

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



*Year-ended June 30, 2019
With Report of Certified Public Accountants*



Findings, Recommendations and Responses For the Fiscal Year Ended June 30, 2019

The Honorable Mayor and
City Council
Show Low, Arizona

In planning and performing our audit of the financial statements of the City of Show Low, Arizona (the City), as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control as listed below to be significant deficiencies.

We wish to commend the City for their achievements with the City's accounting and budgeting system.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Significant Deficiencies:

2018-001 Year End Accounting

Condition: During our audit, we noted improvements over the prior year; however, we still noted a few accruals, reclassifications and other adjustments to the general ledger were required that were not initially identified by the City's internal controls.

Criteria: Statement on Auditing Standards No. 115 (SAS 115) indicates that the identification by the auditor of misstatements in the financial statements may be a significant deficiency in the City's internal controls.

Cause: Changes in accounting personnel and outside accounting assistance timing restraints or changes in accounting software may be the cause for various adjustments. Procedures for year-end adjustments may also need to be revised or improved in order to properly identify certain adjustments for new accounting standards or other non-routine adjustments.

Effect: The City's financial statements would not have been fairly stated in all material respects without the adjustments.

Recommendation: We recommend that management review the audit adjustments in order to understand each adjustment and continue efforts to improve controls over year-end accounting and identify accruals and adjustments prior to the audit.

Response: City staff will continue to work closely with the audit team and the accounting software provider to ensure a more accurate recording of accruals and to minimize the number of required reclassifications and adjustments.

COMPLIANCE AND OTHER MATTERS:

None noted

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC
November 18, 2019



November 18, 2019

To the Honorable Mayor and City Council
Show Low, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Show Low, Arizona for the year ended June 30, 2019, and have issued our report thereon dated November 18, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter dated June 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts is based on outstanding receivable balances in the accounts receivable aging report at year end.

The useful life of capital assets used in calculating depreciation as disclosed in footnote 1 of the financial statements.

Management's estimate of the compensated absences accrual is based on current pay rates and accrued vacation pay hours.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, management's estimates have been determined on the same basis as they are reported by the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS). The City's net pension/OPEB liability was measured as of June 30, 2018, and the total pension/OPEB liability used to calculate the net pension/OPEB liability for ASRS was determined using update procedures to roll forward the total pension/OPEB liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018 and for PSPRS was determined using an actuarial valuation as of June 30, 2018. The key factors and assumptions

used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

Allocations between governmental activities and business-type activities are based on the pro-rata share of covered payroll. The key factors and assumptions used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the financial statements should be neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. A list of audit adjustments has been provided to management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 18, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, pension and OPEB related schedules, and the general fund and major special revenue fund budgetary comparison information, which are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison schedules and the combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Letter of Transmittal and the Statistical Section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council, and management of the City of Show Low and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



HintonBurdick, PLLC



CITY OF SHOW LOW, ARIZONA

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City of Show Low

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

December 3, 2019

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, 2019 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 11,321, 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 FY2019 City sales tax collections over FY 2018 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 management includes the activities undertaken to ensure maximum cash availability and maximum investment yield on a government's idle cash, and the cash collection function. The Financial Principles followed by the City of Show Low include reconciling and reviewing bank accounts on a monthly basis, maintain and comply with a written Investment Policy, project cash needs to optimize the efficiency of the City's investment and cash management program, and regularly present a cash collection, handling, training and procedures program.

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 2.30% or 230 basis points.

Risk Management

Risk management has become increasingly important in guarding against economic loss and in ensuring public safety in a time of increasing public liability and litigation. The City shall make diligent efforts to prevent or mitigate the loss of City assets through training, safety, risk financing, and the transfer of risk when cost effective.

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 FY2019. 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
Deputy City Manager



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, 2018

Christopher P. Morrill

Executive Director/CEO

City of Show Low, Arizona

List of officials

MAYOR

Daryl Seymore

Vice-Mayor

Brent Hatch

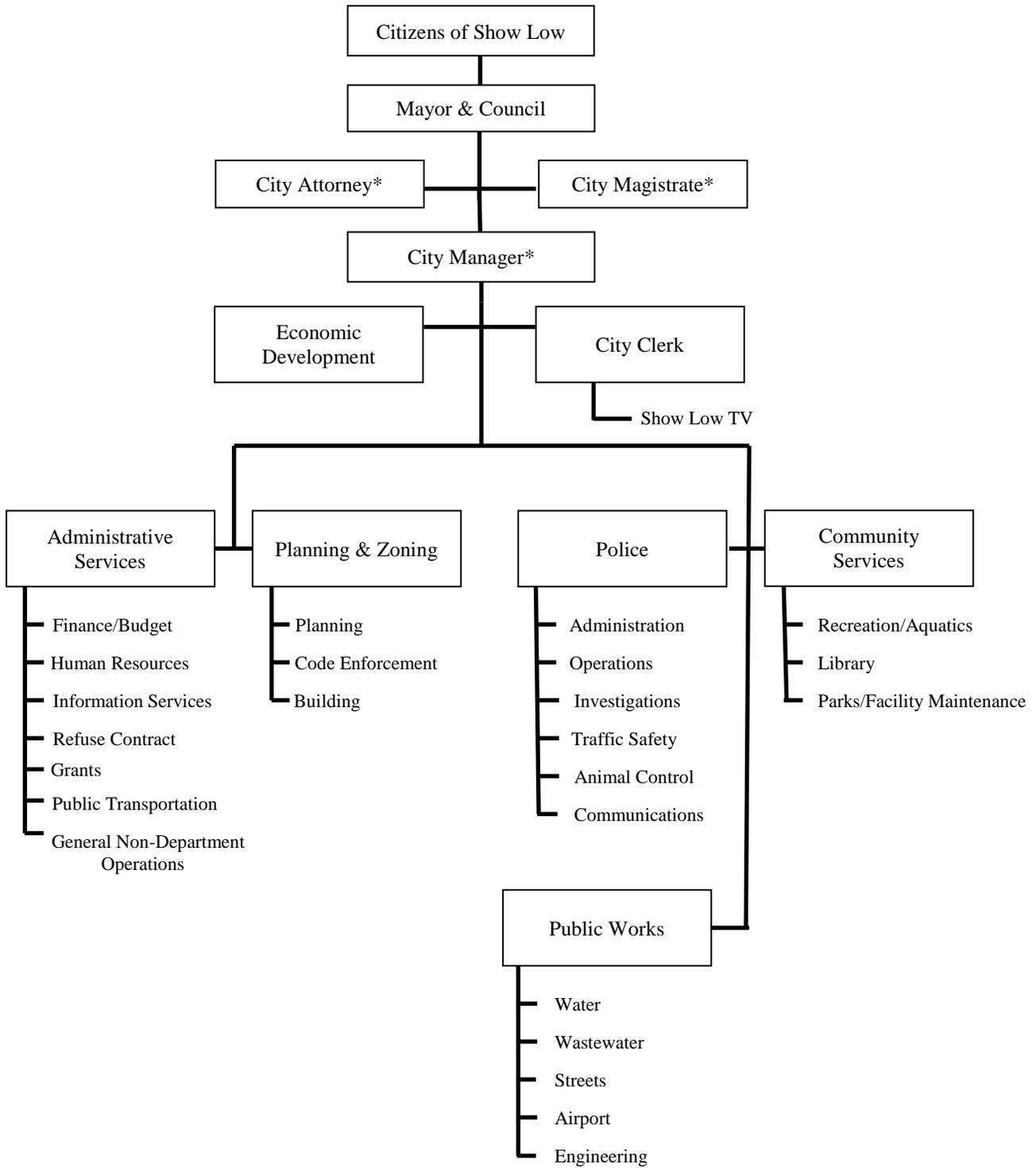
Council Members

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

City Staff

Ed Muder, City Manager
Morgan Brown, City Attorney
Shirley Patterson, City Magistrate
Justin Johnson, Deputy City Manager
Jay Brimhall, Community Services Director
Joseph Shelley, Police Chief
William Kopp, Public Works Director
Justen Tregaskes, Planning & Zoning Director
Tamra Reidhead, City Clerk

Organizational Chart



*Appointed by Council

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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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 18, 2019, on our consideration of the City of Show Low, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Show Low, Arizona's internal control over financial reporting and compliance.

HintonBurdick, PLLC

HintonBurdick, PLLC
Gilbert, Arizona
November 18, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Show Low
Management's Discussion and Analysis
June 30, 2019

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, 2019. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- City sales tax revenue continued to improve for the eighth consecutive year; collections increased by 8.54% when compared to the prior year and remain the single largest revenue in the General Fund budget at 96.8% 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 \$2,329,841 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 Phase II of the Nikolaus Homestead Park Lighting Project, Little League Ramada improvements at the City Park, and a new ramada at the Dog Park.
- 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, 2019

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, 2019

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 \$123,452,300 as of June 30, 2019 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	\$ 21,166,944	20,856,789	10,131,029	8,542,600	31,297,973	29,399,389
Net capital assets	71,621,845	69,862,111	52,159,342	52,962,228	123,781,187	122,824,339
Total assets	92,834,221	90,785,727	62,290,371	61,506,784	155,079,160	152,223,728
Deferred outflows of resources	6,110,631	3,506,556	203,845	330,037	6,314,476	3,718,865
Total assets and deferred outflows	\$ 98,944,852	94,292,283	62,494,216	61,719,093	161,393,636	155,942,593
Long-term debt outstanding	\$ 10,295,489	11,766,988	6,098,152	6,648,514	16,393,641	18,415,502
Other liabilities	18,461,596	19,494,171	2,110,760	2,374,546	20,572,356	21,868,717
Total liabilities	28,757,085	31,261,159	8,208,912	9,023,060	36,965,997	40,284,219
Deferred inflows of resources	842,478	562,969	178,294	116,571	1,020,772	679,540
Total liabilities and deferred inflows	29,599,563	31,824,128	8,387,205	9,139,631	37,986,768	40,963,759
Net position:						
Net investment in						
capital assets	61,570,116	58,365,980	46,061,190	46,313,714	107,631,305	104,679,694
Restricted	1,173,450	2,049,302	-	2,103,556	1,173,450	4,152,858
Unrestricted	6,601,724	2,052,873	8,045,821	4,162,192	14,647,544	6,215,065
Total net position	\$ 69,345,289	62,468,155	54,107,011	52,579,461	123,452,300	115,047,617

Governmental Activities

The City has \$161,393,636 in total assets and deferred outflows of resources, with \$123,781,187 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, 2019

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		
Program revenues:						
Charges for services	\$ 4,096,468	4,330,087	8,347,461	7,816,468	12,443,929	12,146,555
Operating grants and contributions	5,683,183	2,777,415	-	-	5,683,183	2,777,415
Capital grants and contributions	343,717	884,186	818,136	642,185	1,161,853	1,526,370
General revenues:						
Taxes	15,813,380	14,588,584	-	-	15,813,380	14,588,584
Urban revenue sharing	1,343,966	1,259,816	-	-	1,343,966	1,259,816
Other revenues	672,845	590,897	338,060	138,295	1,010,905	729,192
Total revenues	27,953,559	24,430,985	9,503,657	8,596,947	37,457,216	33,027,932
Expenses:						
General government	5,135,209	4,951,426	-	-	5,135,209	4,951,426
Public safety	7,739,121	5,909,604	-	-	7,739,121	5,909,604
Public works/Streets	6,338,503	7,827,721	-	-	6,338,503	7,827,721
Non-departmental	621,217	1,006,390	-	-	621,217	1,006,390
Culture and recreation	1,379,821	1,383,912	-	-	1,379,821	1,383,912
Interest on long-term debt	317,537	525,034	-	-	317,537	525,034
Water	-	-	3,344,559	3,560,460	3,344,559	3,560,460
Wastewater	-	-	3,240,518	3,418,835	3,240,518	3,418,835
Refuse	-	-	936,051	846,139	936,051	846,139
Total expenses	21,531,409	21,604,088	7,521,127	7,825,435	29,052,536	29,429,522
Increase (decrease) in net						
position before transfers	6,422,151	2,826,898	1,982,530	771,512	8,404,681	3,598,410
Transfers in (out)	454,981	474,820	(454,981)	(474,820)	-	-
Change in net position	6,877,132	3,301,718	1,527,549	296,692	8,404,681	3,598,410
Net position - beginning	62,468,156	59,166,438	52,579,461	52,282,769	115,047,617	111,449,207
Net position - ending	\$ 69,345,289	62,468,156	54,107,011	52,579,461	123,452,300	115,047,617

Total resources available during the year to finance governmental operations were \$90,421,715, consisting of Net Position at July 1, 2018 of \$62,468,156, program revenues of \$10,123,368, and General Revenues of \$17,830,191. Total Governmental Activities expenses during the year were \$21,531,409; net transfers in during the year were \$454,981; thus, Governmental Net Position was increased by \$6,877,132 to \$69,345,289.

