City of Show Low

Popular

Annual

Financial

Report

Fiscal Year 2018/2019

Table of Contents

- Message From the City Manager.....Page 2
- Strategic Goals/Mission Statement . Page 3
- Show Low Facts/Demographics ..... Page 4
- Where the Money Comes From ..... Page 5
- Where the Money Goes..... Page 8
- Governmental Fund Trends..... Page 9
- Business-Type Funds ..... Page 11
- Statement of Net Position..... Page 12
- Financials/Awards ..... Page 13
- Investments ..... Page 14
- Capital Assets..... Page 15
- Debt Management ..... Page 16
- Contact Information..... Page 17

The information contained in this document comes from the City of Show Low's Comprehensive Annual Financial Report (CAFR) and Annual Budget Document for Fiscal Year Ending 2019. Detailed information and the complete CAFR regarding the financial position of the City of Show Low can be found on our website at www.showlowaz.gov, or you may contact the Deputy City Manager via e-mail at jjohnson@showlowaz.gov.

Dear Citizens,

The City of Show Low is pleased to present this summarized version of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2019. The CAFR is audited in accordance with Generally Accepted Audited Standards (GAAS) and prepared in conformance with the Generally Accepted Accounting Principles (GAAP). This report reflects the City of Show Low's commitment to financial transparency, accountability, and communicating the financial position of the City.

The intent of this document is to clarify the reporting process in an easy-to-understand language allowing residents and visitors to see where their tax dollars go and how the management of the City's finances follow the Strategic Goals set by City Council. Through a conservative budget approach and a strong adherence to financial accountability and fiscal responsibility the City of Show Low's financial position is stable and continuing to improve through economic development and a comprehensive internal control framework designed to protect the City's assets from loss, theft, or misuse.

The City looks forward to another successful year and to providing the citizens and visitors of our community a transparent and fiscally responsible local government.

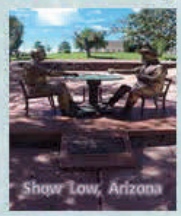
Respectfully,

Ed Muder
City Manager

Infrastructure
Preserve Existing Assets

Appearance

- City Fleet, Facilities, Parks, Streets
- Image is everything



Maintain Standards

- Parks Maintenance
- Replacement programs

Protect Investment

- PW & Parks Buildings
- Maintain Infrastructure
- Water/Sewer systems are financially self-sustaining

Reserves

- Maintain a safety net

Quality of Life

Community

- Volunteerism/Community Service
- Family Focus in Parks
- Year-round Trails
- Public & Private Beautification
- Community Gathering Places

Downtown Development

- Expand on what we have created
- Encourage retail development
- Parking - Walking

Information and Education

- Promote/Market City
- Calendar Events
- SLTV/Website
- Social Media
- Quarterly Newsletter

Community Safety

- Street Design
- Speed Warning Signs
- Cameras/Security in city facilities

The City of Show Low
is dedicated to exceeding expectations
and enhancing quality of life through:

...as we work together with our community.

Economic/Community Development

Recreation as Economic Development

- Tournaments – City/School/Private
- Long term/repeat events
- Facility Enhancement
- Natural/Cultural Resources

Focused Future and Education

- Follow Through
- Implementation
- Residential/Commercial Development
- Appealing to residents, visitors and businesses

Retail/Commercial Expansion

- Retail
- Dining
- Jobs

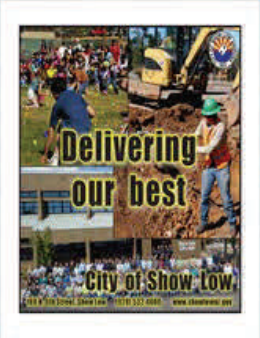
Community Partnerships

- White Mountain Partnership
- Motel/Hotel Owners
- Tourism Promotion
- Chamber of Commerce

Organization

Strategic and Master Plans

- In place – provide direction
- Implementation
- Maximize technology



Emergency Preparedness

- Balance
- Communication

Employees

- Provide quality service
- Attract, Compensate, retain
- Communication
- Safety

Community Partnerships

- Regional Cooperation and Leadership

DEMOGRAPHICS

	City of Show Low	Navajo County	State of Arizona
Population/Age			
Total Population[5]	11,377	107,499	6,392,017
Male Population[3]	5,173	53,777	3,175,823
Female Population[3]	5,487	53,672	3,216,194
Median Age[3]	42.4	34.7	35.9
65 years and older[3]	2,059	14,241	881,831
Labor Force/Income/Unemployment			
Average Labor Force[4]	4,519	40,657	3,163,985
Median Income[1]	42,614	35,921	50,255
Unemployment Rate[2]	6.8%	9.6%	5.9%
Households by Income[1]			
Less than $10,000	8.1%	15.5%	7.7%
$10,000 to $14,999	7.5%	7.5%	5.2%
$15,000 to 24,999	13.5%	13.7%	11.1%
$25,000 to 34,999	15.8%	12.4%	11.1%
$35,000 to $49,999	11.5%	13.5%	14.6%
$50,000 to $74,999	17.3%	18.4%	18.5%
$75,000 to $99,999	14.8%	8.9%	11.8%
$100,000 to $149,999	7.8%	6.9%	12.0%
$150,000 to $199,999	2.4%	1.9%	4.1%
$200,000 or more	1.1%	1.4%	3.8%

Sources: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates[1], laborstats.az.gov/local-area-unemployment-statistics (2015 data) [2], U.S. Census Bureau, 2006-2010 American Community Survey[3], laborstats.az.gov/local-area-unemployment-statistics[4], Economic Estimates Commission Department of Revenue Buildings[5]

Show Low was named after a marathon poker game played between two early settlers. They decided there was not enough room for both of them in the community and agreed to let a game of cards decide who was to get the 100,000 acre ranch and who was to move on. According to the story, one of them said, "If you can show low, you win." The other one turned up the deuce of clubs and replied, "show low it is." Show Low got its name from that card game and Show Low's main street is named "Deuce of Clubs" in remembrance.

