

# City of Show Low, AZ



## Comprehensive Annual Financial Report

Year Ended June 30, 2010  
With Report of Certified Public Accountants

# CITY OF SHOW LOW, ARIZONA

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# City of Show Low

## Finance Department

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December 1, 2010

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, 2010, 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 12,400, 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 41.0 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, and has an airport

## **Economic Conditions**

Along with the rest of the state and nation, the City is experiencing a slowed economic environment, and local indicators point to continued slow to flat growth during 2011. 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 sets out 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.

On March 11, 2008, in accordance with state statutes, the voters of Show Low passed, and the City adopted, the Home Rule (Alternative Expenditure Limitation) Option, which released the City from the state-imposed limitation. The effect of the Home Rule option is to set the City's expenditure limitation at the adopted budget. The Home Rule option is in effect for four consecutive years (Fiscal Years 2008-2012).

As a condition of the Home Rule Option, the City must maintain a reserve of at least one million dollars before any expenditure can be authorized. See the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual, General Fund (Pages 18 and 19) for the budgeted reserve.

### Cash Management

Cash not held with fiscal agents is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Governments Investment Pool. Investment income is allocated to the funds monthly, on the basis of cash provided for investment. The average yield on investments held with the State Treasurer was 0.32% for fiscal year 2009-10.

### Risk Management

The City is a member in the Arizona Risk Retention Pool 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 Arizona Risk Retention Pool for worker's compensation. The City carries commercial insurance for its airport activities.

## **Other Information**

### Independent Audit

The accounting firm of HintonBurdick was selected by the City to perform the annual independent audit. The annual audit is designed to meet the requirements of the Single Audit Act of 1984 and OMB Circular A-133. The independent auditor's report and federal compliance reports are included in the Financial and the Single Audit 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,

Doug Sandstrom  
Finance Director

## **CITY OF SHOW LOW OFFICIALS**

### **MAYOR**

Rick Fernau

### **CITY COUNCIL**

Daryl Seymore, Vice Mayor

Michael Allsop

Gene Kelley

Jack Latham

John Leech Jr.

Gerry Whipple

### **CITY MANAGER AND STAFF**

Ed Muder, City Manager

Joel Weeks, Deputy City Manager

Doug Sandstrom, Finance Director

Ray Herbel, Accounting Manager

Justen Tregaskes, Planning and Zoning Director

Morgan Brown, City Attorney

Ann Kurasaki, City Clerk

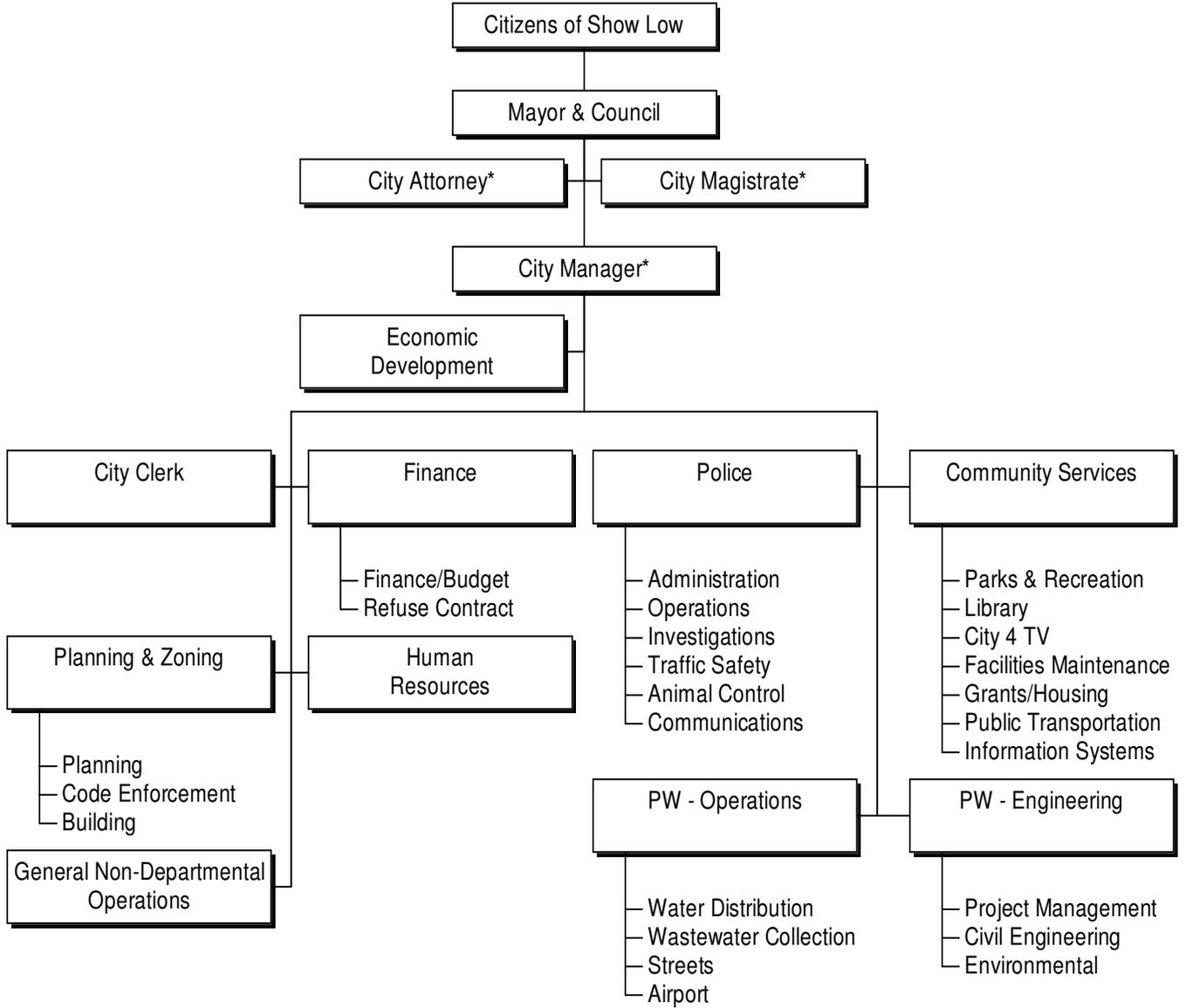
Jeffrey Smythe, Police Chief

Connie Kakavas, Human Resources Director

Bill Kopp, Public Works Director



*City of Show Low, Arizona*  
*Organizational Chart*



**FINANCIAL SECTION**

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**Independent Auditors' Report**

The Honorable Mayor and  
 City Council  
 Show Low, Arizona

MEMBERS:

- CHAD B. ATKINSON
- KRIS J. BRAUNBERGER
- DEAN R. BURDICK
- ROBERT S. COX
- TODD B. FELTNER
- BRENT R. HALL
- TODD R. HESS
- KENNETH A. HINTON
- MORRIS J. PEACOCK
- PHILLIP S. PEINE
- MICHAEL K. SPILKER
- MARK E. TICHENOR

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Show Low's management. Our responsibility is to express an opinion on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund and Airport special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of the City of Show Low'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* and should be considered in assessing the results of our audit.

The Management's Discussion and analysis and the Public Safety Retirement System information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining, individual fund and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Show Low, Arizona. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other information included in this report, designated as the “Introductory Section” and the “Statistical Section” in the table of contents, have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Michael K. Spilker", with a long horizontal flourish extending to the right.

Michael K. Spilker, CPA  
November 5, 2010

**CITY OF SHOW LOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2010**

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, 2010. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- City Sales tax revenue decreased by 7.7 percent from last year and still is the single largest revenue in the budget. This decrease is similar to that being seen across the state and nation due to the overall economic conditions. This decrease is significantly less than the prior years 17.4% decrease.
- At year end the City had nearly completed the construction of a new library and was proceeding with the renovation of the existing library into a city hall.
- The City approved a conservative budget for fiscal year 2010, conducted monthly financial reviews and did some major adjustments to the budget in March, so overall results for the year ending June 30, 2010 were within management's revised projections.

**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 Assets 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 Assets 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 Assets 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 assets and changes in them. Net assets, 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 assets 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.

The Statement of Net Assets 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 or most of the cost of the services provided for water, wastewater, airport, refuse and the family aquatic center.

## **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 Assets 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 in the same way that all activities are reported in the Statement of Net Assets 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 Assets. 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$117.9 million as of June 30, 2010 as shown in the following condensed statement of net assets. The City has chosen to account for its water, sewer and sanitation operations in an enterprise fund which is shown as Business Activities.

### City of Show Low Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current and other assets	\$ 19,679,036	\$ 24,110,459	\$ 9,145,631	\$ 9,523,317	\$ 28,824,667	\$ 33,633,776
Capital assets	65,723,592	45,823,799	45,122,624	61,707,988	110,846,216	107,531,787
Total assets	<u>85,402,628</u>	<u>69,934,258</u>	<u>54,268,255</u>	<u>71,231,305</u>	<u>139,670,883</u>	<u>141,165,563</u>
Long-term liabilities outstanding	18,853,242	18,994,755	57,518	2,168,054	18,910,760	21,162,809
Other liabilities	2,518,824	2,933,622	355,567	386,169	2,874,391	3,319,791
Total liabilities	<u>21,372,066</u>	<u>21,928,377</u>	<u>413,085</u>	<u>2,554,223</u>	<u>21,785,151</u>	<u>24,482,600</u>
Net assets:						
Invested in capital assets, net of related debt	47,397,604	26,842,932	45,065,106	59,558,080	92,462,710	86,401,012
Restricted	2,343,990	2,406,492	7,170,515	6,825,104	9,514,505	9,231,596
Unrestricted	14,288,968	18,756,457	1,619,549	2,293,898	15,908,517	21,050,355
Total net assets	<u>\$ 64,030,562</u>	<u>\$ 48,005,881</u>	<u>\$ 53,855,170</u>	<u>\$ 68,677,082</u>	<u>\$ 117,885,732</u>	<u>\$ 116,682,963</u>

### Governmental Activities

The City has \$139,670,883 in total assets, with \$110,846,216 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.