City of Show Low
Management's Discussion and Analysis
June 30, 2019

Business-type Activities

Net Position of the Business Type activities at June 30, 2019, as reflected in the Statement of Net Position was \$54,107,011. The cost of providing all Proprietary (Business Type) activities this year was \$7,521,127. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$8,347,461 and there was \$818,136 subsidized by capital grants and contributions. Interest earnings and other revenues were \$338,060. The Net Position increased by \$1,527,549. 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 and Wastewater 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 \$14,467,344, an increase of \$430,555. The change is due primarily to the increase in city sales tax revenues.

Approximately 81% of the combined ending fund balances of \$14,467,344, or \$11,700,270, constitutes unassigned fund balance which is available for new spending at the government's discretion. The \$11,700,270 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 \$11,700,270, while total General fund balance was \$11,895,498. 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 58.20% of total General fund expenditures while total fund balance represents 59.17% of the same amount. During the year, the City of Show Low's General fund balance increased by \$1,337,004. 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 year as a result of a transfer in the HURF fund of \$682,428.

The Airport Fund was closed during the year after a transfer of the prior year fund balance of \$6,561 to the General Fund.

The Special Projects Fund had a net change of \$0 during the year after revenues of \$519,917 and expenditures of \$522,653, with net transfers in of \$2,736.

The Show Low Bluff Communities Facilities District debt service fund experienced a net decrease of \$648,526 for the current year, resulting in an ending fund balance of \$260,454 restricted for debt service.

City of Show Low
Management's Discussion and Analysis
 June 30, 2019

General Fund Budgetary Highlights

Tax revenues have a positive variance with budgeted revenues of \$2,816,724, mainly due to stronger than budgeted sales tax collections. Total revenues have a positive variance of 7.36% or \$1,545,869. General fund expenditures were \$5,644,863 or 21.92% less than budgeted with the most significant positive variances in the following areas:

- In the General Government category, total spending was \$546,724 or 14% less than budget. Most notable in this category was City Council spending \$159,187 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 \$1,249,219 or 12% less than budget due to personnel-related, program, and equipment replacement savings.
- In the Public Works department, actual spending was \$2,321,643 or 29% less than budget due to personnel-related and program savings.
- In the Non-departmental category, spending was \$1,256,383 or 67% 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 \$270,894 or 17% 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
Net Capital Assets:						
Land and water rights	\$ 6,589,507	6,589,507	1,256,833	1,256,833	7,846,340	7,846,340
Buildings	13,281,799	13,997,323	277,367	288,249	13,559,166	14,285,572
Improvements	7,879,324	8,316,866	-	-	7,879,324	8,316,866
Infrastructure	39,901,852	36,976,410	47,987,263	48,749,607	87,889,115	85,726,017
Machinery and equipment	1,922,161	2,008,177	1,736,911	1,643,924	3,659,072	3,652,101
Vehicles	1,479,337	1,271,112	256,723	111,709	1,736,060	1,382,821
Work in progress	567,864	702,716	644,245	911,905	1,212,108	1,614,621
Totals	\$ 71,621,844	69,862,111	52,159,342	52,962,228	123,781,186	122,824,339

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 \$123,781,186 is an increase of \$956,847 from the previous year. Governmental activities capital assets, net of depreciation, of \$71,621,844 is an increase of \$1,759,733 from the previous year. Business-type activities capital assets, net of depreciation, of \$52,159,342 is a decrease of \$802,886 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, 2019

City of Show Low's Outstanding Debt

	Current Year	Previous Year	Change
Governmental activities:			
Community Facilities District	\$ 1,320,000	1,395,000	(75,000)
CFD District bonds - Series 2007	-	360,000	(360,000)
CFD District bonds - Series 2011	-	280,000	(280,000)
GADA Bonds - Series 2008A	-	385,000	(385,000)
Excise Tax Rev. Ref. Bonds - Series 2015	8,170,000	8,690,000	(520,000)
Butler note payable - Land purchase	199,501	-	199,501
Accrued compensated absences	855,503	813,256	42,247
Capital leases	579,000	630,000	(51,000)
Landfill monitoring costs	26,988	26,988	-
Net pension liability	13,998,992	14,644,681	(645,689)
Total governmental	\$ 25,149,984	27,224,925	(2,074,941)
Business-type activities:			
WIFA Loan - Water PV/FH	\$ 1,492,667	1,579,871	(87,204)
WIFA Loan - Water Pineview	2,705,487	2,873,644	(168,157)
Sewer System Rev. Ob. - 2014	1,900,000	2,195,000	(295,000)
Accrued compensated absences	105,264	118,401	(13,137)
Net pension liability	1,449,025	1,644,731	(195,706)
Total business-type	\$ 7,652,442	8,411,647	(759,205)
Total outstanding debt	\$ 32,802,426	35,636,572	(2,834,146)

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

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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City of Show Low
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 14,355,231	8,753,922	23,109,152
Accounts receivable, net of allowance	4,577,579	1,021,123	5,598,701
Inventory	40,559	294,588	335,147
Prepaid items	1,114,615	-	1,114,615
Total current assets	<u>20,087,984</u>	<u>10,069,632</u>	<u>30,157,616</u>
Non-current assets:			
Restricted cash and cash equivalents	1,078,960	61,397	1,140,358
Net OPEB asset	45,433	-	45,433
Capital assets:			
Not being depreciated	7,157,371	1,901,078	9,058,449
Net of accumulated depreciation	64,464,473	50,258,264	114,722,738
Total non-current assets	<u>72,746,238</u>	<u>52,220,739</u>	<u>124,966,977</u>
Total assets	<u>92,834,221</u>	<u>62,290,371</u>	<u>155,124,593</u>
Deferred outflows of resources - charge on refunding	216,772	-	216,772
Deferred outflows of resources - pensions/OPEB	5,893,859	203,845	6,097,704
Total assets and deferred outflows of resources	<u>\$ 98,944,852</u>	<u>62,494,216</u>	<u>161,439,069</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,228,674	251,618	1,480,292
Accrued wages, benefits and other liabilities	570,361	140,415	710,776
Compensated absences	521,857	72,225	594,082
Accrued interest payable	114,316	84,505	198,821
Customer deposits	840,061	61,397	901,459
Unearned Revenue	853,689	16,877	870,566
Long-term liabilities due within one year	1,274,501	570,658	1,845,159
Total current liabilities	<u>5,403,459</u>	<u>1,197,695</u>	<u>6,601,154</u>
Non-current liabilities:			
Compensated absences	333,646	33,039	366,686
Long-term liabilities due after one year	9,020,988	5,527,495	14,548,483
Net pension/OPEB liability	13,998,992	1,450,683	15,449,675
Total non-current liabilities	<u>23,353,626</u>	<u>7,011,217</u>	<u>30,364,843</u>
Total liabilities	<u>28,757,085</u>	<u>8,208,912</u>	<u>36,965,997</u>
Deferred inflows of resources - pensions	842,478	178,294	1,020,772
Total liabilities and deferred inflows of resources	<u>29,599,563</u>	<u>8,387,205</u>	<u>37,986,768</u>
NET POSITION:			
Net investment in capital assets	61,570,116	46,061,190	107,631,305
Restricted for:			
Highways and streets	63,553	-	63,553
Debt service	965,953	-	965,953
Capital projects and other	143,944	-	143,944
Unrestricted	6,601,724	8,045,821	14,647,544
Total net position	<u>69,345,289</u>	<u>54,107,011</u>	<u>123,452,300</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 98,944,852</u>	<u>62,494,216</u>	<u>161,439,069</u>

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

City of Show Low
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues		Net (Expense) Revenue (To Next Page)	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General Government	\$ 5,135,209	2,275,660	20,302	213,809	(2,625,437)
Public safety	7,739,121	438,091	674,306	-	(6,626,724)
Public works/Streets	6,338,503	1,086,197	4,920,429	129,908	(201,969)
Non-departmental	621,217	1,500	-	-	(619,717)
Culture and recreation	1,379,821	295,020	68,145	-	(1,016,657)
Interest on long-term debt	317,537	-	-	-	(317,537)
Total governmental activities	21,531,409	4,096,468	5,683,183	343,717	(11,408,041)
Business-type activities:					
Water	3,344,559	4,506,540	-	298,196	1,460,178
Wastewater	3,240,518	2,888,156	-	519,940	167,578
Refuse	936,051	952,765	-	-	16,715
Total business-type activities	7,521,127	8,347,461	-	818,136	1,644,470
Total primary government	\$ 29,052,536	12,443,929	5,683,183	1,161,853	(9,763,571)

(continued on next page)

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

City of Show Low
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2019

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (11,408,041)	1,644,470	(9,763,571)
General revenues:			
Taxes:			
City sales tax	13,294,795	-	13,294,795
Franchise tax	441,929	-	441,929
Property tax	207,470	-	207,470
Auto license tax (unrestricted)	750,997	-	750,997
State sales tax (unrestricted)	1,118,190	-	1,118,190
Urban revenue sharing (unrestricted)	1,343,966	-	1,343,966
Unrestricted investment earnings	436,622	337,813	774,436
Gain (loss) on sale of capital assets	6,840	246	7,087
Miscellaneous	229,382	-	229,382
Transfers in (out)	454,981	(454,981)	-
Total general revenues and transfers	<u>18,285,173</u>	<u>(116,921)</u>	<u>18,168,252</u>
Change in net position	6,877,132	1,527,549	8,404,681
Net position - beginning	<u>62,468,156</u>	<u>52,579,461</u>	<u>115,047,617</u>
Net position - ending	<u>\$ 69,345,289</u>	<u>54,107,011</u>	<u>123,452,300</u>

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

City of Show Low
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Special Revenue Funds	
		Highway User Revenue Fund	Special Projects Fund
ASSETS			
Cash and cash equivalents	\$ 10,440,528	1,359,096	91,927
Receivables:			
Taxes	2,201,145	155,755	-
Interest	84,928	-	-
Other	190,175	-	21
Assessments	-	-	-
Intergovernmental	723,648	-	-
Due from other funds	422,499	-	-
Inventories	40,559	-	-
Prepaid items	75,791	-	-
Restricted cash and cash equivalents	918,939	-	-
TOTAL ASSETS	\$ 15,098,213	1,514,850	91,948
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Accounts payable	\$ 1,019,964	41,947	2,765
Accrued wages and benefits	516,856	37,671	-
Accrued liabilities	15,834	-	-
Deposits held	840,061	-	-
Due to other funds	-	-	-
Unearned revenue	810,000	-	43,689
Total liabilities	3,202,715	79,618	46,454
Deferred inflows of resources - special assessments	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,202,715	79,618	46,454
FUND BALANCES:			
Nonspendable:			
Inventories and prepaid items	116,351	-	-
Restricted for:			
Public works/streets	-	-	45,495
Capital outlay	-	-	-
Debt service	78,877	-	-
Committed for:			
Public transportation	-	-	-
Assigned for:			
Public works/streets	-	1,435,233	-
Unassigned	11,700,270	-	-
TOTAL FUND BALANCES	11,895,498	1,435,233	45,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 15,098,213	1,514,850	91,948

