	<u>(3,500)</u>	<u>116</u>	<u>3,616</u>
Other financing sources (uses):			
Transfers In	3,500		(3,500)
Total other financing sources (uses):	<u>3,500</u>		<u>(3,500)</u>
Changes in fund balances		<u>116</u>	<u>116</u>
Fund balances, beginning of year		121,469	121,469
Fund balances, end of year	<u>\$</u>	<u>\$ 121,585</u>	<u>\$ 121,585</u>

STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Contents:	Page
Financial Trends These schedules contain information on financial trends to help the reader understand how the City's financial position and financial activities have changed over time.	121
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate revenue.	126
Debt Capacity These schedules present information to help the reader evaluate the City's current levels of outstanding debt as well as assess the City's ability to make debt payments and/or issue additional debt in the future.	132
Demographic and Economic Information These schedules present various demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparisons with other municipalities.	136
Operating Information These schedules contain information about the City's operations and various resources to help the reader draw conclusions as to how the City's financial information relates to the services provided by the City.	140

Note: Fiscal year 2012 was the first year a comprehensive annual financial report was prepared by the City. Due to cost considerations for the accumulation of data, the City has elected to present less than ten years of data, or data from less than nine years prior, for certain statistical schedules or schedule elements. This information will be accumulated and reported each year until the complete ten years of data is presented.

For locally assessed property (i.e., excluding mines, utilities, etc.) Proposition 117, approved by voters in 2012, amended the Arizona Constitution to require that all property taxes after fiscal year 2014-15 be based upon property values limited to five percent in annual growth. The aggregate assessed value of all taxable properties within a taxing jurisdiction (i.e., after applying assessment ratios based on the use of a property), including property values with a growth limit, is currently referred to as net limited assessed value and formerly as primary assessed value. In accordance with Proposition 117, this value is used for all taxing purposes beginning fiscal year 2015-16. Aggregate assessed value without a growth limit is currently referred to as net full cash assessed value and formerly as secondary assessed value. This remains the value utilized for determining debt capacity limits.

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CITY OF ELOY, ARIZONA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets:	\$ 10,520,431	\$ 10,963,272	\$ 13,325,913	\$ 16,151,406	\$ 15,002,289	\$ 15,985,323	\$ 16,961,904	\$ 18,543,869	\$ 20,268,071	\$ 22,423,567
Restricted	5,556,173	8,049,208	10,268,206	7,273,444	5,429,281	4,978,419	4,510,233	4,489,679	4,629,220	4,745,019
Unrestricted	4,480,947	8,617,832	7,964,489	8,009,711	13,164,747	14,507,592	15,589,113	15,233,841	7,218,828	8,810,844
Total Governmental Activities Net Position	\$ 20,557,551	\$ 27,630,312	\$ 31,558,608	\$ 31,434,561	\$ 33,596,317	\$ 35,471,334	\$ 37,061,250	\$ 38,267,389	\$ 32,116,119	\$ 35,979,430
Business-type activities										
Net Investment in Capital Assets:	\$ 5,024,582	\$ 5,415,998	\$ 7,665,730	\$ 9,775,100	\$ 9,532,520	\$ 9,090,283	\$ 8,089,091	\$ 9,575,240	\$ 9,479,546	\$ 9,402,108
Restricted	311,257	380,056	379,454	343,584	289,448	291,532	559,631	715,299	716,976	718,370
Unrestricted	(3,145,956)	(3,195,169)	(2,739,943)	(2,965,864)	(2,760,273)	(2,496,712)	(1,574,048)	(1,716,544)	(2,407,848)	(2,158,052)
Total Business-Type Activities Net Position	\$ 2,189,883	\$ 2,600,885	\$ 5,305,241	\$ 7,152,820	\$ 7,061,695	\$ 6,885,103	\$ 7,074,674	\$ 8,573,995	\$ 7,788,674	\$ 7,962,426
Primary government										
Net Investment in Capital Assets:	\$ 15,545,013	\$ 16,379,270	\$ 20,991,643	\$ 25,926,506	\$ 24,534,809	\$ 25,075,606	\$ 25,050,995	\$ 28,119,109	\$ 29,747,617	\$ 31,825,675
Restricted	5,867,430	8,429,264	10,647,660	7,617,028	5,718,729	5,269,951	5,069,864	5,204,978	5,346,196	5,463,389
Unrestricted	1,334,991	5,422,663	5,224,546	5,043,847	10,404,475	12,010,880	14,015,065	13,517,297	4,810,980	6,652,792
	\$ 22,747,434	\$ 30,231,197	\$ 36,863,849	\$ 38,587,381	\$ 40,658,013	\$ 42,356,437	\$ 44,135,924	\$ 46,841,384	\$ 39,904,793	\$ 43,941,856

Source: The source of this information is the City's financial records

Note: The change in net position in fiscal year 2015 is due to the recognition of net pension liabilities.

