

**CITY OF SHOW LOW, ARIZONA**  
**SINGLE AUDIT ACT REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2019**

**CITY OF SHOW LOW, ARIZONA**

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**HINTONBURDICK**  
CPAs & ADVISORS

**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 the 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 from 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



**HINTONBURDICK**  
CPAs & ADVISORS

**Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

The Honorable Mayor and  
City Council  
Show Low, Arizona

**Report on Compliance for Each Major Program**

We have audited City of Show Low, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Show Low, Arizona's major federal programs for the year ended June 30, 2019. The City of Show Low, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Show Low, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Show Low, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Show Low, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

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

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

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

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Page, Arizona, as of and for the year ended June 30, 2019, and have issued our report thereon dated November 18, 2019, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

  
HintonBurdick, PLLC  
Gilbert, Arizona  
November 18, 2019



**CITY OF SHOW LOW, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Other Identification Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b>U.S. Department of Housing and Urban Development</b>				
Passed through Arizona Department of Housing				
Community Development Block Grant	14.228	106-18	\$ 226,404	\$ -
Community Development Block Grant	14.228	137-18	11,000	-
			<u>237,404</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
Edward Byrne Memorial Justice Assistance	16.738		<u>51,363</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Passed through Arizona Department of Transportation:				
Airport Improvement Program	20.106	3-04-0035-026-2017	81,930	-
Airport Improvement Program	20.106	3-04-035-027-2018	2,267,254	-
			<u>2,349,184</u>	<u>-</u>
Formula Grants for Rural Areas	20.509	GRT-16-0006140T	663,378	-
Passed through Governor's Office of Highway Safety:				
State and Community Highway Safety	20.600	2019-405d-052	<u>97</u>	<u>-</u>
Total U.S. Department of Transportation			<u>3,012,659</u>	<u>-</u>
<b>National Endowment for the Humanities</b>				
Promotion of the Humanities Professional Development	45.163		<u>1,000</u>	<u>-</u>
<b>Institute of Museum and Library Services</b>				
Passed through the State of Arizona				
Grants to States	45.310	2018-0010-6	35,439	-
Grants to States	45.310	2018-0010-0-H	4,000	-
Total Institute of Museum and Library Services			<u>39,439</u>	<u>-</u>
<b>National Aeronautics and Space Administration</b>				
NASA Science Mission Directorate (SMD)	43.001	NNX16AE30A	<u>1,489</u>	<u>-</u>
<b>US Department of Health and Human Services</b>				
Medical Library Assistance	93.879	5UG4LM012341-03	<u>8,000</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Passed through the Transportation Security Administration:				
Law Enforcement Officer Reimbursement Agreement	97.090	HSTS02-08-H-SLR349	<u>13,920</u>	<u>-</u>
Total expenditure of federal awards			<u>\$ 3,365,274</u>	<u>\$ -</u>

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

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**Reporting Entity:**

The accompanying schedule of expenditures of federal awards presents the activity or expenditure of all federal awards programs of the City of Show Low, Arizona for the year ended June 30, 2019. The City's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

**Basis of Accounting:**

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Relationship to Basic Financial Statements:**

Expenditures of federal awards have been reported in the funds as follows:

General fund	\$ 2,414,467
Highway User Revenue Fund	226,404
Grants fund	61,025
Non-major funds:	
Public Transportation fund	<u>663,378</u>
	<u><u>\$ 3,365,274</u></u>

**Subrecipients:**

There are no subrecipients.

**CITY OF SHOW LOW, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

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**Section I - Summary of Auditors' Results**

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Financial Statements

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

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

Noncompliance material to financial statements noted?            \_\_\_ yes     X  no

Federal Awards

Internal Control over major programs:

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

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

Any audit findings disclosed that are required to be reported  
in accordance with the Uniform 2 CFR 200.516(a) ?            \_\_\_ yes     X  no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type  
A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?            \_\_\_ yes     X  no

**CITY OF SHOW LOW, ARIZONA**  
**Schedule of Expenditures of Federal Awards, Continued**  
**For the Year Ended June 30, 2019**

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**Section II - Financial Statement Findings**

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**Significant Deficiencies:**

2018-001.      Year End Accounting – (Prior Year Reissued)

*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 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.

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**Section III - Federal Award Findings and Questioned Costs**

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No significant matters were noted.

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**Section IV – Summary of Prior Year Findings and Questioned Costs**

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No significant matters were noted.