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

Show Low Bluff Communities Facilities District	Non-Major Governmental Funds	Total Governmental Funds
75,362	191,890	12,158,803
857	3,115	2,360,872
17,625	-	102,553
23,996	-	214,193
1,090,188	-	1,090,188
-	86,120	809,768
-	-	422,499
-	-	40,559
-	1,038,824	1,114,615
160,022	-	1,078,960
1,368,049	1,319,948	19,393,010
1,050	66,785	1,132,512
-	-	554,527
-	-	15,834
-	-	840,061
-	422,499	422,499
-	-	853,689
1,050	489,284	3,819,121
1,106,545	-	1,106,545
1,107,596	489,284	4,925,666
-	-	116,351
-	18,058	63,553
-	143,944	143,944
260,454	626,622	965,953
-	42,040	42,040
-	-	1,435,233
-	-	11,700,270
260,454	830,664	14,467,344
1,368,049	1,319,948	19,393,010

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City of Show Low
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2019

Total Fund Balances - Total Governmental Funds		<u>\$ 14,467,344</u>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental funds are not financial resources, and therefore, are not reported in the funds:</p>		
Capital assets, at cost	\$ 125,540,623	
Less accumulated depreciation	<u>(53,918,779)</u>	
Net capital assets		71,621,845
<p>Net OPEB asset is not an available resource and therefore is not reported in the fund statements.</p>		
		45,433
<p>Some liabilities are not due in the current period and therefore are not reported in the funds.</p>		
Deferred charge on refunding	\$ 216,772	
Notes payable	(8,369,501)	
Special assessment bonds	(1,320,000)	
Landfill monitoring costs	(26,988)	
Lease payable	(579,000)	
Net pension/OPEB liability	(13,998,992)	
Compensated absences	<u>(855,503)</u>	
		(24,933,212)
<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>		
		(114,316)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities.</p>		
		1,106,545
<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>		
		2,100,270
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	\$ 5,893,859	
Deferred inflows	<u>(842,478)</u>	
		5,051,381
Total Net Position of Governmental Activities		<u><u>\$ 69,345,289</u></u>

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

City of Show Low
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	General Fund	Special Revenue Funds	
		Highway User Revenue Fund	Special Projects Fund
REVENUES			
Taxes	\$ 13,736,724	-	-
License and permits	306,183	-	-
Intergovernmental revenues	5,864,393	1,898,602	516,723
Charges for services	1,919,444	-	-
Fines and forfeitures	200,356	-	3,193
Interest	358,259	21,153	-
Impact fees	-	-	-
Special assessments	-	-	-
Miscellaneous revenue	162,520	1,128	-
Total revenues	22,547,878	1,920,882	519,917
EXPENDITURES			
Current:			
General government	3,547,974	-	466,406
Public safety	8,749,624	-	97
Public works/Streets	2,649,727	781,999	-
Non-departmental	621,217	-	-
Culture and recreation	870,080	-	56,151
Capital outlay	3,663,885	1,821,312	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	20,102,506	2,603,310	522,653
Excess (deficiency) of revenues over (under) expenditures	2,445,373	(682,428)	(2,736)
OTHER FINANCING SOURCES (USES)			
Sale of assets	6,840	-	-
Transfers in	834,553	682,428	152,300
Transfers out	(1,949,762)	-	(149,564)
Total other financing sources and (uses)	(1,108,368)	682,428	2,736
Net change in fund balances	1,337,004	-	-
Fund balances - beginning of year	10,558,494	1,435,233	45,495
Fund balance - end of year	\$ 11,895,498	1,435,233	45,495

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

Show Low Bluff Communities Facilities District	Non-Major Governmental Funds	Total Governmental Funds
-	207,470	13,944,194
-	-	306,183
-	616,618	8,896,336
-	-	1,919,444
900	-	204,449
4,700	9,969	394,081
-	129,908	129,908
174,313	-	174,313
-	65,734	229,382
179,913	1,029,699	26,198,289

5,761	657,464	4,677,605
-	-	8,749,720
-	196,371	3,628,096
-	-	621,217
-	-	926,231
-	23,757	5,508,953
715,000	1,056,298	1,771,298
103,677	242,757	346,435
824,439	2,176,647	26,229,555

(644,526) (1,146,949) (31,267)

-	-	6,840
-	1,140,889	2,810,171
(4,000)	(251,863)	(2,355,189)
(4,000)	889,026	461,822

(648,526) (257,923) 430,555

908,980	1,088,587	14,036,788
260,454	830,664	14,467,344

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, 2019

Net Change in Fund Balances - Total Governmental Funds		<u>\$ 430,555</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlays	\$ 5,508,953	
Contributed capital assets	213,809	
Depreciation expense	<u>(3,963,032)</u>	
Net		1,759,730
<p>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.</p>		
		(101,159)
<p>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.</p>		
		(27,097)
<p>Debt proceeds are reported as financing sources in the fund statements, while issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.</p>		
		(299,799)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,771,298
<p>The statement of activities shows pension/OPEB contributions and pension/OPEB expenses that are not shown in the fund statements.</p>		
		2,975,958
<p>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.</p>		
		(42,247)
<p>Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities.</p>		
		28,898
<p>The net revenue of certain activities of the internal service fund is reported with governmental activities.</p>		
		380,994
Change in Net Position of Governmental Activities		<u><u>\$ 6,877,132</u></u>

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

City of Show Low
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 7,070,689	1,526,680	156,552	8,753,922	2,196,428
Accounts receivable, net of allowance	704,852	240,731	75,540	1,021,123	5
Inventory	259,228	35,360	-	294,588	-
Total current assets	8,034,769	1,802,771	232,092	10,069,632	2,196,433
Non-current assets:					
Restricted cash and cash equivalents	61,397	-	-	61,397	-
Capital assets:					
Not being depreciated	888,486	1,012,592	-	1,901,078	-
Net of accumulated depreciation	21,144,321	29,113,944	-	50,258,264	-
Total non-current assets	22,094,204	30,126,536	-	52,220,739	-
Total assets	30,128,973	31,929,306	232,092	62,290,371	2,196,433
Deferred outflows of resources - pensions/OPEB	113,368	90,477	-	203,845	-
Total assets and deferred outflows of resources	\$ 30,242,341	32,019,783	232,092	62,494,216	2,196,433
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 114,439	54,122	83,056	251,618	96,162
Accrued wages and benefits	43,899	35,774	-	79,673	-
Accrued liabilities	60,742	-	-	60,742	-
Compensated absences	44,057	28,168	-	72,225	-
Unearned revenue	16,877	-	-	16,877	-
Accrued interest payable	63,320	21,185	-	84,505	-
Customer deposits	61,397	-	-	61,397	-
Long-term debt, current portion	270,658	300,000	-	570,658	-
Total current liabilities	675,390	439,248	83,056	1,197,695	96,162
Non-current liabilities:					
Compensated absences	10,582	22,457	-	33,039	-
Long-term debt, long-term portion	3,927,495	1,600,000	-	5,527,495	-
Net pension/OPEB liability	806,796	643,888	-	1,450,683	-
Total non-current liabilities	4,744,872	2,266,345	-	7,011,217	-
Total liabilities	5,420,263	2,705,593	83,056	8,208,912	96,162
Deferred inflows of resources - pensions	99,158	79,136	-	178,294	-
Total liabilities and deferred inflows of resources	5,519,420	2,784,729	83,056	8,387,205	96,162
NET POSITION:					
Net investment in capital assets	17,834,654	28,226,536	-	46,061,190	-
Restricted for developer fees	-	-	-	-	-
Unrestricted	6,888,266	1,008,519	149,036	8,045,821	2,100,270
Total net position	24,722,920	29,235,054	149,036	54,107,011	2,100,270
Total liabilities, deferred inflows of resources, and net position	\$ 30,242,341	32,019,783	232,092	62,494,216	2,196,433

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

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

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
Operating income:					
Charges for sales and service	\$ 4,349,626	2,888,156	952,765	8,190,547	-
Premiums	-	-	-	-	1,593,239
Other revenues	156,914	-	-	156,914	-
Total operating income	4,506,540	2,888,156	952,765	8,347,461	1,593,239
Operating expenses:					
Salaries, wages and benefits	912,922	733,644	-	1,646,565	-
Administration/legal/contract services	38,489	47,404	884,121	970,014	1,254,786
Field supplies	130,776	145,724	45,787	322,287	-
Repair and maintenance	395,389	458,147	-	853,536	-
Utilities	373,055	287,552	-	660,607	-
Water shares and rights preservation	202,595	-	-	202,595	-
Miscellaneous	-	11,699	-	11,699	-
Bad debt expense	20,476	14,333	6,143	40,951	-
Depreciation expense	1,144,216	1,499,645	-	2,643,861	-
Total operating expense	3,217,918	3,198,148	936,051	7,352,117	1,254,786
Net operating income (loss)	1,288,622	(309,993)	16,715	995,344	338,453
Non-operating income (expense):					
Interest income	262,980	70,761	4,073	337,813	42,541
Interest expense and fiscal charges	(126,640)	(42,370)	-	(169,010)	-
Gain (loss) on sale of assets	231	16	-	246	-
Total non-operating income (expense)	136,570	28,407	4,073	169,050	42,541
Income (loss) before contributions and transfers	1,425,192	(281,586)	20,788	1,164,394	380,994
Capital contributions	14,853	-	-	14,853	-
Capacity fees	283,343	519,940	-	803,283	-
Transfers in	70,000	-	-	70,000	-
Transfers out	(297,430)	(152,551)	(75,000)	(524,981)	-
Change in net position	1,495,958	85,803	(54,212)	1,527,549	380,994
Net position - beginning	23,226,963	29,149,251	203,248	52,579,461	1,719,276
Net position - ending	\$ 24,722,921	29,235,054	149,036	54,107,011	2,100,270

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

City of Show Low
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Wastewater Fund	Nonmajor Refuse Fund	Total Enterprise Funds	Internal Service Health Insurance
Cash flows from operating activities:					
Cash received from customers - services and other	\$ 4,534,935	2,863,177	943,888	8,342,001	1,593,239
Cash paid to suppliers	(1,221,402)	(935,228)	(922,208)	(3,078,838)	(1,309,695)
Cash paid to employees	(982,143)	(801,316)	-	(1,783,459)	-
Net cash provided (used) in operating activities	2,331,389	1,126,634	21,681	3,479,704	283,543
Cash flows from noncapital financing activities:					
Net transfers in (out)	(227,430)	(152,551)	(75,000)	(454,981)	-
Change in due to/due from	-	(693,457)	-	(693,457)	-
Net cash provided (used) in noncapital financing activities	(227,430)	(846,008)	(75,000)	(1,148,438)	-
Cash flows from capital and related financing activities:					
Donations	14,853	-	-	14,853	-
Capacity fees	283,343	519,940	-	803,283	-
Cash from sale of fixed assets	231	16	-	246	-
Cash payments for capital assets	(704,370)	(1,161,108)	-	(1,865,478)	-
Cash payments for long-term debt principal	(255,362)	(295,000)	-	(550,362)	-
Cash payments for long-term debt interest	(130,464)	(45,659)	-	(176,124)	-
Net cash provided (used) in capital and related financing activities	(791,769)	(981,812)	-	(1,773,581)	-
Cash flows from investing activities:					
Cash received from interest earned	262,980	70,761	4,073	337,813	42,541
Net cash provided (used) in investing activities	262,980	70,761	4,073	337,813	42,541
Net increase (decrease) in cash	1,575,170	(630,425)	(49,246)	895,499	326,085
Cash balance - beginning	5,556,917	2,157,105	205,798	7,919,820	1,870,343
Cash balance - ending	\$ 7,132,087	1,526,680	156,552	8,815,319	2,196,428
Cash reported on the statement of net position:					
Cash and cash equivalents	\$ 7,070,689	1,526,680	156,552	8,753,922	2,196,428
Non-current restricted cash	61,397	-	-	61,397	-
Total cash and cash equivalents	\$ 7,132,087	1,526,680	156,552	8,815,319	2,196,428

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

City of Show Low
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2019

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
Net operating income (expense)	\$ 1,288,622	(309,993)	16,715	995,344
				338,453
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	1,144,216	1,499,645	-	2,643,861
Pension expense and pension contributions	(58,285)	(63,620)	-	(121,905)
Changes in assets and liabilities:				
(Increase) decrease in receivables	49,908	(10,645)	(2,734)	36,528
(Increase) decrease in inventories	(39,350)	5,462	-	(33,888)
Increase (decrease) in payables	(38,215)	9,837	7,700	(20,678)
Increase (decrease) in wages and benefits	(1,020)	(831)	-	(1,852)
Increase (decrease) in accrued liabilities	(3,532)	-	-	(3,532)
Increase (decrease) in compensated absences	(9,917)	(3,220)	-	(13,137)
Increase (decrease) in deposits	(1,037)	-	-	(1,037)
Net cash provided (used) in operating activities	\$ 2,331,389	1,126,634	21,681	3,479,704
				283,543

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

City of Show Low
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 85,340</u>
TOTAL ASSETS	<u>85,340</u>
LIABILITIES	
Deposits	<u>85,340</u>
TOTAL LIABILITIES	<u>\$ 85,340</u>

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

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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, 2019

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 *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, 2019

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

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

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

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

1-E-1. *Deposit and Investments*

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

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

**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 cost.

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

1-E-4. *Capital Assets*

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

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

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

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

**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, 2019

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. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that 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, 2019

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

1-F-3. *Compensated absences*

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

1-G. Tax abatements

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

1-H. Use of estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

2-A. Budgets and budgetary accounting

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

1. In accordance with the Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on August 30, 2016.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2-A. Budgets and budgetary accounting (continued)

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, 2019.