The City's programs include: General Government, Public Safety, Public Works/Streets, Economic Development, Culture and Recreation, Water, Wastewater, Airport, Refuse 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.

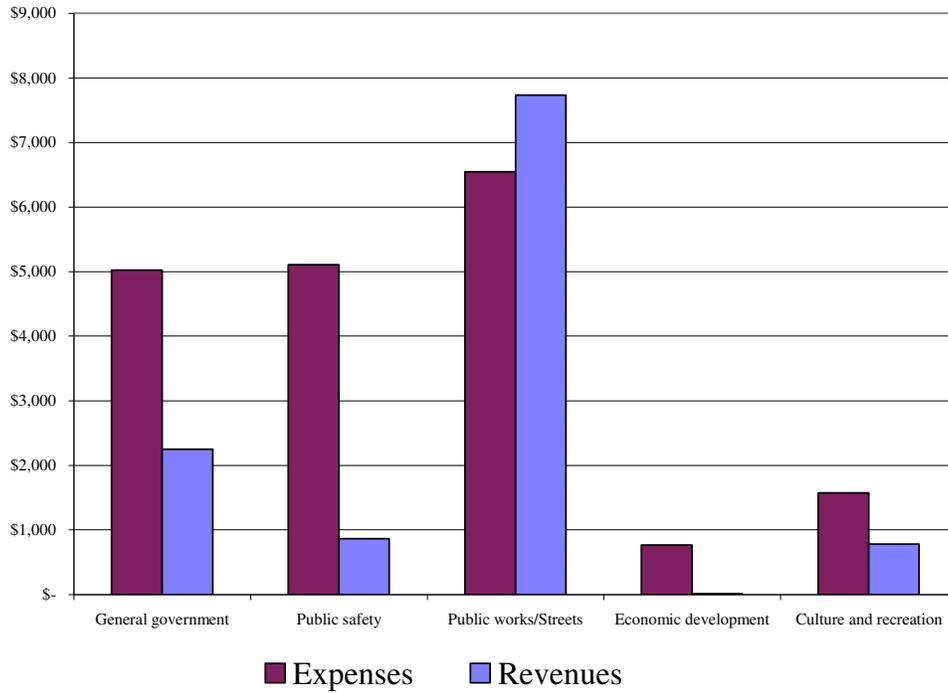
**City of Show Low  
Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Revenues:						
Program revenues:						
Charges for services	\$ 4,123,621	\$ 3,566,565	\$ 4,686,926	\$ 5,817,930	\$ 8,810,547	\$ 9,384,495
Operating grants and contributions	3,804,820	2,269,955	-	-	3,804,820	2,269,955
Capital grants and contributions	3,715,329	2,808,785	1,692,976	1,280,860	5,408,305	4,089,645
General revenues:						
Taxes	10,182,529	10,943,797	-	-	10,182,529	10,943,797
State revenue sharing	1,250,084	1,459,297	-	-	1,250,084	1,459,297
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other revenue/(expense)	69,712	170,039	(197,714)	239,763	(128,002)	409,802
Total revenues	<u>23,146,095</u>	<u>21,218,438</u>	<u>6,182,188</u>	<u>7,338,553</u>	<u>29,328,283</u>	<u>28,556,991</u>
Expenses:						
General government	5,513,628	5,658,484	-	-	5,513,628	5,658,484
Public safety	5,105,901	4,389,665	-	-	5,105,901	4,389,665
Public works/Streets	6,055,886	4,507,493	-	-	6,055,886	4,507,493
Culture and recreation	767,179	631,619	-	-	767,179	631,619
Economic development	1,573,326	1,026,732	-	-	1,573,326	1,026,732
Interest on long-term debt	974,643	1,277,768	-	-	974,643	1,277,768
Water	-	-	2,378,246	2,791,811	2,378,246	2,791,811
Wastewater	-	-	2,455,025	2,712,337	2,455,025	2,712,337
Airport	-	-	-	2,301,370	-	2,301,370
Refuse	-	-	653,491	660,355	653,491	660,355
Family aquatic	-	-	-	502,044	-	502,044
Total expenses	<u>19,990,563</u>	<u>17,491,761</u>	<u>5,486,762</u>	<u>8,967,917</u>	<u>25,477,325</u>	<u>26,459,678</u>
Increase (Decrease) in net assets before transfers	3,155,532	3,726,677	695,426	(1,629,364)	3,850,958	2,097,313
Transfers	125,000	(881,872)	(125,000)	881,872	-	-
Increase (Decrease) in net assets	3,280,532	2,844,805	570,426	(747,492)	3,850,958	2,097,313
Net assets, beginning	63,790,008	45,161,076	53,284,744	69,424,574	117,074,752	114,585,650
Prior period adjustment	(3,039,978)	-	-	-	(3,039,978)	-
Net assets, ending	<u>\$ 64,030,562</u>	<u>\$ 48,005,881</u>	<u>\$ 53,855,170</u>	<u>\$ 68,677,082</u>	<u>\$ 117,885,732</u>	<u>\$ 116,682,963</u>

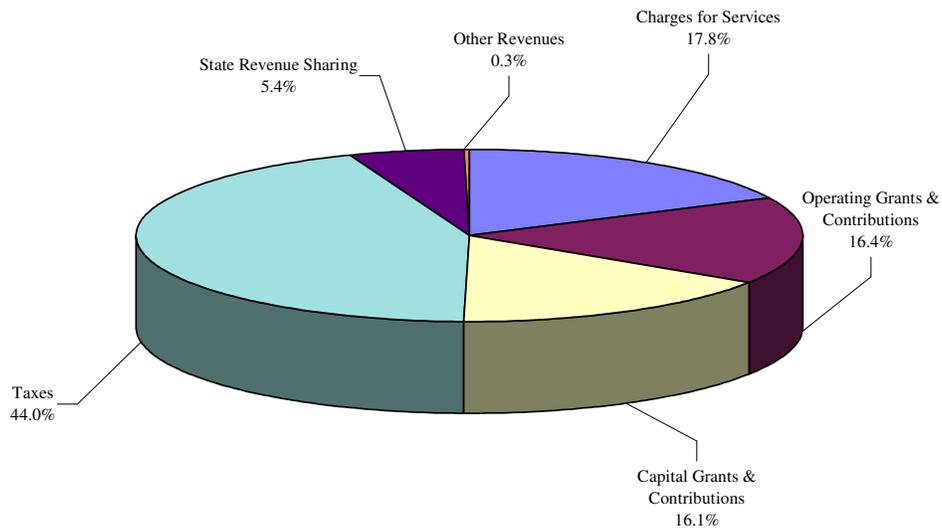
Total resources available during the year to finance governmental operations were \$71 million consisting of Net assets at July 1, 2009 of \$48 million, program revenues of \$11.6 million and General Revenues of \$11.5 million. Total Governmental Activities during the year were \$20 million; thus Governmental Net Assets were increased by \$3,280,532 to \$64 million before the prior period adjustment of \$3 million for capital assets and debt.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



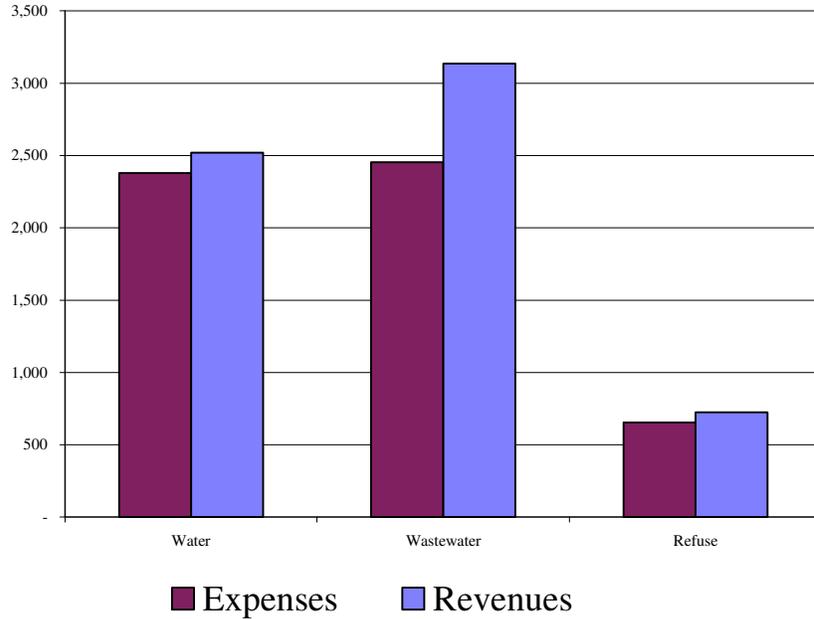
**Revenue By Source - Governmental Activities**



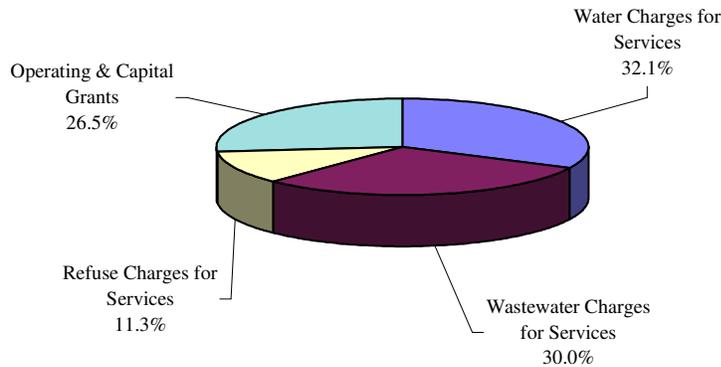
## Business Type Activities

Net assets of the Business Type activities at June 30, 2010, as reflected in the Statement of Net Assets were \$53.8 million. The cost of providing all Proprietary (Business Type) activities this year was \$5.5 million. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$4.7 million and there was \$1.7 million subsidized by capital grants and contributions. Interest earnings and other revenues were \$(197,714) which consists mainly of loss on disposal of capital assets. The Net Assets increased by \$570,426.