Show Low was founded in 1870, incorporated in 1953, and is not only the largest city in the White Mountains of Northeastern Arizona it is one of the fastest growing cities in northern Arizona. Show Low is also the business hub and marketing center of the area.

Attractions

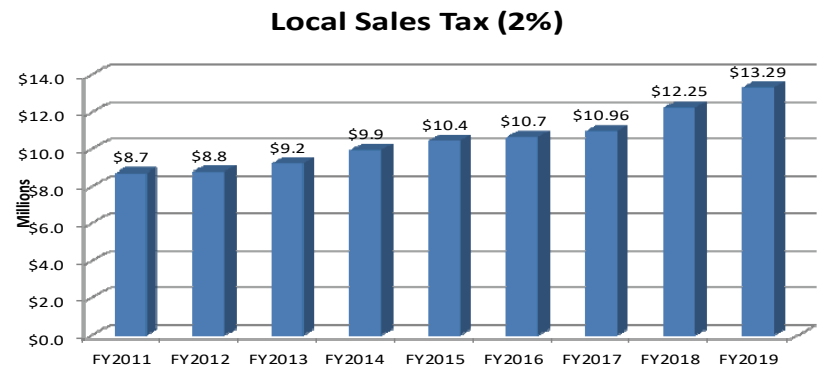
- ⇒ Fishing
- ⇒ Camping
- ⇒ Hiking
- ⇒ Horseback Riding
- ⇒ Golf
- ⇒ Big Game Hunting
- ⇒ Apache Sitgreaves National Forrest
- ⇒ The Mogollon Rim
- ⇒ Sunrise Park Ski Resort, located on the White Moun-

WHERE DOES THE MONEY COME FROM?

Local Transaction Privilege Tax (TPT)

When you make local purchases the City of Show Low collects 2% of the 8.1% sales tax.

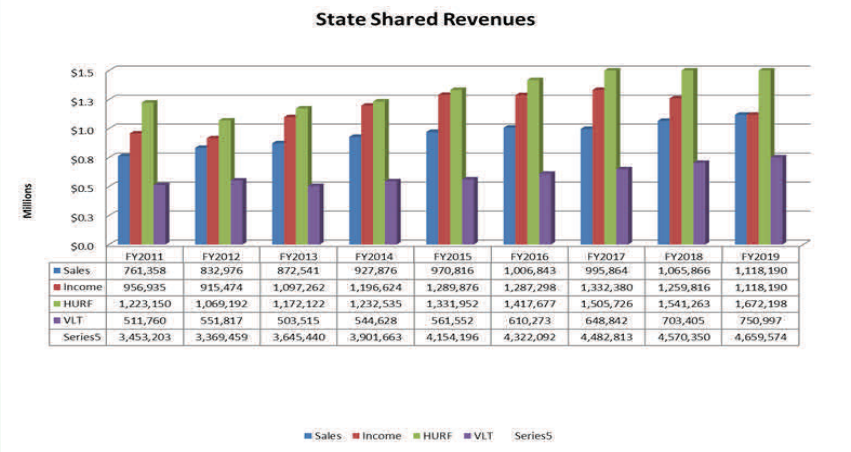
The retail trade has continued to be the most important aspect of the local TPT for the City, accounting for approximately 80% of the total sales tax collection



State Shared Revenue

There are four sources of State Shared Revenues: 1) Income Taxes, 2) Sales Tax, 3) Vehicle License Tax, and 4) Highway User Fund Tax

State Shared Revenues represent 24.4% of all General Fund revenues

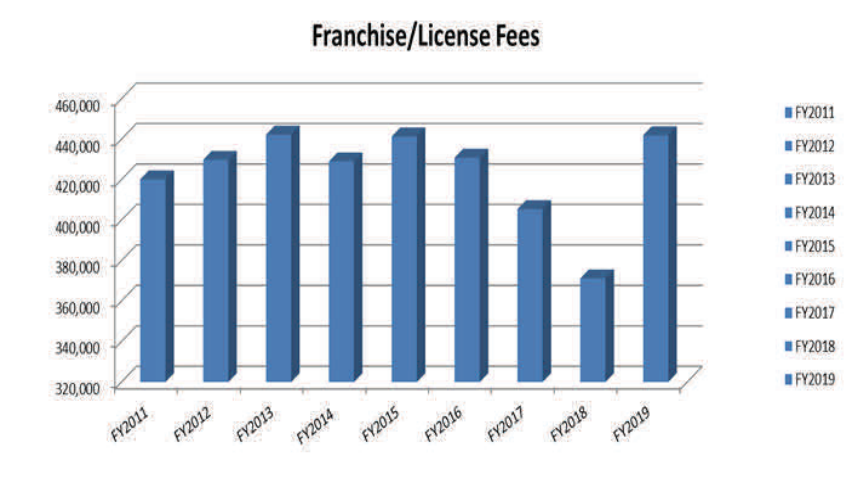


	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Sales	761,358	832,976	872,541	927,876	970,816	1,006,843	995,864	1,065,866	1,118,190
Income	956,935	915,474	1,097,262	1,196,624	1,289,876	1,287,298	1,332,380	1,259,816	1,118,190
HURF	1,223,150	1,069,192	1,172,122	1,232,535	1,331,952	1,417,677	1,505,726	1,541,263	1,672,198
VLT	511,760	551,817	503,515	544,628	561,552	610,273	648,842	703,405	750,997
Series5	3,453,203	3,369,459	3,645,440	3,901,663	4,154,196	4,322,092	4,482,813	4,570,350	4,659,574

Franchise Fees

Franchise fees come from Arizona Public Service, Navopache Electric, Cable One, and Unisource Gas.

