

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



*Year-ended June 30, 2018  
With Report of Certified Public Accountants*

# CITY OF SHOW LOW, ARIZONA

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## City of Show Low

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

**December 4, 2018**

Citizens of the City of Show Low and  
Honorable Mayor and Council  
Show Low, Arizona

The Comprehensive Annual Financial Report for the City of Show Low (City) for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The CAFR has been prepared using the new financial reporting requirements as prescribed by Government Accounting Standard Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34). GASB 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should

be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

### **Profile of the City of Show Low**

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

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

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

### **Economic Conditions**

Along with the rest of the state and nation, the City has experienced a gradually improving economic environment. An indication of the improved economy is the growth in FY2018 City sales tax collections over FY 2017 receipts. The stronger state and local economies are the result of improved job growth, rising personal income, lower unemployment and the fact that the City serves as a regional trade and services center for the southern part of Navajo County and a portion of Apache County. Tourism and recreation also contribute to the City's economy, with many recreational opportunities in the White Mountains area. Attractions include fishing, camping, hiking, horseback riding, golf, and big game hunting. Other points of interest include the Apache Sitgreaves National Forest, the Mogollon Rim, and the Sunrise Park Ski Resort, which is located on the White Mountain Apache Indian Reservation.

### **Financial Information**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

## **Budgetary Controls**

Article IX, Section 20(1) of the Arizona Constitution establishes limits on the City's legal budget capacity. In general, the Mayor and Council cannot authorize expenditures of local revenues in excess of the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on the City's actual expenditures incurred during 1979-1980, adjusted to reflect subsequent inflation and population growth, but not service expansion.

On August 30, 2016 in accordance with state statutes, the voters of Show Low passed, and the City adopted, a Permanent Base Adjustment. The effect of the Permanent Base Adjustment is to permanently adjust the City's expenditure limitation base that was set in 1979-1980. The Permanent Base Adjustment was effective July 1, 2017.

There are two conditions of the Permanent Base Adjustment proposition passing: 1- Any tax increase requires a 75% majority vote of the sitting Council members, 2- the City must maintain a reserve of at least one million dollars before any expenditure can be authorized. Additionally, the City Council set a goal to maintain two months of operating reserves in the general fund. The remaining combined fund balance is non-spendable, restricted, committed or assigned in accordance with GASB 54. For additional information see the Management Discussion & Analysis and the Governmental Funds Balance Sheet.

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

## **Financial Policies**

The City's practice of conservatively estimating major revenue sources such as city sales tax, state shared revenues and user fees, has continued to have a positive influence on the City's financial position. Another practice that has had a positive influence is the practice of ensuring that funds have been collected before they are allocated to pay for projects. Furthermore, the City continues to review every vacancy to ensure the position is essential to City operations. The City remains focused on City Council's goal to maintain existing infrastructure and most capital dollars are expended on infrastructure improvements as opposed to expansion.

## **Cash Management**

Cash not held with fiscal agents is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Governments Investment Pool. Investment income is allocated to the funds monthly, on the basis of cash provided for investment. The average yield on investments held with the State Treasurer was 1.57% or 1.57 basis points.

## **Risk Management**

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

The City is also covered by the AMRRP for worker's compensation. The City is covered by AVQuest for its airport activities.

## **Other Information**

### **Independent Audit**

The accounting firm of HintonBurdick, PLLC was selected by the City to perform the annual independent audit in FY2018. The annual audit is designed to meet the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. The independent auditor's report and federal compliance reports are included in the Financial and the Compliance Sections of this report.

### **Acknowledgments**

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

Respectfully submitted,



Justin Johnson  
Administrative Services Director



Government Finance Officers Association

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

Presented to

**City of Show Low  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

# *City of Show Low, Arizona*

## *List of officials*

### **MAYOR**

Daryl Seymore

### **Vice-Mavor**

Brent Hatch

### **Council Members**

John Leech Jr.  
Gene Kelley  
Connie Kakavas  
Rennie Crittenden  
Mike Allsop

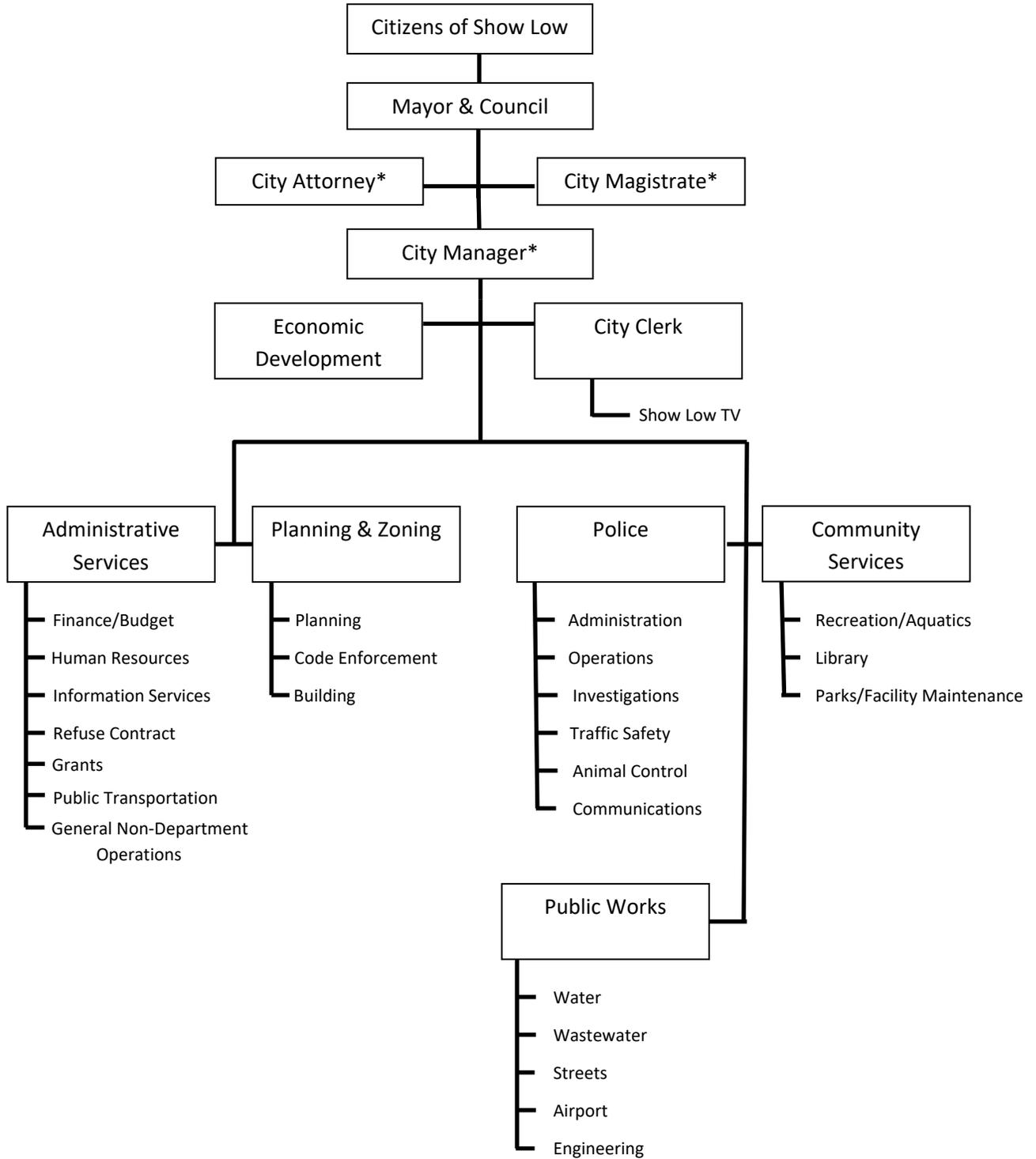
### **City Staff**

Ed Muder, City Manager  
Morgan Brown, City Attorney  
Stephen Price, City Magistrate  
Justin Johnson, Administrative Services Director  
Jay Brimhall, Community Services Director  
Joseph Shelley, Police Chief  
William Kopp, Public Works Director  
Justen Tregaskes, Planning & Zoning Director  
Ann Kurasaki, City Clerk



# City of Show Low, Arizona

## Organizational Chart



\*Appointed by Council

**FINANCIAL SECTION**

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## **Independent Auditors' Report**

The Honorable Mayor and  
City Council  
Show Low, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Show Low, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Show Low, Arizona, as of June 30, 2018, 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.

## ***Changes in Accounting Principle***

As described in Note 1-I and 4-F to the financial statements, in fiscal year 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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, the schedules of the proportionate share of the net pension/OPEB liabilities, the schedule of changes in the net pension/OPEB liabilities and related ratios, the schedule of pension/OPEB contributions, and the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Show Low, Arizona's basic financial statements. The introductory section, supplementary budgetary comparison schedule for major funds, the nonmajor fund combining statements and budgetary comparison schedules, the fiduciary funds combining statement of changes in assets and liabilities, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary budgetary comparison schedule for major funds, the nonmajor fund combining statements and budgetary comparison schedules and the fiduciary funds combining statement of changes in assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary budgetary comparison schedule for major funds, the combining and individual nonmajor fund financial statements and the fiduciary funds combining statement of changes in assets and liabilities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

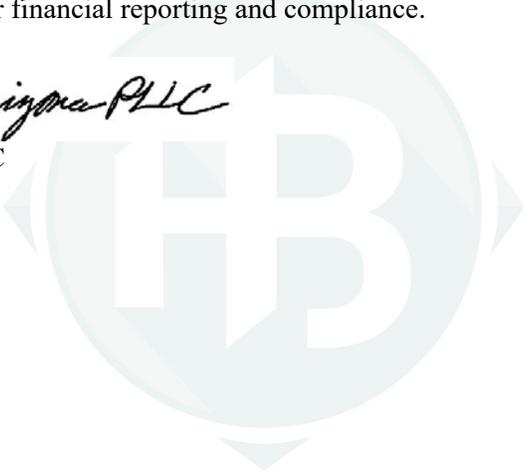
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the City of Show Low, Arizona’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Show Low, Arizona’s internal control over financial reporting and compliance.



HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
November 27, 2018



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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City of Show Low  
**Management's Discussion and Analysis**  
June 30, 2018

As management of the City of Show Low, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements.

## **FINANCIAL HIGHLIGHTS**

- City sales tax revenue continued to improve for the seventh consecutive year; collections increased by 11.7% when compared to the prior year and remain the single largest revenue in the General Fund budget at 97.1% of tax revenues. The trend of growth is similar to that being seen across the state and nation as the economy continues to improve. The total city sales tax collected for the current year is approximately \$1,283,470 greater than the FY 2007 peak amount.
- The City undertook many capital improvement projects during the current year. Some of the significant capital outlay projects included the construction of Pickleball Courts and new playgrounds at the City park. Additional capital projects included road, water and waste water infrastructure improvements to ensure the continued provision of quality services to the community.
- The City approved a conservative budget for the current year. Monthly financial reviews showed that program adjustments were not needed during the year resulting in expenses being within management's revised projections for the year.

## **USING THIS ANNUAL REPORT**

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

### **Reporting the City as a Whole**

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

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

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

City of Show Low  
**Management's Discussion and Analysis**  
June 30, 2018

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

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

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

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

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

#### **Reporting the City's Fiduciary Responsibilities**

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

City of Show Low  
**Management's Discussion and Analysis**  
June 30, 2018

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets and deferred outflows exceeded liabilities and deferred inflows by \$115,047,617 as of June 30, 2018 as shown in the following condensed statement of net position. The City has chosen to account for its water, wastewater and refuse operations in enterprise funds which are shown as Business Activities.

**City of Show Low's Statement of Net Position**

	Governmental		Business-type		Total	Total
	Activities		Activities			
	Current	Previous	Current	Previous		
	Year	Year	Year	Year	Year	Year
Current and other assets	\$ 20,856,789	18,567,377	8,542,600	7,869,669	29,399,389	26,437,046
Net capital assets	69,862,111	70,740,204	52,962,228	53,455,414	122,824,339	124,195,618
Total assets	90,785,727	89,307,581	61,506,784	61,325,083	152,223,728	150,632,664
Deferred outflows of resources	3,506,556	3,759,729	212,309	330,037	3,718,865	4,089,766
<b>Total assets and deferred outflows</b>	<b>\$ 94,292,283</b>	<b>93,067,310</b>	<b>61,719,093</b>	<b>61,655,120</b>	<b>155,942,593</b>	<b>154,722,429</b>
Long-term debt outstanding	\$ 11,766,988	13,584,850	6,648,514	6,903,876	18,415,502	20,488,726
Other liabilities	19,494,171	19,350,772	2,374,546	2,258,007	21,868,717	21,608,778
Total liabilities	31,261,159	32,935,622	9,023,060	9,161,883	40,284,219	42,097,504
Deferred inflows of resources	562,969	936,705	116,571	210,757	679,540	1,147,462
<b>Total liabilities and deferred inflows</b>	<b>31,824,128</b>	<b>33,872,326</b>	<b>9,139,631</b>	<b>9,372,640</b>	<b>40,963,759</b>	<b>43,244,966</b>
Net position:						
Net investment in capital assets	58,365,980	57,182,342	46,313,714	46,551,538	104,679,694	103,733,880
Restricted	2,049,302	1,205,807	2,103,556	2,107,329	4,152,858	3,313,136
Unrestricted	2,052,873	806,834	4,162,192	3,623,613	6,215,065	4,430,447
<b>Total net position</b>	<b>\$ 62,468,155</b>	<b>59,194,983</b>	<b>52,579,461</b>	<b>52,282,480</b>	<b>115,047,617</b>	<b>111,477,463</b>

**Governmental Activities**

The City has \$155,942,593 in total assets, with \$122,824,339 in capital assets (net of depreciation). Funds included in the business-type activities column are the City's enterprise funds operation, which are Wastewater, Water, and Refuse. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities. See Note 3-C, Capital Assets, for more information about the City's capital assets.

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

City of Show Low  
**Management's Discussion and Analysis**  
June 30, 2018

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

	Governmental		Business-type		Total Current Year	Total Previous Year
	Activities		Activities			
	Current Year	Previous Year	Current Year	Previous Year		
<b>Program revenues:</b>						
Charges for services	\$ 4,330,087	3,858,018	7,816,468	7,359,644	12,146,555	11,217,661
Operating grants and contributions	2,777,415	2,615,705	-	-	2,777,415	2,615,705
Capital grants and contributions	884,186	843,347	642,185	484,013	1,526,370	1,327,360
<b>General revenues:</b>						
Taxes	14,588,584	13,205,355	-	-	14,588,584	13,205,355
Urban revenue sharing	1,259,816	1,332,380	-	-	1,259,816	1,332,380
Other revenues	590,897	414,009	138,295	111,812	729,191	525,821
<b>Total revenues</b>	<b>24,430,985</b>	<b>22,268,814</b>	<b>8,596,947</b>	<b>7,955,469</b>	<b>33,027,932</b>	<b>30,224,282</b>
<b>Expenses:</b>						
General government	4,951,426	5,267,322	-	-	4,951,426	5,267,322
Public safety	5,909,604	6,867,413	-	-	5,909,604	6,867,413
Public works/Streets	7,827,721	6,432,718	-	-	7,827,721	6,432,718
Non-departmental	1,006,390	702,637	-	-	1,006,390	702,637
Culture and recreation	1,383,912	1,865,145	-	-	1,383,912	1,865,145
Interest on long-term debt	525,034	326,758	-	-	525,034	326,758
Water	-	-	3,560,460	3,612,167	3,560,460	3,612,167
Wastewater	-	-	3,418,835	3,202,975	3,418,835	3,202,975
Refuse	-	-	846,139	804,210	846,139	804,210
<b>Total expenses</b>	<b>21,604,088</b>	<b>21,461,993</b>	<b>7,825,435</b>	<b>7,619,352</b>	<b>29,429,522</b>	<b>29,081,346</b>
<b>Increase (decrease) in net</b>						
<b>position before transfers</b>	<b>2,826,898</b>	<b>806,821</b>	<b>771,512</b>	<b>336,117</b>	<b>3,598,410</b>	<b>1,142,937</b>
Transfers in (out)	474,820	547,900	(474,820)	(547,900)	-	-
<b>Change in net position</b>	<b>3,301,718</b>	<b>1,354,721</b>	<b>296,692</b>	<b>(211,783)</b>	<b>3,598,410</b>	<b>1,142,937</b>
Net position - beginning	59,166,438	57,840,262	52,282,769	52,494,264	111,449,207	110,334,526
<b>Net position - ending</b>	<b>\$ 62,468,156</b>	<b>59,194,983</b>	<b>52,579,461</b>	<b>52,282,480</b>	<b>115,047,617</b>	<b>111,477,463</b>

Total resources available during the year to finance governmental operations were \$83,597,423, consisting of Net Position at July 1, 2017 of \$59,166,438, program revenues of \$7,991,688, and General Revenues of \$16,439,297. Total Governmental Activities expenses during the year were \$21,604,088; net transfers in during the year were \$474,820; thus, Governmental Net Position was increased by \$3,301,718 to \$62,468,156.

City of Show Low  
**Management's Discussion and Analysis**  
June 30, 2018

**Business-type Activities**

Net Position of the Business Type activities at June 30, 2018, as reflected in the Statement of Net Position was \$52,579,461. The cost of providing all Proprietary (Business Type) activities this year was \$7,825,435. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$7,816,468 and there was \$642,185 subsidized by capital grants and contributions. Interest earnings and other revenues were \$138,295. The Net Position increased by \$296,692. The reason for the increase in Net Position is due to an increase in Charges for Services over the prior year and a reduction in operating expenses in the Water Fund.

**Financial Analysis of the Government's Funds**

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

Governmental funds – The focus of the City of Show Low's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Show Low's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. See the Balance Sheet for Governmental Funds statement for information about components of the fiscal year's ending fund balance for governmental funds. As of the end of the current fiscal year, the City of Show Low's governmental funds reported combined ending fund balances of \$14,036,789, an increase of \$2,039,683. The change is due primarily to the increase in city sales tax revenues.

Approximately 73% of the combined ending fund balances of \$14,036,789, or \$10,275,069, constitutes unassigned fund balance which is available for new spending at the government's discretion. The \$10,275,069 million combined unassigned fund balance includes \$2,900,000 established as a General Fund reserve, of which at least \$1,000,000 is a condition of the Home Rule Option and must be maintained before any expenditure can be authorized. The City Council has also directed an additional \$1,900,000 be set aside. The remaining combined fund balance is non-spendable, restricted, committed or assigned in accordance with GASB 54.

The General fund is the chief operating fund of the City of Show Low. At the end of the current fiscal year, unassigned fund balance in the general fund was \$10,308,841, while total General fund balance was \$10,558,494. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General fund expenditures. The General fund unassigned fund balance represents 77.66% of total General fund expenditures while total fund balance represents 79.54% of the same amount. During the year, the City of Show Low's General fund balance increased by \$2,268,941. This increase in fund balance is primarily attributable to fluctuations in the normal course of operations.

The Highway User Revenue Fund has a total fund balance of \$1,435,233, all of which is assigned for road and street construction and improvements per state statute. There was no net change in the fund balance during the current year as a result of a transfer into the HURF fund of \$740,125.

The Airport Fund has a total fund balance of \$6,561 and an unassigned fund balance of (\$33,773), which offsets the total fund balance.

The Special Projects Fund experienced an increase of \$42,723 in the current year, which includes a transfer in of \$46,236.

The Show Low Bluff Communities Facilities District debt service fund experienced a net increase of \$92,728 for the current year, resulting in an ending fund balance of \$908,980 restricted for debt service.