**Expenses and Program Revenues - Business-Type Activities**  
(in Thousands)



**Revenue By Source - Business-type Activities**



## **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 spend-able resources. Such information is useful in assessing the City of Show Low's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Show Low's governmental funds reported combined ending fund balances of \$10,339,731, a decrease of \$3,322,521 in comparison with the prior year. Approximately, 82% of this total amount, \$6,917,511 constitutes unreserved, undesignated fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is reserved or designated because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Show Low. At the end of the current fiscal year, unreserved, undesignated fund balance in the general fund was \$6,617,619, while total fund balance is \$6,661,967. As a measure of liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 44.4% of total general fund expenditures, while total fund balance represents 44.7% of the same amount.

During the year, the City of Show Low's general fund balance decreased by \$4,400,590. Key factors in this decrease are as follows:

- Transfers to other major and non-major funds.
- Completion of Large Capital Improvement Projects

The Highway User Revenue Fund has a total fund balance of \$173,526, all of which is reserved for road and street construction and improvements. The net decrease in the fund balance during the current year was \$188,807.

The Improvement District #5 and #6 debt service funds fund balance increased by \$61,862 primarily due to receipts of principal and interest payments exceeding the debt service obligations.

The Show Low Bluff Communities Facilities District debt service fund experienced a \$66,310 change in fund balance for 2010 primarily due to receipts of property taxes, principal and interest payments exceeding the debt service obligations.

## **General Fund Budgetary Highlights**

Tax revenues have a positive variance of \$478,563. Miscellaneous revenue includes a budget of \$14.2 million which represents budget authority for unanticipated grants, gifts, donations or other revenue that the City may receive. The General Operations department variance of \$17,598,935 includes an unanticipated expenditures budget which is directly related to unanticipated revenues. These budget authority accounts exist as Arizona state law does not allow expenditures that are not budgeted. Any transfers from these amounts require council authorization and verification of unanticipated revenue.

Differences between the original budget and the final amended budget were fairly significant. Due mainly to the state of the economy a major budget amendment was proposed to, and adopted by, the city council in March of 2010. This amendment scaled back many departmental budgets to absolute minimum levels in order to address anticipated revenue shortfalls. In addition to addressing revenue shortfalls the amended budget was also adopted in accordance with Arizona state standardized forms.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2010, net capital assets of the government activities totaled \$65.7 million and the net capital assets of the business-type activities totaled \$45.1 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

### **Debt**

At year-end, the City had \$18.85 million in governmental type debt, and \$57,518 in proprietary debt. The debt is a liability of the government and amounts to \$1,525 per capita. During the current fiscal year, the City's total debt decreased by \$2.25 million. (See note 6 to the financial statements for detailed descriptions.)

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

The City of Show Low is experiencing slower economic growth due to the regional, state and national recession. As a result, the City has reduced expenditures in order to match revenues. The City serves as a regional trade and services center for the southern part of Navajo County and a portion of Apache County. The City of Show Low remains a favorite place for retired people to build a summer home. 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 Finance Director, City of Show Low, 180 North 9<sup>th</sup> Street, Suite B, Show Low, Arizona 85901.

**BASIC FINANCIAL STATEMENTS**

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Net Assets**  
**June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,064,315	\$ 1,215,026	\$ 8,279,341
Receivables (net of allowance)	8,709,950	591,707	9,301,657
Prepaid items/Inventory	940,248	116,000	1,056,248
Temporarily restricted assets:			
Cash and cash equivalents	2,964,523	7,222,898	10,187,421
Capital assets (net of accumulated depreciation):			
Land	5,772,884	910,333	6,683,217
Buildings	6,186,299	61,993	6,248,292
Improvements	3,448,915	-	3,448,915
System improvements	-	42,443,649	42,443,649
Machinery and equipment	1,950,399	1,488,404	3,438,803
Vehicles	1,271,834	205,788	1,477,622
Infrastructure/Roads	33,557,326	-	33,557,326
Construction in progress	13,535,935	12,457	13,548,392
Total assets	<u>85,402,628</u>	<u>54,268,255</u>	<u>139,670,883</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	2,248,768	355,567	2,604,335
Interest payable	270,056	-	270,056
Noncurrent liabilities:			
Due within one year	1,745,627	9,434	1,755,061
Due in more than one year	17,107,615	48,084	17,155,699
Total liabilities	<u>21,372,066</u>	<u>413,085</u>	<u>21,785,151</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	47,397,604	45,065,106	92,462,710
Restricted for:			
Highways and streets	47,299	-	47,299
Debt service	1,931,475	-	1,931,475
Capital projects and other	365,216	7,170,515	7,535,731
Unrestricted	14,288,968	1,619,549	15,908,517
Total net assets	<u>\$ 64,030,562</u>	<u>\$ 53,855,170</u>	<u>\$ 117,885,732</u>

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 5,513,628	\$ 2,213,490	\$ 37,374	\$ -	\$ (3,262,764)	\$ -	\$ (3,262,764)
Public safety	5,105,901	267,407	221,982	376,944	(4,239,568)	-	(4,239,568)
Public works/Streets	6,055,886	1,339,434	3,315,049	3,080,142	1,678,739	-	1,678,739
Economic development	767,177	13,569	-	-	(753,608)	-	(753,608)
Culture and recreation	1,573,326	289,722	230,414	258,243	(794,947)	-	(794,947)
Interest on long-term debt	974,645	-	-	-	(974,645)	-	(974,645)
Total governmental activities	19,990,563	4,123,622	3,804,819	3,715,329	(8,346,793)	-	(8,346,793)
<b>Business-type activities:</b>							
Water	2,378,246	2,048,688	-	471,856	-	142,298	142,298
Wastewater	2,455,025	1,914,523	-	1,221,120	-	680,618	680,618
Refuse	653,491	723,717	-	-	-	70,226	70,226
Total business-type activities	5,486,762	4,686,928	-	1,692,976	-	893,142	893,142
Total primary government	\$ 25,477,325	\$ 8,810,550	\$ 3,804,819	\$ 5,408,305			
General Revenues:							
Taxes:							
City sales tax					8,341,697	-	8,341,697
State sales tax					725,415	-	725,415
Property tax					139,867	-	139,867
Auto lieu tax					514,687	-	514,687
Franchise tax					460,863	-	460,863
State sales taxes - revenue sharing (unrestricted)					1,250,084	-	1,250,084
Unrestricted investment earnings					65,012	107,417	172,429
Gain (loss) on sale of capital assets					4,700	(305,132)	(300,432)
Transfers					125,000	(125,000)	-
Total general revenues & transfers					11,627,325	(322,715)	11,304,610
Change in net assets					3,280,532	570,427	3,850,959
Net assets - beginning					63,790,008	53,284,743	117,074,751
Prior period adjustment					(3,039,978)	-	(3,039,978)
Net assets - ending					\$ 64,030,562	\$ 53,855,170	\$ 117,885,732

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

**CITY OF SHOW LOW, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

<b>Assets</b>	<b>General</b>	<b>Airport</b>	<b>Debt Service</b>	
			<b>Improvement District #5</b>	<b>Improvement District #6</b>
Cash and cash equivalents	\$ 6,675,866	\$ -	\$ 10,358	\$ 14,245
Receivables:				
Taxes	922,528	-	-	-
Interest	35,106	-	9,487	12,391
Other	343,427	-	-	-
Assessments	-	-	1,797,979	2,497,415
Intergovernmental	47,262	446,749	-	-
Due from other funds	41,567	-	-	-
Inventories	-	56,990	-	-
Prepaid items	44,348	119,510	-	-
Restricted cash and investments	76,978	-	239,605	438,616
<b>Total assets</b>	<b>\$ 8,187,082</b>	<b>\$ 623,249</b>	<b>\$ 2,057,429</b>	<b>\$ 2,962,667</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 799,738	\$ 385,928	\$ 8,728	\$ -
Accrued wages and benefits	416,314	2,305	-	-
Accrued liabilities	183,317	19,923	-	-
Deposits held	125,746	-	-	-
Deferred revenue	-	-	1,785,697	2,478,112
Due to other funds	-	41,567	-	-
<b>Total liabilities</b>	<b>1,525,115</b>	<b>449,723</b>	<b>1,794,425</b>	<b>2,478,112</b>
Fund Balances:				
Reserved for:				
Road and highways	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	263,004	484,555
Prepaid items	44,348	-	-	-
Designated for:				
Road and highways	-	-	-	-
Unreserved, undesignated reported in:				
General fund	6,617,619	-	-	-
Special revenue funds	-	173,526	-	-
<b>Total fund balances</b>	<b>6,661,967</b>	<b>173,526</b>	<b>263,004</b>	<b>484,555</b>
<b>Total Liabilities and fund balances</b>	<b>\$ 8,187,082</b>	<b>\$ 623,249</b>	<b>\$ 2,057,429</b>	<b>\$ 2,962,667</b>