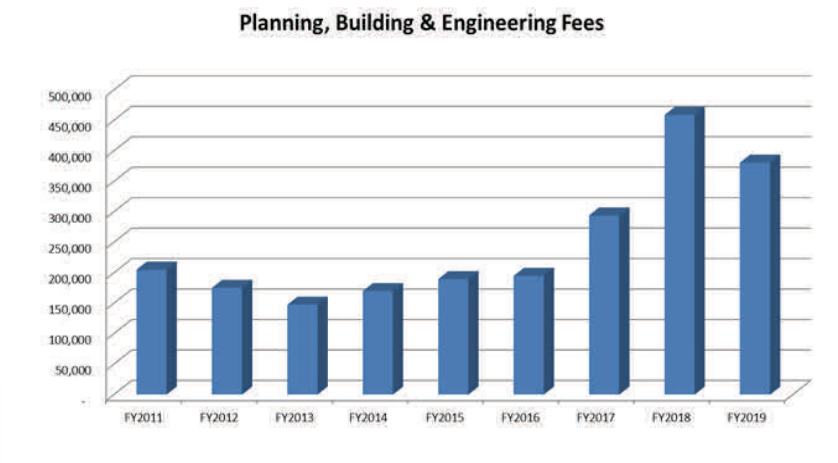
The City collects 2% for all the utilities except cable which is 3%



Planning, Building, & Engineering Fees

These are fees collected as a result of the ongoing development of the City.

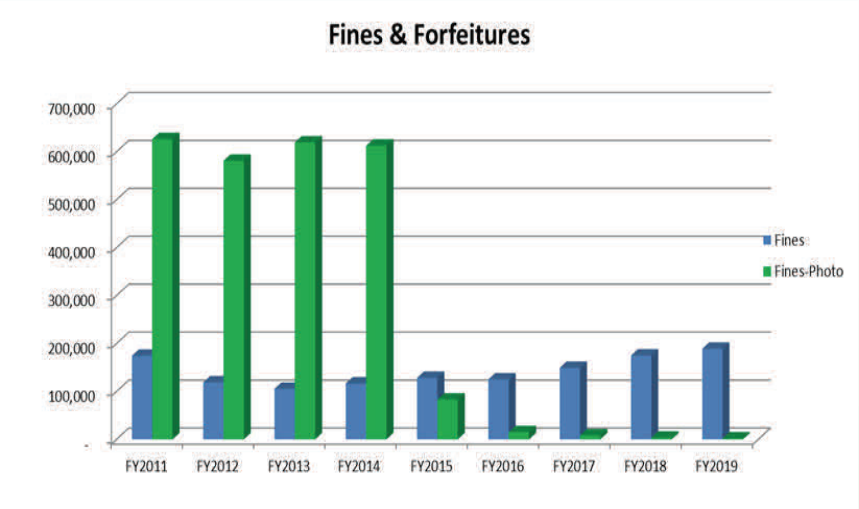
The spike in the FY2018 fees is a direct result of the large hospital expansion by Summit Regional Medical Center



Fines & Forfeitures

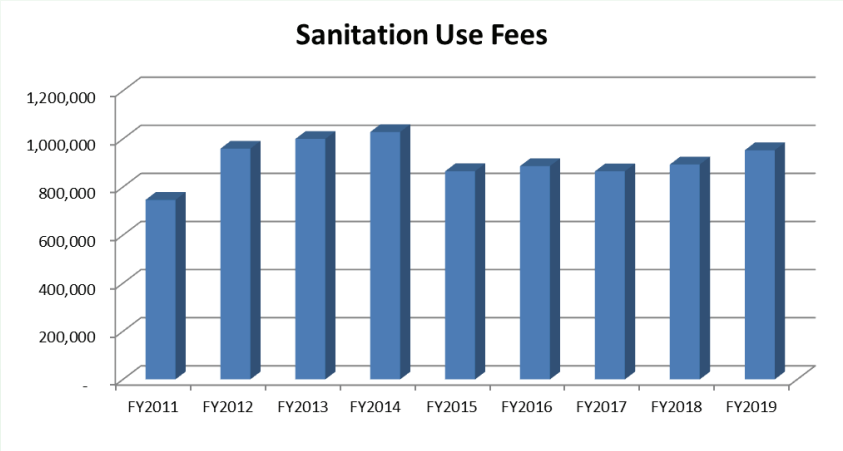
These fees consist of all court-imposed fines issued by the City's Magistrate Court and represent 0.53% of General Fund Revenues.

The Photo-Enforcement Program ended in FY2014. However, fines imposed by the court have remained consistent.