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, 2019, 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, 2019

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	\$ 23,109,152
Restricted cash and cash equivalents	1,140,358
Agency fund monies	85,340
	\$ 24,334,849

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, 2019, none of the City’s bank balance of \$3,586,470 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, 2019, the City had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 3,567,820	N/A	N/A
Cash on hand	2,146	N/A	N/A
Local Governments Investment Pool 5 *	7,852,909	AAA f/S1+	36.5 days
Local Governments Investment Pool 500 *	6,306,589	AA-3	2.06 years
Local Governments Investment Pool 700 *	6,605,386	AAA	2.42 years
	\$ 24,334,849		

* 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, 2019

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, 2019:

Governmental activities:

General Fund:

Reserve for arbitrage - GADA 2006	\$ 78,877
Restricted for developer performance bond	840,061

Debt Service Funds:

Restricted for debt service CFD Bonds	160,022
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Total governmental activities	<u>\$ 1,078,960</u>
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Business-type activities:

Water Fund:

Customer security deposits	61,397
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Total business-type activities	<u>\$ 61,397</u>
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City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3-C. Capital assets

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

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	\$ 6,589,507	-	-	6,589,507
Construction in progress	702,716	5,260,652	(5,395,504)	567,864
Total capital assets, not being depreciated	7,292,223	5,260,652	(5,395,504)	7,157,371
Capital assets, being depreciated:				
Buildings	22,739,338	-	-	22,739,338
Improvements other than buildings	15,278,055	348,694	-	15,626,750
Machinery and equipment	6,181,882	285,757	-	6,467,638
Infrastructure	63,535,336	4,725,295	-	68,260,630
Vehicles	4,847,965	497,871	(56,940)	5,288,896
Total capital assets, being depreciated	112,582,575	5,857,617	(56,940)	118,383,252
Less accumulated depreciation for:				
Buildings	(8,742,015)	(715,524)	-	(9,457,538)
Improvements other than buildings	(6,961,190)	(786,236)	-	(7,747,426)
Machinery and equipment	(4,173,705)	(371,772)	-	(4,545,477)
Infrastructure	(26,558,925)	(1,799,853)	-	(28,358,779)
Vehicles	(3,576,852)	(289,646)	56,940	(3,809,559)
Total accumulated depreciation	(50,012,687)	(3,963,032)	56,940	(53,918,779)
Total capital assets being depreciated, net	62,569,888	1,894,585	-	64,464,473
Governmental activities capital assets, net	\$ 69,862,111	7,155,237	(5,395,504)	71,621,844

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

Governmental activities:	
General government	\$ 132,481
Public safety	316,176
Public works/Streets	2,883,713
Culture and recreation	630,662
Total	\$ 3,963,032

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3-C. Capital assets (continued)

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

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,136,033	-	-	1,136,033
Water rights	120,800	-	-	120,800
Construction in progress	911,905	1,895,431	(2,163,092)	644,245
Total capital assets, not being depreciated	2,168,738	1,895,431	(2,163,092)	1,901,078
Capital assets, being depreciated:				
Buildings	350,199	-	-	350,199
Improvements other than buildings	84,804,502	1,551,007	-	86,355,509
Machinery and equipment	4,117,849	388,599	-	4,506,448
Vehicles	620,957	169,030	-	789,987
Total capital assets, being depreciated	89,893,506	2,108,636	-	92,002,142
Less accumulated depreciation for:				
Buildings	(61,950)	(10,883)	-	(72,832)
Improvements other than buildings	(36,054,895)	(2,313,350)	-	(38,368,245)
Machinery and equipment	(2,473,924)	(295,612)	-	(2,769,537)
Vehicles	(509,248)	(24,016)	-	(533,264)
Total accumulated depreciation	(39,100,016)	(2,643,861)	-	(41,743,877)
Total capital assets being depreciated, net	50,793,490	(535,225)	-	50,258,264
Business-type activities capital assets, net	\$ 52,962,228	1,360,206	(2,163,092)	52,159,342

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

Business-type activities:	
Water	\$ 1,144,216
Wastewater	1,499,645
Total	\$ 2,643,861

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3-D. Long-term liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Special assessment bonds:					
Community Facilities District	\$ 1,395,000	-	(75,000)	1,320,000	80,000
Total special assessment bonds	1,395,000	-	(75,000)	1,320,000	80,000
General obligation bonds:					
Community Facilities					
CFD District bonds - Series 2007	360,000	-	(360,000)	-	-
CFD District bonds - Series 2011	280,000	-	(280,000)	-	-
Total general obligation	640,000	-	(640,000)	-	-
Loans payable:					
GADA Bonds - Series 2008A	385,000	-	(385,000)	-	-
Excise Tax Rev. Ref. Bonds - Series 2015	8,690,000	-	(520,000)	8,170,000	940,000
Butler note payable - Land purchase	-	299,799	(100,298)	199,501	199,501
Total loans payables	9,075,000	299,799	(1,005,298)	8,369,501	1,139,501
Accrued compensated absences	813,256	538,333	(496,086)	855,503	521,857
Capital leases	630,000	-	(51,000)	579,000	55,000
Landfill monitoring costs	26,988	-	-	26,988	-
Net pension/OPEB liability	14,644,681	-	(645,689)	13,998,992	-
Total governmental debt	\$ 27,224,925	838,132	(2,913,073)	25,149,984	1,796,358
Business-type activities:					
Loans payable:					
WIFA Loan - Water PV/FH	\$ 1,579,871	-	(87,204)	1,492,667	92,088
WIFA Loan - Water Pineview	2,873,644	-	(168,157)	2,705,487	178,570
Sewer System Rev. Ob. - 2014	2,195,000	-	(295,000)	1,900,000	300,000
Total loans payable	6,648,515	-	(550,362)	6,098,153	570,658
Accrued compensated absences	118,401	59,088	(72,225)	105,264	64,211
Net pension/OPEB liability	1,644,731	-	(195,706)	1,449,025	-
Total business-type debt	\$ 8,409,690	59,088	(818,292)	7,652,442	634,869
Total long-term liabilities	\$ 35,634,616	897,220	(3,731,366)	32,802,426	2,431,226

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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 Loan Pine Landfill. The remaining post-closure costs have been estimated based on engineering studies and will be revised each year based on inflation/deflation and/or technology changes. No changes we made during the fiscal year ending June 30, 2019.

The City has no unused lines of credit as of June 30, 2019.

The following is a listing of special assessment bonds outstanding as of June 30, 2019:

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.

\$ 1,320,000

Total special assessment bonds

\$ 1,320,000

Special assessment debt service to maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
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	100,000	54,320	154,320
2025-2029	585,000	181,720	766,720
2030-2031	285,000	24,080	309,080
Total	<u>\$1,320,000</u>	<u>527,800</u>	<u>1,847,800</u>

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

The following is a listing of loans payable outstanding as of June 30, 2019:

Loans payable:	Governmental Activities	Business-Type Activities
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.	8,170,000	-
Note payable to Greg Butler issued in fiscal year 2019 for the purchase of land in the amount of \$299,799, bearing no interest and with one remaining payment of \$199,501 made in July 2019.	199,501	-
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.	-	1,492,667
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	-	2,705,487
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.	-	1,900,000
Total loans payable	\$ 8,369,501	\$ 6,098,153

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	1,139,501	186,340	570,887	157,788	2,054,516
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	111,969	1,853,612
2024	1,030,000	90,992	629,834	95,911	1,846,736
2025-2029	3,245,000	119,125	2,001,773	285,213	5,651,110
2030-2033	-	-	1,093,333	44,160	1,137,493
Total	\$ 8,369,501	815,298	6,098,152	965,627	16,248,578

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

The City has outstanding notes from direct placements related to governmental activities totaling \$9,689,501. The City has pledged the related equipment and fixtures, hangar, public safety facility, and land as collateral for the respective direct placements.

The City has outstanding notes from direct borrowings and direct placements related to business-type activities totaling \$4,198,154 and \$1,900,000, respectively. The City has pledged the water system infrastructure and facilities as collateral for the WIFA loans, and the sewer treatment plant and equipment as collateral for the sewer system revenue loan.

Capital Leases:

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
2020	\$ 85,198
2021	86,207
2022	86,030
2023	85,666
2024	86,141
2025-2028	298,637
Total remaining lease payments	727,879
Less amount representing interest	(148,879)
Present value net remaining minimum lease payments	\$ 579,000

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

	Governmental Activities
Improvements	\$ 1,268,039
Total capital assets	1,268,039
Less: Accumulated depreciation	(507,216)
Net book value	\$ 760,823

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

3-E. Receivables, payables and interfund transfers

As of June 30, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:	
	Debt	
	Service	Total
General Fund	422,499	422,499
Total	422,499	422,499

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, 2019 are as follows:

Transfers out:	Transfers in:				Total
	General Fund	Highway User Revenue Fund	Special Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	682,428	152,300	1,115,034	1,949,762
Special Projects Fund	149,964	-	-	-	149,964
Show Low Bluff - CFD	4,000	-	-	-	4,000
Nonmajor Governmental Funds	225,608	-	-	25,855	251,463
Water Fund	227,430	-	-	-	227,430
Wastewater Fund	152,551	-	-	-	152,551
Nonmajor Refuse Fund	75,000	-	-	-	75,000
Total	\$ 834,553	682,428	152,300	1,140,889	2,810,170

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

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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, 2019. At year end, the City had the following major construction projects and or commitments open:

Project	Estimated Costs	Construction in Progress
Wastewater Improvements	\$ 2,284,650	188,114
Water Improvements	600,000	456,131
Airport	807,012	86,242
Road Improvements	3,554,976	433,228
City Entrance Sign Makeover	340,000	2,056
Picklball Court	147,286	46,338
	<u>\$ 7,733,924</u>	<u>1,212,109</u>

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, 2019, 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, 2018, and 2019.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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, 2019, the City reported the following aggregate amounts related to pensions and other postemployment 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 OPEB assets	\$ (8,464)	\$ 52,239	\$ 43,775	\$ 45,433	\$ (1,658)
Net pension liabilities	7,397,213	8,050,804	15,448,017	13,998,992	1,449,025
Deferred outflows of resources	1,115,885	4,981,819	6,097,704	5,893,859	203,845
Deferred inflows of resources	985,764	49,813	1,035,577	842,478	193,099
Pension/OPEB expense	(494,283)	1,494,658	1,000,375	1,097,199	(96,824)

The City reported \$1,097,199 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.

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

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

* With actuarially reduced benefits.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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 \$100 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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8 percent (11.64 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 11.8 percent (11.18 percent for retirement, 0.46 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 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to 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, 2019, were \$616,334, \$25,359, and \$8,821 respectively. During fiscal year 2019, the City paid for ASRS pension and OPEB contributions mainly from the General fund with a small portion also from the HURF fund, Water fund and Wastewater fund.