City of Show Low  
**Management's Discussion and Analysis**  
 June 30, 2018

**General Fund Budgetary Highlights**

Tax revenues have a positive variance with budgeted revenues of \$2,444,652, mainly due to stronger than budgeted sales tax collections. Intergovernmental revenues also have a positive variance of \$32,419 due to the City's practice of budgeting 95% of the estimated state-provided revenues and 95% of prior year actuals for other revenues. Total revenues have a positive variance of 17.5% or \$3,036,480. General fund expenditures were \$2,542,517 or 16% less than budgeted with the most significant positive variances in the following areas:

- In the General Government category, total spending was \$512,671 or 13% less than budget. Most notable in this category was City Council spending \$235,784 less than budget due to limited use of council contingencies that comprise the majority of the council budget.
- In the Public Safety department, spending was \$1,057,196 or 15% less than budget due to personnel-related, program, and equipment replacement savings.
- In the Public Works department, actual spending was \$138,248 or 6% less than budget due to personnel-related and program savings.
- In the Non-departmental category, spending was \$716,210 or 42% less than budget because of limited use of contingencies for economic development incentives and liability deductibles.
- In the Culture and Recreation category, actual spending was \$118,193 or 12% less than budget due to personnel-related and contractual savings.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

	Governmental		Business-type		Total	Total
	Activities		Activities			
	Current	Previous	Current	Previous		
	Year	Year	Year	Year	Year	Year
<b>Net Capital Assets:</b>						
Land and water rights	\$ 6,589,507	6,309,240	1,256,833	1,256,833	7,846,340	7,566,073
Buildings	13,997,323	14,660,793	288,249	299,938	14,285,572	14,960,732
Improvements	8,316,866	8,531,491	-	-	8,316,866	8,531,491
Infrastructure	36,976,410	37,703,940	48,751,991	49,889,125	85,728,401	87,593,065
Machinery and equipment	2,008,177	2,204,799	1,603,702	1,502,101	3,611,879	3,706,900
Vehicles	1,271,112	1,151,920	149,547	167,901	1,420,659	1,319,821
Work in progress	702,716	178,021	911,905	339,515	1,614,621	517,536
<b>Totals</b>	<b>\$ 69,862,111</b>	<b>70,740,204</b>	<b>52,962,228</b>	<b>53,455,413</b>	<b>122,824,339</b>	<b>124,195,617</b>

The capital assets of the City are those assets that are used in performance of City functions. The total amount of capital assets, net of depreciation, of \$122,824,339 is a decrease of \$1,371,278 from the previous year. Governmental activities capital assets, net of depreciation, of \$69,862,111 is a decrease of \$878,093 from the previous year. Business-type activities capital assets, net of depreciation, of \$52,962,228 is a decrease of \$493,185 from the previous year. Additional information regarding capital assets may be found in the notes to the financial statements, Note 3-C.

City of Show Low  
**Management's Discussion and Analysis**  
June 30, 2018

**City of Show Low's Outstanding Debt**

	Current Year	Previous Year	Change
<b>Governmental activities:</b>			
Improvement District #6	\$ -	320,000	(320,000)
Improvement District #7	-	75,000	(75,000)
Community Facilities District	1,395,000	1,465,000	(70,000)
CFD District bonds - Series 2007	360,000	375,000	(15,000)
CFD District bonds - Series 2011	280,000	315,000	(35,000)
GADA Bonds - Series 2006B	-	400,000	(400,000)
GADA Bonds - Series 2008A	385,000	755,000	(370,000)
Excise Tax Rev. Ref. Bonds - Series 2015	8,690,000	8,790,000	(100,000)
Reidhead note payable - Land purchase	-	50,000	(50,000)
Accrued compensated absences	813,256	812,754	502
Capital leases	630,000	1,012,862	(382,862)
Landfill monitoring costs	26,988	26,988	-
Net pension liability	14,577,854	14,865,495	(287,641)
<b>Total governmental</b>	<b>\$ 27,158,098</b>	<b>29,263,099</b>	<b>(2,105,001)</b>
<b>Business-type activities:</b>			
WIFA Loan - Water PV/FH	\$ 1,579,871	1,667,075	(87,204)
WIFA Loan - Water Pineview	2,873,644	3,041,801	(168,157)
Sewer System Rev. Ob. - 2014	2,195,000	2,195,000	-
Accrued compensated absences	118,401	117,004	1,397
Net pension liability	1,642,775	1,649,197	(6,422)
<b>Total business-type</b>	<b>\$ 8,409,690</b>	<b>8,670,076</b>	<b>(260,386)</b>
<b>Total outstanding debt</b>	<b>\$ 35,567,789</b>	<b>37,933,175</b>	<b>(2,365,386)</b>

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

**NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

The City of Show Low is experiencing continued, steady economic growth and expects to see similar growth in the coming fiscal year. The City serves as a regional trade and services center for the White Mountains and remains a favorite place for summer visitors and second homes. The City is at 6,412 feet elevation and enjoys summer time temperatures that are in the mid-eighties. Winters in Show Low are generally mild with temperature extremes being minor compared to other parts of the country.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Services Director, City of Show Low, 180 North 9<sup>th</sup> Street, Show Low, Arizona 85901.

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## **BASIC FINANCIAL STATEMENTS**

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City of Show Low  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 15,743,806	7,808,578	23,552,384
Accounts receivable, net of allowance	2,804,729	1,055,537	3,860,266
Internal balances	693,457	(693,457)	-
Inventory	40,334	260,700	301,033
Prepaid items	41,205	-	41,205
<b>Total current assets</b>	<b>19,323,529</b>	<b>8,431,358</b>	<b>27,754,887</b>
Non-current assets:			
Restricted cash and cash equivalents	1,533,260	111,242	1,644,502
Net OPEB asset	66,827	1,956	68,783
Capital assets:			
Not being depreciated	7,292,223	2,168,738	9,460,961
Net of accumulated depreciation	62,569,888	50,793,490	113,363,378
<b>Total non-current assets</b>	<b>71,462,198</b>	<b>53,075,426</b>	<b>124,537,624</b>
<b>Total assets</b>	<b>90,785,727</b>	<b>61,506,784</b>	<b>152,292,511</b>
Deferred outflows of resources - charge on refunding	243,869	-	243,869
Deferred outflows of resources - pensions/OPEB	3,262,687	212,309	3,474,996
<b>Total assets and deferred outflows of resources</b>	<b>\$ 94,292,283</b>	<b>61,719,093</b>	<b>156,011,376</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,201,152	272,296	1,473,448
Accrued wages, benefits and other liabilities	495,337	170,302	665,638
Compensated absences	496,086	72,225	568,311
Accrued interest payable	143,214	91,619	234,833
Customer deposits	1,298,434	62,434	1,360,868
Unearned Revenue	898,097	14,764	912,861
Long-term liabilities due within one year	591,000	558,010	1,149,010
<b>Total current liabilities</b>	<b>5,123,320</b>	<b>1,241,648</b>	<b>6,364,969</b>
Non-current liabilities:			
Compensated absences	317,170	46,176	363,346
Long-term liabilities due after one year	11,175,988	6,090,504	17,266,492
Net pension/OPEB liability	14,644,681	1,644,731	16,289,412
<b>Total non-current liabilities</b>	<b>26,137,839</b>	<b>7,781,412</b>	<b>33,919,251</b>
<b>Total liabilities</b>	<b>31,261,159</b>	<b>9,023,060</b>	<b>40,284,219</b>
Deferred inflows of resources - pensions	562,969	116,571	679,540
<b>Total liabilities and deferred inflows of resources</b>	<b>31,824,128</b>	<b>9,139,631</b>	<b>40,963,759</b>
<b>NET POSITION:</b>			
Net investment in capital assets	58,365,980	46,313,714	104,679,694
Restricted for:			
Highways and streets	51,005	-	51,005
Debt service	1,839,755	-	1,839,755
Capital projects and other	158,543	2,103,556	2,262,099
Unrestricted	2,052,873	4,162,192	6,215,065
<b>Total net position</b>	<b>62,468,155</b>	<b>52,579,461</b>	<b>115,047,617</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 94,292,283</b>	<b>61,719,093</b>	<b>156,011,376</b>

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

City of Show Low  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

<b>FUNCTIONS/PROGRAMS:</b>	Expenses	<b>Program Revenues</b>		Net (Expense) Revenue (To Next Page)	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Primary government:</b>					
Governmental activities:					
General Government	\$ 4,951,426	2,468,673	35,244	-	(2,447,509)
Public safety	5,909,604	281,863	219,571	-	(5,408,170)
Public works/Streets	7,827,721	1,307,934	2,492,029	864,467	(3,163,291)
Non-departmental	1,006,390	-	-	-	(1,006,390)
Culture and recreation	1,383,912	271,616	30,572	19,719	(1,062,005)
Interest on long-term debt	525,034	-	-	-	(525,034)
<b>Total governmental activities</b>	<b>21,604,088</b>	<b>4,330,087</b>	<b>2,777,415</b>	<b>884,186</b>	<b>(13,612,400)</b>
Business-type activities:					
Water	3,560,460	4,206,658	-	280,326	926,523
Wastewater	3,418,835	2,716,364	-	361,859	(340,612)
Refuse	846,139	893,446	-	-	47,307
<b>Total business-type activities</b>	<b>7,825,435</b>	<b>7,816,468</b>	<b>-</b>	<b>642,185</b>	<b>633,218</b>
<b>Total primary government</b>	<b>\$ 29,429,522</b>	<b>12,146,555</b>	<b>2,777,415</b>	<b>1,526,370</b>	<b>(12,979,182)</b>

(continued on next page)

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

City of Show Low  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION:</b>			
<b>Net (expense) revenue (from previous page)</b>	<b>\$ (13,612,400)</b>	<b>633,218</b>	<b>(12,979,182)</b>
General revenues:			
Taxes:			
City sales tax	12,248,424	-	12,248,424
Franchise tax	371,228	-	371,228
Property tax	199,662	-	199,662
Auto license tax (unrestricted)	703,405	-	703,405
State sales tax (unrestricted)	1,065,866	-	1,065,866
Urban revenue sharing (unrestricted)	1,259,816	-	1,259,816
Unrestricted investment earnings	136,404	122,502	258,906
Gain (loss) on sale of capital assets	32,588	15,792	48,380
Miscellaneous	421,905	-	421,905
Transfers in (out)	474,820	(474,820)	-
Total general revenues and transfers	<u>16,914,118</u>	<u>(336,525)</u>	<u>16,577,592</u>
<b>Change in net position</b>	<b>3,301,718</b>	<b>296,692</b>	<b>3,598,410</b>
Net position - beginning, restated and as adjusted	<u>59,166,438</u>	<u>52,282,769</u>	<u>111,449,207</u>
<b>Net position - ending</b>	<b><u>\$ 62,468,156</u></b>	<b><u>52,579,461</u></b>	<b><u>115,047,617</u></b>

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

City of Show Low  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2018

	General Fund	Special Revenue Funds		
		Highway User Revenue Fund	Airport Fund	Special Projects Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,944,288	1,877,225	150,145	90,755
Receivables:				
Taxes	1,100,478	143,014	-	-
Interest	22,224	-	-	-
Other	75,410	-	58,163	126
Assessments	-	-	-	-
Intergovernmental	46,535	-	25,411	-
Due from other funds	800,310	-	-	-
Inventories	-	-	40,334	-
Prepaid items	41,205	-	-	-
Restricted cash and cash equivalents	1,376,024	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 13,406,473</b>	<b>2,020,239</b>	<b>274,053</b>	<b>90,881</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Liabilities:				
Accounts payable	\$ 278,667	546,814	145,728	2,289
Accrued wages and benefits	389,340	38,192	17,307	-
Accrued liabilities	26,537	-	5,492	-
Deposits held	1,298,434	-	-	-
Due to other funds	-	-	98,965	-
Unearned revenue	855,000	-	-	43,097
Total liabilities	2,847,979	585,006	267,492	45,386
Deferred inflows of resources - special assessments	-	-	-	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>2,847,979</b>	<b>585,006</b>	<b>267,492</b>	<b>45,386</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories and prepaid items	41,205	-	40,334	-
Restricted for:				
Public works/streets	-	-	-	45,495
Capital outlay	-	-	-	-
Debt service	77,590	-	-	-
Committed for:				
Cemetery	130,858	-	-	-
Public transportation	-	-	-	-
Family aquatic center	-	-	-	-
Assigned for:				
Public works/streets	-	1,435,233	-	-
Unassigned	10,308,841	-	(33,773)	-
<b>TOTAL FUND BALANCES</b>	<b>10,558,494</b>	<b>1,435,233</b>	<b>6,561</b>	<b>45,495</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 13,406,473</b>	<b>2,020,239</b>	<b>274,053</b>	<b>90,881</b>

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

Show Low Bluff Communities Facilities District	Non-Major Governmental Funds	Total Governmental Funds
713,435	1,097,615	13,873,463
16,225	4,382	1,264,098
14,445	731	37,401
23,996	-	157,695
1,191,347	832	1,192,179
-	81,406	153,352
-	-	800,310
-	-	40,334
-	-	41,205
157,236	-	1,533,260
<b>2,116,684</b>	<b>1,184,965</b>	<b>19,093,294</b>
-	76,581	1,050,080
-	18,469	463,307
-	-	32,030
-	-	1,298,434
-	7,888	106,853
-	-	898,097
-	102,938	3,848,801
1,207,704	-	1,207,704
<b>1,207,704</b>	<b>102,938</b>	<b>5,056,506</b>
-	-	81,538
-	5,510	51,005
-	158,543	158,543
908,980	853,185	1,839,755
-	-	130,858
-	60,572	60,572
-	4,216	4,216
-	-	1,435,233
-	-	10,275,069
<b>908,980</b>	<b>1,082,026</b>	<b>14,036,789</b>
<b>2,116,684</b>	<b>1,184,965</b>	<b>19,093,294</b>

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

June 30, 2018

<b>Total Fund Balances - Total Governmental Funds</b>		<b><u>\$ 14,036,789</u></b>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental funds are not financial resources, and therefore, are not reported in the funds:</p>		
Capital assets, at cost	\$ 120,235,816	
Less accumulated depreciation	<u>(50,313,705)</u>	
Net capital assets		69,862,111
<p>Net OPEB asset is not an available resource and therefore is not reported in the fund statements.</p>		
		66,827
<p>Some liabilities are not due in the current period and therefore are not reported in the funds.</p>		
Deferred charge on refunding	\$ 243,869	
Notes payable	(9,075,000)	
Bonds payable	(640,000)	
Special assessment bonds	(1,395,000)	
Landfill monitoring costs	(26,988)	
Lease payable	(630,000)	
Net pension/OPEB liability	(14,644,681)	
Compensated absences	<u>(813,256)</u>	
		(26,981,056)
<p>Interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the governmental funds balance sheet.</p>		
		(143,214)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities.</p>		
		1,207,704
<p>Internal service funds are used by management to charge costs of certain activities to individual funds. This amount represents the assets and liabilities of the internal service fund reported as governmental activities.</p>		
		1,719,276
<p>Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	\$ 3,262,687	
Deferred inflows	<u>(562,969)</u>	
		2,699,718
<b>Total Net Position of Governmental Activities</b>		<b><u><u>\$ 62,468,155</u></u></b>

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

City of Show Low  
**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	Special Revenue Funds			
	General Fund	Highway User Revenue Fund	Airport Fund	Special Projects Fund
<b>REVENUES</b>				
Taxes	\$ 12,619,652	-	-	-
License and permits	369,875	-	-	-
Intergovernmental revenues	3,247,399	1,543,213	410,389	46,088
Charges for services	596,348	-	1,303,801	-
Fines and forfeitures	188,585	-	-	5,158
Interest	104,815	11,006	769	-
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous revenue	178,232	14,618	11,508	-
<b>Total revenues</b>	<b>17,304,906</b>	<b>1,568,838</b>	<b>1,726,468</b>	<b>51,245</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,095,963	-	-	19,484
Public safety	5,756,887	-	-	-
Public works/Streets	2,089,226	1,219,214	1,500,791	-
Non-departmental	1,006,390	-	-	-
Culture and recreation	323,422	-	-	35,275
Capital outlay	1,001,969	1,115,151	156,032	-
Debt service:				
Principal	-	-	80,000	-
Interest and fiscal charges	-	-	1,852	-
<b>Total expenditures</b>	<b>13,273,857</b>	<b>2,334,366</b>	<b>1,738,674</b>	<b>54,759</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,031,049</b>	<b>(765,528)</b>	<b>(12,207)</b>	<b>(3,513)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	2,266	25,404	4,919	-
Transfers in	575,206	740,125	7,288	46,236
Transfers out	(2,339,580)	-	-	-
<b>Total other financing sources and (uses)</b>	<b>(1,762,108)</b>	<b>765,528</b>	<b>12,207</b>	<b>46,236</b>
<b>Net change in fund balances</b>	<b>2,268,941</b>	<b>-</b>	<b>-</b>	<b>42,723</b>
Fund balances - beginning of year	8,289,553	1,483,844	6,561	2,772
Prior period adjustment	-	(48,611)	-	-
<b>Fund balance - end of year</b>	<b>\$ 10,558,494</b>	<b>1,435,233</b>	<b>6,561</b>	<b>45,495</b>

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

Show Low Bluff		
Communities Facilities District	Non-Major Governmental Funds	Total Governmental Funds
-	199,662	12,819,313
-	-	369,875
-	559,414	5,806,503
-	126,949	2,027,098
545	-	194,288
6,322	6,226	129,138
-	135,291	135,291
205,085	288,969	494,053
144,521	73,026	421,905
<b>356,473</b>	<b>1,389,536</b>	<b>22,397,465</b>
11,274	619,447	3,746,168
-	-	5,756,887
-	205,297	5,014,528
-	-	1,006,390
-	420,176	778,873
-	43,313	2,316,465
120,000	1,617,862	1,817,862
128,470	297,695	428,017
<b>259,744</b>	<b>3,203,790</b>	<b>20,865,190</b>
<b>96,728</b>	<b>(1,814,255)</b>	<b>1,532,275</b>
-	-	32,588
-	1,628,287	2,997,142
(4,000)	(178,742)	(2,522,322)
<b>(4,000)</b>	<b>1,449,545</b>	<b>507,408</b>
<b>92,728</b>	<b>(364,709)</b>	<b>2,039,683</b>
816,251	1,446,736	12,045,717
-	-	(48,611)
<b>908,980</b>	<b>1,082,026</b>	<b>14,036,789</b>

City of Show Low  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

**Net Change in Fund Balances - Total Governmental Funds** **\$ 2,039,683**

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

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

Capital outlays	\$ 2,316,465	
Contributed capital assets	748,895	
Depreciation expense	<u>(3,943,452)</u>	
Net		(878,093)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Current year payments on assessments. (356,854)

Governmental funds report the effect of premiums, discounts, and other similar items when debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities. (27,097)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,817,862

The statement of activities shows pension/OPEB contributions and pension/OPEB expenses that are not shown in the fund statements. 415,236

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. (502)

Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities. (97,017)

The net revenue of certain activities of the internal service fund is reported with governmental activities. 388,500