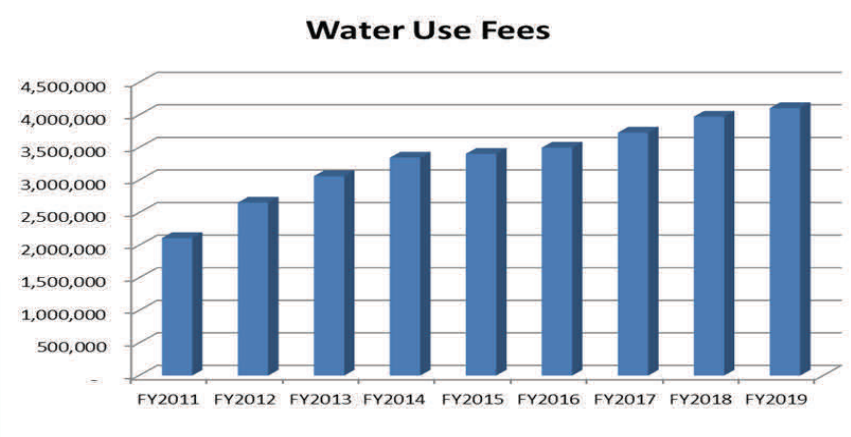
Sanitation Use Fees

Curbside trash and recycling services are provided to approximately 5,748 residents per month. Fees collected assist the City in keeping our area clean and provide additional services to our residents such as the Annual Project Clean Sweep, Christmas Tree Recycling Program, and the Electronic and Hazardous Waste Recycling program each year.



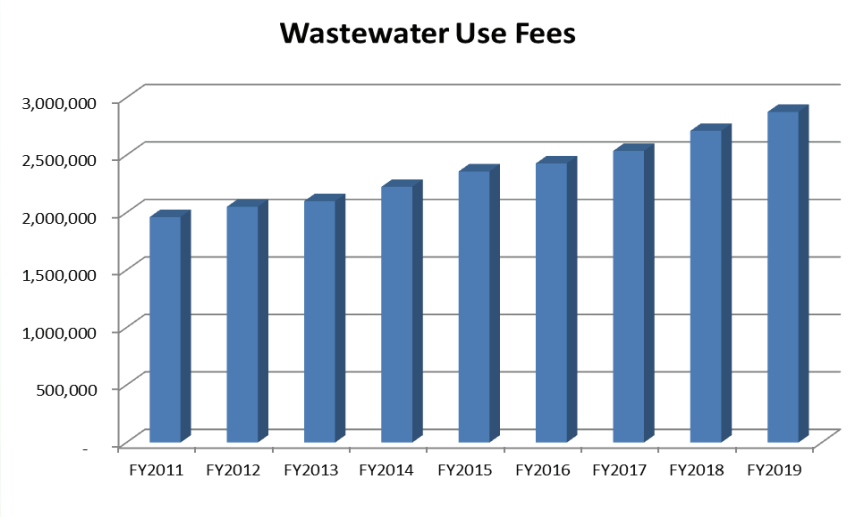
Water Use Fees

The City provides water to approximately 7,624 customers. These fees allow City crews to maintain, replace, and repair infrastructure such as water mains and wells within the city.

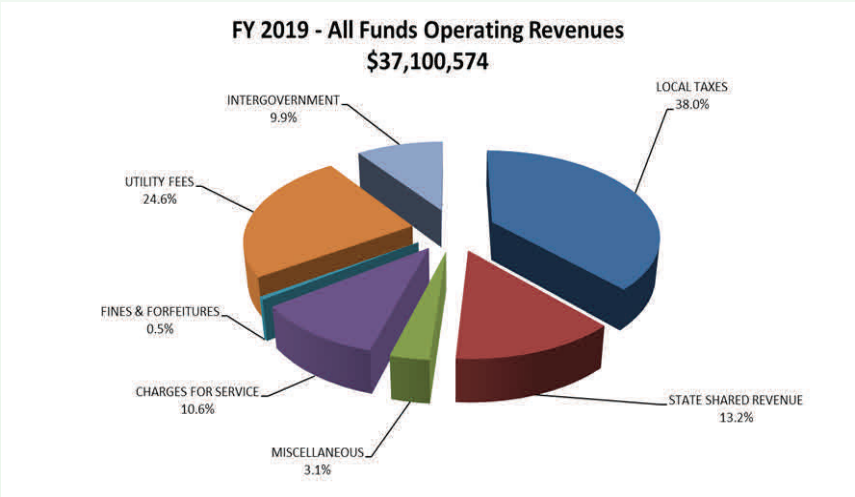


Wastewater Use Fees

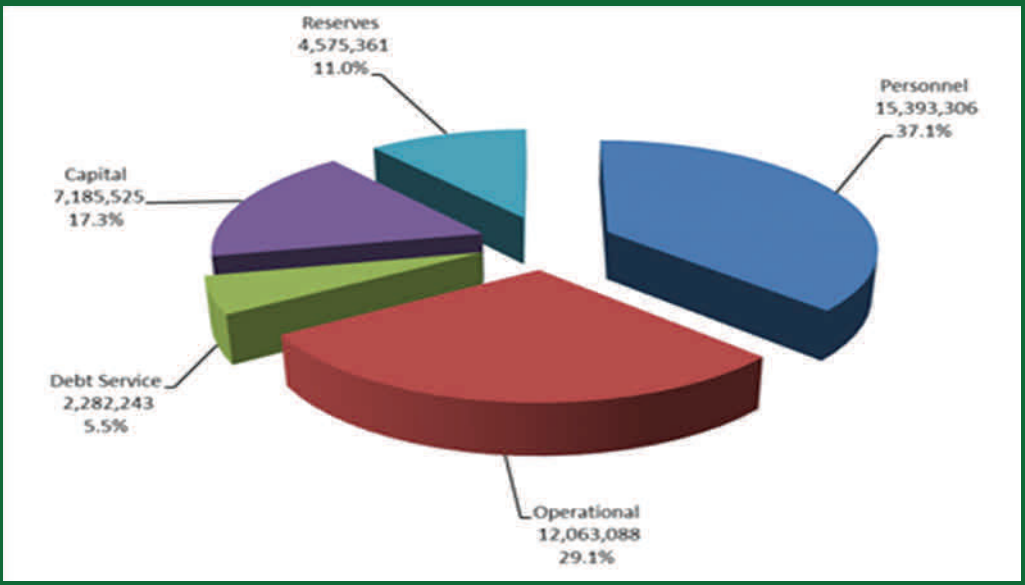
The City provides wastewater services to approximately 6,448 customers. These fees allow City crews to maintain, replace, and repair infrastructure such as wastewater mains, lift stations, and the new Wastewater Treatment Plant (completed in Fiscal Year 2017)



The City of Show Low takes a conservative approach when budgeting revenues each year. Only 95% of expected revenues are budgeted to be spent allowing the City to maintain healthy fund balances for future projects and emergencies.