CITY OF ELOY, ARIZONA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General Government	\$ 4,118,612	\$ 3,712,010	\$ 3,771,718	\$ 3,818,804	\$ 2,878,214	\$ 2,451,503	\$ 2,535,814	\$ 3,323,730	\$ 3,413,448	\$ 2,990,284
Public Safety	4,010,314	3,805,011	4,591,751	4,574,432	3,744,811	4,106,470	4,141,860	4,004,661	4,260,754	4,064,775
Public Works	2,390,394	2,914,884	3,170,470	1,797,012	2,609,546	2,509,477	2,007,422	2,221,837	2,380,812	2,601,939
Culture and Recreation	1,077,769	1,248,404	1,303,247	1,178,676	1,570,243	1,438,463	1,290,178	1,380,982	1,493,063	1,465,764
Community Development	-	-	-	-	-	597,877	805,789	1,119,187	1,021,468	1,282,378
Health and Welfare	24,067	103,896	84,934	18,618	-	290,000	147,876	260,682	191,679	155,982
Interest on Long-Term Debt	128,102	179,565	175,834	93,818	63,294	58,225	79,484	83,892	82,075	79,352
Total Governmental Activities Expenses	11,749,258	11,963,770	13,097,954	11,481,360	10,866,108	11,452,015	11,008,423	12,394,971	12,843,299	12,640,474
Business-Type Activities:										
Water	2,449,351	1,906,929	1,978,848	1,938,888	1,800,394	1,950,484	1,921,729	1,961,170	2,207,156	2,179,624
Sewer	1,232,493	1,094,058	1,476,568	1,442,414	1,308,335	2,264,921	1,275,294	1,213,668	1,222,770	1,288,523
Sanitation and Other	1,270,086	1,188,915	1,178,667	5,398,863	1,375,054	1,379,485	1,498,467	1,497,411	1,509,258	1,431,302
Memorial Park	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	4,951,930	4,189,902	4,634,083	8,780,165	4,483,783	5,594,890	4,695,490	4,672,249	4,939,184	4,899,449
Total Primary Government Expenses	\$ 16,701,188	\$ 16,153,672	\$ 17,732,037	\$ 20,261,525	\$ 15,349,891	\$ 17,046,905	\$ 15,703,913	\$ 17,067,220	\$ 17,782,483	\$ 17,539,923
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 922,983	\$ 954,171	\$ 873,656	\$ 650,814	\$ 618,181	\$ 589,588	\$ 531,214	\$ 572,950	\$ 790,722	\$ 947,386
Public Safety	656,561	1,315,283	289,858	282,085	380,459	332,861	116,604	85,214	53,755	29,560
Public Works	290,368	86,457	402,654	89,682	72,434	79,779	120,518	131,316	154,961	163,363
Community Development	-	-	-	-	-	-	314,702	361,925	213,971	511,015
Culture and Recreation	24,896	25,185	24,407	21,863	19,598	18,350	26,199	30,310	29,856	43,348
Operating Grants and Contributions	2,893,405	3,372,261	2,398,640	2,324,873	2,195,747	1,860,034	1,891,725	1,963,469	2,065,313	2,175,316
Capital Grants and Contributions	931,184	1,090,919	3,103,924	674,887	1,314,342	1,251,911	572,622	1,378,869	656,941	1,267,399
Total Governmental Activities Program Revenues	5,719,397	6,844,276	7,093,139	4,044,204	4,600,761	4,132,523	3,573,584	4,524,053	3,965,519	5,137,387
Business-Type Activities:										
Charges for Services:										
Water	1,496,447	1,623,516	1,838,440	1,867,418	1,734,300	1,781,941	1,662,936	1,893,647	2,195,416	2,450,421
Sewer	819,109	925,591	1,025,676	1,053,803	977,215	945,290	978,252	1,141,294	1,217,763	1,304,684
Sanitation and Other	1,202,242	1,239,003	1,329,058	1,331,779	1,312,906	1,476,130	1,523,766	1,470,157	1,521,976	1,276,404
Memorial Park	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	512,508	113,016	2,314,606	2,821,830	69,930	792,051	10,688	6,170	-	-
Total Business-Type Activities Program Revenues	4,030,306	3,901,126	6,507,780	7,074,830	4,094,351	4,995,412	4,175,642	4,511,268	4,935,155	5,031,509
Total Primary Government Program Revenues	\$ 9,749,703	\$ 10,745,402	\$ 13,600,919	\$ 11,119,034	\$ 8,695,112	\$ 9,127,935	\$ 7,749,226	\$ 9,035,321	\$ 8,900,674	\$ 10,168,896

(continued)