**Change in Net Position of Governmental Activities** **\$ 3,301,718**

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

City of Show Low  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service
					Health Insurance
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 5,445,675	2,157,105	205,798	7,808,578	1,870,343
Accounts receivable, net of allowance	752,645	230,086	72,806	1,055,537	5
Inventory	219,878	40,821	-	260,700	-
<b>Total current assets</b>	<b>6,418,198</b>	<b>2,428,012</b>	<b>278,604</b>	<b>9,124,815</b>	<b>1,870,348</b>
Non-current assets:					
Restricted cash and cash equivalents	111,242	-	-	111,242	-
Net OPEB asset	1,076	880	-	1,956	-
Capital assets:					
Not being depreciated	819,972	1,348,766	-	2,168,738	-
Net of accumulated depreciation	21,641,050	29,152,440	-	50,793,490	-
<b>Total non-current assets</b>	<b>22,573,340</b>	<b>30,502,086</b>	<b>-</b>	<b>53,075,426</b>	<b>-</b>
<b>Total assets</b>	<b>28,991,538</b>	<b>32,930,098</b>	<b>278,604</b>	<b>62,200,240</b>	<b>1,870,348</b>
Deferred outflows of resources - pensions/OPEB	116,770	95,539	-	212,309	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 29,108,308</b>	<b>33,025,637</b>	<b>278,604</b>	<b>62,412,549</b>	<b>1,870,348</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 152,655	44,285	75,356	272,296	151,072
Accrued wages and benefits	44,920	36,605	-	81,525	-
Accrued liabilities	52,643	36,134	-	88,777	-
Due to other funds	-	693,457	-	693,457	-
Compensated absences	44,057	28,168	-	72,225	-
Unearned revenue	14,764	-	-	14,764	-
Accrued interest payable	67,144	24,475	-	91,619	-
Customer deposits	62,434	-	-	62,434	-
Long-term debt, current portion	263,010	295,000	-	558,010	-
<b>Total current liabilities</b>	<b>701,626</b>	<b>1,158,123</b>	<b>75,356</b>	<b>1,935,105</b>	<b>151,072</b>
Non-current liabilities:					
Compensated absences	20,499	25,678	-	46,176	-
Long-term debt, long-term portion	4,190,504	1,900,000	-	6,090,504	-
Net pension/OPEB liability	904,602	740,129	-	1,644,731	-
<b>Total non-current liabilities</b>	<b>5,115,605</b>	<b>2,665,807</b>	<b>-</b>	<b>7,781,412</b>	<b>-</b>
<b>Total liabilities</b>	<b>5,817,231</b>	<b>3,823,929</b>	<b>75,356</b>	<b>9,716,517</b>	<b>151,072</b>
Deferred inflows of resources - pensions	64,114	52,457	-	116,571	-
<b>Total liabilities and deferred inflows of resources</b>	<b>5,881,345</b>	<b>3,876,386</b>	<b>75,356</b>	<b>9,833,088</b>	<b>151,072</b>
<b>NET POSITION:</b>					
Net investment in capital assets	18,007,508	28,306,206	-	46,313,714	-
Restricted for developer fees	111,242	1,992,314	-	2,103,556	-
Unrestricted	5,108,213	(1,149,269)	203,248	4,162,192	1,719,276
<b>Total net position</b>	<b>23,226,963</b>	<b>29,149,251</b>	<b>203,248</b>	<b>52,579,461</b>	<b>1,719,276</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 29,108,308</b>	<b>33,025,637</b>	<b>278,604</b>	<b>62,412,549</b>	<b>1,870,348</b>

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

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

For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
<b>Operating income:</b>					
Charges for sales and service	\$ 4,091,492	2,716,364	893,446	7,701,302	-
Premiums	-	-	-	-	1,601,627
Other revenues	115,165	-	-	115,165	-
<b>Total operating income</b>	<b>4,206,658</b>	<b>2,716,364</b>	<b>893,446</b>	<b>7,816,468</b>	<b>1,601,627</b>
<b>Operating expenses:</b>					
Salaries, wages and benefits	863,840	839,368	-	1,703,208	-
Administration/legal/contract services	45,513	27,512	808,616	881,641	1,220,392
Field supplies	116,615	129,686	32,668	278,969	-
Repair and maintenance	681,064	550,268	-	1,231,332	-
Utilities	375,039	307,569	-	682,607	-
Water shares and rights preservation	184,574	-	-	184,574	-
Miscellaneous	294	25,808	-	26,101	-
Bad debt expense	16,184	10,329	4,855	31,367	-
Depreciation expense	1,146,764	1,479,347	-	2,626,111	-
<b>Total operating expense</b>	<b>3,429,885</b>	<b>3,369,886</b>	<b>846,139</b>	<b>7,645,910</b>	<b>1,220,392</b>
<b>Net operating income (loss)</b>	<b>776,773</b>	<b>(653,522)</b>	<b>47,307</b>	<b>170,558</b>	<b>381,235</b>
<b>Non-operating income (expense):</b>					
Interest income	101,900	20,200	402	122,502	7,266
Interest expense and fiscal charges	(130,575)	(48,949)	-	(179,524)	-
Gain (loss) on sale of assets	1,921	13,872	-	15,792	-
<b>Total non-operating income (expense)</b>	<b>(26,755)</b>	<b>(14,877)</b>	<b>402</b>	<b>(41,230)</b>	<b>7,266</b>
<b>Income (loss) before contributions and transfers</b>	<b>750,018</b>	<b>(668,399)</b>	<b>47,709</b>	<b>129,328</b>	<b>388,500</b>
Capital contributions	15,468	-	-	15,468	-
Capacity fees	264,858	361,859	-	626,717	-
Transfers in	13,680	-	-	13,680	-
Transfers out	(216,200)	(224,400)	(47,900)	(488,500)	-
<b>Change in net position</b>	<b>827,824</b>	<b>(530,940)</b>	<b>(191)</b>	<b>296,692</b>	<b>388,500</b>
Net position - beginning, restated	22,399,139	29,680,191	203,439	52,282,769	1,330,776
<b>Net position - ending</b>	<b>\$ 23,226,963</b>	<b>29,149,251</b>	<b>203,248</b>	<b>52,579,461</b>	<b>1,719,276</b>

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

City of Show Low  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
<b>Cash flows from operating activities:</b>					
Cash received from customers - services and other	\$ 4,071,040	2,725,318	891,991	7,688,349	1,731,625
Cash paid to suppliers	(1,313,751)	(1,099,420)	(853,301)	(3,266,471)	(1,077,431)
Cash paid to employees	(885,564)	(768,599)	-	(1,654,163)	-
<b>Net cash provided (used) in operating activities</b>	<b>1,871,725</b>	<b>857,300</b>	<b>38,690</b>	<b>2,767,715</b>	<b>654,194</b>
<b>Cash flows from noncapital financing activities:</b>					
Net transfers in (out)	(202,520)	(224,400)	(47,900)	(474,820)	-
Change in due to/due from	-	-	-	-	-
<b>Net cash provided (used) in noncapital financing activities</b>	<b>(202,520)</b>	<b>(224,400)</b>	<b>(47,900)</b>	<b>(474,820)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities:</b>					
Donations	15,468	-	-	15,468	-
Capacity fees	264,858	361,859	-	626,717	-
Cash from sale of fixed assets	1,921	13,872	-	15,792	-
Cash payments for capital assets	(938,642)	(1,139,641)	-	(2,078,283)	-
Cash payments for long-term debt principal	(255,362)	-	-	(255,362)	-
Cash payments for long-term debt interest	(134,288)	(24,474)	-	(158,762)	-
<b>Net cash provided (used) in capital and related financing activities</b>	<b>(1,046,046)</b>	<b>(788,385)</b>	<b>-</b>	<b>(1,834,431)</b>	<b>-</b>
<b>Cash flows from investing activities:</b>					
Cash received from interest earned	101,900	20,200	402	122,502	7,266
<b>Net cash provided (used) in investing activities</b>	<b>101,900</b>	<b>20,200</b>	<b>402</b>	<b>122,502</b>	<b>7,266</b>
<b>Net increase (decrease) in cash</b>	<b>725,060</b>	<b>(135,286)</b>	<b>(8,808)</b>	<b>580,967</b>	<b>661,460</b>
Cash balance - beginning	4,831,857	2,292,391	214,606	7,338,853	1,208,884
<b>Cash balance - ending</b>	<b>\$ 5,556,917</b>	<b>2,157,105</b>	<b>205,798</b>	<b>7,919,820</b>	<b>1,870,343</b>
<b>Cash reported on the statement of net position:</b>					
Cash and cash equivalents	\$ 5,445,675	2,157,105	205,798	7,808,578	1,870,343
Non-current restricted cash	111,242	-	-	111,242	-
<b>Total cash and cash equivalents</b>	<b>\$ 5,556,917</b>	<b>2,157,105</b>	<b>205,798</b>	<b>7,919,820</b>	<b>1,870,343</b>

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

City of Show Low  
**STATEMENT OF CASH FLOWS (continued)**  
For the Year Ended June 30, 2018

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

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	
				Internal Service Health Insurance	
<b>Net operating income (expense)</b>	<b>\$ 776,773</b>	<b>(653,522)</b>	<b>47,307</b>	<b>170,558</b>	<b>381,235</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:					
Depreciation and amortization	1,146,764	1,479,347	-	2,626,111	-
Pension expense and pension contributions	(32,604)	50,013	-	17,409	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	(133,468)	19,282	3,400	(110,786)	129,999
(Increase) decrease in inventories	(2,134)	23,974	-	21,840	-
Increase (decrease) in payables	87,559	(82,552)	(12,017)	(7,010)	142,961
Increase (decrease) in wages and benefits	16,731	13,508	-	30,238	-
Increase (decrease) in accrued liabilities	3,922	-	-	3,922	-
Increase (decrease) in compensated absences	(5,851)	7,249	-	1,397	-
Increase (decrease) in deposits	14,035	-	-	14,035	-
<b>Net cash provided (used) in operating activities</b>	<b>\$ 1,871,725</b>	<b>857,300</b>	<b>38,690</b>	<b>2,767,715</b>	<b>654,194</b>

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

City of Show Low  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
June 30, 2018

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 39,560</u>
<b>TOTAL ASSETS</b>	<u><b>39,560</b></u>
<b>LIABILITIES</b>	
Deposits	<u>39,560</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 39,560</b></u>

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

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

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

The following is a brief review of the component units included in defining the City's reporting entity. There are not discretely presented component units and two blended component units.

Blended component units included within the reporting entity:

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

The **Show Low Bluff Community Facilities District (CFD)** board of directors consists of seven members which are appointed by the Show Low City Council. The CFD is a special service district for purposes of Article IX, Section 29, Constitution of Arizona, a tax levying public improvement district for purposes of Article XIII, Section 7, and a municipal corporation for all purposes on Title 35, Chapter 3, Articles 3, 3.1, 3.2, 4, and 5 of the Arizona Revised Statutes as amended, and is considered a municipal corporation separate and apart from the municipality. The CFD was formed for the purpose of assisting the City with the financing and development of various improvements located within the CFD boundaries. The CFD is authorized to levy ad valorem tax on the assessed value of all real and personal property in the district. All related receivables and payables between the City and the CFD have been eliminated. The CFD has a June 30 year end and is reported within the governmental fund financial statements.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

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

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

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

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

*Fund Financial Statements*

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

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

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

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

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

**1-D. Fund types and major funds**

The City reports the following major governmental funds:

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

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

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

The *Special Projects Fund* is used to account for RICO funds, JCEF fund, Magistrate funds, and other grants and debt service proceeds restricted for a specific use or project.

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

The *Agency Funds* hold assets for the following entities: Slovakian Sister Cities Fund and Police Department Evidence, the White Mountain Partnership, and the Navajo Counties Mayors and Councilmembers Association. The *White Mountain Partnership Agency Fund* holds assets for the White Mountain Partnership which is a nonprofit corporation established primarily to promote tourism and recreation in the White Mountains of Arizona.

The *Geocaching Agency Fund* holds assets for the Apache and Navajo Counties Mayors and Councilmembers Association to promote regional geocaching events. Agency funds are used to report resources held by the City in a purely custodial capacity. Agency funds typically involved on the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

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

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

**1-E-1. *Deposit and Investments***

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

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance  
(continued)**

**1-E-2. *Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “Internal balances” in the Statement of Net Position and as “Due to” or “Due from” other funds in the fund financial statements. All trade accounts receivable in the General Fund and proprietary funds are shown net of an allowance for doubtful accounts.

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

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

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

**1-E-4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance  
(continued)**

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

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions/OPEB as required by GASB 68 and GASB 75. See note 4-E for more information. In addition, the City reports deferred outflows for deferred charges on refunding bonds.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City reports deferred inflows related to pensions/OPEB as required by GASB 68 and GASB 75. See note 4-E for more information. Another item, which arises only under a modified accrual basis of account, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**1-E-6. *Pensions and other post-employment benefits***

For purposes of measuring the net pension and other post-employment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**1-E-7. *Net position flow assumption***

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

**1-E-8. *Fund balance flow assumptions***

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

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

**1-E-9. Fund balance policies**

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

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

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

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund. See Note 4-C for information about the City's General Fund stabilization reserve that is included in the unassigned fund balance of the General Fund.

**1-F. Revenues and expenditures/expenses**

**1-F-1. Program revenues**

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

**1-F-2. Property taxes**

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

The County also levies various personal property taxes during the year. A lien against property assessed attaches on the first day of January preceding the assessment and levy.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

**1-F-3. *Compensated absences***

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

**1-G. Tax abatements**

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

**1-H. Use of estimates**

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

**1-I. New pronouncements**

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No.85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets and liabilities, deferred outflows/inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (See Note 4-F.)

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**2-A. Budgets and budgetary accounting**

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

1. In accordance with the Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**2-A. Budgets and budgetary accounting (continued)**

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

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

Supplementary budgetary appropriations were made during the year ended June 30, 2018.

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

**2-B. Expenditures over appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2018, if any.

**2-C. Highway User Revenue Funds**

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

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

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

Cash and cash equivalents	\$ 23,552,384
Restricted cash and cash equivalents	1,644,502
Agency fund monies	39,560
	<b>\$ 25,236,446</b>

**Deposits**

*Custodial Credit Risk*

For the deposits this is the risk that in the event of a bank failure, the City’s deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2018, none of the City’s bank balance of \$3,604,179 was exposed to custodial credit risk because it was not insured or collateralized.

**Investments**

The Arizona State Treasurer’s Office operates the Local Government Investment Pool (LGIP) with no regulatory oversight. The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rate “P1” by Moody’s investors or “A1” by Standard and Poor’s rate service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000 procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2018, the City had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 3,994,417	N/A	N/A
Cash on hand	2,146	N/A	N/A
Local Governments Investment Pool 5 *	8,784,428	AAA f/S1+	36.5 days
Local Governments Investment Pool 500 *	6,086,963	AA-3	2.06 years
Local Governments Investment Pool 700 *	6,368,492	AAA	2.42 years
	<b>\$ 25,236,446</b>		

\* The fair value of the City’s position in each pool is the same as the value of the pool shares.

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**3-A. Deposits and investments (continued)**

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

**Interest rate risk**

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

**Fair value measurements**

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

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

**3-B. Restricted assets**

Restricted assets consisted of the following cash reserves at June 30, 2018:

**Governmental activities:**

General Fund:

Reserve for arbitrage - GADA 2006	\$ 77,590
Restricted for developer performance bond	1,298,434

Debt Service Funds:

Restricted for debt service CFD Bonds	157,236
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<b>Total governmental activities</b>	<b><u>\$ 1,533,260</u></b>
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**Business-type activities:**

Water Fund:

Customer security deposits	111,242
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<b>Total business-type activities</b>	<b><u>\$ 111,242</u></b>
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City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**3-C. Capital assets**

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

<b>Governmental activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	\$ 6,309,240	280,267	-	6,589,507
Construction in progress	178,021	2,260,932	(1,736,237)	702,716
<b>Total capital assets, not being depreciated</b>	<b>6,487,261</b>	<b>2,541,199</b>	<b>(1,736,237)</b>	<b>7,292,223</b>
Capital assets, being depreciated:				
Buildings	22,687,980	51,358	-	22,739,338
Improvements other than buildings	14,726,293	551,762	-	15,278,055
Machinery and equipment	6,063,893	268,498	(150,509)	6,181,882
Infrastructure	62,464,052	1,071,284	-	63,535,336
Vehicles	4,530,469	317,496	-	4,847,965
<b>Total capital assets, being depreciated</b>	<b>110,472,686</b>	<b>2,260,398</b>	<b>(150,509)</b>	<b>112,883,593</b>
Less accumulated depreciation for:				
Buildings	(8,027,186)	(714,828)	-	(8,742,015)
Improvements other than buildings	(6,195,690)	(765,500)	-	(6,961,190)
Machinery and equipment	(3,935,437)	(388,776)	150,509	(4,173,705)
Infrastructure	(24,773,633)	(1,785,292)	-	(26,558,925)
Vehicles	(3,287,797)	(289,056)	-	(3,576,852)
<b>Total accumulated depreciation</b>	<b>(46,219,743)</b>	<b>(3,943,452)</b>	<b>150,509</b>	<b>(50,313,705)</b>
<b>Total capital assets being depreciated, net</b>	<b>64,252,943</b>	<b>(1,683,055)</b>	<b>-</b>	<b>62,569,888</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 70,740,204</b>	<b>858,144</b>	<b>(1,736,237)</b>	<b>69,862,111</b>

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

<b>Governmental activities:</b>	
General government	\$ 138,490
Public safety	337,842
Public works/Streets	2,837,374
Culture and recreation	629,747
<b>Total</b>	<b>\$ 3,943,452</b>

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**3-C. Capital assets (continued)**

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

<b>Business-type activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,136,033	-	-	1,136,033
Water rights	120,800	-	-	120,800
Construction in progress	339,515	2,123,132	(1,550,742)	911,905
<b>Total capital assets, not being depreciated</b>	<b>1,596,347</b>	<b>2,123,132</b>	<b>(1,550,742)</b>	<b>2,168,738</b>
Capital assets, being depreciated:				
Buildings	350,199	-	-	350,199
Improvements other than buildings	83,642,665	1,161,836	-	84,804,502
Machinery and equipment	3,753,823	398,698	(34,672)	4,117,849
Vehicles	638,977	-	(18,021)	620,957
<b>Total capital assets, being depreciated</b>	<b>88,385,664</b>	<b>1,560,535</b>	<b>(52,693)</b>	<b>89,893,506</b>
Less accumulated depreciation for:				
Buildings	(50,260)	(11,690)	-	(61,950)
Improvements other than buildings	(33,753,540)	(2,298,971)	-	(36,052,511)
Machinery and equipment	(2,251,722)	(297,096)	34,672	(2,514,146)
Vehicles	(471,076)	(18,354)	18,021	(471,410)
<b>Total accumulated depreciation</b>	<b>(36,526,598)</b>	<b>(2,626,111)</b>	<b>52,693</b>	<b>(39,100,016)</b>
<b>Total capital assets being depreciated, net</b>	<b>51,859,066</b>	<b>(1,065,577)</b>	<b>-</b>	<b>50,793,490</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 53,455,414</b>	<b>1,057,556</b>	<b>(1,550,742)</b>	<b>52,962,228</b>

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

<b>Business-type activities:</b>	
Water	\$ 1,146,764
Wastewater	1,479,347
<b>Total</b>	<b>\$ 2,626,111</b>

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3-D. Long-term liabilities**

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Special assessment bonds:					
Improvement District #6	\$ 320,000	-	(320,000)	-	-
Improvement District #7	75,000	-	(75,000)	-	-
Community Facilities District	1,465,000	-	(70,000)	1,395,000	75,000
Total special assessment bonds	<u>1,860,000</u>	<u>-</u>	<u>(465,000)</u>	<u>1,395,000</u>	<u>75,000</u>
General obligation bonds:					
Community Facilities					
CFD District bonds - Series 2007	375,000	-	(15,000)	360,000	15,000
CFD District bonds - Series 2011	315,000	-	(35,000)	280,000	40,000
Total general obligation	<u>690,000</u>	<u>-</u>	<u>(50,000)</u>	<u>640,000</u>	<u>55,000</u>
Loans payable:					
GADA Bonds - Series 2006B	400,000	-	(400,000)	-	-
GADA Bonds - Series 2008A	755,000	-	(370,000)	385,000	385,000
Excise Tax Rev. Ref. Bonds - Series 2015	8,790,000	-	(100,000)	8,690,000	25,000
Reidhead note payable - Land purchase	50,000	-	(50,000)	-	-
Total loans payables	<u>9,995,000</u>	<u>-</u>	<u>(920,000)</u>	<u>9,075,000</u>	<u>410,000</u>
Accrued compensated absences	812,754	496,282	(495,780)	813,256	496,086
Capital leases	1,012,862	-	(382,862)	630,000	51,000
Landfill monitoring costs	26,988	-	-	26,988	-
Net pension/OPEB liability	14,865,495	-	(267,576)	14,597,919	-
<b>Total governmental debt</b>	<b><u>\$ 29,263,099</u></b>	<b><u>496,282</u></b>	<b><u>(2,581,218)</u></b>	<b><u>27,178,163</u></b>	<b><u>1,087,086</u></b>
<b>Business-type activities:</b>					
Loans payable:					
WIFA Loan - Water PV/FH	\$ 1,667,075	-	(87,204)	1,579,871	89,646
WIFA Loan - Water Pineview	3,041,801	-	(168,157)	2,873,644	173,363
Sewer System Rev. Ob. - 2014	2,195,000	-	-	2,195,000	295,000
Total loans payable	<u>6,903,876</u>	<u>-</u>	<u>(255,362)</u>	<u>6,648,514</u>	<u>558,010</u>
Accrued compensated absences	117,004	72,770	(71,372)	118,401	72,225
Net pension/OPEB liability	1,649,197	-	(6,422)	1,642,775	-
<b>Total business-type debt</b>	<b><u>\$ 8,670,076</u></b>	<b><u>72,770</u></b>	<b><u>(333,156)</u></b>	<b><u>8,409,690</u></b>	<b><u>630,234</u></b>
<b>Total long-term liabilities</b>	<b><u>\$ 37,933,175</u></b>	<b><u>569,052</u></b>	<b><u>(2,914,374)</u></b>	<b><u>35,587,854</u></b>	<b><u>1,717,320</u></b>

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3-D. Long-term liabilities (continued)**

A description of long-term liabilities follows:

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

Due to requirements placed on Navajo County Lone Pine Landfill by Federal and State regulatory agencies (e.g. EPA and ADEQ) in 1995, the landfill was closed and must be monitored for thirty years. Landfill monitoring costs are the City's share of total estimated costs of closing and monitoring the Lone Pine Landfill. The remaining post-closure costs have been estimated based on engineering studies and will be revised each year based on inflation/deflation and/or technology changes. No changes were made during the fiscal year ending June 30, 2018.