WHERE DOES THE MONEY GO?



Operational

The City of Show Low has 21 Divisions whose operational costs were 29.1% of the City's FY2019 Actual Expenditures

Reserves

The City of Show Low has approximately $4.57 in operating reserves, which is 11% of the City's Budget and includes:

- ⇒ **2-months operating reserves for the General Fund, Water, and Wastewater**
- ⇒ **$1.0 million in voter required reserves**
- ⇒ **$1.3 million for a Water**

Personnel

The City has 161.5 Full-time Employees and personnel costs account for 37.1% of the City's FY2019 Actual Personnel Costs

Debt Service

The City of Show Low's Debt Service made up 5.5% of the City's FY2019 Actual Expeditures. Total outstanding debt service principle is $18,495,289 million. Detailed Debt Service Schedules are available online at www.showlowaz.gov in the current fiscal year's budget book.

Capital

The City of Show Low's capital expenditures for FY2018/2019 was $7,185,525 which was 17.3% of the City 's Actual Expenditures. The majority of the capital is in Streets, Wastewater, Water, and the Airport focusing on maintaining and adding new infrastructure.

Governmental Fund Trends

The General Fund is the government's primary operating fund. It accounts for all financial resources devoted to finance services associated with local government. These services include the Library, Public Safety, Legal, Magistrate, Parks/Facilities Maintenance, Community Development, and internal support functions. Below is a summary of the General Fund Expenditures by department. Details can be found in the Comprehensive Annual Financial Report and the current Fiscal Year's Budget, both online at www.showlowaz.gov.

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Expenses by Division	Actual	Actual	Actual	Actual	Actual	Budget
City Council	83,471	75,961	124,868	110,316	86,364	376,393
General Operations	3,617,041	5,351,961	4,163,691	3,345,871	2,570,980	4,681,164
Human Resources	237,959	251,860	262,884	263,101	280,321	325,274
Administrative Services	590,570	602,824	651,419	692,081	677,377	777,744
City Magistrate	185,438	183,762	188,300	173,712	122,771	96,047
City Attorney	224,135	231,083	264,699	248,399	248,879	324,839
City Manager	345,658	358,681	406,740	369,261	388,846	462,634
Planning & Zoning	398,240	417,161	410,714	478,601	530,332	593,986
Library	479,685	489,741	492,163	506,378	488,116	879,439
Information Systems	393,049	416,907	317,083	337,117	339,397	379,436
Parks/Facilities Maintenance	800,628	802,222	824,246	1,449,888	1,536,875	1,598,822
Engineering	545,739	575,190	590,468	638,397	728,265	711,157
Police	5,142,928	5,221,804	5,583,466	5,945,404	8,913,304	9,694,034
Parks & Recreation	276,390	350,257	339,215	350,230	373,345	436,117
City Clerk	228,428	238,912	279,826	262,071	288,723	250,647
Show Low TV	190,248	188,426	191,568	193,634	235,534	214,632
Community Services	170,701	170,249	165,952	234,347	227,513	288,134
Cemetery	-	-	-	-	14,755	85,000
Airport	-	-	-	-	3,557,836	1,819,408
Aquatic Center	-	-	-	-	442,734	623,130
Total	13,910,308	15,927,001	15,257,302	15,598,808	22,052,267	24,618,037

Notables:

⇒ Increase in Police Expenditures between FY2017/2018 Actual and FY2018/2019 Actual a result of the following:

* Additional $3.0 million was budgeted towards the City's unfunded liability for the Public Safety Retirement System
* An increase was realized between Fiscal Year 2018/2019 Actual and Fiscal Year 2019/2020 Budget due to an additional $700,000 budgeted towards the City's unfunded liability for the Public Safety Retirement System

⇒ The Cemetery, Airport, and Aquatic Center were moved to the General Fund in Fiscal Year 2018-2019

* Prior to Fiscal Year 2018-2019, each of these departments were considered their own fund receiving a subsidy from the General Fund to cover operational costs
* By moving these departments into the General Fund there is no subsidy payment out of the General Fund required to help cover operational costs

Governmental Fund Trends

The General Fund is the government's primary operating fund. It accounts for all financial resources devoted to finance services associated with local government. These services include the Library, Public Safety, Legal, Magistrate, Parks/Facilities Maintenance, Community Development, and internal support functions. Below is a summary of the General Fund Revenues by Category. Details can be found in the Comprehensive Annual Financial Report and the current Fiscal Year's Budget, both on-line at www.showlowaz.gov.