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

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Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ 200,380	\$ 163,466	\$ 7,064,315
54,601	3,896	981,025
7,948	1,958	66,890
-	-	343,427
1,845,511	445,775	6,586,680
-	237,873	731,884
-	-	41,567
-	-	56,990
-	719,400	883,258
156,223	1,445,151	2,356,573
<u>\$ 2,264,663</u>	<u>\$3,017,519</u>	<u>\$ 19,112,609</u>
\$ -	\$ 125,105	\$ 1,319,499
-	12,664	431,283
-	-	203,240
-	-	125,746
1,886,814	500,920	6,651,543
-	-	41,567
<u>1,886,814</u>	<u>638,689</u>	<u>8,772,878</u>
-	47,299	47,299
-	365,216	365,216
377,849	806,067	1,931,475
-	-	44,348
-	1,033,882	1,033,882
-	-	6,617,619
-	126,366	299,892
<u>377,849</u>	<u>2,378,830</u>	<u>10,339,731</u>
<u>\$ 2,264,663</u>	<u>\$3,017,519</u>	<u>\$ 19,112,609</u>

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**CITY OF SHOW LOW, ARIZONA**  
**Reconciliation of Total Governmental Fund Balance**  
**To Net Assets of Governmental Activities**  
**June 30, 2010**

Total governmental fund balances		\$	10,339,731
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>			
Governmental capital assets		\$	89,819,352
Less accumulated depreciation			<u>(24,095,757)</u>
			65,723,592
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>			
Notes payable		\$	(10,570,000)
Bonds payable			(455,000)
Special assessment bonds			(7,274,000)
Landfill monitoring costs			(26,988)
Compensated absences			<u>(527,254)</u>
			(18,853,242)
<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>			
			(270,056)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>			
			6,651,543
<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 funds reported as governmental activities</p>			
			<u>438,994</u>
Total net assets of governmental activities		\$	<u><u>64,030,562</u></u>

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

REVENUES	General	Airport	Debt Service	
			Improvement District #5	Improvement District #6
Taxes	\$ 8,802,563	\$ -	\$ -	\$ -
Licenses, permits and fees	170,564	-	-	-
Intergovernmental revenue	3,556,050	1,767,438	-	-
Charges for services	306,231	955,445	-	-
Fines and forfeitures	577,634	-	17,186	11,688
Interest	17,465	18,857	1,132	1,829
Impact fees	-	-	-	-
Special assessments	-	-	507,551	520,141
Other revenues	325,152	7,988	-	-
Total revenues	<u>13,755,659</u>	<u>2,749,728</u>	<u>525,869</u>	<u>533,658</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,842,378	-	-	8,023
Public safety	4,596,844	-	-	-
Public works/Streets	1,085,143	829,339	-	-
Economic development	4,573,010	-	-	-
Culture and recreation	803,531	-	-	-
Capital outlay	-	1,813,775	-	-
Debt service				
Principal	-	210,554	395,000	245,000
Interest and fiscal charges	-	84,867	147,044	182,598
Total expenditures	<u>14,900,906</u>	<u>2,938,535</u>	<u>542,044</u>	<u>435,621</u>
Excess of revenues				
Over (Under) Expenditures	<u>(1,145,247)</u>	<u>(188,807)</u>	<u>(16,175)</u>	<u>98,037</u>
<b>Other Financing Sources (Uses):</b>				
Debt issued	-	-	-	-
Sale of assets	3,307	-	-	-
Transfers out	(3,516,850)	-	(10,000)	(10,000)
Transfers in	258,200	-	-	-
Total other financing Sources (Uses)	<u>(3,255,343)</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net change in fund balances	(4,400,590)	(188,807)	(26,175)	88,037
Fund balance, beginning of year	11,126,393	362,333	289,179	396,518
Prior Period Adjustment	(63,836)	-	-	-
Fund balance, end of year	<u>\$ 6,661,967</u>	<u>\$ 173,526</u>	<u>\$ 263,004</u>	<u>\$ 484,555</u>

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

Show Low Bluff		
Communities Facilities District	Non-major Funds	Totals (Memorandum Only)
\$ -	\$ 139,867	\$ 8,942,430
-	-	170,564
-	1,927,247	7,250,735
-	112,866	1,374,542
2,352	-	608,860
357	24,317	63,957
-	105,418	105,418
292,735	144,778	1,465,205
-	130,824	463,964
<u>295,444</u>	<u>2,585,317</u>	<u>20,445,675</u>
18,079	484,500	4,352,980
-	-	4,596,844
-	1,087,298	3,001,780
-	-	4,573,010
-	378,570	1,182,101
-	1,531,484	3,345,259
60,000	1,160,946	2,071,500
<u>151,055</u>	<u>481,242</u>	<u>1,046,806</u>
<u>229,134</u>	<u>5,124,040</u>	<u>24,170,280</u>
<u>66,310</u>	<u>(2,538,723)</u>	<u>(3,724,605)</u>
-	-	-
-	1,389	4,696
-	(113,200)	(3,650,050)
-	3,516,850	3,775,050
-	3,405,039	129,696
66,310	866,316	(3,594,909)
311,539	1,512,514	13,998,476
-	-	(63,836)
<u>\$ 377,849</u>	<u>\$ 2,378,830</u>	<u>\$ 10,339,731</u>

**CITY OF SHOW LOW, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**To The Statement of Activities**  
**For the Year Ended June 30, 2010**

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

Net change in fund balances - total governmental funds		\$ (3,594,909)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital outlay	\$ 7,228,222	
Depreciation expense	<u>(3,275,179)</u>	3,953,043
<p>Governmental funds do not report contributions of capital assets as revenue, unless the assets will be held for sale. However, in the statement of activities, the donation of capital assets is reported as revenue.</p>		
		2,031,700
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of current year payments on assessments.</p>		
		(806,980)
<p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		2,077,667
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(100,099)
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		65,994
<p>The net revenues of certain activities of the internal service fund is reported with governmental activities.</p>		
		<u>(345,884)</u>
Change in net assets of governmental activities		<u><u>\$ 3,280,532</u></u>

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
City sales tax	\$ 7,939,491	\$ 7,939,000	\$ 8,341,700	\$ 402,700
Franchise taxes	359,000	385,000	460,863	75,863
Total taxes	<u>8,298,491</u>	<u>8,324,000</u>	<u>8,802,563</u>	<u>478,563</u>
Licenses and permits	212,500	168,200	170,564	2,364
Intergovernmental revenues:				
State sales tax	751,835	751,800	725,416	(26,384)
Auto lieu tax	564,999	565,000	514,687	(50,313)
Urban revenue sharing	1,276,257	1,275,000	1,250,084	(24,916)
Grant revenues	816,404	987,200	1,065,863	78,663
Total intergovernmental	<u>3,409,495</u>	<u>3,579,000</u>	<u>3,556,050</u>	<u>(22,950)</u>
Charges for services	190,000	260,500	306,231	45,731
Fines and forfeitures	1,888,025	344,600	577,634	233,034
Interest earnings	50,250	1,400	17,465	16,065
Other revenues:				
Cemetery plot sales and services	25,000	28,000	26,064	(1,936)
Development fees	85,000	25,000	32,973	7,973
Charges for administrative services	-	8,000	20,692	12,692
Rent income	-	15,000	18,500	3,500
Miscellaneous revenues	8,686,700	14,571,686	226,923	(14,344,763)
Total other revenues	<u>8,796,700</u>	<u>14,647,686</u>	<u>325,152</u>	<u>(14,322,534)</u>
Total revenues	<u>22,845,461</u>	<u>27,325,386</u>	<u>13,755,659</u>	<u>(13,569,727)</u>
<b>Expenditures</b>				
Current:				
<b>General government:</b>				
City council	344,672	328,100	84,161	243,939
Finance	476,336	443,300	438,382	4,918
City magistrate	276,164	160,300	150,109	10,191
City attorney	298,220	235,500	235,474	26
City manager	345,442	309,500	297,851	11,649
Planning and zoning	531,365	494,500	458,640	35,860
Public information	226,569	216,200	204,587	11,613
Information systems	319,504	253,800	225,963	27,837
Human resources	581,835	581,300	557,844	23,456
Community services administration	1,586,771	1,612,200	1,165,862	446,338
Cemetery	10,000	214,200	23,505	190,695
Total general government	<u>4,996,878</u>	<u>4,848,900</u>	<u>3,842,378</u>	<u>1,006,522</u>

(Continued)

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2010 (Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Public safety:</b>				
Public safety	4,630,954	3,944,500	3,701,149	243,351
Animal control	164,815	145,100	142,984	2,116
Communications	1,056,947	834,000	752,711	81,289
Total public safety	<u>5,852,716</u>	<u>4,923,600</u>	<u>4,596,844</u>	<u>326,756</u>
<b>Public works:</b>				
Maintenance	910,436	691,600	667,245	24,355
City engineer	536,092	418,700	417,898	802
Total public works	<u>1,446,528</u>	<u>1,110,300</u>	<u>1,085,143</u>	<u>25,157</u>
<b>Economic development/promo programs:</b>				
Economic development	16,008,901	22,014,486	4,415,550	17,598,936
City 4 cable TV	156,968	157,500	157,460	40
Total economic development	<u>16,165,869</u>	<u>22,171,986</u>	<u>4,573,010</u>	<u>17,598,976</u>
<b>Culture and recreation:</b>				
Parks and recreation	294,170	319,900	319,832	68
Library	518,034	483,700	483,699	1
Total culture and recreation	<u>812,204</u>	<u>803,600</u>	<u>803,531</u>	<u>69</u>
Total expenditures	<u>29,274,195</u>	<u>33,858,386</u>	<u>14,900,906</u>	<u>18,957,480</u>
Excess of revenues over expenditures	<u>(6,428,734)</u>	<u>(6,533,000)</u>	<u>(1,145,247)</u>	<u>5,387,753</u>
<b>Other financing sources (uses)</b>				
Debt proceeds	35,750	-	-	-
Sale of capital assets	2,500	2,500	3,307	807
Transfers out	(6,697,033)	(3,336,900)	(3,516,850)	(179,950)
Transfers in	-	147,000	258,200	111,200
Total other financing sources and (uses)	<u>(6,658,783)</u>	<u>(3,187,400)</u>	<u>(3,255,343)</u>	<u>(67,943)</u>
<b>Net change in fund balance</b>	(13,087,517)	(9,720,400)	(4,400,590)	5,319,810
Fund balance - beginning	11,126,393	11,126,393	11,126,393	-
Prior Period adjustment	(63,836)	(63,836)	(63,836)	-
Fund balance - ending	<u>\$ (2,024,960)</u>	<u>\$ 1,342,157</u>	<u>\$ 6,661,967</u>	<u>\$ 5,319,810</u>