The following is a listing of special assessment bonds outstanding as of June 30, 2018:

**Special assessment bonds:**

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

\$ 1,395,000

**Total special assessment bonds**

**\$ 1,395,000**

Special assessment debt service to maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2019	\$ 75,000	78,120	153,120
2020	80,000	73,920	153,920
2021	85,000	69,440	154,440
2022	90,000	64,680	154,680
2023	95,000	59,640	154,640
2024-2028	555,000	212,800	767,800
2029-2031	415,000	47,320	462,320
<b>Total</b>	<b><u>\$1,395,000</u></b>	<b><u>605,920</u></b>	<b><u>2,000,920</u></b>

City of Show Low  
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**Note 3-D. Long-term liabilities (continued)**

The following is a listing of general obligation bonds outstanding as of June 30, 2018:

**General obligation bonds:**

Show Low Bluff Community Facilities District bonds - Series 2007 were issued in the amount of \$480,000. The bonds have an interest rate of 5.875% due in annual principal installments from \$10,000 to \$25,000 through July 15, 2032. Interest is payable semiannually. \$ 360,000

Show Low Bluff Community Facilities District bonds - Series 2011 were issued in the amount of \$450,000. The bonds have an interest rate of 7.75% due in annual principal installments from \$15,000 to \$55,000 through July 15, 2023. Interest is payable semiannually. 280,000

**Total general obligation bonds** \$ 640,000

General obligation bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2019	\$ 55,000	40,859	95,859
2020	55,000	36,878	91,878
2021	60,000	32,703	92,703
2022	70,000	27,994	97,994
2023	70,000	22,944	92,944
2024-2028	170,000	66,903	236,903
2029-2033	160,000	24,381	184,381
<b>Total</b>	<b>\$ 640,000</b>	<b>252,663</b>	<b>892,663</b>

City of Show Low  
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**Note 3-D. Long-term liabilities (continued)**

The following is a listing of loans payable outstanding as of June 30, 2018:

<b>Loans payable:</b>	Governmental Activities	Business-Type Activities
GADA Bond Series 2008A were issued April 1, 2008 in the amount of \$3,185,000, bearing interest ranging from 3% to 5% with an average rate of 4.53%. The 2008 loans were issued to finance the costs of building a new library, council chambers and remodeling existing library for administrative purposes.	385,000	-
Excise Tax Revenue Refunding Bonds Series 2015 were issued June 1, 2015 in the amount of \$8,865,000, with an average coupon rate of 2.42%. The 2015 loans were issued and transferred to an Escrow Trust to repay in advance of maturity \$4,722,410 of the GADA Bonds Series 2006B principal and interest, \$142,590 was transferred to an Escrow Trust to pay fees and expenses, and \$4,000,000 of the proceeds were issued to finance the costs of the public safety building.	8,690,000	-
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.8%, maturing July 2032. This loan was approved in September 2012 with a maximum principal balances of \$2,000,000.	-	1,579,871
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.096%, maturing July 2031. This loan was approved in January 2011 with a maximum principal balances of \$3,800,000	-	2,873,644
Bank of New York Mellon Trust, Sewer System Revenue Obligation, Series 2014, issued in December 2014 in the amount of \$3,065,000 to finance costs of the wastewater treatment expansion. Due in semi-annual variable principal and interest installments, bearing interest at 2.23%, maturing July 2024.	-	2,195,000
<b>Total general obligation bonds</b>	<b>\$ 9,075,000</b>	<b>\$ 6,648,514</b>

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2019	905,000	213,631	558,010	172,300	1,848,940
2020	940,000	186,340	570,887	157,788	1,855,015
2021	960,000	163,350	584,001	142,928	1,850,279
2022	985,000	139,816	602,358	127,658	1,854,832
2023	1,010,000	115,676	615,967	104,610	1,846,253
2024-2028	4,275,000	210,117	2,278,281	344,798	7,108,196
2029-2033	-	-	1,439,010	1,136,149	2,575,159
<b>Total</b>	<b>\$ 9,075,000</b>	<b>1,028,929</b>	<b>6,648,514</b>	<b>2,186,231</b>	<b>18,938,674</b>

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 3-D. Long-term liabilities (continued)**

The City has entered into a lease agreement which is considered a capital lease in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the fiscal years ending June 30:

Fiscal Year Ending June 30,	Governmental Activities
2019	\$ 83,975
2020	85,198
2021	86,207
2022	86,030
2023	85,666
2024-2028	384,778
<b>Total remaining lease payments</b>	<b>811,854</b>
Less amount representing interest	(181,854)
<b>Present value net remaining minimum lease payments</b>	<b>\$ 630,000</b>

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

	Governmental Activities
Improvements	\$ 1,268,039
<b>Total capital assets</b>	<b>1,268,039</b>
Less: Accumulated depreciation	(422,680)
<b>Net book value</b>	<b>\$ 845,359</b>

City of Show Low  
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**3-E. Interfund receivables, payables, and transfers**

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

<b>Due To:</b>	<b>Due From:</b>			<b>Total</b>
	<b>Airport Fund</b>	<b>Improvement District #7</b>	<b>Wastewater Fund</b>	
General Fund	\$ 98,965	7,888	36,134	142,987
<b>Total</b>	<b>\$ 98,965</b>	<b>7,888</b>	<b>36,134</b>	<b>142,987</b>

The interfund receivables and payables were recorded to eliminate short-term deficit pooled cash balances in the various funds.

Interfund transfers for the fiscal year ended June 30, 2018 are as follows:

<b>Transfers out:</b>	<b>Transfers in:</b>						<b>Total</b>
	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Airport Fund</b>	<b>Special Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Water Fund</b>	
General Fund	\$ -	740,125	7,288	46,236	1,532,251	13,680	2,339,580
Show Low Bluff - CFD	4,000	-	-	-	-	-	4,000
Nonmajor Governmental Funds	90,906	-	-	-	87,836	-	178,742
Water Fund	216,200	-	-	-	-	-	216,200
Wastewater Fund	216,200	-	-	-	8,200	-	224,400
Nonmajor Refuse Fund	47,900	-	-	-	-	-	47,900
<b>Total</b>	<b>\$575,206</b>	<b>740,125</b>	<b>7,288</b>	<b>46,236</b>	<b>1,628,287</b>	<b>13,680</b>	<b>3,010,822</b>

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

**NOTE 4 – OTHER INFORMATION**

**4-A. Risk management**

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

City of Show Low  
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**4-A. Risk management (continued)**

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

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

**4-B. Contingent liabilities and commitments**

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City’s financial position at June 30, 2018. At year end, the City had the following major construction projects and or commitments open:

<u>Project</u>	<u>Estimated Costs</u>	<u>Construction in Progress</u>
Wastewater Improvements	\$ 2,284,650	524,288
Water Improvements	600,000	387,617
Runway Rehabilitation	203,500	174,782
Road Improvements	2,003,400	361,783
Transportation	261,102	53,520
Pickleball Court Construction	147,286	112,631
	<b><u>\$ 5,499,938</u></b>	<b><u>1,614,621</u></b>

**4-C. Stabilization arrangement**

By resolution, the City has established a General Fund reserve policy to set aside funds that may be needed in the event of an emergency or other unknown event that may adversely affect the City’s financial condition. The cash reserve of at least \$1,000,000 must be maintained before any expenditure can be authorized. An additional \$1,000,000 has been set aside as directed by the City Council. As of June 30, 2018, the total reserve is \$2,000,000 and is included in the unassigned fund balance of the General Fund.

**4-D. Advanced refunding**

In the year ended June 30, 2015, the City issued \$8,865,000 of Excise Tax Revenue & Refunding Obligation Bonds (Series 2015) to refinance a portion of the City’s GADA Infrastructure Revenue Bonds (Series 2006). \$4,510,000 of Series 2006 will be refunded. As a result, the refunding portion of the bonds are considered to be defeased as of June 30, 2015. However, as disclosed in Note 3-D, not all of the series 2006 GADA Infrastructure Revenue Bonds were refunded and defeased as of June 30, 2015, 2016, 2017, and 2018.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**4-E. Pensions and other postemployment benefits**

The City contributes to the Arizona State Retirements System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2018, the City reported the following aggregate amounts related to pensions and other post employment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-type Activities
Net pension/OPEB assets	\$ 9,783	\$ 59,001	\$ 68,784	\$ 66,827	\$ 1,957
Net pension/OPEB liabilities	8,223,653	8,065,759	16,289,412	14,644,681	1,644,731
Deferred outflows of resources	1,087,628	2,387,368	3,474,996	3,262,687	212,308
Deferred inflows of resources	622,476	57,064	679,540	562,969	116,571
Pension/OPEB expense	(201,987)	1,416,184	1,214,197	1,193,405	20,792

The City reported \$1,193,405 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**Arizona State Retirement System (ASRS)**

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

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

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

\* With actuarially reduced benefits.

City of Show Low  
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**4-E. Pensions and other postemployment benefits (continued)**

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill.

The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$560,128, \$22,611, and \$8,222 respectively.

**Liability** – At June 30, 2018, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	<b>Net pension/OPEB (asset) liability</b>
Pension	\$ 8,223,653
Health insurance premium benefit	(28,929)
Long-term disability	19,146

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**4-E. Pensions and other postemployment benefits (continued)**

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The City's proportion of the net asset or net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The City's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	Proportion June 30, 2016	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.053640%	0.052790%	-0.000850%
Health insurance premium benefit	0.053140%	0.053140%	0.000000%
Long-term disability	0.052822%	0.052820%	-0.000002%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net asset and net liabilities as a result of these changes is not known.

**Expense** – For the year ended June 30, 2018, the City recognized pension OPEB expense:

	<b>Pension/OPEB Expense</b>
Pension	\$ 300,134
Health insurance premium benefit	16,920
Long-term disability	10,214

Deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

City of Show Low  
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**4-E. Pensions and other postemployment benefits (continued)**

	Pension		Health Insurance Premium Benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 246,591	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	357,172	245,902	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	59,040	-	-	32,573	-	2,864
Changes in proportion and differences between contributions and proportionate share of contributions	86,976	104,414	-	34	-	3
Contributions subsequent to the measurement date	<u>560,128</u>	<u>-</u>	<u>22,611</u>	<u>-</u>	<u>8,222</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 1,063,316</u></u>	<u><u>\$ 596,907</u></u>	<u><u>\$ 22,611</u></u>	<u><u>\$ 32,607</u></u>	<u><u>\$ 8,222</u></u>	<u><u>\$ 2,867</u></u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from county contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	Pension	Health Insurance Premium Benefit	Long-term disability
2019	\$ (309,854)	\$ (8,151)	\$ (717)
2020	313,227	(8,151)	(717)
2021	92,077	(8,151)	(717)
2022	(189,169)	(8,151)	(716)
2023	-	(3)	-
Thereafter	-	-	-

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**4-E. Pensions and other postemployment benefits (continued)**

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Totals	100%	

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**4-E. Pensions and other postemployment benefits (continued)**

**Discount Rate** – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate** – The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of:			
Net pension liability	\$ 10,555,202	\$ 8,223,653	\$ 6,275,445
Net insurance premium benefit liability (asset)	48,043	(28,929)	(94,343)
Net long-term disability liability	22,894	19,146	15,968

**Plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

**Public Safety Personnel Retirement System (PSPRS)**

**Plan description** – City police and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
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**4-E. Pensions and other postemployment benefits (continued)**

**Benefits provided** – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date</b>	
	<b>Before January 1, 2012</b>	<b>On or After January 1, 2012 and before July 1, 2017</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited of service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 4.0% 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%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

City of Show Low  
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**4-E. Pensions and other postemployment benefits (continued)**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents

**Employees covered by benefit terms** – At June 30, 2018, the following employees were covered by the agent plans’ benefit terms:

<b>PSPRS - Police</b>	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	15	15
Inactive employees entitled to but not yet receiving benefits	6	1
Active employees	26	26
Total	47	42

**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 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. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	7.65-11.65%	39.74%	0.34%
PSPRS Tier 3 risk pool	9.94%	9.68%	0.26%

Also, statute required the City to contribute at the actuarially determined rate of 25.16% of the annual covered payroll of City police employees who were PSPRS Tier 3 Risk Pool members, in addition to the City’s required contributions to the PSPRS Tier 3 Risk Pool for these City police employees.

In addition, statute required the City to contribute at the actuarially determined rate of 25.16% for police of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**4-E. Pensions and other postemployment benefits (continued)**

The City’s contributions to the plans for the year ended June 30, 2018, were: For the agent plans, the City’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2018, were:

<b>PSPRS - Police</b>	Pension	Health insurance premium benefit
PSPRS	\$ 770,388	\$ 7,052
PSPRS Tier 3 risk pool	19,530	177

During fiscal year 2018, the City paid for PSPRS pension and OPEB contributions 100% from the general fund.

**Liability** – At June 30, 2018, the City reported the following assets and liabilities.

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 8,065,759	\$ (59,001)

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**4-E. Pensions and other postemployment benefits (continued)**

**Actuarial assumptions** – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Short term investments	2.00%	0.25%
Absolute return	2.00%	3.75%
Risk parity	4.00%	5.00%
Fixed income	5.00%	1.25%
Real assets	9.00%	4.52%
GTAA	10.00%	3.96%
Private credit	12.00%	6.75%
Real estate	10.00%	3.75%
Credit opportunities	16.00%	5.83%
Non-U.S. equity	14.00%	8.70%
U.S. equity	16.00%	7.60%
<b>Total</b>	<u>100.00%</u>	

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**4-E. Pensions and other postemployment benefits (continued)**

**Discount Rate** – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.40 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Changes in the net pension/OPEB liability**

PSPRS-Police	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 14,878,656	\$ 7,021,999	\$ 7,856,657	\$ 334,743	\$ 350,864	\$ (16,121)
Changes for the year:						
Service cost	425,317	-	425,317	6,505	-	6,505
Interest on total pension/OPEB liability	1,109,040	-	1,109,040	25,073	-	25,073
Changes of benefit terms	175,286	-	175,286	122	-	122
Difference between expected and actual experience in the measurement of the pension/OPEB liability	392,226	-	392,226	(20,590)	-	(20,590)
Changes of assumptions	475,288	-	475,288	(10,435)	-	(10,435)
Contributions - employer	-	1,320,611	(1,320,611)	-	2,790	(2,790)
Contributions - employee	-	223,805	(223,805)	-	-	-
Net investment income	-	855,692	(855,692)	-	41,128	(41,128)
Benefit payments, including refunds of employee contributions	(608,227)	(608,227)	-	(7,369)	(7,369)	-
Plan administrative expenses	-	(7,971)	7,971	-	(363)	363
Other changes*	-	(24,082)	24,082	-	-	-
Net changes	1,968,930	1,759,828	209,102	(6,694)	36,186	(42,880)
Balances at June 30, 2018	\$ 16,847,586	\$ 8,781,827	\$ 8,065,759	\$ 328,049	\$ 387,050	\$ (59,001)

\* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**4-E. Pensions and other postemployment benefits (continued)**

**Sensitivity of the City's net pension/OPEB (asset) liability to changes in the discount rate** – The following table presents the City's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4%, as well as what the City's net pension/OPEB (assets) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
<b>PSPRS-Police</b>			
Net pension (asset) / liability	\$ 10,536,320	\$ 8,065,759	\$ 6,080,991
Net OPEB (asset)/ liability	(18,124)	(59,001)	(92,981)

**Plan fiduciary net position** – Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial report.

**Expense** – For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 1,418,396	\$ (2,212)

**Deferred outflows/inflows of resources** – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 384,198	\$ 31,185	\$ -	\$ 17,175
Changes in assumptions	1,118,121	-	-	8,704
Net difference between projected and actual earnings on pension/OPEB plan investments	99,901	-	(11,999)	-
Contributions subsequent to the measurement date	789,918	-	7,229	-
Total	\$ 2,392,138	\$ 31,185	\$ (4,770)	\$ 25,879

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019.