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Revenues by Category	Actual	Actual	Actual	Actual	Actual	Budget
Local Sales Tax	$10,447,349	$10,652,385	$10,963,170	$10,944,620	$13,294,795	$10,500,000
Franchise Tax	$441,349	$430,861	$395,078	$401,156	$441,929	$395,000
State Shared Revenues	$970,816	$1,006,843	$995,864	$1,007,210	$1,118,190	$1,107,953
Urban Revenue	$1,289,876	$1,287,298	$1,332,380	$1,259,816	$1,343,966	$1,395,461
Vehicle License Tax	$561,552	$610,273	$648,842	$636,845	$750,966	$757,113
HURF Shared Revenue	$1,331,952	$1,417,677	$1,505,726	$1,413,231	$1,672,198	$1,571,582
Licenses and Permits	$170,541	$166,362	$257,322	$359,233	$306,183	$195,800
Charges for Service	$1,441,600	$1,391,169	$1,640,082	$1,934,920	$1,919,445	$2,115,003
Total	$16,655,035	$16,962,871	$17,738,464	$17,957,031	$20,847,672	$18,037,912

Notables:

⇒ Increase in Licenses and Permits between Fiscal Year 2016/2017 and Fiscal Year 2017/2018 are a direct result of the hospital expansion project by Summit Regional Medical Center

⇒ The State Shared Revenues, Urban Revenue, Vehicle License Tax, and HURF Shared Revenues are all programed at 95% of the States estimates.

	State Estimate Fiscal Year 19/20	City Budget Fiscal Year 19/20	95% Difference
Sales Tax	$1,166,266	$1,107,953	$58,313
Income Tax (Urban	$1,468,906	$1,395,461	$73,445
Vehicle License Tax	$796,961	$757,113	$39,848
HURF Shared Revenue	$1,654,297	$1,571,582	$82,715
Total	$5,086,430	$4,832,109	$254,322

Business Type Fund Trends

Proprietary Funds or Business Type Funds include Sanitation, Wastewater and Water. The City charges a fee to customers that is intended to cover all of the costs of services within these funds. Types of services include curbside trash and recycling weekly pick ups, Annual Project Clean Sweep program, Christmas Tree Recycling Program, Electronic and Hazardous Waste Program, Water and Wastewater infrastructure maintenance, repairs, replacements, and additions. Details can be found in the Comprehensive Annual Financial Report and the current Fiscal Year's Budget, both on-line at www.showlowaz.gov.

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Expenditures By Fund	Actual	Actual	Actual	Actual	Actual	Budget
Sanitation	$855,891	$883,157	$879,210	$894,039	$1,011,050	$1,037,000
Wastewater	$2,791,968	$2,740,257	$3,480,075	$5,006,575	$3,392,992	$2,179,468
Water	$3,525,612	$3,654,523	$3,784,322	$4,580,771	$3,506,283	$3,406,602
Total	$7,173,471	$7,277,937	$8,143,607	$10,481,385	$7,910,325	$6,623,070

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Revenues By Fund	Actual	Actual	Actual	Actual	Actual	Budget
Sanitation	$868,074	$889,980	$866,419	$893,848	$956,838	$1,088,714
Wastewater	$2,811,137	$2,597,829	$2,542,267	$3,014,638	$2,936,771	$3,351,028
Water	$3,733,878	$3,877,536	$4,061,822	$4,333,068	$4,820,356	$4,804,304
Total	$7,413,089	$7,365,345	$7,470,508	$8,241,554	$8,713,965	$9,244,046

Notables:

⇒ Wastewater:

* Significant increases in expenditures in the Wastewater Fund for Fiscal Year 2016/2017 and Fiscal Year 2017/2018 are due to the completion of the Wastewater Treatment Plant.

* In Fiscal Year 2018/2019 Wastewater expenditures decreased as some capital expenditures were not completed and were carried forward to FY2019/2020.

* In Fiscal Year 2019/2020 the Wastewater expenditures have decrease significantly to allow the fund to recover costs associated with the construction of the new Wastewater Treatment Plant and capital expenditures.

Statement of Net Position

The statement of net position is a condensed overview of the City's assets and liabilities as of June 30, 2018 and June 30, 2019. The difference represents the amount the City owns compared to the amount owed. A portions of the City's net position reflects its investment of $107,631,305, or 87% in capital assets. An additional portion of $1,173,450, or 1.00%, represents restricted net position. The remaining balance is unrestricted net position of $14,647,544, or 12%. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government and business-type activities. The City can also report the majority of the City's net position is in the investment in capital assets, which is reflective of the City Councils Strategic Goals.

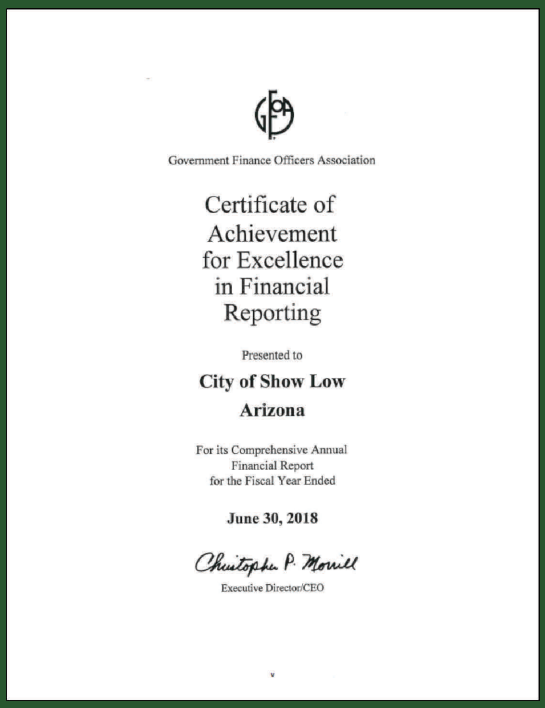
	Governmental Activities		Business-Type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Current and Other Assets	$21,166,944	$20,856,789	$10,131,029	$8,542,600	$31,297,973	$29,399,389
Net capital assets	$71,621,845	$69,862,111	$52,159,342	$52,962,228	$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	$212,309	$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	$0.00	$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**