CITY OF ELOY, ARIZONA
Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenues										
Governmental Activities	\$ (6,029,861)	\$ (5,119,494)	\$ (6,004,815)	\$ (7,437,156)	\$ (6,265,347)	\$ (7,319,492)	\$ (7,434,839)	\$ (7,870,918)	\$ (8,877,780)	\$ (7,503,087)
Business-Type Activities	(921,624)	(288,776)	1,873,697	(1,705,335)	(389,432)	(599,478)	(519,848)	(160,982)	(4,029)	132,060
Total Primary Government Net Expense	\$ (6,951,485)	\$ (5,408,270)	\$ (4,131,118)	\$ (9,142,491)	\$ (6,654,779)	\$ (7,918,970)	\$ (7,954,687)	\$ (8,031,900)	\$ (8,881,809)	\$ (7,371,027)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
City Sales Tax	\$ 7,113,852	\$ 8,444,552	\$ 6,446,587	\$ 3,787,899	\$ 5,087,733	\$ 5,160,839	\$ 4,797,681	\$ 5,516,526	\$ 4,801,113	\$ 5,561,071
State Sales Taxes	1,057,403	1,022,432	885,140	816,412	887,563	1,299,551	1,361,278	1,447,688	1,519,806	1,571,675
Auto Lieu Tax	696,508	753,544	728,472	696,980	682,530	703,979	724,822	774,269	831,046	900,658
State Sales Taxes-Revenue Sharing	1,263,084	1,565,622	1,665,549	1,436,354	1,082,827	1,403,669	1,698,821	1,853,736	2,013,285	2,002,370
Property Tax	476,317	580,882	648,196	713,073	786,184	846,923	897,160	918,511	951,247	1,000,499
Franchise Tax	112,137	135,324	129,343	121,542	132,653	135,939	139,478	141,905	144,163	145,408
Unrestricted Investment Earnings	297,313	373,733	232,670	137,475	63,965	64,587	56,673	49,941	37,981	157,229
Gain on Sale of Assets	174,832	-	-	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	-	-	56,513	33,058	53,810	66,815
Transfers	-	(683,834)	(802,846)	(396,626)	(296,353)	(420,978)	(707,671)	(1,658,577)	(618,537)	(39,327)
Total Governmental Activities	11,191,446	12,192,255	9,933,111	7,313,109	8,427,102	9,194,509	9,024,755	9,077,057	9,733,914	11,366,398
Business-Type Activities:										
Unrestricted Investment Earnings	33,638	15,944	27,813	4,152	1,954	1,908	1,748	1,725	8,837	2,365
Transfers	-	683,834	802,846	396,626	296,353	420,978	707,671	1,658,577	618,537	39,327
Total Business-Type Activities	33,638	699,778	830,659	400,778	298,307	422,886	709,419	1,660,302	627,374	41,692
Total Primary Government	\$ 11,225,084	\$ 12,892,033	\$ 10,763,770	\$ 7,713,887	\$ 8,725,409	\$ 9,617,395	\$ 9,734,174	\$ 10,737,359	\$ 10,361,288	\$ 11,408,090
Change in Net Position										
Governmental Activities	\$ 5,161,585	\$ 7,072,761	\$ 3,928,296	\$ (124,047)	\$ 2,161,755	\$ 1,875,017	\$ 1,589,916	\$ 1,206,139	\$ 856,134	\$ 3,863,311
Business-Type Activities	(887,986)	411,002	2,704,356	(1,304,557)	(91,125)	(176,592)	189,571	1,499,320	623,345	173,752
Total Primary Government	\$ 4,273,599	\$ 7,483,763	\$ 6,632,652	\$ (1,428,604)	\$ 2,070,630	\$ 1,698,425	\$ 1,779,487	\$ 2,705,459	\$ 1,479,479	\$ 4,037,063

Source: The source of this information is the City's financial records

CITY OF ELOY, ARIZONA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,130,614	8,421,061	7,954,418	8,009,884	-	-	-	-	-	-
Unassigned					8,766,677	9,855,191	10,968,659	12,042,236	13,284,750	14,692,428
Total General Fund	\$ 6,130,614	\$ 8,421,061	\$ 7,954,418	\$ 8,009,884	\$ 8,766,677	\$ 9,855,191	\$ 10,968,659	\$ 12,042,236	\$ 13,284,750	\$ 14,692,428
All other Governmental Funds										
Restricted:										
Highway and Streets	\$ 1,954,498	\$ 4,387,854	\$ 7,926,530	\$ 5,391,080	\$ 2,885,592	\$ 2,379,018	\$ 2,363,657	\$ 2,364,034	\$ 2,364,290	\$ 2,354,567
Capital Projects	1,167,674	3,051,765	4,077,563	3,646,925	2,171,477	2,225,845	1,883,212	1,869,855	1,898,685	1,995,424
Court Equipment	147,972	77,675	87,644	95,200	101,915	114,621	116,956	118,647	113,901	126,524
Cemetery	-	-	-	-	108,605	111,354	114,339	118,379	121,469	121,585
Other Purposes	446,995	531,914	542,002	434,694	161,692	147,581	146,408	137,143	130,875	146,919
Committed for:										
Airport	140,451	140,925	114,271	140,275	148,855	152,519	157,852	145,756	221,259	270,215
Cemetery	23,371	39,896	48,702	42,794	34,250	23,642	46,337	92,052	82,025	72,689
Highway and Streets							388,304	724,740	192,798	362,690
Community Development	-	-	-	-	-	-	-	-	-	30,002
Assigned for:										
Capital Projects	-	-	-	-	1,942,442	2,249,392	1,999,054	1,863,627	1,190,735	1,243,410
Unassigned:										
Total all other Governmental Funds	\$ 3,880,961	\$ 8,230,029	\$ 12,796,712	\$ 9,750,968	\$ 7,554,828	\$ 7,403,972	\$ 7,216,119	\$ 7,434,233	\$ 6,316,037	\$ 6,724,025