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**4-E. Pensions and other postemployment benefits (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	<b>PSPRS Police</b>	
Year Ended June 30	Pension	Health Insurance Premium Benefit
2019	\$ 461,059	\$ (8,146)
2020	520,529	(8,146)
2021	313,588	(8,146)
2022	196,951	(8,146)
2023	78,908	(5,146)
Thereafter	-	(148)

City of Show Low  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**4-F. Change in Accounting Principle**

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Restatement adjustment - implementation of GASB 75:		
Net OPEB liability (measurement date as of June 30, 2016)	\$ (11,357)	\$ (6,870)
Deferred outflows - contributions made during fiscal year 2017	31,423	7,158
Total Restatement Adjustment	\$ 20,065	\$ 289

**4-G. Prior period adjustment**

In fiscal year 2017, the City accrued \$127,627 as receivable from the Arizona Department of Transportation for the Whipple Road project based on correspondence from the State; however, the State subsequently determined that only \$79,016.29 would be reimbursed to the City for the project. This resulted in a \$48,611 adjustment to reduce due from other governments and the HURF beginning fund balance in both the governmental fund balance sheet and the statement of net position for governmental activities.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Show Low  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
June 30, 2018

<b>ASRS - Pension</b>	<b>Reporting Fiscal Year (Measurement Date)</b>			
	<b>2018 (2017)</b>	<b>2017 (2016)</b>	<b>2016 (2015)</b>	<b>2015 (2014)</b>
Proportion of the net pension liability (asset)	0.052790%	0.053640%	0.052230%	0.053072%
Proportionate share of the net pension liability (asset)	\$ 8,223,653	\$ 8,658,035	\$ 8,135,792	\$ 7,852,829
Covered payroll	\$ 5,075,741	\$ 4,893,344	\$ 4,746,399	\$ 4,685,202
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	162.02%	176.93%	171.41%	167.61%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

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

See accompanying notes to pension/OPEB plan schedules

City of Show Low  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net OPEB Liability**  
June 30, 2018

<b>ASRS - Health insurance premium benefit</b>	<b>Reporting Fiscal Year (Measurement Date)</b>	
	<b>2018</b>	<b>2017</b>
	<b>(2017)</b>	<b>(2016)</b>
Proportion of the net OPEB (asset)	0.053140%	0.053140%
Proportionate share of the net OPEB (asset)	\$ (28,929)	\$ 15,366
Covered payroll	\$ 5,075,741	\$ 4,893,344
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.57%	0.31%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	98.02%

<b>ASRS - Long-term disability</b>	<b>Reporting Fiscal Year (Measurement Date)</b>	
	<b>2018</b>	<b>2017</b>
	<b>(2017)</b>	<b>(2016)</b>
Proportion of the net OPEB (asset)	0.052820%	0.052822%
Proportionate share of the net OPEB (asset)	\$ 19,146	\$ 18,982
Covered payroll	\$ 5,075,741	\$ 4,893,344
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.38%	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	85.17%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules

City of Show Low  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
June 30, 2018

**PSPRS Police - Pension**

	<b>Reporting Fiscal Year</b>			
	<b>(Measurement Date)</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(2017)</b>	<b>(2016)</b>	<b>(2015)</b>	<b>(2014)</b>
<b>Total pension liability</b>				
Service cost	\$ 425,317	\$ 367,606	\$ 351,838	\$ 327,537
Interest on total pension liability	1,109,040	978,575	923,584	773,540
Changes of benefit terms	175,286	919,178	-	170,567
Difference between expected and actual experience of the total net pension liability	392,226	28,547	(60,687)	130,581
Changes of assumptions	475,288	567,401	-	993,374
Benefit payments, including refunds of employee contributions	(608,227)	(529,550)	(514,643)	(478,067)
<b>Net change in total pension liability</b>	<b>1,968,930</b>	<b>2,331,757</b>	<b>700,092</b>	<b>1,917,532</b>
<b>Total pension liability - beginning</b>	<b>14,878,656</b>	<b>12,546,899</b>	<b>11,846,807</b>	<b>9,929,275</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 16,847,586</b>	<b>\$ 14,878,656</b>	<b>\$ 12,546,899</b>	<b>\$ 11,846,807</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,320,611	\$ 783,886	\$ 495,177	\$ 422,659
Contributions - employee	223,805	232,542	219,236	197,185
Net investment income	855,692	39,378	225,276	721,393
Benefit payments, including refunds of employee contributions	(608,227)	(529,550)	(514,643)	(478,067)
Other (net transfer)	(32,053)	38,599	(10,712)	(302,700)
<b>Net change in plan fiduciary net position</b>	<b>1,759,828</b>	<b>564,855</b>	<b>414,334</b>	<b>560,470</b>
<b>Plan fiduciary net position - beginning</b>	<b>7,021,999</b>	<b>6,457,144</b>	<b>6,042,810</b>	<b>5,482,340</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 8,781,827</b>	<b>\$ 7,021,999</b>	<b>\$ 6,457,144</b>	<b>\$ 6,042,810</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 8,065,759</b>	<b>\$ 7,856,657</b>	<b>\$ 6,089,755</b>	<b>\$ 5,803,997</b>
Plan fiduciary net position as a percentage of the total pension liability	52.13%	47.20%	51.46%	51.01%
Covered payroll	\$ 1,913,255	\$ 1,965,810	\$ 1,999,813	\$ 1,909,356
Net pension liability as a percentage of covered payroll	421.57%	399.67%	304.52%	303.98%

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

See accompanying notes to pension/OPEB plan schedules

City of Show Low  
**Required Supplementary Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
June 30, 2018

<b>PSPRS Police Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2018</b>
	<b>(2017)</b>
<hr/>	
<b>Total OPEB liability</b>	
Service cost	\$ 6,505
Interest on total OPEB liability	25,073
Changes of benefit terms	122
Difference between expected and actual experience of the total net OPEB liability	(20,590)
Changes of assumptions or other inputs	(10,435)
Benefit payments	(7,369)
<b>Net change in total OPEB liability</b>	<b>(6,694)</b>
<b>Total OPEB liability - beginning</b>	<b>334,743</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 328,049</b>
<hr/>	
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 2,790
Net investment income	41,128
Benefit payments	(7,369)
Administrative expense	(363)
Other changes	-
<b>Net change in plan fiduciary net position</b>	<b>36,186</b>
<b>Plan fiduciary net position - beginning</b>	<b>350,864</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 387,050</b>
<hr/>	
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ (59,001)</b>
Plan fiduciary net position as a percentage of the total OPEB liability	117.99%
Covered payroll	\$ 1,913,255
Net OPEB (asset) liability as a percentage of covered payroll	-3.08%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules

City of Show Low  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
June 30, 2018

**ASRS - Pension**

	<b>Reporting Fiscal Year</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 560,128	\$ 555,090	\$ 544,955	\$ 523,897	\$ 511,894
Contributions in relation to the contractually required contribution	(560,128)	(555,090)	(544,955)	(523,897)	(511,894)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,211,299	\$ 5,075,741	\$ 4,893,344	\$ 4,746,399	\$ 4,685,202
Contributions as a percentage of covered payroll	10.75%	10.94%	11.14%	11.04%	10.93%

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

See accompanying notes to pension/OPEB plan schedules

City of Show Low  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
June 30, 2018

**ASRS - Health insurance premium benefit**

	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 22,611	\$ 28,608
Contributions in relation to the contractually required contribution	(22,611)	(28,608)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,211,299	\$ 5,075,741
Contributions as a percentage of covered payroll	0.43%	0.56%

**ASRS - Long-term disability**

	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 8,222	\$ 7,183
Contributions in relation to the contractually required contribution	(8,222)	(7,183)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,211,299	\$ 5,075,741
Contributions as a percentage of covered payroll	0.16%	0.14%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules

City of Show Low  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
June 30, 2018

**PSPRS Police-Pensions**

	<b>Reporting Fiscal Year</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 1,320,611	\$ 783,886	\$ 495,177	\$ 422,659
Contributions in relation to the actuarially determined contribution	\$ (1,320,611)	\$ (783,886)	\$ (495,177)	\$ (422,659)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,913,255	\$ 1,965,810	\$ 1,999,813	\$ 1,909,356
Contributions as a percentage of covered-employee payroll	69.02%	39.88%	24.76%	22.14%

**PSPRS Police  
Health Insurance Premium Benefit**

	<b>Reporting Fiscal Year</b>
	<b>2018</b>
Actuarially determined contribution	\$ 2,790
Contributions in relation to the actuarially determined contribution	\$ (2,790)
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 1,913,255
Contributions as a percentage of covered payroll	0.15%

Note: In accordance with GASB 68 and GASB 75, employers will need to disclose a 10-year history for the pension and OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules

City of Show Low  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedule**  
June 30, 2018

**Note 1. Actuarially Determined Contribution Rates**

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Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period As of the 2016 actuarial valuation	20 years for underfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%- 8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

City of Show Low  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedule**  
June 30, 2018

**NOTE 2. Factors that Affect Trends**

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Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

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

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

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

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

The **Special Projects Fund** is used to account for RICO funds, JCEF fund, Magistrate funds, and other grants and debt service proceeds restricted for a specific use or project.

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

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 10,175,000	10,175,000	12,619,652	2,444,652
License and permits	170,800	170,800	369,875	199,075
Intergovernmental revenues	3,214,980	3,214,980	3,247,399	32,419
Charges for services	443,772	455,472	596,348	140,876
Fines and forfeitures	113,100	113,100	188,585	75,485
Interest	40,100	40,100	104,815	64,715
Miscellaneous revenue	92,600	98,974	178,232	79,258
<b>Total revenues</b>	<b>14,250,352</b>	<b>14,268,426</b>	<b>17,304,906</b>	<b>3,036,480</b>
<b>EXPENDITURES</b>				
General government	3,888,900	3,888,900	3,376,229	512,671
Public safety	7,002,600	7,002,600	5,945,404	1,057,196
Public works/Streets	2,209,400	2,227,474	2,089,226	138,248
Non-departmental	1,722,600	1,722,600	1,006,390	716,210
Culture and recreation	974,800	974,800	856,607	118,193
<b>Total expenditures</b>	<b>15,798,300</b>	<b>15,816,374</b>	<b>13,273,857</b>	<b>2,542,517</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,547,948)</b>	<b>(1,547,948)</b>	<b>4,031,049</b>	<b>5,578,997</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	2,500	2,500	2,266	(234)
Transfers in	1,061,450	1,061,450	575,206	(486,244)
Transfers out	(2,640,406)	(2,640,406)	(2,339,580)	300,826
<b>Total other financing sources and (uses)</b>	<b>(1,576,456)</b>	<b>(1,576,456)</b>	<b>(1,762,108)</b>	<b>(185,652)</b>
<b>Net change in fund balances</b>	<b>(3,124,404)</b>	<b>(3,124,404)</b>	<b>2,268,941</b>	<b>5,393,345</b>
Fund balances - beginning of year	8,289,553	8,289,553	8,289,553	-
<b>Fund balance - end of year</b>	<b>\$ 5,165,149</b>	<b>5,165,149</b>	<b>10,558,494</b>	<b>5,393,345</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 HIGHWAYS USER REVENUE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental revenues	\$ 2,164,580	2,164,580	1,543,213	(621,367)
Interest	5,000	5,000	11,006	6,006
Miscellaneous revenue	243,000	243,000	14,618	(228,382)
<b>Total revenues</b>	<b>2,412,580</b>	<b>2,412,580</b>	<b>1,568,838</b>	<b>(843,742)</b>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	2,025,900	1,777,200	1,219,214	557,986
Capital outlay	3,039,600	3,039,600	1,115,151	1,924,449
<b>Total expenditures</b>	<b>5,065,500</b>	<b>4,816,800</b>	<b>2,334,366</b>	<b>2,482,434</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,652,920)</b>	<b>(2,404,220)</b>	<b>(765,528)</b>	<b>1,638,692</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	2,000	2,000	25,404	23,404
Transfers in	1,190,930	1,190,930	740,125	(450,805)
<b>Total other financing sources and (uses)</b>	<b>1,192,930</b>	<b>1,192,930</b>	<b>765,528</b>	<b>(427,402)</b>
<b>Net change in fund balances</b>	<b>(1,459,990)</b>	<b>(1,211,290)</b>	-	<b>1,211,290</b>
Fund balances - beginning of year	1,483,844	1,483,844	1,483,844	-
Prior period adjustment	(48,611)	(48,611)	(48,611)	-
<b>Fund balance - end of year</b>	<b>\$ (24,757)</b>	<b>223,943</b>	<b>1,435,233</b>	<b>1,211,290</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**AIRPORT SPECIAL REVENUE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental revenues	\$ 983,245	983,245	410,389	(572,856)
Charges for services	956,400	956,400	1,303,801	347,401
Interest	-	-	769	769
Miscellaneous revenue	11,000	11,000	11,508	508
<b>Total revenues</b>	<b>1,950,645</b>	<b>1,950,645</b>	<b>1,726,468</b>	<b>(224,177)</b>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	1,099,900	1,099,900	1,500,791	(400,891)
Capital outlay	1,118,600	1,118,600	156,032	962,568
Debt service:				
Principal	80,000	80,000	80,000	-
Interest and fiscal charges	1,900	1,900	1,852	48
<b>Total expenditures</b>	<b>2,300,400</b>	<b>2,300,400</b>	<b>1,738,674</b>	<b>561,726</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(349,755)</b>	<b>(349,755)</b>	<b>(12,207)</b>	<b>337,548</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	-	-	4,919	4,919
Transfers in	68,092	68,092	7,288	(60,804)
<b>Total other financing sources and (uses)</b>	<b>68,092</b>	<b>68,092</b>	<b>12,207</b>	<b>(55,885)</b>
<b>Net change in fund balances</b>	<b>(281,663)</b>	<b>(281,663)</b>	<b>-</b>	<b>281,663</b>
Fund balances - beginning of year	6,561	6,561	6,561	-
<b>Fund balance - end of year</b>	<b>\$ (275,102)</b>	<b>(275,102)</b>	<b>6,561</b>	<b>281,663</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 SPECIAL PROJECTS FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental revenues	4,045,250	4,027,176	46,088	(3,981,088)
Fines and forfeitures	21,000	21,000	5,158	(15,842)
<b>Total revenues</b>	<b>4,066,250</b>	<b>4,048,176</b>	<b>51,245</b>	<b>(3,996,931)</b>
<b>EXPENDITURES</b>				
Current:				
General government	4,214,900	4,118,726	19,484	4,099,242
Public safety	-	15,500	-	15,500
Culture and recreation	27,300	39,900	35,275	4,625
<b>Total expenditures</b>	<b>4,242,200</b>	<b>4,174,126</b>	<b>54,759</b>	<b>4,119,367</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(175,950)</b>	<b>(125,950)</b>	<b>(3,513)</b>	<b>122,437</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,000	7,000	46,236	39,236
Transfers out	(440,677)	(440,677)	-	440,677
<b>Total other financing sources and (uses)</b>	<b>(433,677)</b>	<b>(433,677)</b>	<b>46,236</b>	<b>479,913</b>
<b>Net change in fund balances</b>	<b>(609,627)</b>	<b>(559,627)</b>	<b>42,723</b>	<b>602,350</b>
Fund balances - beginning of year	2,772	2,772	2,772	-
<b>Fund balance - end of year</b>	<b>\$ (606,855)</b>	<b>(556,855)</b>	<b>45,495</b>	<b>602,350</b>

**SUPPLEMENTARY INFORMATION**

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

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

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**SHOW LOW BLUFF COMMUNITIES FACILITIES DISTRICT**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Fines and forfeitures	\$ 5,000	5,000	545	(4,455)
Interest	500	500	6,322	5,822
Special assessments	201,600	201,600	205,085	3,485
Miscellaneous revenue	-	-	144,521	144,521
<b>Total revenues</b>	<b>207,100</b>	<b>207,100</b>	<b>356,473</b>	<b>149,373</b>
<b>EXPENDITURES</b>				
General government	7,000	7,000	11,274	(4,274)
Debt service:				
Principal	120,000	120,000	120,000	-
Interest and fiscal charges	149,300	149,300	128,470	20,830
<b>Total expenditures</b>	<b>276,300</b>	<b>276,300</b>	<b>259,744</b>	<b>16,556</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(69,200)</b>	<b>(69,200)</b>	<b>96,728</b>	<b>165,928</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(4,000)	(4,000)	(4,000)	-
<b>Total other financing sources and (uses)</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(73,200)</b>	<b>(73,200)</b>	<b>92,728</b>	<b>165,928</b>
Fund balances - beginning of year	816,251	816,251	816,251	-
<b>Fund balance - end of year</b>	<b>\$ 743,051</b>	<b>743,051</b>	<b>908,980</b>	<b>165,928</b>

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## SUPPLEMENTARY INFORMATION

### COMBINING STATEMENTS AND BUDGETARY COMPARISON SCHEDULES NONMAJOR GOVERNMENTAL FUNDS

#### Special Revenue Funds

The **Street Lighting District Fund** is used to account for property taxes assessed and collected for the payment of street lighting utilities, maintenance and improvements.

The **Public Transportation Fund** is used to account for charges for services and grants for the operation, maintenance and improvement of the City's rural transportation system.

The **Family Aquatic Fund** is used to account for activities of the City's Family Aquatic center.

#### Debt Service Funds

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

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

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

#### Capital Project Funds

The **Recreation Impact Fee Fund** is used to account for development impact fees earmarked for recreation facilities.

The **Library Development Impact Fee Fund** is used to account for development impact fees earmarked for improvement of libraries.

The **Transportation Development Impact Fee Fund** is used to account for development impact fees earmarked for improvement of transportation systems for the City.

City of Show Low  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2018

	Special Revenue Funds			Debt Service Funds		
	Street Lighting District	Public Transportation	Family Aquatic Center	Improvement District #6	Improvement District #7	Other Debt Service
<b>ASSETS</b>						
Cash and cash equivalents	\$ 17,018	39,889	32,952	-	6,326	842,888
Receivables:						
Taxes	4,382	-	-	-	-	-
Interest	-	-	-	-	731	-
Assessments	-	-	-	-	832	-
Intergovernmental	-	71,109	-	-	-	10,297
<b>TOTAL ASSETS</b>	<b>\$ 21,400</b>	<b>110,997</b>	<b>32,952</b>	<b>-</b>	<b>7,888</b>	<b>853,185</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 15,890	50,425	10,266	-	-	-
Accrued wages and benefits	-	-	18,469	-	-	-
Due to other funds	-	-	-	-	7,888	-
<b>TOTAL LIABILITIES</b>	<b>15,890</b>	<b>50,425</b>	<b>28,735</b>	<b>-</b>	<b>7,888</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Restricted for:						
Public works/Streets	5,510	-	-	-	-	-
Debt service	-	-	-	-	-	853,185
Capital outlay	-	-	-	-	-	-
Committed for:						
Public transportation	-	60,572	-	-	-	-
Family aquatic center	-	-	4,216	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>5,510</b>	<b>60,572</b>	<b>4,216</b>	<b>-</b>	<b>-</b>	<b>853,185</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 21,400</b>	<b>110,997</b>	<b>32,952</b>	<b>-</b>	<b>7,888</b>	<b>853,185</b>

Capital Projects Funds			Total
Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	Nonmajor Governmental Funds
631	15,267	142,645	1,097,615
-	-	-	4,382
-	-	-	731
-	-	-	832
-	-	-	81,406
<b>631</b>	<b>15,267</b>	<b>142,645</b>	<b>1,184,965</b>
-	-	-	76,581
-	-	-	18,469
-	-	-	7,888
-	-	-	<b>102,938</b>
-	-	-	5,510
-	-	-	853,185
631	15,267	142,645	158,543
-	-	-	60,572
-	-	-	4,216
<b>631</b>	<b>15,267</b>	<b>142,645</b>	<b>1,082,026</b>
<b>631</b>	<b>15,267</b>	<b>142,645</b>	<b>1,184,965</b>

City of Show Low  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2018

	Special Revenue Funds			Debt Service Funds		
	Street Lighting District	Public Transportation	Family Aquatic Center	Improvement District #6	Improvement District #7	Other Debt Service
<b>REVENUES:</b>						
Taxes	\$ 199,662	-	-	-	-	-
Intergovernmental revenues	-	538,427	-	-	-	20,987
Charges for services	-	-	126,949	-	-	-
Interest	27	365	-	3,858	19	378
Impact fees	-	-	-	-	-	-
Special assessments	-	-	-	236,051	52,917	-
Miscellaneous revenue	-	73,026	-	-	-	-
<b>Total revenues</b>	<b>199,689</b>	<b>611,817</b>	<b>126,949</b>	<b>239,910</b>	<b>52,936</b>	<b>21,365</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	618,192	-	1,200	54	-
Public works/streets	205,297	-	-	-	-	-
Culture and recreation	-	-	420,176	-	-	-
Capital outlay	-	12,910	30,404	-	-	-
Debt service:						
Principal	-	-	-	320,000	75,000	1,222,862
Interest	-	-	-	9,737	2,016	285,942
<b>Total expenditures</b>	<b>205,297</b>	<b>631,102</b>	<b>450,580</b>	<b>330,938</b>	<b>77,070</b>	<b>1,508,804</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(5,608)</b>	<b>(19,285)</b>	<b>(323,630)</b>	<b>(91,028)</b>	<b>(24,134)</b>	<b>(1,487,439)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	5,608	91,174	323,540	91,028	24,134	1,092,803
Transfers out	-	(90,900)	-	-	-	-
<b>Total other financing sources and (uses)</b>	<b>5,608</b>	<b>274</b>	<b>323,540</b>	<b>91,028</b>	<b>24,134</b>	<b>1,092,803</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(19,011)</b>	<b>(90)</b>	<b>-</b>	<b>-</b>	<b>(394,636)</b>
Fund balances - beginning of year	5,510	79,583	4,307	-	-	1,247,821
<b>Fund balance - end of year</b>	<b>\$ 5,510</b>	<b>60,572</b>	<b>4,216</b>	<b>-</b>	<b>-</b>	<b>853,185</b>