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Airport Special Revenue Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 6,429,514	\$ 6,119,800	\$ 1,767,438	\$(4,352,362)
Charges for services	1,167,000	1,074,900	955,445	(119,455)
Interest	15,000	12,000	18,857	6,857
Other revenues	30,000	11,000	7,988	(3,012)
Total revenues	<u>7,641,514</u>	<u>7,217,700</u>	<u>2,749,728</u>	<u>(4,467,972)</u>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	1,219,322	1,078,300	829,339	248,961
Capital outlay	10,000	2,372,700	1,813,775	558,925
Debt service				
Principal	296,523	296,600	210,554	86,046
Interest and fiscal charges	-	-	84,867	(84,867)
Total expenditures	<u>1,525,845</u>	<u>3,747,600</u>	<u>2,938,535</u>	<u>809,065</u>
Excess of revenues				
Over (Under) expenditures	<u>6,115,669</u>	<u>3,470,100</u>	<u>(188,807)</u>	<u>(3,658,907)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(445,133)	-	-	-
Transfers in	-	154,700	-	(154,700)
Total other financing Sources (Uses)	<u>(445,133)</u>	<u>154,700</u>	<u>-</u>	<u>(154,700)</u>
Net change in fund balances	5,670,536	3,624,800	(188,807)	(3,813,607)
Fund balance, beginning of year	<u>362,333</u>	<u>362,333</u>	<u>362,333</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 6,032,869</u></u>	<u><u>\$ 3,987,133</u></u>	<u><u>\$ 173,526</u></u>	<u><u>\$(3,813,607)</u></u>

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
<b>Assets</b>					
<b>Current Assets:</b>					
Cash	\$ 984,078	\$ 50,245	\$ 180,703	\$ 1,215,026	\$ -
Receivables (net of allowance)	353,220	174,290	64,197	591,707	44
Inventories	86,000	30,000	-	116,000	-
<b>Total current assets</b>	<b>1,423,298</b>	<b>254,535</b>	<b>244,900</b>	<b>1,922,733</b>	<b>44</b>
<b>Noncurrent Assets:</b>					
Restricted cash and investments	1,207,492	6,015,406	-	7,222,898	607,950
Land	85,855	824,478	-	910,333	-
Buildings	74,054	-	-	74,054	-
System improvements	25,242,031	37,584,451	-	62,826,482	-
Machinery and equipment	1,367,618	1,009,252	-	2,376,870	-
Vehicles	337,782	174,068	-	511,850	-
Construction in progress	-	12,457	-	12,457	-
Accumulated depreciation	(7,911,040)	(13,678,382)	-	(21,589,422)	-
<b>Total noncurrent assets</b>	<b>20,403,792</b>	<b>31,941,730</b>	<b>-</b>	<b>52,345,522</b>	<b>607,950</b>
<b>Total Assets</b>	<b>21,827,090</b>	<b>32,196,265</b>	<b>244,900</b>	<b>54,268,255</b>	<b>607,994</b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	69,900	94,246	60,020	224,166	169,000
Accrued wages and benefits	8,037	4,350	-	12,387	-
Compensated absences	45,611	34,062	-	79,673	-
Customer deposits	39,341	-	-	39,341	-
Notes payable - current portion	-	9,434	-	9,434	-
<b>Total current liabilities</b>	<b>162,889</b>	<b>142,092</b>	<b>60,020</b>	<b>365,001</b>	<b>169,000</b>
<b>Noncurrent liabilities:</b>					
Notes payable, net of current portion	-	48,084	-	48,084	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>48,084</b>	<b>-</b>	<b>48,084</b>	<b>-</b>
<b>Total liabilities</b>	<b>162,889</b>	<b>190,176</b>	<b>60,020</b>	<b>413,085</b>	<b>169,000</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	19,196,300	25,868,806	-	45,065,106	-
Restricted for developer fees	1,168,151	6,002,364	-	7,170,515	-
Unrestricted	1,299,750	134,919	184,880	1,619,549	438,994
<b>Total net assets</b>	<b>\$ 21,664,201</b>	<b>\$ 32,006,089</b>	<b>\$ 184,880</b>	<b>\$ 53,855,170</b>	<b>\$ 438,994</b>

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
<b>Operating Revenues</b>					
Charges for services	\$ 2,044,635	\$ 1,914,522	\$ 723,717	\$ 4,682,874	\$ -
Premiums	-	-	-	-	1,469,949
Other revenues	4,052	-	-	4,052	-
Total operating revenues	<u>2,048,687</u>	<u>1,914,522</u>	<u>723,717</u>	<u>4,686,926</u>	<u>1,469,949</u>
<b>Operating Expenses</b>					
Cost of goods sold	-	-	-	-	-
Salaries, wages and benefits	786,006	506,833	-	1,292,839	-
Administration/legal/contract services	42,649	6,208	627,652	676,509	1,816,888
Field supplies	77,240	28,128	20,900	126,268	-
Repairs and maintenance	354,111	555,165	-	909,276	-
Utilities	274,867	202,494	-	477,361	-
Risk management	-	-	-	-	-
Miscellaneous	8,215	22,079	-	30,294	-
Bad debt expense	17,085	10,330	4,939	32,354	-
Depreciation	818,075	1,102,685	-	1,920,760	-
Total operating expenses	<u>2,378,248</u>	<u>2,433,922</u>	<u>653,491</u>	<u>5,465,661</u>	<u>1,816,888</u>
Operating income (loss)	<u>(329,561)</u>	<u>(519,400)</u>	<u>70,226</u>	<u>(778,735)</u>	<u>(346,939)</u>
<b>Non-operating Revenues (Expenses)</b>					
Interest income	62,248	44,245	925	107,418	1,055
Interest expense and fiscal charges	-	(21,104)	-	(21,104)	-
Intergovernmental	-	222,200	-	222,200	-
Impact fees/Investment fees	59,656	306,160	-	365,816	-
Gain (loss) on sale of assets	(26,694)	(278,438)	-	(305,132)	-
Total non-operating revenue (expense)	<u>95,210</u>	<u>273,063</u>	<u>925</u>	<u>369,198</u>	<u>1,055</u>
Income (loss) before contributions and transfers	(234,351)	(246,337)	71,151	(409,537)	(345,884)
Capital contributions - developers	412,200	692,760	-	1,104,960	-
Transfers out	(50,000)	(25,000)	(50,000)	(125,000)	-
Transfers in	-	-	-	-	-
Change in net assets	127,849	421,423	21,151	570,423	(345,884)
Total net assets, beginning of year	<u>21,536,350</u>	<u>31,584,665</u>	<u>163,729</u>	<u>53,284,744</u>	<u>784,878</u>
Total net assets, end of year	<u>\$ 21,664,199</u>	<u>\$ 32,006,088</u>	<u>\$ 184,880</u>	<u>\$ 53,855,167</u>	<u>\$ 438,994</u>

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Fund Types**  
**For the Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers, service fees	\$ 2,013,158	\$ 1,934,768	\$ 721,531	\$ 4,669,457	\$ 1,470,336
Cash received from customers, other	4,053	-	-	4,053	-
Cash paid to suppliers	(805,556)	(767,872)	(651,455)	(2,224,883)	(1,762,888)
Cash paid to employees	(763,607)	(503,614)	-	(1,267,221)	-
Cash flows from operating activities	<u>448,048</u>	<u>663,282</u>	<u>70,076</u>	<u>1,181,406</u>	<u>(292,552)</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>					
Transfers	(50,000)	(25,000)	(50,000)	(125,000)	-
Cash flows from noncapital and related financing activities	<u>(50,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>	<u>(125,000)</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Proceeds from long term debt	-	57,518	-	57,518	-
Purchase of capital assets	(638,027)	(793,418)	-	(1,431,445)	-
Principal paid on long term debt	-	(352,500)	-	(352,500)	-
Interest paid	-	(21,104)	-	(21,104)	-
Grant proceeds	-	222,200	-	222,200	-
Connection & impact fees	59,656	306,160	-	365,816	-
Cash flows from capital and related financing activities	<u>(578,371)</u>	<u>(581,144)</u>	<u>-</u>	<u>(1,159,515)</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>					
Interest on investments	62,248	44,244	925	107,417	1,055
Net change in cash and cash equivalents	(118,075)	101,382	21,001	4,308	(291,497)
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>2,309,645</u>	<u>5,964,269</u>	<u>159,702</u>	<u>8,433,616</u>	<u>899,447</u>
<b>Cash and cash equivalents, including temporarily restricted cash, end of year</b>	<u><u>\$ 2,191,570</u></u>	<u><u>\$ 6,065,651</u></u>	<u><u>\$ 180,703</u></u>	<u><u>\$ 8,437,924</u></u>	<u><u>\$ 607,950</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Net operating income/(loss)	\$ (329,558)	\$ (519,398)	\$ 70,226	\$ (778,730)	\$ (346,939)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	818,075	1,102,685	-	1,920,760	-
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(31,477)	20,245	(2,186)	(13,418)	387
(Increase)/Decrease in inventory	(32,319)	10,175	-	(22,144)	-
Increase/(Decrease) in payables	928	46,357	2,036	49,321	54,000
Increase/(Decrease) in accrued liabilities & deposits	22,399	3,218	-	25,617	-
Net cash flows from operating activities	<u><u>\$ 448,048</u></u>	<u><u>\$ 663,282</u></u>	<u><u>\$ 70,076</u></u>	<u><u>\$ 1,181,406</u></u>	<u><u>\$ (292,552)</u></u>
<b>Supplemental Schedule of Non-cash Financing and Investing Activities:</b>					
Capital asset contributions	\$ 412,200	\$ 692,760	\$ -	\$ 1,104,960	\$ -

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

**CITY OF SHOW LOW, ARIZONA**  
**Statement Fiduciary Net Assets**  
**Agency Fund**  
**June 30, 2010**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 13,759
Total assets	<u>\$ 13,759</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 624
Slovakian/Sister Cities	2,497
Police Department Evidence	<u>10,638</u>
Total liabilities	<u>\$ 13,759</u>

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

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 1. Summary of Significant Accounting Policies**

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**General**

The accompanying financial statements include all activities of the City of Show Low, Arizona (the City). The accounting policies of the City conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies.