Source: The source of this information is the City's financial records

Note: The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balances categories with the following four fund balance classifications; restricted, committed, assigned and unassigned fund balance.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 7,706,397	\$ 9,164,388	\$ 7,193,555	\$ 4,605,355	\$ 6,008,308	\$ 6,166,452	\$ 5,845,236	\$ 6,580,455	\$ 5,906,730	\$ 6,702,495
Licenses and Permits	897,405	1,352,303	654,224	311,252	415,189	361,173	374,593	421,266	276,596	439,952
Intergovernmental	6,653,899	6,648,617	7,416,635	6,002,186	6,069,630	6,616,153	6,482,176	7,586,717	7,103,658	7,768,555
Charges for Services	103,595	114,303	119,015	118,283	105,856	113,925	221,980	250,749	680,055	982,147
Impact Fees	530,406	715,465	59,193	110,755	114,901	50,521	43,833	49,941	24,771	179,974
Fines and Forfeitures	364,033	381,384	340,520	292,267	277,601	264,739	235,923	290,289	244,576	241,462
Interest	297,313	373,733	232,670	137,475	63,965	64,587	56,673	50,725	37,981	157,229
Other Revenues	187,054	973,802	130,040	159,211	270,504	133,214	56,513	33,058	53,810	66,815
Total Revenues	\$ 16,740,102	\$ 19,723,995	\$ 16,145,852	\$ 11,736,784	\$ 13,325,954	\$ 13,770,764	\$ 13,316,927	\$ 15,263,200	\$ 14,328,177	\$ 16,538,629
Expenditures										
Current:										
General Government	\$ 3,652,678	\$ 3,490,572	\$ 3,093,046	\$ 2,588,439	\$ 2,729,089	\$ 2,262,749	\$ 2,419,367	\$ 2,446,351	\$ 2,424,703	\$ 2,781,782
Public Safety	3,824,777	3,644,286	3,959,263	3,717,712	3,462,398	3,727,083	3,966,748	3,764,016	3,793,653	3,806,940
Public Works	2,179,189	2,572,959	2,787,310	2,401,112	2,038,234	2,057,173	1,661,507	1,743,665	1,856,811	2,015,966
Health and Welfare	24,071	103,790	84,842	18,587	-	290,000	59,249	166,926	89,707	34,957
Community Development	-	-	-	-	-	597,877	802,369	1,112,418	1,087,171	1,284,061
Culture and Recreation	1,010,410	1,163,310	1,209,750	1,239,954	1,209,228	1,270,781	1,279,326	1,355,418	1,472,527	1,479,083
Capital Outlay	2,043,192	1,249,583	2,649,461	2,281,142	1,421,235	1,485,800	3,043,354	3,561,908	3,951,342	3,054,163
Debt Service										
Principal	740,497	578,008	508,096	1,996,608	855,204	641,584	1,576,959	231,411	227,879	217,918
Interest and Fiscal Charges	153,928	151,198	151,198	86,882	69,226	79,082	82,515	83,892	82,075	79,352
Loan Issuance Costs	-	-	-	-	-	-	12,425	-	-	-
Total Expenditures	13,628,742	12,953,706	14,442,966	14,330,436	11,784,614	12,412,129	14,903,819	14,466,005	14,985,868	14,754,222
Revenues Over (Under) Expenditures	3,111,360	6,770,289	1,702,886	(2,593,652)	1,541,340	1,358,635	(1,586,892)	797,195	(657,691)	1,784,407
Other Finance Sources (Uses)										
Sale of Assets	276,832	3,060	-	-	-	-	-	-	-	-
Bond Proceeds	-	550,000	3,200,000	-	-	-	2,900,000	-	-	-
Transfers In (Out)	-	(683,834)	(802,846)	(396,626)	(296,353)	(420,978)	(707,671)	(1,017,067)	-	(39,327)
Total other Finance Sources (Uses)	276,832	(130,774)	2,397,154	(396,626)	(296,353)	(420,978)	2,192,329	(1,017,067)	-	(39,327)
Net Change in Fund Balances	\$ 3,388,192	\$ 6,639,515	\$ 4,100,040	\$ (2,990,278)	\$ 1,244,987	\$ 937,657	\$ 605,437	\$ (219,872)	\$ (657,691)	\$ 1,745,080
Expenditures for capitalized assets	\$ 1,557,132	\$ 740,438	\$ 3,167,747	\$ 1,491,989	\$ 660,283	\$ 948,465	\$ 3,010,266	\$ 2,170,080	\$ 2,410,390	\$ 2,951,801
Debt Service as a Percentage of										
Noncapital Expenditures	7.41%	5.97%	5.85%	16.23%	8.31%	6.29%	13.95%	2.56%	2.46%	2.52%

Source: The source of this information is the City's financial records

CITY OF ELOY, ARIZONA
Net Limited Assessed Value and Full Cash Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Limited Property Value - Primary		Full Cash Value - Secondary		Ratio of Net Assessed to Total Values
	Net Assessed Value	Total Limited Assessed Value	Net Assessed Value	Total Full Cash Value	
2007	35,488,716	264,545,940	36,833,437	271,302,992	13%
2008	47,148,069	353,590,419	63,489,149	456,137,673	14%
2009	70,389,857	530,151,332	119,026,192	842,248,039	14%
2010	81,605,192	616,477,382	125,354,097	900,434,027	14%
2011	101,317,831	747,069,356	115,615,201	821,585,705	14%
2012	90,183,109	659,116,219	94,517,290	675,875,514	14%
2013	86,329,516	624,646,309	88,241,336	633,233,534	14%
2014	83,479,765	620,299,568	86,184,886	629,832,601	14%
2015	86,528,930	652,106,522	95,031,182	705,184,275	13%
2016	85,416,058	669,456,687	91,942,395	722,045,373	13%