Capital Projects Funds			Total
Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	Nonmajor Governmental Funds
-	-	-	199,662
-	-	-	559,414
-	-	-	126,949
6	246	1,327	6,226
-	19,719	115,572	135,291
-	-	-	288,969
-	-	-	73,026
<b>6</b>	<b>19,965</b>	<b>116,899</b>	<b>1,389,536</b>

-	-	-	619,447
-	-	-	205,297
-	-	-	420,176
-	-	-	43,313
-	-	-	1,617,862
-	-	-	297,695
-	-	-	<b>3,203,790</b>

<b>6</b>	<b>19,965</b>	<b>116,899</b>	<b>(1,814,255)</b>
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-	-	-	1,628,287
(6)	(20,036)	(67,800)	(178,742)
<b>(6)</b>	<b>(20,036)</b>	<b>(67,800)</b>	<b>1,449,545</b>

-	(71)	49,099	(364,709)
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631	15,338	93,546	1,446,736
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<b>631</b>	<b>15,267</b>	<b>142,645</b>	<b>1,082,026</b>
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City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 STREET LIGHTING DISTRICT SPECIAL REVENUE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 218,000	218,000	199,662	(18,338)
Interest	300	300	27	(273)
<b>Total revenues</b>	<b>218,300</b>	<b>218,300</b>	<b>199,689</b>	<b>(18,611)</b>
<b>EXPENDITURES</b>				
Public works/Streets	221,300	221,300	205,297	16,003
<b>Total expenditures</b>	<b>221,300</b>	<b>221,300</b>	<b>205,297</b>	<b>16,003</b>
<b>Excess (deficiency) of revenues over   (under) expenditures</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(5,608)</b>	<b>(2,608)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	5,608	5,608
<b>Total other financing sources and (uses)</b>	<b>-</b>	<b>-</b>	<b>5,608</b>	<b>5,608</b>
<b>Net change in fund balances</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(0)</b>	<b>3,000</b>
Fund balances - beginning of year	5,510	5,510	5,510	-
<b>Fund balance - end of year</b>	<b>\$ 2,510</b>	<b>2,510</b>	<b>5,510</b>	<b>3,000</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 PUBLIC TRANSPORTATION SPECIAL REVENUE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental revenues	\$ 847,085	847,085	538,427	(308,658)
Interest	-	-	365	365
Miscellaneous revenue	76,700	76,700	73,026	(3,674)
<b>Total revenues</b>	<b>923,785</b>	<b>923,785</b>	<b>611,817</b>	<b>(311,968)</b>
<b>EXPENDITURES</b>				
Current:				
General government	661,600	661,600	618,192	43,408
Capital outlay	158,500	158,500	12,910	145,590
<b>Total expenditures</b>	<b>820,100</b>	<b>820,100</b>	<b>631,102</b>	<b>188,998</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>103,685</b>	<b>103,685</b>	<b>(19,285)</b>	<b>(122,970)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	91,174	91,174	91,174	-
Transfers out	(90,900)	(90,900)	(90,900)	-
<b>Total other financing sources and (uses)</b>	<b>274</b>	<b>274</b>	<b>274</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>103,959</b>	<b>103,959</b>	<b>(19,011)</b>	<b>(122,970)</b>
Fund balances - beginning of year	79,583	79,583	79,583	-
<b>Fund balance - end of year</b>	<b>\$ 183,542</b>	<b>183,542</b>	<b>60,572</b>	<b>(122,970)</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FAMILY AQUATIC CENTER SPECIAL REVENUE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Charges for services	\$ 94,800	94,800	126,949	32,149
Interest	-	-	-	-
<b>Total revenues</b>	<b>94,800</b>	<b>94,800</b>	<b>126,949</b>	<b>32,149</b>
<b>EXPENDITURES</b>				
Culture and recreation	479,800	479,800	450,580	29,220
<b>Total expenditures</b>	<b>479,800</b>	<b>479,800</b>	<b>450,580</b>	<b>29,220</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(385,000)</b>	<b>(385,000)</b>	<b>(323,630)</b>	<b>61,370</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	333,495	333,495	323,540	(9,955)
<b>Total other financing sources and (uses)</b>	<b>333,495</b>	<b>333,495</b>	<b>323,540</b>	<b>(9,955)</b>
<b>Net change in fund balances</b>	<b>(51,505)</b>	<b>(51,505)</b>	<b>(90)</b>	<b>51,415</b>
Fund balances - beginning of year	4,307	4,307	4,307	-
<b>Fund balance - end of year</b>	<b>\$ (47,198)</b>	<b>(47,198)</b>	<b>4,216</b>	<b>51,415</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 IMPROVEMENT DISTRICT #6 DEBT SERVICE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Interest	\$ 9,000	9,000	3,858	(5,142)
Special assessments	481,300	481,300	236,051	(245,249)
<b>Total revenues</b>	<b>490,300</b>	<b>490,300</b>	<b>239,910</b>	<b>(250,390)</b>
<b>EXPENDITURES</b>				
General government	1,500	1,500	1,200	300
Debt service:				
Principal	320,000	320,000	320,000	-
Interest and fiscal charges	11,100	11,100	9,737	1,363
<b>Total expenditures</b>	<b>332,600</b>	<b>332,600</b>	<b>330,938</b>	<b>1,662</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>157,700</b>	<b>157,700</b>	<b>(91,028)</b>	<b>(248,728)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	91,028	91,028
Transfers out	(15,000)	(15,000)	-	15,000
<b>Total other financing sources and (uses)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>91,028</b>	<b>106,028</b>
<b>Net change in fund balances</b>	<b>142,700</b>	<b>142,700</b>	<b>-</b>	<b>(142,700)</b>
Fund balances - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<b>\$ 142,700</b>	<b>142,700</b>	<b>-</b>	<b>(142,700)</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 IMPROVEMENT DISTRICT #7 DEBT SERVICE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Interest	\$ 2,500	2,500	19	(2,481)
Special assessments	79,300	79,300	52,917	(26,383)
<b>Total revenues</b>	<b>81,800</b>	<b>81,800</b>	<b>52,936</b>	<b>(28,864)</b>
<b>EXPENDITURES</b>				
General government	500	500	54	446
Debt service:				
Principal	75,000	75,000	75,000	-
Interest and fiscal charges	4,500	4,500	2,016	2,484
<b>Total expenditures</b>	<b>80,000</b>	<b>80,000</b>	<b>77,070</b>	<b>2,930</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,800</b>	<b>1,800</b>	<b>(24,134)</b>	<b>(25,934)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	24,134	24,134
Transfers out	(3,000)	(3,000)	-	3,000
<b>Total other financing sources and (uses)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>24,134</b>	<b>27,134</b>
<b>Net change in fund balances</b>	<b>(1,200)</b>	<b>(1,200)</b>	<b>-</b>	<b>1,200</b>
Fund balances - beginning of year	-	-	-	-
<b>Fund balance - end of year</b>	<b>\$ (1,200)</b>	<b>(1,200)</b>	<b>-</b>	<b>1,200</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**OTHER DEBT SERVICE FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental revenues	\$ 23,300	23,300	20,987	(2,313)
Interest	3,000	3,000	378	(2,622)
<b>Total revenues</b>	<b>26,300</b>	<b>26,300</b>	<b>21,365</b>	<b>(4,935)</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal	929,000	1,222,900	1,222,862	38
Interest	283,200	288,000	285,942	2,058
<b>Total expenditures</b>	<b>1,212,200</b>	<b>1,510,900</b>	<b>1,508,804</b>	<b>2,096</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,185,900)</b>	<b>(1,484,600)</b>	<b>(1,487,439)</b>	<b>(2,839)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	996,767	996,767	1,092,803	96,036
<b>Total other financing sources and (uses)</b>	<b>996,767</b>	<b>996,767</b>	<b>1,092,803</b>	<b>96,036</b>
<b>Net change in fund balances</b>	<b>(189,133)</b>	<b>(487,833)</b>	<b>(394,636)</b>	<b>93,197</b>
Fund balances - beginning of year	1,247,821	1,247,821	1,247,821	-
<b>Fund balance - end of year</b>	<b>\$ 1,058,688</b>	<b>759,988</b>	<b>853,185</b>	<b>93,197</b>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 RECREATION IMPACT FEE CAPITAL PROJECT FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Interest	\$ -	-	6	6
Impact fees	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
<b>EXPENDITURES</b>				
Culture and recreation	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	6	6
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(445)	(445)	(6)	439
<b>Total other financing sources and (uses)</b>	<u>(445)</u>	<u>(445)</u>	<u>(6)</u>	<u>439</u>
<b>Net change in fund balances</b>	(445)	(445)	-	445
Fund balances - beginning of year	631	631	631	-
<b>Fund balance - end of year</b>	<u>\$ 186</u>	<u>186</u>	<u>631</u>	<u>445</u>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**LIBRARY DEVELOPMENT IMPACT FEE CAPITAL PROJECT FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Interest	\$ -	-	246	246
Impact fees	-	-	19,719	19,719
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>19,965</u>	<u>19,965</u>
<b>EXPENDITURES</b>				
Culture and recreation	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	19,965	19,965
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(22,821)	(22,821)	(20,036)	2,785
<b>Total other financing sources and (uses)</b>	<u>(22,821)</u>	<u>(22,821)</u>	<u>(20,036)</u>	<u>2,785</u>
<b>Net change in fund balances</b>	<b>(22,821)</b>	<b>(22,821)</b>	<b>(71)</b>	<b>22,750</b>
Fund balances - beginning of year	15,338	15,338	15,338	-
<b>Fund balance - end of year</b>	<u><b>\$ (7,483)</b></u>	<u><b>(7,483)</b></u>	<u><b>15,267</b></u>	<u><b>22,750</b></u>

City of Show Low  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**TRANSPORTATION DEVELOPMENT IMPACT FEE CAPITAL PROJECT FUND**  
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Interest	\$ -	-	1,327	1,327
Impact fees	40,000	40,000	115,572	75,572
<b>Total revenues</b>	<b>40,000</b>	<b>40,000</b>	<b>116,899</b>	<b>76,899</b>
<b>EXPENDITURES</b>				
Public works/Streets	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>40,000</b>	<b>40,000</b>	<b>116,899</b>	<b>76,899</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(67,800)	(67,800)	(67,800)	-
<b>Total other financing sources and (uses)</b>	<b>(67,800)</b>	<b>(67,800)</b>	<b>(67,800)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(27,800)</b>	<b>(27,800)</b>	<b>49,099</b>	<b>76,899</b>
Fund balances - beginning of year	93,546	93,546	93,546	-
<b>Fund balance - end of year</b>	<b>\$ 65,746</b>	<b>65,746</b>	<b>142,645</b>	<b>76,899</b>

## SUPPLEMENTARY INFORMATION

### FIDUCIARY FUNDS COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

#### Agency Funds

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

City of Show Low  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<b>AGENCY FUND:</b>				
<b>ASSETS</b>				
Cash	\$ 12,268	24	-	12,292
<b>Total assets</b>	<b>12,268</b>	<b>24</b>	<b>-</b>	<b>12,292</b>
<b>LIABILITIES</b>				
Deposits:				
Slovakian/Sister Cities	2,660	24	-	2,684
Police Citizens Academy	-	-	-	-
Police Department Evidence	9,608	-	-	9,608
<b>Total liabilities</b>	<b>\$ 12,268</b>	<b>24</b>	<b>-</b>	<b>12,292</b>
<b>WHITE MOUNTAIN PARTNERSHIP</b>				
<b>AGENCY FUND:</b>				
<b>ASSETS</b>				
Cash	\$ 7,083	20,034	3,359	23,759
<b>Total assets</b>	<b>7,083</b>	<b>20,034</b>	<b>3,359</b>	<b>23,759</b>
<b>LIABILITIES</b>				
Accounts payable	-	2,359	2,359	-
Deposits:				
White Mountain Partnership	7,083	20,034	3,359	23,759
<b>Total liabilities</b>	<b>\$ 7,083</b>	<b>22,393</b>	<b>5,718</b>	<b>23,759</b>
<b>GEOCACHING AGENCY FUND:</b>				
<b>ASSETS</b>				
Cash	\$ 1,138	14,769	12,398	3,509
<b>Total assets</b>	<b>1,138</b>	<b>14,769</b>	<b>12,398</b>	<b>3,509</b>
<b>LIABILITIES</b>				
Accounts payable	-	23,899	23,899	-
Deposits:				
Geocaching	1,138	14,769	12,398	3,509
<b>Total liabilities</b>	<b>\$ 1,138</b>	<b>38,668</b>	<b>36,297</b>	<b>3,509</b>
<b>TOTAL - ALL AGENCY FUNDS:</b>				
<b>ASSETS</b>				
Cash	\$ 20,489	34,827	15,757	39,560
<b>Total assets</b>	<b>20,489</b>	<b>34,827</b>	<b>15,757</b>	<b>39,560</b>
<b>LIABILITIES</b>				
Accounts payable	-	26,258	26,258	-
Deposits	20,489	34,827	15,757	39,560
<b>Total liabilities</b>	<b>\$ 20,489</b>	<b>61,085</b>	<b>42,015</b>	<b>39,560</b>

## STATISTICAL SECTION

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

Contents	Page
Financial Trends .....	100
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well being have changed over time.</i>	
Revenue Capacity .....	105
<i>These schedules contain information to help the reader assess the government's property taxes and the most significant local revenues source, the sales tax.</i>	
Debt Capacity .....	113
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	119
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information .....	122
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

Fiscal Year	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Governmental activities</b>								**		
Net investment in capital assets	\$ 26,842,932	\$ 47,397,604	\$ 49,802,236	\$ 49,419,010	\$ 50,755,411	\$ 55,862,056	\$ 51,324,245	56,243,784	57,182,342	58,365,980
Restricted	2,406,492	2,343,990	1,793,086	2,741,846	2,273,641	1,512,628	5,219,351	5,135,324	1,205,807	2,049,303
Unrestricted	18,756,457	14,288,968	13,041,888	12,797,101	11,040,984	9,632,016	438,208	(3,499,081)	806,834	2,052,873
Total governmental activities net position	<u>\$ 48,005,881</u>	<u>\$ 64,030,562</u>	<u>\$ 64,637,210</u>	<u>\$ 64,957,957</u>	<u>\$ 64,070,036</u>	<u>\$ 67,006,700</u>	<u>\$ 56,981,804</u>	<u>57,880,027</u>	<u>59,194,983</u>	<u>62,468,155</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 59,558,080	\$ 45,065,106	\$ 44,340,440	\$ 43,255,726	\$ 41,990,649	\$ 42,263,016	\$ 42,711,469	46,691,160	46,551,538	46,313,714
Restricted	6,825,104	7,170,515	1,470,312	4,630,387	4,689,551	4,274,822	2,238,360	2,085,081	2,107,329	2,103,556
Unrestricted	2,293,898	1,619,549	7,959,236	5,821,890	6,809,816	6,974,459	7,209,880	3,718,023	3,623,613	4,162,192
Total Business-type activities net position	<u>\$ 68,677,082</u>	<u>\$ 53,855,170</u>	<u>\$ 53,769,988</u>	<u>\$ 53,708,003</u>	<u>\$ 53,490,016</u>	<u>\$ 53,512,297</u>	<u>\$ 52,159,709</u>	<u>52,494,264</u>	<u>52,282,480</u>	<u>52,579,461</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 86,401,012	\$ 92,462,710	\$ 94,142,676	\$ 92,674,736	\$ 92,746,060	\$ 98,125,072	\$ 94,035,714	\$ 102,934,944	103,733,880	104,679,694
Restricted	9,231,596	9,514,505	3,263,398	7,372,233	6,963,192	5,787,450	7,457,711	7,220,405	3,313,136	4,152,859
Unrestricted	21,050,355	15,908,517	21,001,124	18,618,991	17,850,800	16,606,475	7,648,088	218,942	4,430,447	6,215,065
	<u>\$ 116,682,963</u>	<u>\$ 117,885,732</u>	<u>\$ 118,407,198</u>	<u>\$ 118,665,960</u>	<u>\$ 117,560,052</u>	<u>\$ 120,518,997</u>	<u>\$ 109,141,513</u>	<u>110,374,291</u>	<u>111,477,463</u>	<u>115,047,617</u>

\*\* - Restricted funds held for capital outlay in the special projects fund were expended in FY17 which resulted in a significant change between restricted and unrestricted net asset from FY16 to FY17