**Reporting Entity**

The 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 operates under a Council-Manager form of government. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The financial statements include all funds that account for activities over which the City's elected mayor and council exercise primary financial management and oversight responsibility. The following is a brief review of the component units included in defining the City's reporting entity. There are no discretely presented component units and two blended component units.

Blended component units included within the reporting entity:

**The City of Show Low Municipal Property Corporation's (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 19, Constitution of Arizona, a tax levying public improvement district for purposes of Article XIII, Section 7, and a municipal corporation for all purposes of 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.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Exceptions to this general rule occur when elimination of charges between funds would distort the direct costs and program revenues reported for the various functions concerned. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than expenditure in the government-wide financial statements.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, state shared revenues, licenses 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 receivable due 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 City.

The City reports the following major governmental funds:

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

The **Airport Fund** accounts for the operation of the municipal airport and the administration of leases of airport property.

The **Debt Service Improvement District #5 and # 6 Funds** are used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

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 for 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.

Additionally, the City reports the following fund types:

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

The **Agency Fund** holds assets in trust for the following entities: Slovakian Sister Cities Fund and Police Department Evidence. 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, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services.

Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted assets are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deposits 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 deposit 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.

**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 Assets 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.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Taxes**

Property tax revenues are recognized as revenues 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.

**Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**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 activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$10,000 and an estimated useful life in excess of one year. Capitalized assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building 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, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Compensated Absences**

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses 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 employee resignations and retirements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 2. Stewardship, Compliance, and Accountability**

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

**Budgets and Budgetary Accounting**

Annual budgets are 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 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 a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on March 11, 2008.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City 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. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 2. Stewardship, Compliance, and Accountability, Continued**

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Supplementary budgetary appropriations were made in March 2010.

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.

**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 report on pages 21-23, 54-56, 62-69 present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2010, if any.

**Highway User Revenue Funds**

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

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**Note 3. Deposits and Investments**

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

Cash and cash equivalents	\$ 8,279,341
Restricted cash and cash equivalents	10,187,421
Agency fund monies	13,759
	<u>\$ 18,480,521</u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2010, none of the City's bank balance of \$1,601,524 was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 3. Deposits and Investments, Continued**

**Investments**

The Arizona State Treasurer’s Office operates the Local Government Investment Pool (LGIP). 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 rated “P1” by Moody’s investors or “A1” by Standard and Poor’s rating 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, 2010 the City had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 1,228,638	N/A	N/A
Cash on hand	1,800	N/A	N/A
Local Governments Investment Pool	17,250,083	N/A	N/A
	<u>\$ 18,480,521</u>		

(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.

**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.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 3. 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.

**Note 4. Restricted Assets**

Restricted assets consisted of the following at June 30, 2010:

**Governmental Activities:**

General Fund:

Reserve for arbitrage - GADA 2006	\$ 76,978
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Debt Service Funds:

Reserved for debt service ID Bonds	678,221
Reserved for debt service CFD Bonds	156,223
Reserved for debt service COPs and GADA 2006	-

Special Revenue Funds:

Reserved for Highways and Streets	968,800
Reserved for LTAF funds	47,299
Reserved for grant proceeds	63,836

Capital Project Funds:

Reserved for capital outlay - investment fees	365,216
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Internal Service Fund:

Reserved for self-insured medical	607,950
Total Governmental Activities	<u>\$ 2,964,523</u>

**Business-Type Activities:**

Water Fund:

Reserved for capital outlay - investment fees	\$ 1,168,151
Customer security deposits	39,341

Wastewater Fund:

Reserved for capital outlay - investment fees	6,015,406
Reserved for debt service 1997 COP	-
Total Governmental Activities	<u>\$ 7,222,898</u>

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 5. Capital Assets**

The following table summarizes the changes to capital assets for governmental activities during the year:

<b>Governmental Activities:</b>	<b>Balance 6/30/2009</b>	<b>Additions</b>	<b>Reclass *</b>	<b>Deletions</b>	<b>Balance 6/30/2010</b>
Capital assets, not being depreciated:					
Land	\$ 4,704,430	\$ -	\$ 1,068,454	\$ -	\$ 5,772,884
Construction in progress	9,208,528	6,360,971	(2,033,564)	-	13,535,935
Total capital assets, not being depreciated	<u>13,912,958</u>	<u>6,360,971</u>	<u>(965,110)</u>	<u>-</u>	<u>19,308,819</u>
Capital assets, being depreciated:					
Buildings	4,591,262	-	5,858,031	-	10,449,293
Improvements other than buildings	3,225,243	10,239	3,768,695	-	7,004,177
Machinery and equipment	6,475,619	121,707	(2,558,997)	(208,994)	3,829,335
Infrastructure	29,681,320	2,670,709	13,433,877	(69,593)	45,716,313
Vehicles	-	96,296	3,512,739	(97,620)	3,511,415
Total capital assets, being depreciated	<u>43,973,444</u>	<u>2,898,951</u>	<u>24,014,345</u>	<u>(376,207)</u>	<u>70,510,533</u>
Less accumulated depreciation for:					
Buildings	(1,260,610)	(768,898)	(2,233,485)	-	(4,262,993)
Improvements other than buildings	(1,250,971)	(281,231)	(2,023,060)	-	(3,555,262)
Machinery and equipment	(3,509,426)	(287,125)	1,708,622	208,994	(1,878,935)
Infrastructure	(6,041,596)	(1,599,580)	(4,587,403)	69,593	(12,158,986)
Vehicles	-	(338,345)	(1,998,856)	97,620	(2,239,581)
Total accumulated depreciation	<u>(12,062,603)</u>	<u>(3,275,179)</u>	<u>(9,134,182)</u>	<u>376,207</u>	<u>(24,095,757)</u>
Total capital assets, being depreciated, net	<u>31,910,841</u>	<u>(376,228)</u>	<u>14,880,163</u>	<u>-</u>	<u>46,414,776</u>
Governmental activities capital assets, net	<u>\$ 45,823,799</u>	<u>\$ 5,984,743</u>	<u>\$13,915,053</u>	<u>\$ -</u>	<u>\$ 65,723,595</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 22,623
Public safety	262,964
Public works/streets	2,605,054
Culture & recreation	384,538
Economic development	-
Total depreciation expense - governmental activities	<u>\$ 3,275,179</u>

\* See footnote 12 regarding prior period adjustment for change in depreciation lives and capital asset inventory adjustment. Also see footnote 11 regarding change in reporting of Airport and Family Aquatics Funds.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 5. Capital Assets, Continued**

The following table summarizes the changes to capital assets for business-type activities during the year.

<b>Business Type Activities:</b>	<b>Balance 6/30/2009</b>	<b>Additions</b>	<b>Reclass *</b>	<b>Deletions</b>	<b>Balance 6/30/2010</b>
Capital assets not being depreciated:					
Land	\$ 3,348,551	\$ -	\$ (2,367,200)	\$ (71,019)	\$ 910,332
Construction in progress	3,153,898	12,457	(2,890,214)	(263,684)	12,457
Total capital assets, not being depreciated	<u>6,502,449</u>	<u>12,457</u>	<u>(5,257,414)</u>	<u>(334,703)</u>	<u>922,789</u>
Capital assets being depreciated:					
Buildings	8,545,400	-	(8,471,346)	-	74,054
Improvements other than buildings	71,020,421	2,308,433	(10,502,372)	-	62,826,482
Machinery and equipment	4,355,907	211,621	(2,176,954)	(13,705)	2,376,869
Vehicles	-	-	511,850	-	511,850
Total capital assets, being depreciated	<u>83,921,728</u>	<u>2,520,054</u>	<u>(20,638,822)</u>	<u>(13,705)</u>	<u>65,789,255</u>
Less accumulated depreciation for:					
Buildings	(2,261,995)	(5,416)	2,255,350	-	(12,061)
Improvements other than buildings	(24,950,078)	(1,710,088)	6,277,333	-	(20,382,833)
Machinery and equipment	(1,504,114)	(141,107)	756,755	-	(888,466)
Vehicles	-	(64,139)	(279,854)	37,931	(306,062)
Total accumulated depreciation	<u>(28,716,187)</u>	<u>(1,920,750)</u>	<u>9,009,584</u>	<u>37,931</u>	<u>(21,589,422)</u>
Total capital assets, being depreciated, net	<u>55,205,541</u>	<u>599,304</u>	<u>(11,629,238)</u>	<u>24,226</u>	<u>44,199,833</u>
Business-type activities capital assets, net	<u>\$ 61,707,990</u>	<u>\$ 611,761</u>	<u>\$(16,886,652)</u>	<u>\$ (310,477)</u>	<u>\$ 45,122,622</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Business-Type Activities:</b>	
Wastewater	1,102,685
Water	818,075
Total depreciation expense - business-type activities	<u>\$ 1,920,760</u>