Liability – At June 30, 2019, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 7,397,213
Health insurance premium benefit	(19,297)
Long-term disability	27,761

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

The net asset and net liabilities were measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The City's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2017	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.052790%	0.053040%	0.000250%
Health insurance premium benefit	0.053140%	0.053590%	0.000450%
Long-term disability	0.052820%	0.053130%	0.000310%

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 141,521
Health insurance premium benefit	19,197
Long-term disability	10,049

Deferred outflows/inflows of resources—At June 30, 2019, 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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	\$ 203,787	\$ 40,780	\$ -	\$ 17,811	\$ 710	\$ -
Changes of assumptions or other inputs	195,744	655,865	37,215	-	6,013	-
Net difference between projected and actual earnings on pension plan investments	-	177,885	-	38,549	-	2,689
Changes in proportion and differences between contributions and proportionate share of contributions	40,141	52,157	-	26	97	2
Contributions subsequent to the measurement date	616,334	-	25,359	-	8,821	-
Total	<u>\$ 1,056,006</u>	<u>\$ 926,687</u>	<u>\$ 62,574</u>	<u>\$ 56,386</u>	<u>\$ 15,641</u>	<u>\$ 2,691</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City 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, 2020. 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
2020	\$ 42,446	\$ (7,480)	\$ 95
2021	(179,847)	(7,480)	94
2022	(269,839)	(7,480)	95
2023	(79,775)	738	816
2024	-	2,531	948
Thereafter	-	-	2,081

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
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 ASRS pension plan investments was determined to be 7.5 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 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>
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Totals	<u>100%</u>	

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 form the discount rate used as of June 30, 2017. 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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

Proportionate share of:	1% Decrease (6.500%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 10,544,898	\$ 7,397,213	\$ 4,767,374
Net insurance premium benefit liability (asset)	68,375	(19,297)	(93,976)
Net long-term disability liability	31,461	27,761	24,171

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) which are not further disclosed because of their relative insignificance to the City's financial statements.

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.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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:

	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017
Retirement and Disability		
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	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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 \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2019, the following employees were covered by the agent plans’ benefit terms:

PSPRS - Police	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	15	15
Inactive employees entitled to but not yet receiving benefits	7	2
Active employees	<u>25</u>	<u>25</u>
Total	47	42

Contributions – 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, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>Active member - Pension</u>	<u>City - Pension</u>	<u>City-Health insurance premium</u>
PSPRS Police	7.65-11.65%	41.69%	0.29%
PSPRS Tier 3 risk pool	9.94%	39.38%	0.52%

In addition, statute required the City to contribute at the actuarially determined rate of 29.96% 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 and employees participating in the PSPRS Tier 3 Risk Pool members in addition to the City’s required contributions to the PSPRS Tier 3 Risk Pool.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

The City's contributions to the plans for the year ended June 30, 2019, 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, 2019, were:

PSPRS - Police	Pension	Health insurance premium benefit
PSPRS	\$ 3,747,419	\$ 194
PSPRS Tier 3 risk pool	41,723	11

During fiscal year 2019, the City paid for PSPRS pension and OPEB contributions 100% from the general fund.

Liability – At June 30, 2019, the City reported the following assets and liabilities.

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 8,050,804	\$ (52,239)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2018
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
Cost-of-living adjustment	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, 2018 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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:

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

Discount Rate – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.40 percent, which was the same as the discount rate used as of June 30, 2017. 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.

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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, 2018	\$ 16,847,586	\$ 8,781,827	\$ 8,065,759	\$ 328,049	\$ 387,050	\$ (59,001)
Changes for the year:						
Service cost	372,544	-	372,544	5,575	-	5,575
Interest on total pension/OPEB liability	1,237,110	-	1,237,110	24,192	-	24,192
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	55,142	-	55,142	5,782	-	5,782
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	1,109,995	(1,109,995)	-	2,358	(2,358)
Contributions - employee	-	184,079	(184,079)	-	-	-
Net investment income	-	648,743	(648,743)	-	26,837	(26,837)
Benefit payments, including refunds of employee contributions	(632,301)	(632,301)	-	(7,826)	(7,826)	-
Hall/Parker Settlement	-	(278,421)	278,421	-	-	-
Plan administrative expenses	-	(10,574)	10,574	-	(408)	408
Other changes*	-	25,929	(25,929)	-	-	-
Net changes	1,032,495	1,047,450	(14,955)	27,723	20,961	6,762
Balances at June 30, 2019	\$ 17,880,081	\$ 9,829,277	\$ 8,050,804	\$ 355,772	\$ 408,011	\$ (52,239)

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

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%)
PSPRS-Police			
Net pension (asset) / liability	\$ 10,644,968	\$ 8,050,804	\$ 5,965,844

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

City of Show Low
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Police	\$ 1,499,668	\$ (5,010)

Deferred outflows/inflows of resources – At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 329,106	\$ 21,351	\$ 4,714	\$ 13,760
Changes in assumptions	776,491	-	-	6,973
Net difference between projected and actual earnings on pension/OPEB plan investments	82,161	-	-	7,729
Contributions subsequent to the measurement date	3,789,142	-	205	-
Total	\$ 4,976,900	\$ 21,351	\$ 4,919	\$ 28,462

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, 2020. 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	<u>PSPRS Police</u>	
	Pension	Health Insurance Premium Benefit
2020	\$ 535,104	\$ (6,761)
2021	328,163	(6,761)
2022	211,526	(6,760)
2023	91,614	(3,759)
2024	-	293
Thereafter	-	-

REQUIRED SUPPLEMENTARY INFORMATION

City of Show Low
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2019

ASRS - Pension

	Reporting Fiscal Year				
	(Measurement Date)				
	2019	2018	2017	2016	2015
	(2018)	(2017)	(2016)	(2015)	(2014)
Proportion of the net pension liability (asset)	0.053040%	0.052790%	0.053640%	0.052230%	0.053072%
Proportionate share of the net pension liability (asset)	\$ 7,397,213	\$ 8,223,653	\$ 8,658,035	\$ 8,135,792	\$ 7,852,829
Covered payroll	\$ 5,211,299	\$ 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	141.95%	162.02%	176.93%	171.41%	167.61%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	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, 2019

ASRS - Health insurance premium benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.053590%	0.053140%	0.053140%
Proportionate share of the net OPEB (asset)	\$ (19,297)	\$ (28,929)	\$ 15,366
Covered payroll	\$ 5,211,299	\$ 5,075,741	\$ 4,893,344
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.37%	-0.57%	0.31%
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	98.02%

ASRS - Long-term disability

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.053130%	0.052820%	5.282200%
Proportionate share of the net OPEB (asset)	\$ 27,761	\$ 19,146	\$ 18,982
Covered payroll	\$ 5,211,299	\$ 5,075,741	\$ 4,893,344
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.53%	0.38%	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	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, 2019

PSPRS Police - Pension	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability					
Service cost	\$ 372,544	\$ 425,317	\$ 367,606	\$ 351,838	\$ 327,537
Interest on total pension liability	1,237,110	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	55,142	392,226	28,547	(60,687)	130,581
Changes of assumptions	-	475,288	567,401	-	993,374
Benefit payments, including refunds of employee contributions	(632,301)	(608,227)	(529,550)	(514,643)	(478,067)
Net change in total pension liability	<u>1,032,495</u>	<u>1,968,930</u>	<u>2,331,757</u>	<u>700,092</u>	<u>1,917,532</u>
Total pension liability - beginning	<u>16,847,586</u>	<u>14,878,656</u>	<u>12,546,899</u>	<u>11,846,807</u>	<u>9,929,275</u>
Total pension liability - ending (a)	<u>\$ 17,880,081</u>	<u>\$ 16,847,586</u>	<u>\$ 14,878,656</u>	<u>\$ 12,546,899</u>	<u>\$ 11,846,807</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,109,995	\$ 1,320,611	\$ 783,886	\$ 495,177	\$ 422,659
Contributions - employee	184,079	223,805	232,542	219,236	197,185
Net investment income	648,743	855,692	39,378	225,276	721,393
Benefit payments, including refunds of employee contributions	(632,301)	(608,227)	(529,550)	(514,643)	(478,067)
Hall/Parker Settlement	(278,421)	-	-	-	-
Other (net transfer)	15,355	(32,053)	38,599	(10,712)	(302,700)
Net change in plan fiduciary net position	<u>1,047,450</u>	<u>1,759,828</u>	<u>564,855</u>	<u>414,334</u>	<u>560,470</u>
Plan fiduciary net position - beginning	<u>8,781,827</u>	<u>7,021,999</u>	<u>6,457,144</u>	<u>6,042,810</u>	<u>5,482,340</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,829,277</u>	<u>\$ 8,781,827</u>	<u>\$ 7,021,999</u>	<u>\$ 6,457,144</u>	<u>\$ 6,042,810</u>
Net pension liability - ending (a) - (b)	<u>\$ 8,050,804</u>	<u>\$ 8,065,759</u>	<u>\$ 7,856,657</u>	<u>\$ 6,089,755</u>	<u>\$ 5,803,997</u>
Plan fiduciary net position as a percentage of the total pension liability	54.97%	52.13%	47.20%	51.46%	51.01%
Covered payroll	\$ 1,922,311	\$ 1,913,255	\$ 1,965,810	\$ 1,999,813	\$ 1,909,356
Net pension liability as a percentage of covered payroll	418.81%	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, 2019

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)	
	2019	2018
	(2018)	(2017)
Total OPEB liability		
Service cost	\$ 5,575	\$ 6,505
Interest on total OPEB liability	24,192	25,073
Changes of benefit terms	-	122
Difference between expected and actual experience of the total net OPEB liability	5,782	(20,590)
Changes of assumptions or other inputs	-	(10,435)
Benefit payments	<u>(7,826)</u>	<u>(7,369)</u>
Net change in total OPEB liability	27,723	(6,694)
Total OPEB liability - beginning	328,049	334,743
Total OPEB liability - ending (a)	<u>\$ 355,772</u>	<u>\$ 328,049</u>
 Plan fiduciary net position		
Contributions - employer	\$ 2,358	\$ 2,790
Net investment income	26,837	41,128
Benefit payments	(7,826)	(7,369)
Administrative expense	(408)	(363)
Other changes	-	-
Net change in plan fiduciary net position	20,961	36,186
Plan fiduciary net position - beginning	387,050	350,864
Plan fiduciary net position - ending (b)	<u>\$ 408,011</u>	<u>\$ 387,050</u>
 Net OPEB liability - ending (a) - (b)	<u>\$ (52,239)</u>	<u>\$ (59,001)</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	114.68%	117.99%
 Covered payroll	\$ 1,922,311	\$ 1,913,255
 Net OPEB (asset) liability as a percentage of covered payroll	-2.72%	-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, 2019

ASRS - Pension

	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 616,334	\$ 560,128	\$ 555,090	\$ 544,955	\$ 523,897	\$ 511,894
Contributions in relation to the contractually required contribution	(616,334)	(560,128)	(555,090)	(544,955)	(523,897)	(511,894)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,588,600	\$ 5,211,299	\$ 5,075,741	\$ 4,893,344	\$ 4,746,399	\$ 4,685,202
Contributions as a percentage of covered payroll	11.03%	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, 2019

ASRS - Health insurance premium benefit

	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 25,359	\$ 22,611	\$ 28,608
Contributions in relation to the contractually required contribution	(25,359)	(22,611)	(28,608)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,588,600	\$ 5,211,299	\$ 5,075,741
Contributions as a percentage of covered payroll	0.45%	0.43%	0.56%

ASRS - Long-term disability

	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 8,821	\$ 8,222	\$ 7,183
Contributions in relation to the contractually required contribution	(8,821)	(8,222)	(7,183)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,588,600	\$ 5,211,299	\$ 5,075,741
Contributions as a percentage of covered payroll	0.16%	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, 2019