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

Expenses	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
General government	\$ 5,658,484	\$ 5,513,628	\$ 4,426,519	\$ 5,738,988	\$ 5,280,088	\$ 5,741,359	\$ 4,855,487	5,182,675	5,267,322	4,951,426
Public safety	4,389,665	5,105,901	5,301,924	5,301,285	5,522,554	6,602,929	5,886,153	5,703,776	6,867,413	5,909,604
Public Works <sup>1</sup>	4,507,493	6,055,886	6,550,314	6,529,143	6,848,761	5,605,479	6,598,125	6,361,103	6,432,718	7,827,721
Economic development <sup>2</sup>	631,619	767,177	623,313	745,924	760,566	762,562	992,984	932,005	702,637	1,006,390
Culture and recreation <sup>3</sup>	1,026,732	1,573,326	1,463,546	1,281,887	1,466,630	1,609,232	1,631,379	1,724,017	1,865,145	1,383,912
Interest on long-term debt	1,277,768	974,645	975,981	860,185	806,952	722,366	708,157	568,898	326,758	525,034
<b>Total governmental activities expenses</b>	<b>17,491,761</b>	<b>19,990,563</b>	<b>19,341,597</b>	<b>20,457,412</b>	<b>20,685,551</b>	<b>21,043,927</b>	<b>20,672,285</b>	<b>20,472,474</b>	<b>21,461,993</b>	<b>21,604,088</b>
<b>Business-type activities:</b>										
Water	2,791,811	2,378,246	2,255,641	2,534,172	3,079,893	3,468,286	3,363,553	3,465,521	3,612,167	3,560,460
Wastewater	2,712,337	2,455,025	2,233,567	2,458,078	2,386,319	2,497,242	2,672,366	2,612,457	3,202,975	3,418,835
Airport	2,301,370	-	-	-	-	-	-	-	-	-
Family Aquatic	660,355	-	-	-	-	-	-	-	-	-
Refuse	502,044	653,491	675,893	896,932	938,989	962,046	790,890	818,157	804,210	846,139
<b>Total business-type activities expenses</b>	<b>8,967,917</b>	<b>5,486,762</b>	<b>5,165,101</b>	<b>5,889,182</b>	<b>6,405,201</b>	<b>6,927,574</b>	<b>6,826,809</b>	<b>6,896,135</b>	<b>7,619,352</b>	<b>7,825,435</b>
<b>Total primary government expenses</b>	<b>\$ 26,459,678</b>	<b>\$ 25,477,325</b>	<b>\$ 24,506,698</b>	<b>\$ 26,346,594</b>	<b>\$ 27,090,752</b>	<b>\$ 27,971,501</b>	<b>\$ 27,499,094</b>	<b>27,368,609</b>	<b>29,081,345</b>	<b>29,429,522</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for services:</b>										
General government	2,787,815	2,213,490	2,424,804	2,964,534	2,513,700	2,885,314	1,873,173	1,866,126	2,318,678	2,468,673
Culture and recreation	128,149	289,722	218,512	245,116	214,112	222,690	244,318	247,390	249,262	271,616
Other activities	650,640	1,620,410	1,716,854	1,847,985	1,690,386	1,768,443	1,941,000	1,580,208	1,290,078	1,589,797
Operating grants and contributions	2,269,916	3,804,819	2,972,526	1,997,735	2,409,041	2,074,646	2,594,447	2,232,509	2,615,705	2,777,415
Capital grants and contributions	2,808,785	3,715,329	824,743	1,539,014	518,379	3,536,328	770,197	306,077	843,347	884,186
<b>Total governmental activities program revenues</b>	<b>8,645,305</b>	<b>11,643,770</b>	<b>8,157,439</b>	<b>8,594,384</b>	<b>7,345,618</b>	<b>10,487,421</b>	<b>7,423,135</b>	<b>6,232,310</b>	<b>7,317,070</b>	<b>7,991,687</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	2,020,118	2,048,688	2,190,079	2,785,093	3,202,844	3,545,618	3,615,372	3,748,772	3,954,512	4,206,658
Wastewater	1,912,187	1,914,523	1,965,828	2,060,450	2,131,927	2,228,974	2,362,361	2,428,750	2,536,493	2,716,364
Airport <sup>1</sup>	1,083,344	-	-	-	-	-	-	-	-	-
Family Aquatic Center <sup>3</sup>	109,637	-	-	-	-	-	-	-	-	-
Refuse	692,644	723,717	746,192	959,287	1,000,501	1,031,544	865,593	886,599	868,639	893,446
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,280,860	1,692,976	236,198	242,189	192,773	277,278	263,677	371,484	484,013	642,185
<b>Total business-type activities program revenues</b>	<b>7,098,790</b>	<b>6,379,904</b>	<b>5,138,297</b>	<b>6,047,019</b>	<b>6,528,045</b>	<b>7,083,414</b>	<b>7,107,003</b>	<b>7,435,605</b>	<b>7,843,657</b>	<b>8,458,653</b>
<b>Total primary government program revenues</b>	<b>\$ 15,744,095</b>	<b>\$ 18,023,674</b>	<b>\$ 13,295,736</b>	<b>\$ 14,641,403</b>	<b>\$ 13,873,663</b>	<b>\$ 17,570,835</b>	<b>\$ 14,530,138</b>	<b>13,667,915</b>	<b>15,160,727</b>	<b>16,450,340</b>

<sup>2</sup> Economic Development is reported with General Government prior to 2009

<sup>3</sup> Family Aquatic Center is reported with Culture and Recreation beginning 2010

(continued)

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (8,846,456)	\$ (8,346,793)	\$ (11,184,158)	\$ (11,863,028)	\$ (13,339,933)	\$ (10,556,506)	\$ (13,249,150)	\$ (14,240,164)	\$ (14,144,923)	\$ (13,612,401)
Business-type activities	(1,869,127)	893,142	(26,804)	157,837	122,844	155,840	280,194	539,470	224,305	633,218
Total primary government net expense	<u>\$ (10,715,583)</u>	<u>\$ (7,453,651)</u>	<u>\$ (11,210,962)</u>	<u>\$ (11,705,191)</u>	<u>\$ (13,217,089)</u>	<u>\$ (10,400,666)</u>	<u>\$ (12,968,956)</u>	<u>\$ (13,700,694)</u>	<u>\$ (13,920,618)</u>	<u>\$ (12,979,182)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Sales taxes	\$ 9,038,647	\$ 8,341,697	\$ 8,695,613	\$ 8,779,526	\$ 9,206,224	\$ 9,931,755	\$ 10,447,349	10,652,385	10,963,170	12,248,424
Franchise taxes	416,309	460,863	420,157	429,826	442,213	429,038	441,349	430,861	405,434	371,228
State sales taxes	786,482	725,415	761,358	832,976	872,541	927,876	970,816	1,006,843	995,864	1,065,866
Urban revenue sharing	1,459,297	1,250,084	956,935	915,474	1,097,262	1,196,624	1,289,876	1,287,298	1,332,380	1,259,816
Auto-in-lieu	560,171	514,687	511,760	551,817	503,515	544,628	561,552	610,273	648,842	703,405
Other	142,188	139,867	136,979	142,745	142,788	164,528	168,994	187,171	192,045	199,662
Investment earnings	157,504	65,012	113,005	137,663	(43,581)	113,603	84,745	131,848	80,394	136,404
Gain (Loss) on sales of assets	12,535	4,700	-	-	-	26,347	-	124,748	10,144	32,588
Miscellaneous	-	-	-	-	-	-	-	-	323,470	421,905
Transfers	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400	381,800	547,900	474,820
Total governmental activities	<u>11,691,261</u>	<u>11,627,325</u>	<u>11,790,807</u>	<u>12,083,775</u>	<u>12,552,012</u>	<u>13,696,199</u>	<u>14,331,081</u>	<u>14,813,227</u>	<u>15,499,645</u>	<u>16,914,118</u>
Business-type activities:										
Investment earnings	235,930	107,417	136,625	271,780	61,955	228,241	204,154	175,864	111,812	122,502
Gain (Loss) on sales of assets	3,833	(305,132)	-	(197,854)	84	-	6,604	1,021	-	15,792
Transfers	881,872	(125,000)	(195,000)	(293,748)	(331,050)	(361,800)	(366,400)	(381,800)	(547,900)	(474,820)
Total business-type activities	<u>1,121,635</u>	<u>(322,715)</u>	<u>(58,375)</u>	<u>(219,822)</u>	<u>(269,011)</u>	<u>(133,559)</u>	<u>(155,642)</u>	<u>(204,915)</u>	<u>(436,088)</u>	<u>(336,525)</u>
Total Primary government	<u>\$ 12,812,896</u>	<u>\$ 11,304,610</u>	<u>\$ 11,732,432</u>	<u>\$ 11,863,953</u>	<u>\$ 12,283,001</u>	<u>\$ 13,562,640</u>	<u>\$ 14,175,439</u>	<u>\$ 14,608,312</u>	<u>\$ 15,063,556</u>	<u>\$ 16,577,592</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 2,844,805	\$ 3,280,532	\$ 606,649	\$ 220,747	\$ (787,921)	\$ 3,139,693	\$ 1,081,931	\$ 573,063	\$ 1,354,722	\$ 3,301,718
Business-type activities	(747,492)	570,427	(85,179)	(61,985)	(146,167)	22,281	124,552	334,555	(211,784)	296,692
Total primary government	<u>\$ 2,097,313</u>	<u>\$ 3,850,959</u>	<u>\$ 521,470</u>	<u>\$ 158,762</u>	<u>\$ (934,088)</u>	<u>\$ 3,161,974</u>	<u>\$ 1,206,483</u>	<u>\$ 907,618</u>	<u>\$ 1,142,937</u>	<u>\$ 3,598,410</u>

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

	<u>2009*</u>	<u>2010*</u>	<u>2011</u>	Fiscal Year <u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General fund</b>										
Nonspendable:										
Inventories and prepaids	\$ 57,763	\$ 44,348	\$ 14,071	\$ 31,408	\$ -	\$ 1,302	\$ -	143,284	74,073	41,205
Restricted for:										
Debt service	-	-	76,980	76,980	76,980	76,989	77,001	77,022	77,053	77,590
Committed to:										
Cemetery	160,876	184,844	188,835	42,707	98,175	204,179	105,522	91,544	98,860	130,858
Unassigned	10,907,754	6,432,775	4,936,910	4,992,131	5,390,951	5,528,415	7,045,352	6,738,564	8,039,567	10,308,841
Total general fund	<u>\$ 11,126,393</u>	<u>\$ 6,661,967</u>	<u>\$ 5,216,796</u>	<u>\$ 5,143,226</u>	<u>\$ 5,566,106</u>	<u>\$ 5,810,885</u>	<u>\$ 7,227,875</u>	<u>\$ 7,050,414</u>	<u>8,289,553</u>	<u>10,558,494</u>
<b>All other governmental funds</b>										
Nonspendable:	\$ 748,916	\$ 895,900	\$ 900,072	\$ 952,943	\$ 1,119,638	\$ 1,082,201	\$ 964,302	1,108,628	1,171,926	40,334
Restricted for:										
Public safety	-	-	-	59,486	-	-	-	-	-	-
Public works/streets	40,705	58,079	90,349	203,486	736,766	3,817	3,838,720	3,862,720	8,282	51,005
Economic development	-	171,445	175,793	138,680	-	-	-	-	-	-
Parks and recreation	-	193,771	211,625	984,793	20,959	-	-	-	-	-
Debt service	1,516,965	1,212,075	1,281,007	1,728,434	1,438,936	1,346,191	1,304,608	1,178,061	1,010,957	1,762,165
Capital outlay	-	-	-	-	-	85,631	111,772	82,419	109,515	158,543
Committed to:										
Public transportation	116,410	134,102	118,306	170,819	87,758	109,410	114,182	144,980	79,583	60,572
Aquatic Center	-	-	-	-	-	-	-	-	4,307	4,216
Assigned to:										
Public works/streets	112,863	1,033,882	1,202,967	1,760,601	1,068,915	913,294	1,483,844	1,483,844	1,483,844	1,435,233
Debt service	-	-	35,783	-	-	-	-	-	-	-
Unassigned, reported in:										
Special revenue funds	-	(21,490)	(10,395)	(16,582)	(126,613)	(595,047)	(157,306)	(201,745)	(112,249)	(33,773)
Total all other governmental fund:	<u>\$ 2,535,859</u>	<u>\$ 3,677,764</u>	<u>\$ 4,005,507</u>	<u>\$ 5,982,660</u>	<u>\$ 4,346,359</u>	<u>\$ 2,945,497</u>	<u>\$ 7,660,122</u>	<u>7,658,907</u>	<u>3,756,165</u>	<u>3,478,296</u>

\* The City began to report fund balance classification per GASB Statement 54 in fiscal year 2011. Balances previously reported as reserved are reported as restricted and balances previously reported as unreserved are reported as unassigned.

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

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenues</b>										
Taxes	\$ 9,597,142	\$ 8,942,430	\$ 9,252,749	\$ 9,352,097	\$ 9,791,225	\$ 10,525,321	\$ 11,057,694	11,270,417	11,560,649	12,819,313
Licenses and permits	175,143	170,564	181,638	144,466	130,075	153,196	170,541	166,362	257,322	369,875
Intergovernmental	5,754,141	7,250,735	5,520,122	5,249,315	4,994,722	7,969,865	6,025,239	5,254,873	5,592,792	5,806,503
Charges for services	236,118	1,479,960	1,581,724	1,657,809	1,536,481	1,524,191	1,441,600	1,391,169	1,640,082	2,027,098
Fines	225,171	608,860	826,720	730,882	735,402	748,341	227,675	150,698	171,056	194,288
Special assessments	1,501,157	1,465,205	1,375,197	1,366,683	1,197,369	1,137,021	947,004	620,874	550,094	494,053
Investment earnings	150,024	63,957	114,720	135,595	(39,888)	109,380	81,048	126,584	74,658	129,138
Impact Fees	-	-	-	-	-	-	-	-	125,369	135,291
Miscellaneous	1,168,981	463,964	351,183	667,430	496,772	431,398	615,077	420,131	323,470	421,905
<b>Total Revenues</b>	<b>\$ 18,807,877</b>	<b>\$ 20,445,675</b>	<b>\$ 19,204,053</b>	<b>\$ 19,304,277</b>	<b>\$ 18,842,158</b>	<b>\$ 22,598,713</b>	<b>\$ 20,565,878</b>	<b>19,401,108</b>	<b>20,295,492</b>	<b>22,397,465</b>
<b>Expenditures</b>										
Current:										
General government	\$ 4,433,502	\$ 4,352,980	\$ 3,274,650	\$ 3,161,365	\$ 3,185,545	\$ 3,316,354	\$ 3,588,068	3,578,335	3,905,552	3,746,168
Public safety	4,392,538	4,596,844	4,761,547	4,998,867	5,307,659	7,247,878	5,250,141	5,339,028	5,583,466	5,756,887
Public works	3,037,275	3,001,780	3,382,640	3,524,603	3,416,467	3,353,354	3,847,565	3,773,879	3,883,719	5,014,528
Economic Development/General Operations	2,645,887	5,755,111	4,699,849	2,072,755	1,818,681	1,928,597	2,144,312	2,142,901	1,941,449	1,785,263
Capital outlay	6,247,917	3,345,259	2,376,881	3,208,043	4,025,615	5,430,077	1,638,564	3,096,740	6,222,574	2,316,465
Principal	1,522,234	2,071,500	1,482,000	1,565,000	1,805,899	1,903,000	1,572,000	1,531,000	1,735,000	1,817,862
Interest and fiscal charges	1,016,563	1,046,806	988,913	880,470	852,337	760,654	672,870	559,047	449,480	428,017
<b>Total expenditures</b>	<b>23,295,916</b>	<b>24,170,280</b>	<b>20,966,480</b>	<b>19,411,103</b>	<b>20,412,203</b>	<b>23,939,914</b>	<b>18,713,520</b>	<b>20,020,930</b>	<b>23,721,239</b>	<b>20,865,190</b>
Revenues over (under) expenditures	(4,488,039)	(3,724,605)	(1,762,427)	(106,826)	(1,570,045)	(1,341,201)	1,852,358	(619,822)	(3,425,747)	1,532,275
<b>Other finance sources (Uses)</b>										
Sale of Assets	12,534	4,696	-	12,762	25,574	26,347	7,157	59,346	10,144	32,588
Bond Proceeds	250,000	-	450,000	1,703,899	-	-	8,865,000	-	243,862	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(4,837,448)	-	-	-
Transfers in (out)	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400	381,800	547,900	474,820
Total other finance sources (uses)	(619,338)	129,696	645,000	2,010,409	356,624	388,147	4,401,109	441,146	801,906	507,408
<b>Net change in fund balances</b>	<b>\$ (5,107,377)</b>	<b>\$ (3,594,909)</b>	<b>\$ (1,117,427)</b>	<b>\$ 1,903,583</b>	<b>\$ (1,213,421)</b>	<b>\$ (953,054)</b>	<b>\$ 6,253,467</b>	<b>(178,676)</b>	<b>(2,623,841)</b>	<b>2,039,683</b>
Debt service as a percentage of noncapital expenditures	17.11%	18.41%	15.35%	15.29%	15.49%	15.47%	13.34%	12.38%	12.48%	12.11%
<b>Total</b>	<b>\$ 20,757,119</b>	<b>\$ 21,051,974</b>	<b>\$ 18,495,567</b>	<b>\$ 16,965,633</b>	<b>\$ 17,753,967</b>	<b>\$ 21,276,260</b>	<b>\$ 16,468,650</b>	<b>\$ 17,930,883</b>	<b>\$ 21,536,760</b>	<b>\$ 18,619,311</b>
Capital Outlay as per page 25 of CAFR	8,454,650	7,228,222	4,867,676	3,416,595	3,252,531	6,724,513	1,880,753	3,140,575	6,222,574	2,316,465
Non-capital outlay	\$ 12,302,469	\$ 13,823,752	\$ 13,627,891	\$ 13,549,038	\$ 14,501,436	\$ 14,551,747	\$ 14,587,897	\$ 14,790,308	\$ 15,314,186	\$ 16,302,846

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

<u>Tax Remitter</u>	<u>Fiscal Year 2018</u>			<u>Fiscal Year 2008</u>		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
	<u>\$ -</u>		<u>0.0%</u>	<u>\$ -</u>		<u>0%</u>

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

**CITY OF SHOW LOW, ARIZONA**

**Revenue Capacity**

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

**Last Ten Fiscal Years**

**(modified accrual basis of accounting)**

**TAXABLE RETAIL SALES (1)**

City of Show Low (1)

<u>Fiscal Year</u>	<u>Amount</u>
2009	306,724,210
2010	297,933,456
2011	297,772,527
2012	323,196,420
2013	342,827,914
2014	370,212,200
2015	389,041,358
2016	672,344,965
2017	980,483,714
2018	943,214,482

Navajo County (1)

<u>Fiscal Year</u>	<u>Amount</u>
2009	788,925,825
2010	705,557,999
2011	758,437,095
2012	819,160,593
2013	840,818,316
2014	888,647,272
2015	886,975,882
2016	840,855,279
2017	896,175,069
2018	995,752,034

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

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

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

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

Table 19

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

**CITY OF SHOW LOW, ARIZONA**

**Revenue Capacity**

**Actual Excise Tax Collection:**

**Last Ten Fiscal Years**

**(modified accrual basis of accounting)**

	<u>Privilege &amp; Use Tax</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2009	8,910,530	416,309	560,171	9,887,010
2010	8,226,903	460,863	514,687	9,202,453
2011	8,258,333	420,157	511,760	9,190,249
2012	8,741,125	429,826	551,817	9,722,768
2013	9,206,661	442,213	503,515	10,152,389
2014	9,931,755	429,038	544,628	10,905,421
2015	10,443,961	441,349	561,552	11,446,862
2016	10,652,385	430,861	610,273	11,693,519
2017	10,963,170	405,434	648,842	12,017,445
2018	13,792,141	462,171	730,024	14,984,336

Source: City of Show Low Finance Department

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

Fiscal Year	Construction	Utilities	Wholesale	Retail	Restaurants	Accomodation	Real Estate	Services	Others	Total	% change from prior year
2008-2009	801,477	219,915	165,420	6,134,484	528,757	128,083	543,947	135,887	508,726	8,910,530	-18.57%
2009-2010	436,445	288,846	123,085	5,958,669	502,095	114,801	433,503	131,006	468,055	8,226,903	-7.67%
2010-2011	451,684	269,502	178,849	5,955,451	458,669	124,935	424,060	127,555	517,498	8,258,333	0.38%
2011-2012	427,107	285,535	171,905	6,463,928	486,181	123,520	368,225	143,893	517,872	8,741,125	5.85%
2012-2013	383,747	214,896	180,469	6,856,558	504,870	122,429	423,217	163,575	479,632	9,206,661	5.33%
2013-2014	578,188	65,190	188,573	7,404,244	565,559	139,014	477,048	168,504	345,434	9,931,755	7.88%
2014-2015	523,181	224,568	233,987	7,780,827	625,781	134,387	376,074	214,083	331,072	10,443,961	5.16%
2015-2016	434,054	212,623	324,316	8,018,088	638,681	140,496	370,461	176,793	315,201	10,630,713	1.79%
2016-2017	417,020	283,692	-	8,732,947	781,360	183,015	400,967	83,783	80,387	10,963,170	3.13%
2017-2018	550,424	231,347	-	9,424,812	834,561	201,071	477,868	73,692	50,819	11,844,594	8.04%

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

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

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

<u>Tax Year</u>	<u>Net Assessed Value</u>	<u>Total Value</u>	<u>Ratio of Net Assessed to Cash Values</u>
2009	183,337,696	1,599,217,618	11%
2010	190,067,004	1,559,074,446	12%
2011	170,077,968	1,409,163,131	12%
2012	158,030,998	1,304,286,735	12%
2013	151,504,389	1,193,127,603	13%
2014	132,641,017	1,121,524,201	12%
2015	134,988,461	1,152,062,989	12%
2016	136,565,943	1,193,240,625	11%
2017	142,807,373	1,253,988,894	11%
2018	147,930,395	1,298,305,357	11%

Source: Arizona Department of Revenue - /<http://azmemory.azlibrary.gov/cdm/ref/collection/statepubs/id/110>