Source: The source of this information is the Pinal County Assessor

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

Tax Authority	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City of Eloy	1.2917	1.2326	0.9514	0.8363	0.8195	0.9562	1.0387	1.1378	1.1484	1.1701
Pinal County	4.3035	4.0183	3.4355	3.2316	3.9999	3.9999	3.7999	3.7999	3.9999	3.7999
Eloy Fire District	1.9792	1.9533	1.6388	1.6881	1.9655	2.2835	2.3358	2.4735	2.4693	2.4699
Pinal County Jr. College	2.0528	1.8000	1.4100	1.4636	1.5854	1.8529	1.8786	2.2507	2.2633	2.6498
Toltec Elementary School District	3.6983	3.1657	3.0585	2.3283	2.3255	2.3255	2.9326	3.7556	3.7556	3.7556
Casa Grande Union High School District	2.8074	3.2091	2.8887	2.3972	2.3624	2.486	2.5266	3.0509	3.0509	3.1498
Santa Cruz Unified School District	4.2236	4.0708	3.9656	3.7581	3.6517	3.7308	4.4195	4.3045	4.1508	4.3007
Eloy Elementary School District	6.2520	5.5102	5.4636	4.0013	3.9656	4.1156	4.7645	4.9345	4.9299	5.1967
Other Taxing Authorities	0.3834	0.3692	0.4008	0.7516	0.7878	0.8664	0.9182	1.0381	0.9933	1.0279

Source: The source of this information is the Pinal County Treasurer

CITY OF ELOY, ARIZONA
Real and Personal Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Tax Levy	Collected to June 30th		Percent of Tax Levy	Adjustments
		Collections	End of Tax Fiscal Year(a) Taxes Receivable		
2007	467,765	467,248	517	99.89%	638
2008	580,442	579,979	463	99.92%	(7,778)
2009	657,686	655,813	1,873	99.72%	(13,616)
2010	719,688	717,834	1,854	99.74%	(4,120)
2011	818,698	816,537	2,161	99.74%	(14,452)
2012	832,213	829,664	2,550	99.69%	(18,038)
2013	871,947	869,054	2,893	99.67%	(11,639)
2014	928,831	926,348	28,972	99.73%	(363)
2015	954,648	951,038	3,610	99.62%	(1,193)
2016	999,788	981,586	18,202	98.18%	(737)

(a) Reflects collections made through June 30th, the end of the fiscal year, on such a year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1st. The second installment becomes due the 1st day of March and is delinquent on May 1st. The penalty for a late payment is 16% per year prorated monthly March and is delinquent on May 1st. The penalty for late payments is 16% per year prorated as of the 1st day of the month. Penalties for delinquent payments are not included in the above collection figures.

Source: The source of this information is the Pinal County Treasurer.

CITY OF ELOY, ARIZONA
Sales Tax Revenues by Industry
Fiscal Years 2009 through 2016

	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012	
	Tax Paid	Percentage of Total						
Construction	\$ 2,998,610	46.51%	\$ 830,116	20.15%	\$ 1,637,402	31.17%	\$ 1,257,602	24.59%
Manufacturing	215,210	3.34%	286,748	6.96%	273,899	5.21%	268,820	5.26%
Transportation/Communication/ Utilities	683,760	10.61%	684,547	16.62%	659,001	12.55%	638,519	12.49%
Wholesale Trade	63,534	0.99%	91,143	2.21%	124,332	2.37%	118,652	2.32%
Retail Trade	1,071,019	16.61%	940,694	22.84%	981,398	18.68%	1,172,126	22.92%
Restaurants/Bars	942,401	14.62%	836,373	20.30%	1,042,401	19.84%	1,107,200	21.65%
Insurance/Real Estate	101,791	1.58%	121,700	2.95%	219,347	4.18%	202,784	3.97%
Hotel/Lodging	87,157	1.35%	84,893	2.06%	84,651	1.61%	82,686	1.62%
Services	129,296	2.01%	154,429	3.75%	126,222	2.40%	156,361	3.06%
All Other	153,807	2.39%	88,512	2.15%	104,424	1.99%	109,512	2.14%
Total	\$ 6,446,586	100.00%	\$ 4,119,155	100.00%	\$ 5,253,077	100.00%	\$ 5,114,262	100.00%

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	Tax Paid	Percentage of Total						
Construction	\$ 986,143	20.60%	\$ 1,493,389	27.09%	\$ 877,930	18.33%	\$ 1,363,593	24.52%
Manufacturing	223,290	4.66%	313,380	5.68%	354,911	7.41%	469,659	8.45%
Transportation/Communication/ Utilities	646,302	13.50%	669,495	12.14%	705,863	14.74%	721,349	12.97%
Wholesale Trade	150,107	3.14%	98,775	1.79%	115,576	2.41%	116,521	2.10%
Retail Trade	1,181,505	24.68%	1,278,677	23.19%	1,019,897	21.30%	1,030,747	18.54%
Restaurants/Bars	959,115	20.04%	1,037,957	18.83%	1,064,795	22.23%	1,088,277	19.57%
Insurance/Real Estate	247,337	5.17%	259,296	4.70%	272,974	5.70%	292,015	5.25%
Hotel/Lodging	71,811	1.50%	73,479	1.33%	94,408	1.97%	135,047	2.43%
Services	170,100	3.55%	143,231	2.60%	143,607	3.00%	205,743	3.70%
All Other	150,885	3.15%	145,546	2.64%	138,984	2.90%	138,121	2.47%
Total	\$ 4,786,595	100.00%	\$ 5,513,225	100.00%	\$ 4,788,945	100.00%	\$ 5,561,072	100.00%

Source: The source of this information is the Arizona Department of Revenue

Note: The categories presented are intended to provide alternative information regarding the source of the City's revenue.