PSPRS Police-Pensions

	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 789,347	\$ 1,109,995	\$ 1,320,611	\$ 783,886	\$ 495,177	\$ 422,659
Contributions in relation to the actuarially determined contribution	\$ (3,789,347)	\$ (1,109,995)	\$ (1,320,611)	\$ (783,886)	\$ (495,177)	\$ (422,659)
Contribution deficiency (excess)	<u>\$ (3,000,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,001,943	\$ 1,922,311	\$ 1,913,255	\$ 1,965,810	\$ 1,999,813	\$ 1,909,356
Contributions as a percentage of covered-employee payroll	189.28%	57.74%	69.02%	39.88%	24.76%	22.14%

**PSPRS Police
Health Insurance Premium Benefit**

	Reporting Fiscal Year		
	2019	2018	2017
Actuarially determined contribution	\$ 205	\$ 2,358	\$ 2,790
Contributions in relation to the actuarially determined contribution	\$ (205)	\$ (2,358)	\$ (2,790)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,001,943	\$ 1,922,311	\$ 1,913,255
Contributions as a percentage of covered payroll	0.01%	0.12%	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, 2019

Note 1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period As of the 2017 actuarial valuation	19 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	Members with initial membership date before July 1, 2018: In the 2017 actuarial valuation, the investment rate of return decreased from 7.5% to 7.4%. 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 2017 actuarial valuation, the projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. 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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. 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, 2019

NOTE 2. Factors that Affect Trends

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 **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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 10,920,000	10,920,000	13,736,724	2,816,724
License and permits	195,800	195,800	306,183	110,383
Intergovernmental revenues	7,711,138	7,711,138	5,864,393	(1,846,745)
Charges for services	1,935,271	1,935,271	1,919,444	(15,827)
Fines and forfeitures	121,100	121,100	200,356	79,256
Interest	40,100	40,100	358,259	318,159
Miscellaneous revenue	78,600	78,600	162,520	83,920
Total revenues	21,002,009	21,002,009	22,547,878	1,545,869
EXPENDITURES				
General government	4,073,658	3,972,782	3,426,058	546,724
Public safety	10,162,523	10,162,523	8,913,304	1,249,219
Public works/Streets	8,144,620	8,144,620	5,822,977	2,321,643
Non-departmental	1,877,600	1,877,600	621,217	1,256,383
Culture and recreation	1,589,844	1,589,844	1,318,950	270,894
Total expenditures	25,848,245	25,747,369	20,102,506	5,644,863
Excess (deficiency) of revenues over (under) expenditures	(4,846,236)	(4,745,360)	2,445,373	7,190,733
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,500	2,500	6,840	4,340
Transfers in	895,763	895,763	834,553	(61,210)
Transfers out	(2,675,928)	(2,675,928)	(1,949,762)	726,166
Total other financing sources and (uses)	(1,777,665)	(1,777,665)	(1,108,368)	669,297
Net change in fund balances	(6,623,901)	(6,523,025)	1,337,004	7,860,029
Fund balances - beginning of year	10,558,494	10,558,494	10,558,494	-
Fund balance - end of year	\$ 3,934,593	4,035,469	11,895,498	7,860,029

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 2,251,200	2,251,200	1,898,602	(352,598)
Interest	5,000	5,000	21,153	16,153
Miscellaneous revenue	-	-	1,128	1,128
Total revenues	2,256,200	2,256,200	1,920,882	(335,318)
EXPENDITURES				
Current:				
Public works/Streets	2,116,480	2,255,988	781,999	1,473,989
Capital outlay	3,748,902	3,609,394	1,821,312	1,788,083
Total expenditures	5,865,382	5,865,382	2,603,310	3,262,072
Excess (deficiency) of revenues over (under) expenditures	(3,609,182)	(3,609,182)	(682,428)	2,926,754
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,000	2,000	-	(2,000)
Transfers in	1,290,214	1,290,214	682,428	(607,786)
Total other financing sources and (uses)	1,292,214	1,292,214	682,428	(609,786)
Net change in fund balances	(2,316,968)	(2,316,968)	-	2,316,968
Fund balances - beginning of year	1,435,233	1,435,233	1,435,233	-
Fund balance - end of year	\$ (881,735)	(881,735)	1,435,233	2,316,968

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	4,369,478	4,369,478	516,723	(3,852,755)
Fines and forfeitures	21,000	21,000	3,193	(17,807)
Total revenues	4,390,478	4,390,478	519,917	(3,870,561)
EXPENDITURES				
Current:				
General government	4,563,572	4,511,072	466,406	4,044,666
Public safety	-	47,000	97	46,903
Culture and recreation	56,000	61,500	56,151	5,349
Total expenditures	4,619,572	4,619,572	522,653	4,096,919
Excess (deficiency) of revenues over (under) expenditures	(229,094)	(229,094)	(2,736)	226,358
OTHER FINANCING SOURCES (USES)				
Transfers in	323,325	323,325	152,300	(171,025)
Transfers out	(149,564)	(149,564)	(149,564)	-
Total other financing sources and (uses)	173,761	173,761	2,736	(171,025)
Net change in fund balances	(55,333)	(55,333)	-	55,333
Fund balances - beginning of year	45,495	45,495	45,495	-
Fund balance - end of year	\$ (9,838)	(9,838)	45,495	55,333

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Fines and forfeitures	\$ 5,000	5,000	900	(4,101)
Interest	500	500	4,700	4,200
Special assessments	133,385	133,385	174,313	40,928
Miscellaneous revenue	96,921	96,921	-	(96,921)
Total revenues	235,806	235,806	179,913	(55,893)
EXPENDITURES				
General government	7,000	7,000	5,761	1,239
Debt service:				
Principal	633,116	633,116	715,000	(81,884)
Interest and fiscal charges	206,029	206,029	103,677	102,352
Total expenditures	846,145	846,145	824,439	21,706
Excess (deficiency) of revenues over (under) expenditures	(610,339)	(610,339)	(644,526)	(34,187)
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,000)	(4,000)	(4,000)	-
Total other financing sources and (uses)	(4,000)	(4,000)	(4,000)	-
Net change in fund balances	(614,339)	(614,339)	(648,526)	(34,187)
Fund balances - beginning of year	908,980	908,980	908,980	-
Fund balance - end of year	\$ 294,641	294,641	260,454	(34,187)

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.

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

Debt Service Funds

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, 2019

	Special Revenue Funds			
	Street Lighting District	Public Transportation	Airport Fund	Family Aquatic Center
ASSETS				
Cash and cash equivalents	\$ 30,561	17,385	-	-
Receivables:				
Taxes	3,115	-	-	-
Intergovernmental	-	75,823	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
TOTAL ASSETS	\$ 33,676	93,207	-	-
LIABILITIES				
Accounts payable	\$ 15,618	51,167	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	15,618	51,167	-	-
FUND BALANCES:				
Restricted for:				
Public works/Streets	18,058	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Committed for:				
Public transportation	-	42,040	-	-
TOTAL FUND BALANCES	18,058	42,040	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,676	93,207	-	-

Debt Service Funds	Capital Projects Funds			Total Nonmajor Governmental Funds
	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
-	461	15,727	127,756	191,890
-	-	-	-	3,115
10,297	-	-	-	86,120
-	-	-	-	-
1,038,824	-	-	-	1,038,824
1,049,121	461	15,727	127,756	1,319,948
-	-	-	-	66,785
422,499	-	-	-	422,499
422,499	-	-	-	489,284
-	-	-	-	18,058
626,622	-	-	-	626,622
-	461	15,727	127,756	143,944
-	-	-	-	42,040
626,622	461	15,727	127,756	830,664
1,049,121	461	15,727	127,756	1,319,948

City of Show Low
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2019

	Special Revenue Funds			
	Street Lighting District	Public Transportation	Airport Fund	Family Aquatic Center
REVENUES:				
Taxes	\$ 207,470	-	-	-
Intergovernmental revenues	-	596,316	-	-
Interest	1,449	365	-	-
Impact fees	-	-	-	-
Miscellaneous revenue	-	65,734	-	-
Total revenues	208,919	662,415	-	-
EXPENDITURES:				
Current:				
General government	-	657,464	-	-
Public works/streets	196,371	-	-	-
Capital outlay	-	23,757	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	196,371	681,221	-	-
Excess (deficiency) of revenues over (under) expenditures	12,548	(18,806)	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	91,174	-	-
Transfers out	-	(90,900)	(6,561)	(4,216)
Total other financing sources and (uses)	-	274	(6,561)	(4,216)
Net change in fund balances	12,548	(18,532)	(6,561)	(4,216)
Fund balances - beginning of year	5,510	60,572	6,561	4,216
Fund balance - end of year	\$ 18,058	42,040	-	-

Debt Service Funds	Capital Projects Funds			Total
Other Debt Service	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	Nonmajor Governmental Funds
-	-	-	-	207,470
20,302	-	-	-	616,618
2,476	16	460	5,203	9,969
-	-	-	129,908	129,908
-	-	-	-	65,734
22,778	16	460	135,111	1,029,699
-	-	-	-	657,464
-	-	-	-	196,371
-	-	-	-	23,757
1,056,292	-	-	-	1,056,292
242,763	-	-	-	242,763
1,299,056	-	-	-	2,176,647
(1,276,278)	16	460	135,111	(1,146,949)
1,049,715	-	-	-	1,140,889
-	(186)	-	(150,000)	(251,863)
1,049,715	(186)	-	(150,000)	889,026
(226,563)	(170)	460	(14,889)	(257,923)
853,185	631	15,267	142,645	1,088,587
626,622	461	15,727	127,756	830,664

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 224,000	224,000	207,470	(16,530)
Interest	300	300	1,449	1,149
Total revenues	224,300	224,300	208,919	(15,381)
EXPENDITURES				
Public works/Streets	235,000	235,000	196,371	38,629
Total expenditures	235,000	235,000	196,371	38,629
Excess (deficiency) of revenues over (under) expenditures	(10,700)	(10,700)	12,548	23,248
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	-	(15,000)
Total other financing sources and (uses)	15,000	15,000	-	(15,000)
Net change in fund balances	4,300	4,300	12,548	8,248
Fund balances - beginning of year	5,510	5,510	5,510	-
Fund balance - end of year	\$ 9,810	9,810	18,058	8,248

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 861,992	861,992	596,316	(265,676)
Interest	-	-	365	365
Miscellaneous revenue	70,400	70,400	65,734	(4,666)
Total revenues	932,392	932,392	662,415	(269,977)
EXPENDITURES				
Current:				
General government	670,310	670,310	657,464	12,846
Capital outlay	261,102	261,102	23,757	237,345
Total expenditures	931,412	931,412	681,221	250,191
Excess (deficiency) of revenues over (under) expenditures	980	980	(18,806)	(19,786)
OTHER FINANCING SOURCES (USES)				
Transfers in	91,174	91,174	91,174	-
Transfers out	(90,900)	(90,900)	(90,900)	-
Total other financing sources and (uses)	274	274	274	-
Net change in fund balances	1,254	1,254	(18,532)	(19,786)
Fund balances - beginning of year	60,572	60,572	60,572	-
Fund balance - end of year	\$ 61,826	61,826	42,040	(19,786)

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ -	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works/Streets	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,783)	(7,783)	(6,561)	1,222
Total other financing sources and (uses)	<u>(7,783)</u>	<u>(7,783)</u>	<u>(6,561)</u>	<u>1,222</u>
Net change in fund balances	(7,783)	(7,783)	(6,561)	1,222
Fund balances - beginning of year	6,561	6,561	6,561	-
Fund balance - end of year	<u>\$ (1,222)</u>	<u>(1,222)</u>	<u>-</u>	<u>1,222</u>

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Charges for services	\$ -	-	-	-
Interest	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(4,216)	(4,216)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(4,216)</u>	<u>(4,216)</u>
Net change in fund balances	-	-	(4,216)	(4,216)
Fund balances - beginning of year	4,216	4,216	4,216	-
Fund balance - end of year	<u>\$ 4,216</u>	<u>4,216</u>	<u>-</u>	<u>(4,216)</u>