- **Assets:** Current and other assets are economic resources held with the expectation of sale, conversion to cash or use within the near future, usually twelve months
- **Capital Assets:** Are investments in land, buildings, equipment, improvements and infrastructure that are long-term in nature and therefore not available for future spending
- **Long-Term Liabilities:** Are outstanding are mainly debt obligations incurred by the City to finance major projects or large purchases
- **Other Liabilities:** Are the City's payment obligations due within one year and include principal and interest on long-term debt due within the next year, accounts payable, and accrued items, such as payroll and interest
- **Deferred Outflows/Inflows of Resources:** Deferred outflows/inflows of resources are expenses/revenues that have been incurred/received but are not yet being recognized until a future period
- **Net Position:** Net investment in capital assets represents the City's investment in capital assets less any related outstanding debt used to acquire those assets
- **Restricted Net Position:** Are resources subject to restrictions on how they may be used. The City sets aside resources for debt service, capital projects, street improvements, grantor and contributor purposes.
- **Unrestricted Net Position:** Are the accessible resources available to provide residents services if no additional revenues or resources are obtainable

The financial information is drawn from the City of Show Low's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The CAFR will be presented to the Government Finance Officers Association of the United States and Canada (GFOA) to seek the award for Achievement for Excellence in Financial Reporting.

The Certificate of Achievement is the highest form of recognition for excellence in state and local government reporting and its valid for one year. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

The City of Show Low has received this award for the past 16 years.



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

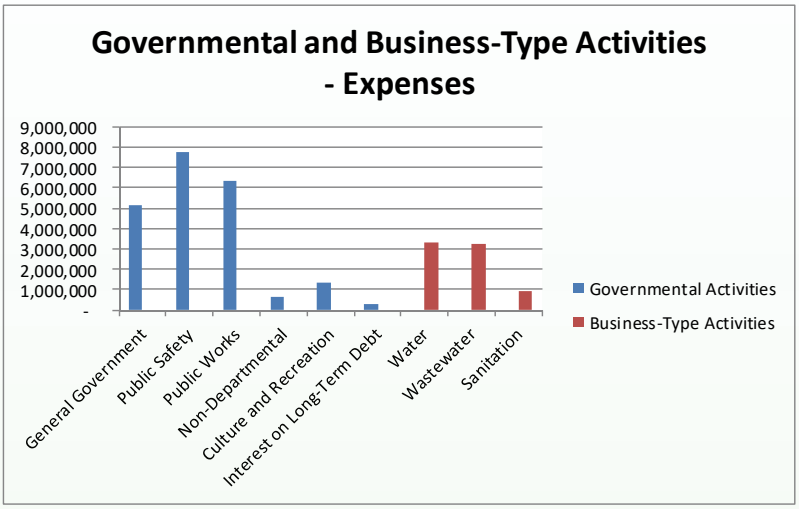
Christopher P. Morrill

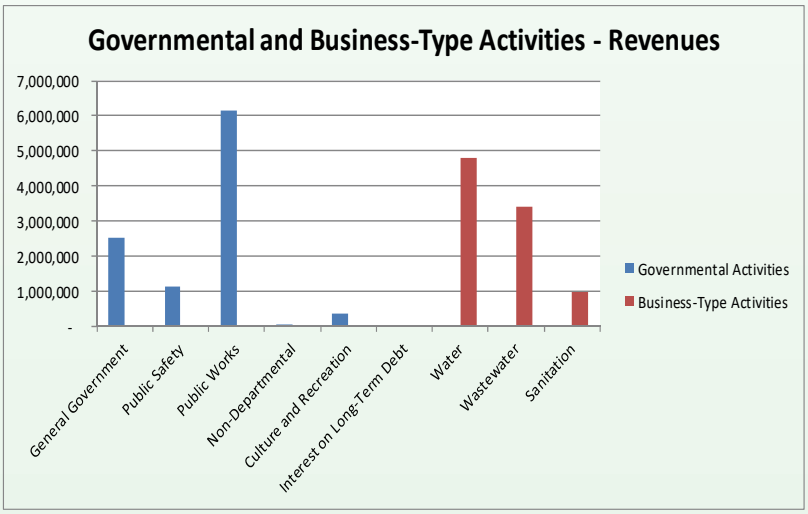
Executive Director/CEO

Financials

Statement of Activities

The graphs below show the expenses and revenues for governmental and business-type activities as it relates to the program category in which the funds were expended or collected. Governmental activities include the General Operating Fund, Debt Service, Capital Projects, and Special Revenue Funds. Business-type activities include Sanitation, Water, and Wastewater Funds.





Investments

The City's investment policy applies to activities of the City of Show Low with regard to investing the financial assets of the General Fund and all other Funds established by the City. The investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investments shall be based on statutory constraints and the primary investment criteria in priority sequence are 1) Safety, 2) Liquidity, and 3) Avoidance of Speculation.

The Arizona State Treasure'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+	365 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

⇒ 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 the 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 no exceed fire years from the time of purchase.

⇒ Fair Value Measurements

As noted above, the City holds investments that are measured at fiar value on a recurring basis. The City categorizes its fair value measurements with in 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 in puts. Level 3 inputs are significant unobservable inputs.