City of Eloy
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Eloy					State of Arizona Tax (a)	Pinal County Tax
	Local Sales Tax	Bed Tax	Construction Sales Tax	Restaurant and Bar Tax	Use Tax		
2007	3.00%	7.00%	4.50%	6.00%	0.00%	5.60%	1.1%
2008	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2009	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2010	3.00%	7.00%	4.50%	6.00%	3.00%	6.60%	1.1%
2011	3.00%	7.00%	4.50%	6.00%	3.00%	6.60%	1.1%
2012	3.00%	7.00%	4.50%	6.00%	3.00%	6.60%	1.1%
2013	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2014	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2015	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%
2016	3.00%	7.00%	4.50%	6.00%	3.00%	5.60%	1.1%

Sources: The sources of this information is the City of Eloy Finance Department and Arizona Department of Revenue

(a) In 2010 voters passed a temporary State Sales Tax increase of 1% beginning in June 1, 2010 and expiring on May 31, 2013.

CITY OF ELOY, ARIZONA
Actual Excise Tax Collections
Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>State Shared Sales Tax</u>	<u>Revenue Share</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2007	\$ 7,113,848	\$ 1,057,403	\$ 1,263,084	\$ 112,137	\$ 696,508	\$ 10,242,980
2008	8,441,969	1,022,432	1,565,622	135,324	753,544	11,918,891
2009	6,446,586	885,140	1,665,549	129,343	728,472	9,855,090
2010	4,119,155	816,413	1,436,354	121,542	696,980	7,190,444
2011	5,253,077	887,563	1,082,827	132,654	682,530	8,038,651
2012	5,114,262	1,229,551	1,403,669	135,939	703,979	8,587,400
2013	4,786,595	1,361,278	1,698,821	139,478	724,822	8,710,994
2014	5,513,225	1,447,688	1,853,736	141,905	774,269	9,730,823
2015	4,788,945	1,519,806	2,013,285	144,163	831,046	9,297,245
2016	5,561,071	1,571,675	2,002,370	145,408	900,658	10,181,182

Sources: The source of this information is the City's financial records and Arizona Department of Revenue

CITY OF ELOY, ARIZONA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Per Capita (a)	Percentage of Personal Income
	Capital Leases	General Obligation Bonds	Loans Payable	Capital Leases	General Obligation Bonds	Revenue Bonds	Loans Payable			
2007	\$ 1,584,470	\$ 1,141,332	\$ -	\$ 172,586	\$ 348,668	\$ 1,001,632	\$ 4,573,580	\$ 8,822,268	824	1.33 %
2008	1,436,419	746,845	536,932	93,123	228,155	914,502	4,351,499	8,307,475	650	1.07
2009	1,295,853	333,208	3,711,329	35,687	101,792	826,585	7,548,401	13,852,855	948	1.60
2010	1,149,118	176,179	2,076,403	12,163	53,821	732,845	8,023,437	12,223,966	735	1.49
2011	1,059,802	-	1,516,872	-	-	633,244	7,735,700	10,945,618	658	1.27
2012	965,877	-	956,583	-	-	612,743	7,389,455	9,924,658	585	1.10
2013	36,569	-	3,208,932	-	-	591,299	7,526,941	11,363,741	652	1.21
2014	12,587	-	3,001,503	-	-	568,870	8,864,520	12,447,480	731	1.28
2015	-	-	2,786,211	-	-	545,411	8,660,501	11,992,123	725	1.15
2016	-	-	2,568,293	-	-	520,875	9,181,503	12,270,671	690	1.09

Notes: Details regarding the City's outstanding debt can be found in the financial statements.

Sources: The sources of this information is the City of Eloy Finance Department.

(a) See Demographic and Economic Statistics Section for population data.

CITY OF ELOY, ARIZONA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

Jurisdiction	Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Casa Grande UHS #82	\$ 24,995,000	7.81%	\$ 1,952,110
Central Arizona College	85,940,000	4.21%	3,618,074
Toltec ESD #22	2,785,000	50.82%	1,415,337
Eloy ESD#11	1,330,000	59.11%	786,163
Santa Cruz Valley UHS#840	2,574,081	41.32%	1,063,610
Subtotal, overlapping debt	117,624,081		8,835,294
City direct debt	2,568,293	100%	2,568,293
Total direct and overlapping debt			\$ 11,403,587

Source: Assessed value data used to estimate applicable percentages provided by Pinal County Assessor's Office. Debt outstanding data provided by Pinal County Finance.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Eloy. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsibility for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining their portion of Pinal County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

CITY OF ELOY, ARIZONA
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Secondary Assessed Value	\$ 36,833,437	\$ 63,489,149	\$ 119,026,192	\$ 125,354,097	\$ 115,615,201	\$ 94,517,290	\$ 88,241,336	\$ 86,184,886	\$ 95,031,182	\$ 91,942,395
20% Limitation (a)										
Debt Limit Equal to 20% of Assessed Valuation	7,366,687	12,697,830	23,805,238	25,070,819	23,123,040	18,903,458	17,648,267	17,236,977	19,006,236	18,388,479
Total Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 7,366,687</u>	<u>\$ 12,697,830</u>	<u>\$ 23,805,238</u>	<u>\$ 25,070,819</u>	<u>\$ 23,123,040</u>	<u>\$ 18,903,458</u>	<u>\$ 17,648,267</u>	<u>\$ 17,236,977</u>	<u>\$ 19,006,236</u>	<u>\$ 18,388,479</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6% Limitation (b)										
Debt Limit Equal to 6% of Assessed Valuation	\$ 2,210,006	\$ 3,809,349	\$ 7,141,572	\$ 7,521,246	\$ 6,936,912	\$ 5,671,037	\$ 5,294,480	\$ 5,171,093	\$ 5,701,871	\$ 5,516,544
Total Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 2,210,006</u>	<u>\$ 3,809,349</u>	<u>\$ 7,141,572</u>	<u>\$ 7,521,246</u>	<u>\$ 6,936,912</u>	<u>\$ 5,671,037</u>	<u>\$ 5,294,480</u>	<u>\$ 5,171,093</u>	<u>\$ 5,701,871</u>	<u>\$ 5,516,544</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: The source of this information is the Pinal County Assessor's records

(a) 20% Debt Limitation can be used for Water, Sewer, Light, Parks, and Open Space Purposes.