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 23,300	23,300	20,302	(2,998)
Interest	3,000	3,000	2,476	(524)
Total revenues	26,300	26,300	22,778	(3,522)
EXPENDITURES				
Debt service:				
Principal	956,000	1,056,876	1,056,292	584
Interest	248,606	248,606	242,763	5,843
Total expenditures	1,204,606	1,305,482	1,299,056	6,426
Excess (deficiency) of revenues over (under) expenditures	(1,178,306)	(1,279,182)	(1,276,278)	2,904
OTHER FINANCING SOURCES (USES)				
Transfers in	1,049,715	1,049,715	1,049,715	-
Total other financing sources and (uses)	1,049,715	1,049,715	1,049,715	-
Net change in fund balances	(128,591)	(229,467)	(226,563)	2,904
Fund balances - beginning of year	853,185	853,185	853,185	-
Fund balance - end of year	\$ 724,594	623,718	626,622	2,904

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ -	-	16	16
Impact fees	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	16	16
OTHER FINANCING SOURCES (USES)				
Transfers out	(186)	(186)	(186)	-
Total other financing sources and (uses)	<u>(186)</u>	<u>(186)</u>	<u>(186)</u>	<u>-</u>
Net change in fund balances	(186)	(186)	(170)	16
Fund balances - beginning of year	631	631	631	-
Fund balance - end of year	<u>\$ 445</u>	<u>445</u>	<u>461</u>	<u>16</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ -	-	460	460
Impact fees	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>460</u>	<u>460</u>
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	460	460
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	460	460
Fund balances - beginning of year	<u>15,267</u>	<u>15,267</u>	<u>15,267</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 15,267</u></u>	<u><u>15,267</u></u>	<u><u>15,727</u></u>	<u><u>460</u></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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Interest	\$ -	-	5,203	5,203
Impact fees	40,000	40,000	129,908	89,908
Total revenues	40,000	40,000	135,111	95,111
EXPENDITURES				
Public works/Streets	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	40,000	40,000	135,111	95,111
OTHER FINANCING SOURCES (USES)				
Transfers out	(150,000)	(150,000)	(150,000)	-
Total other financing sources and (uses)	(150,000)	(150,000)	(150,000)	-
Net change in fund balances	(110,000)	(110,000)	(14,889)	95,111
Fund balances - beginning of year	142,645	142,645	142,645	-
Fund balance - end of year	\$ 32,645	32,645	127,756	95,111

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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, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
AGENCY FUND:				
ASSETS				
Cash	\$ 12,292	137	-	12,429
Total assets	12,292	137	-	12,429
LIABILITIES				
Deposits:				
Slovakian/Sister Cities	2,684	137	-	2,821
Police Citizens Academy	-	-	-	-
Police Department Evidence	9,608	-	-	9,608
Total liabilities	\$ 12,292	137	-	12,429
WHITE MOUNTAIN PARTNERSHIP				
AGENCY FUND:				
ASSETS				
Cash	\$ 23,759	65,589	20,056	69,292
Total assets	23,759	65,589	20,056	69,292
LIABILITIES				
Accounts payable	-	20,056	20,056	-
Deposits:				
White Mountain Partnership	23,759	45,533	-	69,292
Total liabilities	\$ 23,759	65,589	20,056	69,292
GEOCACHING AGENCY FUND:				
ASSETS				
Cash	\$ 3,509	110	-	3,619
Total assets	3,509	110	-	3,619
LIABILITIES				
Accounts payable	-	-	-	-
Deposits:				
Geocaching	3,509	110	-	3,619
Total liabilities	\$ 3,509	110	-	3,619
TOTAL - ALL AGENCY FUNDS:				
ASSETS				
Cash	\$ 39,560	65,836	20,056	85,340
Total assets	39,560	65,836	20,056	85,340
LIABILITIES				
Accounts payable	-	20,056	20,056	-
Deposits	39,560	45,780	-	85,340
Total liabilities	\$ 39,560	65,836	20,056	85,340

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	94
<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	99
<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	107
<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.....	113
<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	116
<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>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>	<u>2019</u>
Governmental activities							**			
Net investment in capital assets	\$ 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	61,570,116
Restricted	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	1,173,450
Unrestricted	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	6,601,724
Total governmental activities net position	<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>	<u>69,345,289</u>
Business-type activities										
Net investment in capital assets	\$ 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	46,061,190
Restricted	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	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	8,045,821
Total Business-type activities net position	<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>	<u>54,107,011</u>
Primary government										
Net investment in capital assets	\$ 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	107,631,305
Restricted	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	1,173,450
Unrestricted	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	14,647,544
	<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>	<u>123,452,300</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government	\$ 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	5,135,209
Public safety	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	7,739,121
Public Works ¹	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	6,338,503
Economic development ²	767,177	623,313	745,924	760,566	762,562	992,984	932,005	702,637	1,006,390	621,217
Culture and recreation ³	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	1,379,821
Interest on long-term debt	974,645	975,981	860,185	806,952	722,366	708,157	568,898	326,758	525,034	317,537
Total governmental activities expenses	19,990,563	19,341,597	20,457,412	20,685,551	21,043,927	20,672,285	20,472,474	21,461,993	21,604,088	21,531,409
Business-type activities:										
Water	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	3,344,559
Wastewater	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	3,240,518
Airport	-	-	-	-	-	-	-	-	-	-
Family Aquatic	-	-	-	-	-	-	-	-	-	-
Refuse	653,491	675,893	896,932	938,989	962,046	790,890	818,157	804,210	846,139	936,051
Total business-type activities expenses	5,486,762	5,165,101	5,889,182	6,405,201	6,927,574	6,826,809	6,896,135	7,619,352	7,825,435	7,521,127
Total primary government expenses	\$ 25,477,325	\$ 24,506,698	\$ 26,346,594	\$ 27,090,752	\$ 27,971,501	\$ 27,499,094	27,368,609	29,081,345	29,429,522	29,052,536
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	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	2,275,660
Culture and recreation	289,722	218,512	245,116	214,112	222,690	244,318	247,390	249,262	271,616	295,020
Other activities	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	1,525,788
Operating grants and contributions	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	5,683,183
Capital grants and contributions	3,715,329	824,743	1,539,014	518,379	3,536,328	770,197	306,077	843,347	884,186	343,717
Total governmental activities program revenues	11,643,770	8,157,439	8,594,384	7,345,618	10,487,421	7,423,135	6,232,310	7,317,070	7,991,687	10,123,368
Business-type activities:										
Charges for services:										
Water	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	4,506,540
Wastewater	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	2,888,156
Airport ¹	-	-	-	-	-	-	-	-	-	-
Family Aquatic Center ³	-	-	-	-	-	-	-	-	-	-
Refuse	723,717	746,192	959,287	1,000,501	1,031,544	865,593	886,599	868,639	893,446	952,765
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,692,976	236,198	242,189	192,773	277,278	263,677	371,484	484,013	642,185	818,136
Total business-type activities program revenues	6,379,904	5,138,297	6,047,019	6,528,045	7,083,414	7,107,003	7,435,605	7,843,657	8,458,653	9,165,597
Total primary government program revenues	\$ 18,023,674	\$ 13,295,736	\$ 14,641,403	\$ 13,873,663	\$ 17,570,835	\$ 14,530,138	13,667,915	15,160,727	16,450,340	19,288,965

² Economic Development is reported with General Government prior to 2009

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

(continued)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (11,408,041)
Business-type activities	893,142	(26,804)	157,837	122,844	155,840	280,194	539,470	224,305	633,218	1,644,470
Total primary government net expense	<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>	<u>(9,763,571)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales taxes	\$ 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	13,294,795
Franchise taxes	460,863	420,157	429,826	442,213	429,038	441,349	430,861	405,434	371,228	441,929
State sales taxes	725,415	761,358	832,976	872,541	927,876	970,816	1,006,843	995,864	1,065,866	1,118,190
Urban revenue sharing	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	1,343,966
Auto-in-lieu	514,687	511,760	551,817	503,515	544,628	561,552	610,273	648,842	703,405	750,997
Other	139,867	136,979	142,745	142,788	164,528	168,994	187,171	192,045	199,662	207,470
Investment earnings	65,012	113,005	137,663	(43,581)	113,603	84,745	131,848	80,394	136,404	436,622
Gain (Loss) on sales of assets	4,700	-	-	-	26,347	-	124,748	10,144	32,588	6,840
Miscellaneous	-	-	-	-	-	-	-	323,470	421,905	229,382
Transfers	125,000	195,000	293,748	331,050	361,800	366,400	381,800	547,900	474,820	454,981
Total governmental activities	<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>	<u>18,285,173</u>
Business-type activities:										
Investment earnings	107,417	136,625	271,780	61,955	228,241	204,154	175,864	111,812	122,502	337,813
Gain (Loss) on sales of assets	(305,132)	-	(197,854)	84	-	6,604	1,021	-	15,792	246
Transfers	(125,000)	(195,000)	(293,748)	(331,050)	(361,800)	(366,400)	(381,800)	(547,900)	(474,820)	(454,981)
Total business-type activities	<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>	<u>(116,922)</u>
Total Primary government	<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>	<u>18,168,252</u>
Change in Net Position										
Governmental activities	\$ 3,280,532	\$ 606,649	\$ 220,747	\$ (787,921)	\$ 3,139,693	\$ 1,081,931	\$ 573,063	\$ 1,354,722	\$ 3,301,718	\$ 6,877,132
Business-type activities	570,427	(85,179)	(61,985)	(146,167)	22,281	124,552	334,555	(211,784)	296,692	1,527,548
Total primary government	<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>	<u>8,404,681</u>

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

	Fiscal Year									
	<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>	<u>2019</u>
General fund										
Nonspendable:										
Inventories and prepaids	\$ 44,348	\$ 14,071	\$ 31,408	\$ -	\$ 1,302	\$ -	143,284	74,073	41,205	116,351
Restricted for:										
Debt service	-	76,980	76,980	76,980	76,989	77,001	77,022	77,053	77,590	78,877
Committed to:										
Cemetery	184,844	188,835	42,707	98,175	204,179	105,522	91,544	98,860	130,858	-
Unassigned	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	11,700,270
Total general fund	<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>	<u>11,895,498</u>
All other governmental funds										
Nonspendable:	\$ 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	58,079	90,349	203,486	736,766	3,817	3,838,720	3,862,720	8,282	51,005	63,553
Economic development	171,445	175,793	138,680	-	-	-	-	-	-	-
Parks and recreation	193,771	211,625	984,793	20,959	-	-	-	-	-	-
Debt service	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	887,076
Capital outlay	-	-	-	-	85,631	111,772	82,419	109,515	158,543	143,944
Committed to:										
Public transportation	134,102	118,306	170,819	87,758	109,410	114,182	144,980	79,583	60,572	42,040
Aquatic Center	-	-	-	-	-	-	-	4,307	4,216	-
Assigned to:										
Public works/streets	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	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 funds	<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>	<u>2,571,846</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 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	13,944,194
Licenses and permits	170,564	181,638	144,466	130,075	153,196	170,541	166,362	257,322	369,875	306,183
Intergovernmental	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	8,896,336
Charges for services	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	1,919,444
Fines	608,860	826,720	730,882	735,402	748,341	227,675	150,698	171,056	194,288	204,449
Special assessments	1,465,205	1,375,197	1,366,683	1,197,369	1,137,021	947,004	620,874	550,094	494,053	174,313
Investment earnings	63,957	114,720	135,595	(39,888)	109,380	81,048	126,584	74,658	129,138	394,081
Impact Fees	-	-	-	-	-	-	-	125,369	135,291	129,908
Miscellaneous	463,964	351,183	667,430	496,772	431,398	615,077	420,131	323,470	421,905	229,382
Total Revenues	\$ 20,445,675	\$ 19,204,053	\$ 19,304,277	\$ 18,842,158	\$ 22,598,713	\$ 20,565,878	19,401,108	20,295,492	22,397,465	26,198,289
Expenditures										
Current:										
General government	\$ 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	4,677,605
Public safety	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	8,749,720
Public works	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	3,628,096
Economic Development/General Operations	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	1,547,448
Capital outlay	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	5,508,953
Principal	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	1,771,298
Interest and fiscal charges	1,046,806	988,913	880,470	852,337	760,654	672,870	559,047	449,480	428,017	346,435
Total expenditures	24,170,280	20,966,480	19,411,103	20,412,203	23,939,914	18,713,520	20,020,930	23,721,239	20,865,190	26,229,555
Revenues over (under) expenditures	(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	(31,267)
Other finance sources (Uses)										
Sale of Assets	4,696	-	12,762	25,574	26,347	7,157	59,346	10,144	32,588	6,840
Bond Proceeds	-	450,000	1,703,899	-	-	8,865,000	-	243,862	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	(4,837,448)	-	-	-	-
Transfers in (out)	125,000	195,000	293,748	331,050	361,800	366,400	381,800	547,900	474,820	454,982
Total other finance sources (uses)	129,696	645,000	2,010,409	356,624	388,147	4,401,109	441,146	801,906	507,408	461,822
Net change in fund balances	\$ (3,594,909)	\$ (1,117,427)	\$ 1,903,583	\$ (1,213,421)	\$ (953,054)	\$ 6,253,467	(178,676)	(2,623,841)	2,039,683	430,555
Debt service as a percentage of noncapital expenditures	18.41%	15.35%	15.29%	15.49%	15.47%	13.34%	12.38%	12.48%	12.11%	10.22%
Total	\$ 21,051,974	\$ 18,495,567	\$ 16,965,633	\$ 17,753,967	\$ 21,276,260	\$ 16,468,650	\$ 17,930,883	\$ 21,536,760	\$ 18,619,311	\$ 24,111,822
Capital Outlay as per page 23 of CAFR	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	5,508,953
Non-capital outlay	\$ 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	\$ 18,602,869