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

Capital Assets

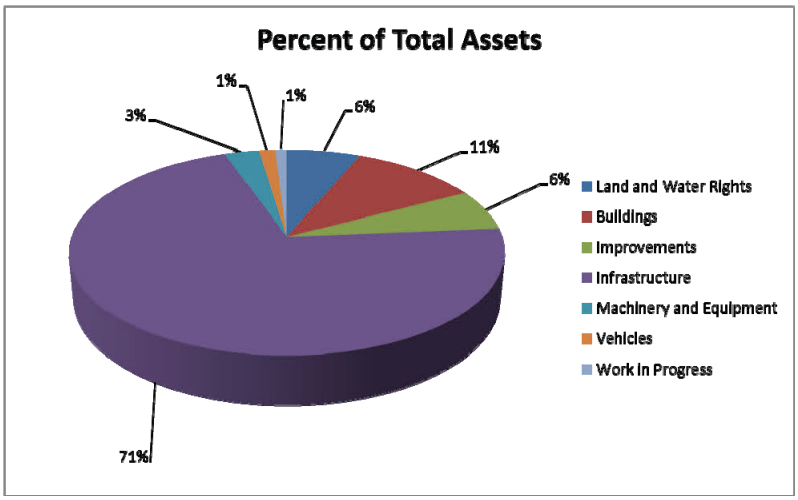
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City 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.

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's Capital Assets (net of depreciation)
As of June 30, 2019

	Governmental Activities		Business-Type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
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	$48,751,991	$87,889,115	$85,728,401
Machinery and Equipment	$1,922,161	$2,008,177	$1,736,911	$1,603,702	$3,659,072	$3,611,879
Vehicles	$1,479,337	$1,271,112	$256,723	$149,547	$1,736,060	$1,420,659
Work in Progress	$567,864	$702,716	$644,245	$911,905	$1,212,108	$1,641,621
Totals	**$71,621,844**	**$69,862,111**	**$52,159,342**	**$52,962,228**	**$123,781,186**	**$122,824,339**



Debt Management

The City utilizes long-term debt to finance capital projects with long useful lives. Financing capital projects with debt provides for an "intergenerational equity", as the actual users of the capital asset pay for its costs over time, rather than one group of users paying in advance for the cost of the asset. The City's debt policy is to provide for the preservation and eventual enhancement of the City's bond ratings, the maintenance of adequate debt service reserves, compliance with debt instrument covenants and provisions, and required disclosures to investors, underwriters, and rating agencies. The policy guidelines will also be used when evaluating the purpose, necessity, and condition under which debt will be issued.

City of Show Low's Outstanding Debt
As of June 30, 2019

Governmental Activities	**Principal Balance**	**Term of Debt**
Community Facilities District	$1,320,000	July 2031
Excise Tax Rev. Ref. Bonds—Series 2015	$8,170,000	July 2026
Butler Note Payable—Land Purchase	$199,501	
Accrued Compensated Absences	$855,503	
Capital Leases	$579,000	July 2028
Landfill Monitoring Costs	$26,988	
Net Pension Liability	$13,998,992	
Total Governmental	**$25,149,984**	
Business-Type Activities		
WIFA Loan—Water PV/FH	$1,492,667	July 2032
WIFA Loan—Water Pineview	$2,705,487	July 2031
Sewer System Rev. Ob.—2014	$1,900,000	July 2024
Accrued Compensated Absences	$105,264	
Net Pension Liability	$1,449,025	
Total Business-Type	**$7,652,442**	
Total Outstanding Debt	**$32,802,426**	

⇒ **Community Facilities District:** Show Low Bluff Community Facilities District Bonds at an interest rate ranging from 5.2% to 5.6% due in annual principal installments and semiannual interest installments.

⇒ **Excise Tax Rev. Ref. Bonds—Series 2015:** At an average coupon rate of 2.42% the 2015 loans were issued and transferred to an Escrow Trust to repay in advance of maturity the $4,722,410 of the GADA Bonds Series 2006B principal and interest and $4,000,000 of the proceeds were issued to finance the costs of the new Public Safety Building. There was $142,590 transferred to an Escrow Trust to pay fees and expenses for the refunding

⇒ **Capital Leases:** The City has entered into a lease agreement which is considered a capital lease in accordance with Generally Accepted Accounting Principles. The Lease is for the Qualified Energy Conservation Bond (QECB)

⇒ **WIFA Loan—Water PV/FH:** Bearing an interest rate of 2.8%, this loan was for the purchase of the Park Valley/Fool Hollow Water System

⇒ **WIFA Loan—Water Pineview:** Bearing an interest rate of 3.096%, this loan was for the purchase of the Pineview Water System

⇒ **Sewer System Rev. Ob.—2014:** Bearing an interest rare of 2.23%, this loan was for the finance costs of the Waste Water Treatment Plant Expansion project

Contact Information

City Staff

City Manager	Ed Muder	emuder@showlowaz.gov
Deputy City Manager	Justin Johnson	jjohnson@showlowaz.gov
Morgan Brown	Attorney	mbrown@showlowaz.gov
Tamra Reidhead	City Clerk	treidhead@showlowaz.gov
Joseph Shelley	Police Chief	jshelley@showlowaz.gov
Shirley Patterson	City Magistrate	spatterson@showlowaz.gov
William Kopp	Public Works Director	bkopp@showlowaz.gov
Jay Brimhall	Community Service Director	jbrimhall@showlowaz.gov
Justen Tregaskes	Planning & Zoning Director	jtregaskes@showlowaz.gov

MAYOR

Daryl Seymore

VICE-MAYOR

Mike Allsop

COUNCIL MEMBERS

Gene Kelley
John Leech Jr.
Connie Kakavas
Rennie Crittenden
Brent Hatch

City of Show Low

180 N 9th Street
Show Low, AZ 85901

928.532.4000 ph
928.532.4044 fax

www.showlowaz.gov