(b) 6% Debt Limitation can be used for all other General Obligation Bonds.

CITY OF ELOY, ARIZONA
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30th	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 1,454,039	\$ 2,097,765	\$ (643,726)	\$ 76,378	\$ 50,167	(5.09) %
2008	1,593,681	1,560,635	33,046	81,378	46,163	0.26
2009	1,819,378	1,543,338	276,040	87,917	41,875	2.13
2010	1,846,457	1,362,606	483,851	93,740	37,550	3.69
2011	1,715,288	1,386,245	329,043	99,601	32,937	2.48
2012	1,761,118	1,553,018	208,100	20,501	28,035	4.29
2013	1,662,936	1,529,528	133,408	21,443	27,091	2.75
2014	1,893,647	1,529,720	363,927	22,428	26,104	7.50
2015	2,195,416	1,742,934	452,482	23,458	25,071	9.32
2016	2,442,997	1,698,839	744,158	24,536	23,992	15.33

Fiscal Year Ended June 30th	Water Infrastructure Finance Authority Loans					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 2,273,148	\$ 2,840,329	\$ (567,181)	\$ 214,257	\$ 91,620	(1.85) %
2008	2,519,272	2,154,518	364,754	219,211	86,003	1.20
2009	2,845,054	2,583,412	261,642	135,316	128,110	0.99
2010	2,900,260	1,977,559	922,701	344,979	137,050	1.91
2011	2,692,503	2,000,169	692,334	328,493	136,349	1.49
2012	2,706,408	3,124,769	(418,361)	409,349	131,488	(0.77)
2013	2,641,188	2,121,607	519,581	418,205	124,960	0.96
2014	3,034,941	2,040,588	994,353	427,256	160,486	1.69
2015	3,413,179	2,318,540	1,094,639	615,715	176,960	1.38
2016	3,743,693	2,312,286	1,431,407	628,839	172,245	1.79

Fiscal Year Ended June 30th	United States Department of Agriculture Loan					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ -	\$ -	\$ -	\$ -	\$ -	- %
2008	925,591	593,883	331,708	7,824	79,008	3.82
2009	1,025,676	1,040,074	(14,398)	12,559	44,172	(0.25)
2010	1,053,803	614,953	438,850	13,087	43,654	7.73
2011	977,215	613,924	363,291	13,637	43,124	6.40
2012	945,290	1,571,751	(626,461)	14,210	42,551	(11.04)
2013	978,252	592,079	386,173	14,662	41,714	6.85
2014	1,141,294	510,868	630,426	15,279	41,097	11.18
2015	1,217,763	575,606	642,157	16,079	40,752	11.30
2016	1,300,696	613,447	687,249	16,755	40,089	12.09

Source: The source of this information is the City's financial records

CITY OF ELOY, ARIZONA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population	County Population	County Personal Income (in thousands)	County Per Capita Personal Income	School Enrollment	City Unemployment Rate	Pinal County Unemployment Rate
2007	10,701	271,328	6,634,704	24.45	2,200	6.4%	4.2%
2008	12,781	306,174	7,744,706	25.30	2,207	10.6%	7.1%
2009	14,620	335,311	8,642,755	25.78	2,120	19.3%	12.8%
2010	16,620	349,830	8,225,804	23.51	2,077	17.9%	10.9%
2011	16,631	385,738	8,610,378	22.32	2,015	17.8%	10.9%
2012	16,964	384,073	9,059,539	23.59	1,914	15.3%	9.1%
2013	17,423	388,106	9,372,970	24.15	1,822	14.6%	8.6%
2014	17,020	390,965	9,702,897	24.82	1,852	12.5%	7.3%
2015	16,531	401,918	10,387,778	25.85	1,832	11.1%	6.6%
2016	17,787	406,584	11,255,255	27.68	1,848	10.2%	6.3%

Sources: Population, County Per Capita Income and City Unemployment Rate - Bureau of Economic Analysis and Arizona Department of Administration. School Enrollment - Toltec Elementary School District, Eloy Elementary School District and Santa Cruz Valley High School District based on 100th day count.

Note: Amount for fiscal year 2016 is based on an Bureau of Economic Analysis for personal income percent change from the proceeding year.

CITY OF ELOY, ARIZONA
Principal Employers
Current Year and Nine Years Ago

Employer	2016		2007	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Corporation Corrections of America	1,556	60.03%	415	21.60%
Eloy Elementary School District	150	5.79%	145	7.55%
Republic Plastics	125	4.82%	-	-
City of Eloy	118	4.55%	130	6.77%
Travel Center of America	100	3.86%	92	4.79%
Otto Plastics Arizona, LLC	81	3.13%	58	3.02%
Santa Cruz Valley Union High School District	71	2.74%	65	3.38%
Schuff Steel	58	2.24%	-	-
Iron Skillet Restaurant	56	2.16%	63	3.28%
Pilot Travel Center	53	2.04%	60	3.12%
	2,368	91.36%	1,028	53.51%

Source: The source of this information is from various employers.