\* See footnote 12 regarding prior period adjustment for change in depreciation lives and capital asset inventory adjustment. Also see footnote 11 regarding change in reporting of Airport and Family Aquatics Funds.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 6. Long-Term Debt**

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

	Balance 6/30/2009	Reclass	Additions	Retirements	Balance 6/30/2010	Current Portion
<b>Governmental Activities:</b>						
Accrued compensated absences	\$ 406,654	\$ 20,501	\$ 397,693	\$ (297,594)	\$ 527,254	\$ 263,627
Capital leases	6,167	-	-	(6,167)	-	-
Landfill monitoring costs	26,988	-	-	-	26,988	-
Total Other	<u>439,809</u>	<u>20,501</u>	<u>397,693</u>	<u>(303,761)</u>	<u>554,242</u>	<u>263,627</u>
Special assessment bonds						
Improvement District #5	2,375,000	-	-	(395,000)	1,980,000	420,000
Improvement District #6	3,155,000	-	-	(245,000)	2,910,000	305,000
Improvement District #7	553,000	-	-	(49,000)	504,000	52,000
Bluff Community Facilities District	1,930,000	-	-	(50,000)	1,880,000	50,000
Total Special Assessment Bonds	<u>8,013,000</u>	<u>-</u>	<u>-</u>	<u>(739,000)</u>	<u>7,274,000</u>	<u>827,000</u>
General obligation bonds						
Bluff Community Facilities						
District bonds - Series 2007	465,000	-	-	(10,000)	455,000	10,000
Total General Obligation	<u>465,000</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>455,000</u>	<u>10,000</u>
Certificates of Participation						
Certificates of Participation - Series 1997	352,500	-	-	(352,500)	-	-
Certificates of Participation - Series 2000	169,446	140,554	-	(310,000)	-	-
Total Certificates of Participation	<u>521,946</u>	<u>140,554</u>	<u>-</u>	<u>(662,500)</u>	<u>-</u>	<u>-</u>
Loans payable						
Senior Center Note	250,000	-	-	(50,000)	200,000	50,000
GADA Bonds Series - Series 2006B	6,120,000	1,675,000	-	(375,000)	7,420,000	315,000
GADA Bonds Series - Series 2008A	3,185,000	-	-	(235,000)	2,950,000	280,000
Total Loans Payable	<u>9,555,000</u>	<u>1,675,000</u>	<u>-</u>	<u>(660,000)</u>	<u>10,570,000</u>	<u>645,000</u>
Total Governmental Debt	<u>\$ 18,994,755</u>	<u>\$ 1,836,055</u>	<u>\$ 397,693</u>	<u>\$ (2,375,261)</u>	<u>\$ 18,853,242</u>	<u>\$ 1,745,627</u>
<b>Business-Type Activities:</b>						
Accrued compensated absences	\$ 76,926	\$ (20,501)	\$ 80,288	\$ (57,041)	\$ 79,672	\$ 39,836
Total Other	<u>76,926</u>	<u>(20,501)</u>	<u>80,288</u>	<u>(57,041)</u>	<u>79,672</u>	<u>39,836</u>
Certificates of Participation						
Certificates of Participation - Series 1997	352,500	-	-	(352,500)	-	-
Certificates of Participation - Series 2000	140,554	(140,554)	-	-	-	-
Total Certificates of Participation	<u>493,054</u>	<u>(140,554)</u>	<u>-</u>	<u>(352,500)</u>	<u>-</u>	<u>-</u>
Loans payable						
GADA Bonds Series - Series 2006B	1,675,000	(1,675,000)	-	-	-	-
WIFA Loan	-	-	57,518	-	57,518	9,434
Total Loans Payable	<u>1,675,000</u>	<u>(1,675,000)</u>	<u>57,518</u>	<u>-</u>	<u>57,518</u>	<u>9,434</u>
Total Business-Type Long-Term Debt	<u>\$ 2,244,980</u>	<u>\$ (1,836,055)</u>	<u>\$ 137,806</u>	<u>\$ (409,541)</u>	<u>\$ 137,190</u>	<u>\$ 49,270</u>
Total Long-Term Liabilities	<u>\$ 21,239,735</u>	<u>\$ -</u>	<u>\$ 535,499</u>	<u>\$ (2,784,802)</u>	<u>\$ 18,990,432</u>	<u>\$ 1,794,897</u>

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 6. Long-Term Debt, Continued**

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The following is a listing of special assessment bonds outstanding as of June 30, 2010:

**Special Assessment Bonds:**

Show Low Improvement District No. 5 bonds at an interest rate of 6.375% due in annual principal installments ranging from \$200,000 to \$465,000 through January 1, 2015. Interest is payable semiannually.	\$ 1,980,000
Show Low Improvement District No. 6 bonds at an interest rate of 6% due in annual principal installments ranging from \$270,000 to \$545,000 through January 1, 2015. Interest is payable semiannually.	2,910,000
Show Low Improvement District No. 7 bonds at an interest rate of 6% due in annual principal installments ranging from \$47,000 to \$75,000 through January 1, 2018. Interest is payable semiannually.	504,000
Show Low Bluff Community Facilities District bonds at an interest rate ranging from 5.2% to 5.6%, due in annual installments ranging from \$39,000 to \$160,000 through July 1, 2031. Interest is payable semiannually.	<u>1,880,000</u>
Total Special Assessment Bonds	<u><u>\$ 7,274,000</u></u>

Special Assessment debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2011	\$ 827,000	\$ 408,997	\$ 1,235,997
2012	885,000	356,971	1,241,971
2013	938,000	301,412	1,239,412
2014	1,001,000	242,427	1,243,427
2015	634,000	193,148	827,148
2016-2020	1,749,000	532,252	2,281,252
2021-2025	475,000	296,800	771,800
2026-2030	620,000	148,960	768,960
2031-2032	145,000	8,120	153,120
Total	<u>\$ 7,274,000</u>	<u>\$ 2,489,087</u>	<u>\$ 9,763,087</u>

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 6. Long-Term Debt, Continued**

The following is a listing of general obligation bonds outstanding as of June 30, 2010:

**General Obligation Bonds:**

Show Low Bluff Community Facilities District bonds - Series 2007 were issued in the amount of \$480,000. The bonds have an interest rate of 5.875%, due in annual principal installments from \$10,000 to \$25,000 through July 15, 2032. Interest is payable semiannually. \$ 455,000

General obligation bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2011	\$ 10,000	\$ 26,438	\$ 36,438
2012	10,000	25,850	35,850
2013	10,000	25,263	35,263
2014	10,000	24,675	34,675
2015	10,000	24,088	34,088
2016-2020	75,000	107,953	182,953
2021-2025	95,000	83,572	178,572
2026-2030	135,000	50,084	185,084
2031-2032	100,000	9,106	109,106
Total	\$ 455,000	\$ 377,029	\$ 832,029

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 6. Long-Term Debt, Continued**

The following is a listing of loans payable outstanding as of June 30, 2010:

<b>Loans Payable:</b>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
GADA Bonds Series 2006B were issued November 1, 2006, in the amount of \$8,370,000. The 2006 loans were issued to finance or refinance the costs of road improvements, airport improvements and vehicles and police vehicles located in and for the City.	\$ 7,420,000	\$ -
GADA Bonds Series 2008A were issued April 1, 2008 in the amount of \$3,185,000. The 2008 loans were issued to finance the costs of building a new library, council chambers and remodeling existing library for administrative purposes.	2,950,000	-
Note payable to Rural America Assisted Living Facilities, Inc. in the amount of \$250,000. Payable in annual installments \$50,000 plus interest at five percent. Secured by the Senior Center building.	200,000	-
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.863%, maturing July 2029. This loan was approved in July 2009 with a maximum principal balance of \$500,000. On the date of the loan closing, \$250,000 of the principal amount of the loan was forgiven by the Authority in the form of a grant to the City. As of June 30, 2010 the outstanding principal balance to be drawn down was \$192,482.	-	57,518
<b>Total Loans Payable</b>	<u><u>\$ 10,570,000</u></u>	<u><u>\$ 57,518</u></u>

Loans payable debt service maturities are as follows:

Year Ended <u>June 30,</u>	Governmental Activities		Business-Type Activities		<u>Total</u>
	Principal	Interest	Principal	Interest	
2011	\$ 645,000	\$ 474,213	\$ 9,434	7,022	\$ 1,135,669
2012	670,000	448,400	9,704	6,748	1,134,852
2013	695,000	419,756	9,982	6,467	1,131,205
2014	720,000	390,075	10,268	6,177	1,126,520
2015	695,000	359,363	10,562	5,879	1,070,804
2016-2020	3,470,000	1,300,425	57,523	24,613	4,852,561
2021-2025	2,430,000	625,000	66,242	15,768	3,137,010
2026-2029	1,245,000	71,625	76,285	5,583	1,398,493
less undrawn amounts	-	-	(192,482)	-	(192,482)
<b>Total</b>	<u><u>\$ 10,570,000</u></u>	<u><u>\$ 4,088,857</u></u>	<u><u>\$ 57,518</u></u>	<u><u>\$ 78,257</u></u>	<u><u>\$ 14,794,632</u></u>

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 7. Interfund Receivables, Payables and Transfers**

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From:	
Due To:	Airport Fund	Total
General Fund	\$ 41,567	\$ 41,567
Total	\$ 41,567	\$ 41,567

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, 2010 are as follows:

	Transfers in:		
Transfers out:	General	Nonmajor Governmental Funds	Total
General Fund	\$ -	3,516,850	\$ 3,516,850
Improvement District #5	10,000	-	10,000
Improvement District #6	10,000	-	10,000
Nonmajor Governmental Funds	113,200	-	113,200
Water Fund	50,000	-	50,000
Wastewater Fund	25,000	-	25,000
Nonmajor Enterprise Funds	50,000	-	50,000
Total	\$ 258,200	\$ 3,516,850	\$ 3,775,050

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

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 8. Retirement and Pension Plans**

**Arizona State Retirement System (ASRS)**

**Plan Description** - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778. [www.azasrs.gov](http://www.azasrs.gov)

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the current fiscal year, active plan members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement, and 0.5 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

The City's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2008	\$ 384,785	\$ 53,513	\$ 25,482
2009	388,841	50,718	24,152
2010	325,420	39,099	20,364

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

**Plan Description** - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575. [www.psprs.com](http://www.psprs.com)

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 8. Retirement and Pension Plans, Continued**

**Funding Policy** - For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 14.50 percent of covered compensation. The health insurance premium portion of the contribution rate was actuarially set at 0.7 percent of covered payroll.