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

<u>Tax Remitter</u>	<u>Fiscal Year 2019</u>			<u>Fiscal Year 2009</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>
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
2019	963,262,270

Navajo County (1)

<u>Fiscal Year</u>	<u>Amount</u>
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
2019	1,013,889,161

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/reports-statistics-and-legal-research/annual-reports>

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 & Use Tax</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
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	12,248,424	371,228	703,405	13,323,057
2019	13,294,795	441,929	750,997	14,487,721

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
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%
2018-2019	929,044	196,712	-	9,634,184	874,427	193,115	503,479	71,002	81,518	12,483,482	5.39%

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>
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%
2019	154,414,569	1,365,026,294	11%

Source: Arizona Department of Revenue - /<http://azmemory.azlibrary.gov/cdm/ref/collection/statepubs/id/11068>

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

<u>Fiscal Year</u>	<u>City of Show Low</u>	<u>State of Arizona</u>	<u>Navajo County</u>	<u>Northland Pioneer College</u>	<u>Show Low Unified School District</u>	<u>Total</u>
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
2018-19	-	-	0.8820	1.8164	4.6385	7.3369

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
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	199,662	-	-	0%	199,662
2019	222,838	-	-	0%	222,838

Source: Navajo County Treasurer's Office

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

Fiscal Year	Total Assessments Billed	Total Assessments Collected	Ratio of Collections to Amount Billed	Net Outstanding Assessments
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)
2017-2019*	169,776	174,231	102.62%	(4,455)

Source: City of Show Low Finance Departmen

* Special Assessments ID6 and ID7 Paid in full December 2017

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			
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%	1,934
2018	-	2,035,000	-	630,000	9,075,000	-	-	-	6,353,514	-	18,093,514	18.94%	1,598
2019	-	1,320,000	-	579,000	8,170,000	199,500	-	-	5,769,476	-	16,037,976	21.98%	1,417

CITY OF SHOW LOW, ARIZONA

Debt Capacity

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

Fiscal Year Ended June 30,	Net Assessed Value	General Obligation Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita (a)
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%	-
2019	154,414,569	-	0.0%	-

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

(a) Population information is shown on page 119

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Computation of Direct and Overlapping Debt

<u>Jurisdiction</u>	<u>2018-2019 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>
Direct Debt Repaid with Property Taxes:				
Show Low Bluff CFD		\$ 1,320,000	100.00%	\$ 1,320,000
Gada Bonds Series 2008A		\$ -	100.00%	-
Gada Bonds Series 2006B		\$ 8,170,000	100.00%	8,170,000
Capital Leases		\$ 579,000	100.00%	<u>579,000</u>
Total direct debt		\$ -		<u>\$ 10,069,000</u>
Overlapping Debt Repaid with Property Taxes:				
Navajo County		\$ 14,505,000	n/a	\$ -
Timber Mesa Fire & Medical District		\$ 473,238	n/a	\$ -
Northland Pioneer College		\$ -	n/a	\$ -
Show Low School District #10 - 2003B		\$ 10,075,509	71.80%	<u>\$ 7,234,215</u>
Total overlapping debt				<u>\$ 7,234,215</u>
Other Debt:				
Total other debt				<u>-</u>
Total direct and overlapping debt				<u><u>\$ 17,303,215</u></u>

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

CITY OF SHOW LOW, ARIZONA
Debt Capacity
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	<u>-</u>	<u>-</u>
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

Fiscal Year Ended June 30,	Operating Revenues (a)	Operating Expenses (b)	Net Revenue Available for Debt Service	Revenue Bond/Loan/CFP Debt Service			
				Principal	Interest	Total	Coverage
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%
2019	7,756,663	3,648,263	4,108,400	584,039	142,446	726,485	565.5%

Source: City of Show Low Finance Department

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

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

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

Fiscal Year Ended June 30,	Special Assessment Bonds				Show Low Bluff CFD Bonds				GADA Bonds			
	Special Assessments Collected	Principal	Interest	Coverage	CFD Tax Collected	Principal	Interest	Coverage	Excise Tax Collected	Principal	Interest	Coverage
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%	154,600	120,000	126,687	63%	13,323,057	870,000	247,158	1193%
2019	-	-	-	0%	138,385	638,116	80,080	19%	14,487,721	904,994	208,289	1301%

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. - Special Assessments and All Bonds were paid in full in FY2018

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
2010 (Census)	10,666	107,696	2,663,929	24,732	14.7%	10.4%
2011 (Estimated)	10,699	107,545	2,746,969	25,569	14.8%	9.5%
2012 (Estimated)	10,826	107,314	2,767,865	25,859	14.1%	8.3%
2013 (Estimated)	10,880	107,145	2,832,564	26,363	13.5%	7.7%
2014 (Estimated)	10,935	107,724	2,984,565	27,589	11.1%	6.8%
2015 (Estimated)	10,989	107,688	3,121,041	28,802	9.6%	6.1%
2016 (Estimated)	11,061	108,523	3,235,693	29,408	8.2%	5.4%
2017 (Estimated)	11,116	109,144	3,329,528	30,506	7.6%	4.9%
2018 (Estimated)	11,321	110,445	3,426,084	31,021	7.5%	4.8%
2019 (Estimated)	11,321	111,266	3,525,441	31,685	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

<u>Employer</u>	<u>Fiscal Year 2019**</u>			<u>Fiscal Year 2009*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Top 10 Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Summit Healthcare Regional Medical Center	900	1	34.60%			
Walmart	490	2	18.84%			
Show Low Unified School District	300	3	11.53%			
Cellular One	187	4	7.19%			
City of Show Low	162	5	6.21%			
Home Depot	150	6	5.77%			
Frontier	125	7	4.80%			
Northland Pioneer College	110	8	4.23%			
Lowe's	108	9	4.15%			
Tates Automotive	70	10	2.69%			
Total Employees	<u>2,602</u>		<u>100.00%</u>	<u>-</u>		<u>0.00%</u>

*Information Not Available

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

Source: City of Show Low Business Development

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

	Full-time Equivalent Employee									
	<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>	<u>2019</u>
Airport	4.2	4.2	4.5	4.1	4.1	4.1	4.1	4.5	5.5	5.5
Aquatics & Recreation	14.7	14.2	14.2	14.2	14.4	14.8	14.8	14.8	14.8	14.8
Show Low TV	2.7	2.0	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3
City Attorney	1.0	-	-	1.6	1.6	1.6	1.6	1.6	1.6	1.6
City Clerk	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2	2
City Magistrate	4.5	4.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2
City Manager	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2	2
Community Services Admini	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2	2
Engineering	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6	6	6
Finance	6.5	-	-	-	-	-	-	0	0	0
Human Resources	2.0	-	-	-	-	-	-	0	0	0
Administrative Services:	-	8.2	9.2	10.0	10.0	10.0	10.0	10	10	10
Information Systems	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2	2	2
Library	8.1	7.5	7.5	7.5	7.5	7.5	8.0	8	8.5	8.5
Parks & Facilities Maintenance	9.2	9.1	7.5	7.0	7.0	7.0	8.0	8	8	8
Planning & Zoning	6.5	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	5.5
Police	50.2	46.6	49.4	49.1	49.1	48.1	48.1	49.1	50.1	52.3
Streets	10.3	10.0	11.0	11.0	11.0	11.0	11.0	11	11	11
Wastewater	11.6	11.5	10.5	10.0	10.0	10.0	11.0	12	12	12
Water	11.5	10.5	13.5	15.0	15.0	15.0	14.0	14	14	14
Total Employees	156.0	145.8	149.8	153.3	153.5	152.4	153.9	156.3	158.8	161.5

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

Function	Fiscal Year									
	<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>	<u>2019</u>
Police										
Arrests	1,698	1,605	1,630	1,569	1,758	1,792	1,465	1129	1425	1061
Citations	5,947	4,928	3,701	3,015	4,251	2,959	1,901	4509	6423	6349
Traffic Stops	8,390	10,261	6,821	5,040	6,494	7,041	6,298	5447	6753	9861
Officer Reports	3,021	2,749	2,854	2,955	3,074	3,010	2,745	2324	2907	2546
Photo Enforcement - Notices Printed	15,524	15,813	12,452	13,150	7,452	0	0	0	0	0
Calls for Service	19,425	17,304	19,316	18,318	19,230	17,031	22,504	15833	30234	26907
Highways & Streets										
Street resurfacing (miles)	17	25	61	90	137	35	20	16	20	19
Potholes repaired	741	791	1,118	655	677	1,189	258	407	225	124
Street sweeping (miles)	2,094	965	505	1,671	1,252	904	1,670	746	857	1360
Water										
New Connections	45	34	21	32	49	55	64	98	120	21
Line Breaks	158	128	119	108	89	72	32	19	28	12
Average Daily Consumption	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	1,900,000
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	830,000	867,000	892,000	789,258	907,463	972,000	1,022,000*	1,115,000	1,118,000	1,120,000
Line cleaning (feet)	258,768	268,231	99,556	109,812	126,362	136,387	127,363	118,281	147,191	71,891
Line Plugs	41	53	56	112	13	6	100	85	43	43
Recreation & Aquatics										
Aquatic center admissions	49,352	32,164	47,880	43,920	50,101	50,131	52,258	56,427	57,730	48,443

*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	
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
2017-18	17,371,551	38,045,711	55,417,262	86
2018-19	25,457,045	9,797,802	35,254,847	107

(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>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>	<u>2019</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	2
Authorized Patrol units	23	23	20	20	20	20	20	20	20	20
Highways and streets										
Streets (miles)	181	182	182	182	184	184	184	184	184	184
Streetlights	675	735	735	735	782	782	782	782	782	782
Water										
Water mains (miles)	124	164	164	183	185	187	187	187	189	192
Fire hydrants	810	817	1,033	1,096	1,149	1,168	1,174	1178	1189	1214
Sewer										
Sanitary Sewer (miles)	146	148	148	148	150	152	152	152	154	155
Maximum daily treatment capacity (thousands of gallons)	1,420	1,420	1,420	1,420	1,420	1,420	1,420	2,500,000*	2,500,000	2,500,000
Recreation and aquatics										
Parks acreage	428	428	428	428	428	428	428	428	428	428
Number of Parks	10	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	5	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, 2019, 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 18, 2019.

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.

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 PLLC
Gilbert, Arizona
November 18, 2019



**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, 2019, and have issued our report thereon dated November 18, 2019. 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, 2019.

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


HintonBurdick, PLLC
Gilbert, Arizona
November 18, 2019

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