CITY OF ELOY, ARIZONA

Authorized Full-Time Government Employees by Function/Program

Last Ten Fiscal Years

Fiscal Year	Function/Program								Total
	General Government	Public Safety	Culture & Recreation	Public Works/Admin.	Public Works/Streets	Public Works/Water	Public Works/Sewer	Public Works/Sanitation	
2007	31	51	14	3	11	10	5	7	132
2008	34	48	14	3	10	9	5	7	130
2009	31	46	13	4	10	9	3	7	123
2010	27	46	13	4	10	9	3	7	119
2011	27	43	13	4	10	9	2	7	115
2012	26	44	13	4	10	9	2	7	115
2013	27	44	13	4	10	10	2	7	117
2014	27	43	13	4	10	10	2	7	116
2015	28	44	13	4	10	10	2	7	118
2016	30	43	15	5	10	10	2	3	118

Source: The source of this information is the City's adopted budget documents.

Note: Information is based on authorized positions approved by Council in the Budget.

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CITY OF ELOY, ARIZONA
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Registered Voters	*	3,135	*	3,314	*	3,322	*	3,810	3,735	4,418
Votes cast last primary election	*	369	*	638	*	891	*	*	1,872	1,157
Police										
Arrests	1,428	1,273	937	1,048	972	248	1,703	1,880	1,557	1,560
Citations	3,005	2,992	702	1,007	1,535	371	936	1,698	960	910
Traffic Stops	4,557	4,554	2,504	2,189	1,902	618	2,820	4,490	3,582	3,082
Officer Reports	2,985	4,110	3,905	3,717	3,435	1,031	3,401	3,021	2,463	1,387
Photo Enforcement - Notices Printed	*	*	864	1,172	2,383	1,525	1,451	1,358	72	0
Calls for Service	15,828	16,118	16,707	14,112	13,076	14,524	13,334	18,801	18,150	16,671
Highways & Streets										
Street resurfacing (miles)	*	3	3	4	3	1	1	6	23	7
Cold Mix for Potholes (tons)	*	212	271	168	197	145	96	192	240	226
Street sweeping (miles)	40	42	42	42	46	46	46	46	49	52
Water										
New Residential Connections	34	8	1	0	3	0	0	0	0	0
Line Breaks	*	179	252	204	177	69	87	27	35	51
Average Daily Consumption	1.31	1	1	1	1	1	1	1	1	1
Sewer										
Average Daily Sewage Treatment (thousands of gallons)	*	*	550	490	490	490	600	450	490	495
Line cleaning (feet)	*	*	*	*	90,000	150,000	100,000	100,000	75,000	68,000
Line Plugs	*	*	52	54	58	22	43	27	21	39
Parks and Recreation										
Park Areas	9	9	9	9	9	9	9	10	10	10
Parkland Acreage	15	15	15	15	15	15	15	16.29	16.29	16.29
Playgrounds	6	6	6	6	6	6	6	6	6	6
Afterschool Program Participants	355	378	382	272	228	216	205	240	300	333
Aquatic Center Admissions	5,223	2,530	2,120	2,357	2,075	2,268	2,935	4,451	3,316	4,388

Airport										
Hangers	5	5	5	5	5	5	5	5	5	5
T-Hangers	12	12	12	12	12	12	12	12	12	12
Economic Development										
Building Permits-Commercial	23	38	22	20	14	12	15	19	13	26
Building Permits-Residential	113	44	35	78	48	37	96	99	74	114
Housing Rehabilitations	3	4	6	7	12	1	4	4	6	5
Code Enforcement Cases	*	*	1,104	1,267	2,087	1,601	1,729	4,063	2,429	1,705
Planning Cases	97	75	58	50	24	25	32	32	31	24
Culture - Library										
Items in Collections	16,386	17,809	16,362	18,924	19,086	20,857	23,900	26,540	23,961	28,305
Total Items Circulated	16,381	13,433	14,559	16,544	32,281	35,398	35,867	28,187	28,075	26,610
Reference Transactions	718	864	920	817	858	975	991	940	937	903
Computer Uses (Hrs.)	9,000	9,318	11,636	16,544	17,490	17,481	23,107	22,267	18,996	18,207
Inter-Library Loan	307	628	790	1,821	2,204	2,274	3,629	5,618	7,807	7,217

Sources: This information is obtained from the records of various City Departments

Note: Voter registration is taken every two years.

* Not available

CITY OF ELOY, ARIZONA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	15	11	14
Highways and Streets										
Streets (miles)	*	85	90	90	91	93	93	93	93	93
Streetlights	605	616	598	598	598	598	598	598	598	598
Street poles	582	593	575	575	575	598	598	598	598	598
Water										
Water mains (miles)	120	120	120	123	123	123	123	123	123	123
Fire hydrants	315	321	321	321	326	326	327	327	327	340
Sewer										
Sanitary Sewer (miles)	44	45	45	47	47	47	47	47	47	47
Maximum daily treatment capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Recreation and Aquatics										
Parks Acreage	15	15	15	15	15	15	15	16	16	16
Number of Parks	9	9	9	9	9	9	9	9	9	10
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	1	1	1	1	1	1	1	1	1	2
Ball Fields	3	3	3	3	3	3	3	3	3	2

Sources: This information is obtained from the records of various City Departments

* Not available