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

<u>Fiscal Year</u>	<u>City of Show Low</u>	<u>State of Arizona</u>	<u>Navajo County</u>	<u>Northland Pioneer College</u>	<u>Show Low Unified School District</u>	<u>Total</u>
2008-09	-	-	0.5594	1.1352	4.5665	6.2611
2009-10	-	-	0.5572	1.1308	4.5345	6.2225
2010-11	-	-	0.5984	1.2387	5.0214	6.8585
2011-12	-	-	0.6401	1.3515	5.1577	7.1493
2012-13	-	-	0.6995	1.4769	5.4928	7.6692
2013-14	-	-	0.8185	1.6610	4.5325	7.0120
2014-15	-	-	0.8417	1.7423	4.6900	7.2740
2015-16	-	-	0.8471	1.7884	4.7800	7.4155
2016-17	-	-	0.8903	1.8067	4.2377	6.9347
2017-18	-	-	0.8951	1.8164	4.5940	7.3055

Source: Navajo County Assessor's Office  
<http://www.navajocountyaz.gov/Departments/Treasurer/Property-Taxes>

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

Collected to June 30th,  
End of Tax Fiscal Year

Tax Year	Original Property Assessments	Adjustments	Amount	Percent of Adjusted Levy	Taxes Receivable
2009	140,460	499	139,718	100%	243
2010	138,824	880	137,555	100%	388
2011	142,602	479	141,682	100%	440
2012	142,956	241	137,418	96%	5,297
2013	143,000	-	-	0%	143,000
2014	163,300	-	-	0%	163,300
2015	171,241	-	-	0%	171,241
2016	187,171	-	-	0%	187,171
2017	192,045	-	-	0%	192,045
2018	217,832			0%	217,832

Source: Navajo County Treasurer's Office

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

<b>Fiscal Year</b>	<b>Total Assessments Billed</b>	<b>Total Assessments Collected</b>	<b>Ratio of Collections to Amount Billed</b>	<b>Net Outstanding Assessments</b>
2008-2009	1,408,092	1,428,904	92.43%	(20,812)
2009-2010	1,398,024	1,387,109	99.22%	10,915
2010-2011	1,251,206	1,229,768	98.29%	21,438
2011-2012	1,327,423	1,392,206	104.88%	(64,783)
2012-2013	1,068,568	1,088,028	101.82%	(19,460)
2013-2014	1,045,067	1,044,708	99.97%	359
2014-2015	924,550	893,165	96.61%	31,385
2015-2016	579,743	582,903	100.55%	(3,160)
2016-2017	493,035	515,903	104.64%	(22,868)
2017-2018	403,649	434,528	107.65%	(30,879)

Source: City of Show Low Finance Department

**CITY OF SHOW LOW, ARIZONA**  
**Debt Capacity**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Special Assessment Bonds	Show Low Bluffs CFD Bonds	Certificates of Participation	Capital Leases	GADA Bonds	Loans Payable	Certificates of Participation	GADA Bonds	Revenue Bonds	Loans Payable			
2009	6,083,000	2,395,000	521,946	6,167	9,305,000	256,167	493,054	1,675,000	-	-	20,735,334	12.70%	1,672
2010	5,394,000	2,335,000	-	-	10,370,000	200,000	-	-	250,000	-	18,549,000	14.36%	1,739
2011	4,617,000	2,725,000	-	-	9,775,000	150,000	-	-	2,240,296	-	19,507,296	14.08%	1,823
2012	3,787,000	2,660,000	-	1,703,899	9,155,000	100,000	-	-	3,186,106	-	20,592,005	13.44%	1,902
2013	2,904,000	2,580,000	-	1,508,000	8,510,000	-	-	-	5,085,048	-	20,587,048	13.76%	1,892
2014	1,963,000	2,485,000	-	1,409,000	7,840,000	-	-	-	5,442,956	-	19,139,956	15.59%	1,750
2015	1,389,000	2,385,000	-	1,206,000	11,500,000	-	-	-	7,958,361	-	24,438,361	12.77%	2,224
2016	906,000	2,275,000	-	993,000	10,875,000	-	-	-	7,625,381	-	22,674,381	14.27%	2,050
2017	395,000	2,155,000	-	769,000	10,700,000	293,862	-	-	7,188,768	-	21,501,630	15.49%	1,924
2018	-	2,035,000	-	630,000	9,075,000	-	-	-	6,353,514	-	18,093,514	18.94%	1,590

**CITY OF SHOW LOW, ARIZONA**

**Debt Capacity**

**Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Net Assessed Value</b>	<b>General Obligation Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita (a)</b>
2009	183,337,696	-	0.0%	-
2010	190,067,004	-	0.0%	-
2011	170,077,968	-	0.0%	-
2012	158,030,998	-	0.0%	-
2013	151,504,389	-	0.0%	-
2014	132,641,017	-	0.0%	-
2015	134,988,461	-	0.0%	-
2016	136,565,943	-	0.0%	-
2017	142,807,373	-	0.0%	-
2018	147,930,395	-	0.0%	-

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

(a) Population information is shown on page 90

**CITY OF SHOW LOW, ARIZONA**  
**Debt Capacity**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2018**

<u>Jurisdiction</u>	<u>2017-2018 Secondary Assessed Valuation</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Show Low</u>	<u>Amount Applicable to the City of Show Low</u>
<b>Direct Debt Repaid with Property Taxes:</b>				
Show Low Bluff CFD	1,583,443	\$ 640,000	100.00%	\$ 640,000
Gada Bonds Series 2008A		\$ 385,000	100.00%	385,000
Gada Bonds Series 2006B		\$ 8,690,000	100.00%	8,690,000
Capital Leases		\$ 630,000	100.00%	<u>630,000</u>
Total direct debt		\$ -		<u>\$ 10,345,000</u>
<b>Overlapping Debt Repaid with Property Taxes:</b>				
Navajo County	872,110,638	\$ 15,556,238	n/a	\$ -
Timber Mesa Fire & Medical District	288,364,224	\$ 3,327,515	n/a	\$ -
Northland Pioneer College	872,110,638	\$ -	n/a	\$ -
Show Low School District #10 - 2003B	203,114,022	\$ -	71.80%	<u>\$ -</u>
Total overlapping debt				<u>\$ -</u>
<b>Other Debt:</b>				
Total other debt				<u>-</u>
Total direct and overlapping debt				<u><u>\$ 10,345,000</u></u>

Source: Navajo County Finance Department/[www.azdor.gov/Report of Bonded Indebtedness/City of Show Low Finance Department](http://www.azdor.gov/Report of Bonded Indebtedness/City of Show Low Finance Department)  
<https://openbooks.az.gov/bonded-indebtednes>

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

	Water, Sewer, Light, Parks and Open Space Purpose Bonds Debt Limitation 20%	All Other General Obligation Bonds Debt Limitation 6%
Assessed Valuation:		
Assessed Value	\$ 147,930,395	\$ 147,930,395
Total assessed value	<u>\$ 147,930,395</u>	<u>\$ 147,930,395</u>
Legal debt margin:		
Debt limitation	\$ 29,586,079	\$ 8,875,824
Debt applicable to limitation		
General Obligation Bonds	-	-
Total debt applicable to limitation	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 29,586,079</u>	<u>\$ 8,875,824</u>
Total debt applicable to the limit as a percentage of the limit	0%	0%

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

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

**CITY OF SHOW LOW, ARIZONA**  
**Debt Capacity**  
**Schedule of Water and Wastewater Revenue Bond Coverage**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Operating Revenues (a)</b>	<b>Operating Expenses (b)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Revenue Bond/Loan/CFP Debt Service</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2009	3,798,657	3,228,784	569,873	335,000	33,048	368,048	154.8%
2010	3,853,768	2,346,901	1,506,867	352,500	16,632	369,132	408.2%
2011	4,203,385	2,394,160	1,809,225	9,430	6,490	15,920	11364.1%
2012	4,978,073	3,194,504	1,783,569	9,704	92,015	101,720	1753.4%
2013	5,471,183	2,634,539	2,836,644	150,027	137,363	287,390	987.0%
2014	5,774,592	2,810,630	2,963,962	230,605	150,340	380,945	778.1%
2015	6,064,296	2,005,577	4,058,719	244,594	155,302	399,896	1014.9%
2016	6,084,449	3,603,064	2,481,385	531,904	215,886	747,790	331.8%
2017	6,573,853	3,512,788	3,061,065	721,507	190,233	911,740	335.7%
2018	6,923,022	3,989,086	2,933,936	550,362	183,237	733,599	399.9%

Source: City of Show Low Finance Department

(a) Total revenues exclusive of transfers, interest, sale of assets & debt proceeds

(b) Total expenses exclusive of depreciation, bond interest and capital costs

**CITY OF SHOW LOW, ARIZONA**  
**Debt Capacity**  
**Pledged Revenue coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Special Assessment Bonds				Show Low Bluff CFD Bonds				GADA Bonds			
	Special Assessments Collected	Principal	Interest	Coverage	CFD Tax Collected	Principal	Interest	Coverage	Excise Tax Collected	Principal	Interest	Coverage
2009	1,428,904	687,000	391,587	132%	238,098	60,000	136,319	121%	9,887,010	295,000	346,013	1542%
2010	1,387,109	689,000	349,173	134%	292,735	60,000	133,245	151%	9,202,453	610,000	485,738	840%
2011	1,229,768	777,000	305,377	114%	304,128	60,000	130,058	160%	9,190,249	595,000	464,213	868%
2012	1,392,206	830,000	255,951	128%	289,007	65,000	126,870	151%	9,722,768	620,000	440,900	916%
2013	1,088,028	883,000	203,252	100%	306,016	80,000	123,423	150%	10,152,389	645,000	414,756	958%
2014	1,044,708	941,000	147,127	96%	319,653	95,000	152,719	129%	10,905,421	670,000	387,575	1031%
2015	893,165	574,000	100,968	132%	209,002	100,000	146,880	85%	11,446,862	695,000	359,363	1086%
2016	582,903	443,931	134,870	101%	210,380	121,897	128,804	84%	11,693,519	725,000	334,480	1104%
2017	347,414	325,066	26,733	99%	145,621	69,374	76,247	100%	12,017,445	830,000	281,276	1081%
2018	285,872	395,000	13,631	70%	202,897	120,000	126,687	82%	14,984,336	870,000	247,158	1341%

Source: City of Show Low finance department

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

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

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

**CITY OF SHOW LOW, ARIZONA**  
**Demographic and Economic Information**  
**Demographic Statistics - Population Statistics, Unemployment Average**

Year	City of Show Low Population (1)	Navajo County Population (1)	Personal Income Navajo County (2) (thousands)	Per Capita Income	Unemployment Averages (3)	
					Navajo County	State of Arizona
2009 (Estimated)	12,400	112,975	2,634,137	23,316	15.2%	9.9%
2010 (Census)	10,666	107,677	2,663,929	24,732	14.7%	10.4%
2011 (Estimated)	10,699	107,226	2,746,969	25,569	14.8%	9.5%
2012 (Estimated)	10,826	107,923	2,767,865	25,859	14.1%	8.3%
2013 (Estimated)	10,880	108,463	2,832,564	26,363	13.5%	7.7%
2014 (Estimated)	10,935	109,005	2,984,565	27,589	11.1%	6.8%
2015 (Estimated)	10,989	109,550	3,121,041	28,802	9.6%	6.1%
2016 (Estimated)	11,061	109,671	3,235,693	29,408	8.2%	5.4%
2017 (Estimated)	11,176	110,285	3,329,528	30,190	7.6%	4.9%
2018 (Estimated)	11,377	111,266	3,426,084	30,792	7.5%	4.8%

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

(2) Source: US Department of Commerce, Bureau of Economic Analysis Unit.  
 2017-18 county data unavailable and estimated based on statewide information

(3) Source: AZSTATS.GOV

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

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

<b>Employer</b>	<b>Fiscal Year 2018**</b>			<b>Fiscal Year 2008*</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Top 10 Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Summit Healthcare Regional Medical Center	900	1	34.67%			
Walmart	490	2	18.88%			
Show Low Unified School District	300	3	11.56%			
Cellular One	187	4	7.20%			
City of Show Low	156	5	6.01%			
Home Depot	150	6	5.78%			
Frontier	125	7	4.82%			
Northland Pioneer College	110	8	4.24%			
Lowe's	108	9	4.16%			
Tates Automotive	70	10	2.70%			
<b>Total Employees</b>	<b>2,596</b>		<b>100.00%</b>	<b>-</b>		<b>0.00%</b>

\*Information Not Available

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

Source: City of Show Low Business Developer

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

	Full-time Equivalent Employee									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Airport	5.2	4.2	4.2	4.5	4.1	4.1	4.1	4.1	4.5	5.5
Aquatics & Recreation	14.7	14.7	14.2	14.2	14.2	14.4	14.8	14.8	14.8	14.8
Show Low TV	3.0	2.7	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3
City Attorney	2.0	1.0	-	-	1.6	1.6	1.6	1.6	1.6	1.6
City Clerk	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2
City Magistrate	2.5	4.5	4.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5
City Manager	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2
Community Services Admin	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2
Engineering	11.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6	6
Finance	9.0	6.5	-	-	-	-	-	-	0	0
Human Resources	2.0	2.0	-	-	-	-	-	-	0	0
Administrative Services:	-	-	8.2	9.2	10.0	10.0	10.0	10.0	10	10
Information Systems	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2
Library	10.2	8.1	7.5	7.5	7.5	7.5	7.5	8.0	8	8.5
Parks & Facilities Maintenance	10.7	9.2	9.1	7.5	7.0	7.0	7.0	8.0	8	8
Planning & Zoning	11.7	6.5	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Police	48.6	50.2	46.6	49.4	49.1	49.1	48.1	48.1	49.1	50.1
Streets	9.3	10.3	10.0	11.0	11.0	11.0	11.0	11.0	11	11
Wastewater	12.1	11.6	11.5	10.5	10.0	10.0	10.0	11.0	12	12
Water	11.1	11.5	10.5	13.5	15.0	15.0	15.0	14.0	14	14
<b>Total Employees</b>	<b>174.1</b>	<b>156.0</b>	<b>145.8</b>	<b>149.8</b>	<b>153.3</b>	<b>153.5</b>	<b>152.4</b>	<b>153.9</b>	<b>156.3</b>	<b>158.8</b>

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

<b>Function</b>	<b>Fiscal Year</b>									
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Police</b>										
Arrests	1,852	1,698	1,605	1,630	1,569	1,758	1,792	1,465	1129	1425
Citations	7,467	5,947	4,928	3,701	3,015	4,251	2,959	1,901	4509	6423
Traffic Stops	10,362	8,390	10,261	6,821	5,040	6,494	7,041	6,298	5447	6753
Officer Reports	3,735	3,021	2,749	2,854	2,955	3,074	3,010	2,745	2324	2907
Photo Enforcement - Notices Printed	0	15,524	15,813	12,452	13,150	7,452	0	0	0	0
Calls for Service	19,985	19,425	17,304	19,316	18,318	19,230	17,031	22,504	15833	30234
<b>Highways &amp; Streets</b>										
Street resurfacing (miles)	27	17	25	61	90	137	35	20	16	19.5
Potholes repaired	359	741	791	1,118	655	677	1,189	258	407	225
Street sweeping (miles)	1,670	2,094	965	505	1,671	1,252	904	1,670	746	857
<b>Water</b>										
New Connections	36	45	34	21	32	49	55	64	98	120
Line Breaks	65	158	128	119	108	89	72	32	19	28
Average Daily Consumption	1,285,073	1,652,551	1,345,038	1,429,566	1,462,578	2,339,890	2,500,000	2,246,453	1,582,630	1,910,000
<b>Wastewater</b>										
Average Daily Sewage Treatment (thousands of gallons)	956,739	830,000	867,000	892,000	789,258	907,463	972,000	1,022,000*	1,115,000	1,118,000
Line cleaning (feet)	204,033	258,768	268,231	99,556	109,812	126,362	136,387	127,363	118,281	147,191
Line Plugs	26	41	53	56	112	13	6	100	85	43
<b>Recreation &amp; Aquatics</b>										
Aquatic center admissions	64,797	49,352	32,164	47,880	43,920	50,101	50,131	52,258	56,427	57,730

\*Completion of new Wastewater Treatment Plant

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

Year	BUILDING PERMITS (1)			NEW HOUSING STARTS (1)
	Residential	Commercial	Total	
2008-09	10,467,757	6,731,048	17,198,805	44
2009-10	7,000,652	5,308,046	12,308,698	29
2010-11	8,027,334	14,095,184	22,122,518	30
2011-12	2,808,231	14,447,139	17,255,370	12
2012-13	5,257,417	6,943,989	12,201,406	19
2013-14	11,661,131	3,186,458	14,847,589	47
2014-15	11,883,850	4,216,808	16,100,658	56
2015-16	12,209,338	2,534,586	14,743,924	64
2016-17	17,776,492	10,531,462	28,307,953	87
2017-2018	17,371,551	38,045,711	55,417,262	86

(1) Source: City of Show Low Building Department

**CITY OF SHOW LOW, ARIZONA**  
**Operating Information**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Authorized Patrol units	23	23	23	20	20	20	20	20	20	20
Highways and streets										
Streets (miles)	97	181	182	182	182	184	184	184	184	184
Streetlights	675	675	735	735	735	782	782	782	782	782
Water										
Water mains (miles)	119	124	164	164	183	185	187	187	187	189
Fire hydrants	815	810	817	1,033	1,096	1,149	1,168	1,174	1178	1189
Sewer										
Sanitary Sewer (miles)	139	146	148	148	148	150	152	152	152	154
Maximum daily treatment capacity (thousands of gallons)	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	2,500,000*	2,500,000
Recreation and aquatics										
Parks acreage	414	428	428	428	428	428	428	428	428	428
Number of Parks	9	10	10	10	10	10	10	10	10	10
Swimming pool:	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Ball fields	3	5	5	5	5	5	5	5	5	5
Community center:	2	2	2	2	2	2	2	2	2	2

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

**FEDERAL AND STATE REPORTS**

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**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
City Council  
Show Low, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Show Low, Arizona as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Show Low, Arizona's basic financial statements, and have issued our report thereon dated November 27, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in a separate schedule of findings and recommendations that we consider to be a significant deficiency. Refer to 2018-001 Year-End Accounting and Financial Statement Controls.

## Compliance and Other Matters

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

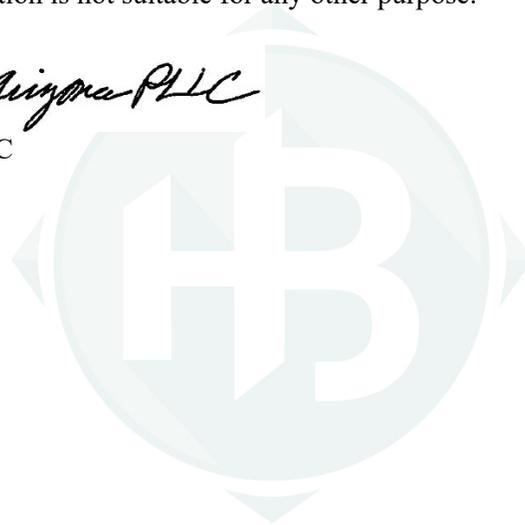
## Purpose of this Report

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



*HintonBurdick Arizona PLLC*

HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
November 27, 2018





## Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and  
City Council  
Show Low, Arizona

We have audited the basic financial statements of the City of Show Low, Arizona for the year ended June 30, 2018, and have issued our report thereon dated November 27, 2018. Our audit also included test work on the City of Show Low's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Show Low is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Show Low has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Show Low pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Show Low complied, in all material respects, with the requirements identified above for the year ended June 30, 2018.

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

HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
November 27, 2018

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