**Actuarial Methods and Assumptions** - The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (unless noted), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2010 were established by the June 30, 2009 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 to 8.50 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 27 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information on page 52 provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Annual Pension/OPEB Cost** - During the year ended June 30, 2010 the City's annual pension cost of \$265,493 and the annual OPEB cost of \$23,993 was equal to the City's required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2008	\$ 155,751	100%	\$ -
	2009	265,493	100%	-
	2010	*	*	*
Health Insurance	2008	\$ 15,068	100%	\$ -
	2009	23,993	100%	-
	2010	*	*	*

\* Information for fiscal year 2010 is not yet available.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 8. Retirement and Pension Plans, Continued**

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Additional historical trend information for the City's public safety personnel plan is disclosed on page 52. Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

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**Note 9. Risk Management**

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The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In August 1987, the City joined with other cities around the State in the Arizona Municipal Risk Retention Pool, a public entity risk pool currently operating as a common risk management and insurance and workers' compensation program for approximately 73 members. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The Agreement provides that AMRRP 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 19 years, and has had no claims exceeding this insurance coverage.

Premiums are paid annually for the coverage year from August 15 to August 15 and are recorded as prepaid expenditures when paid and charged to expenditures monthly. The Arizona Municipal Risk Retention Pool is structured 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 three fiscal years.

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

**Note 10. 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, 2010.

Sick leave benefits provide for ordinary sick pay and are cumulative to a maximum of forty days. Unvested accumulated sick leave of City employees at June 30, 2010 totaled 3,469.82 days. Sick leave is forfeited upon termination of employment.

At year end, the City had the following major construction projects/commitments open:

Project	Estimated Cost	Construction in Progress
Old Linden Road Reconstruction	\$ 4,630,660	\$ 4,179,419
Runway 6/24 Improvements	\$ 1,874,800	\$ 1,290,382
City Library	\$ 4,722,100	\$ 4,496,703
Nickolaus Park	\$ 1,100,100	\$ 997,309
Duece of Clubs Streetscape	\$ 1,625,300	\$ 743,716

At year end, the City was involved in a case with a street contractor regarding retainage payable on a construction project. At year end, it was not known whether the city would be required to pay anything on the disputed amount, so the payable and related construction in progress are not recorded in the financial statements. Subsequent to year end, the case was settled and the city ended up paying \$450,000, which will be reflected in the fiscal year 2011 financial statements.

**Note 11. Change in Reporting**

For fiscal year 2010, the airport fund and the family aquatic center fund, which had previously been classified as enterprise funds, were reclassified as special revenue funds. Management deemed this classification more appropriate because the funds are not self sustaining. Because enterprise funds are reported on the accrual basis of accounting and special revenue funds are reported on the modified accrual basis of accounting, adjustments relating to long-term liabilities and capital assets were made to the beginning fund balance as reported on the fund statements to convert the funds to governmental funds.

	Airport Fund	Family Aquatics	Total Governmental	Total Business-Type
Beginning Net Assets	\$ 14,061,755	\$ 1,330,584	\$ 48,005,881	\$ 68,677,082
Reclass long-term debt	1,836,055	-	(1,836,055)	1,836,055
Reclass and adjust capital assets, deferred charges and other	(15,535,477)	(1,356,694)	17,620,182	(17,228,393)
Beginning Net Assets/ Fund Balance	<u>\$ 362,333</u>	<u>\$ (26,110)</u>	<u>\$ 63,790,008</u>	<u>\$ 53,284,744</u>

**CITY OF SHOW LOW, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2010**

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**Note 12.      Prior Period Adjustments**

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In the fund statement for the general fund and also for the government wide statements, a prior period adjustment is recorded to move RICO funds from the general fund to the new grants fund. Since these monies were part of fund balance in the general fund, a prior period adjustment was required to move these monies from fund balance in the general fund and report them as a liability in the grants fund.

In the government wide statements, a prior period adjustment is also recorded to account for changes in capital assets. During fiscal year 2010, the City performed an inventory of their capital assets and determined that numerous adjustments needed to be made. See footnote 5, reclass column for the line-item adjustments. Also, the City changed the depreciation lives for the various asset categories. See the new lives on page 32 in footnote 1. A prior period adjustment was recorded to adjust capital assets and fund balance accordingly.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SHOW LOW, ARIZONA  
Required Supplementary Information**

**Schedule of Funding Progress  
PSPRS**

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2003 through June 30, 2010, based on actuarial valuations follows:

<b>Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Liability (AAL)</b>	<b>(b) - (a) Unfunded AAL (UAAL)</b>	<b>(a)/(b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)</b>
June 30, 2003	\$ 2,725,236	\$ 2,736,239	11,003	99.6%	\$ 906,819	1.2%
2004	2,869,122	3,053,065	183,943	94.0%	971,896	18.9%
2005	2,996,674	3,874,909	878,235	77.3%	1,187,903	73.9%
2006	3,504,560	4,221,244	716,684	83.0%	1,307,500	54.8%
2007	3,606,495	5,086,801	1,480,306	70.9%	1,467,953	100.8%
2008	3,868,452	5,275,916	1,407,464	73.3%	1,674,273	84.1%
2009 *	5,036,852	6,395,367	1,358,515	78.8%	1,658,183	81.9%
2010 *	**	**	**	**	**	**

**Post-retirement health insurance subsidy measurements under GASB Statement No. 45**

<b>Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Liability (AAL)</b>	<b>(b) - (a) Unfunded AAL (UAAL)</b>	<b>(a)/(b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)</b>
June 30, 2006	\$ -	\$ 118,327	118,327	0.0%	\$ 1,307,500	9.05%
2007	-	169,459	169,459	0.0%	1,467,953	11.54%
2008	-	132,915	132,915	0.0%	1,674,273	7.94%
2009 *	-	187,220	187,220	0.0%	1,658,183	11.29%
2010 *	**	**	**	**	**	**

Health insurance subsidy payments reported for fiscal year 2009: \$4,305

\* For fiscal years prior to 2009 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, these benefits are disaggregated and reported separately.

\*\* Information for fiscal year 2010 is not yet available.

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

**Debt Service Funds**

- The **Improvement District #5 Debt Service Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for Improvement District #5 governmental debt principal and interest.
- The **Improvement District #6 Debt Service Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for Improvement District #6 governmental debt principal and interest.
- The **Show Low Bluff Communities Facilities District Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for CFD debt principal and interest.

**CITY OF SHOW LOW, ARIZONA**  
**IMPROVEMENT DISTRICT #5 DEBT SERVICE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ 5,500	\$ 1,200	\$ 17,186	\$ 15,986
Interest	1,000	600	1,132	532
Special assessments	625,000	685,000	507,551	(177,449)
Total revenues	<u>631,500</u>	<u>686,800</u>	<u>525,869</u>	<u>(160,931)</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	615,000	615,000	395,000	220,000
Interest and fiscal charges	2,300	350,900	147,044	203,856
Total expenditures	<u>617,300</u>	<u>965,900</u>	<u>542,044</u>	<u>423,856</u>
Excess of revenues				
Over (Under) expenditures	14,200	(279,100)	(16,175)	262,925
<b>Other Financing Sources (Uses):</b>				
Transfers out	(10,000)	(10,000)	(10,000)	-
Total other financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balances	4,200	(289,100)	(26,175)	262,925
Fund balance, beginning of year	<u>289,179</u>	<u>289,179</u>	<u>289,179</u>	<u>-</u>
Fund balance, end of year	<u>\$ 293,379</u>	<u>\$ 79</u>	<u>\$ 263,004</u>	<u>\$ 262,925</u>

**CITY OF SHOW LOW, ARIZONA**  
**IMPROVEMENT DISTRICT #6 DEBT SERVICE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ 1,000	\$ 500	\$ 11,688	\$ 11,188
Interest	1,000	1,000	1,829	829
Special assessments	565,000	637,700	520,141	(117,559)
Total revenues	<u>567,000</u>	<u>639,200</u>	<u>533,658</u>	<u>(105,542)</u>
<b>EXPENDITURES</b>				
General government	1,000	2,700	8,023	(5,323)
Debt service				
Principal	475,000	475,000	245,000	230,000
Interest and fiscal charges	2,000	548,000	182,598	365,402
Total expenditures	<u>478,000</u>	<u>1,025,700</u>	<u>435,621</u>	<u>590,079</u>
Excess of revenues				
Over (Under) expenditures	89,000	(386,500)	98,037	484,537
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balances	79,000	(396,500)	88,037	484,537
Fund balance, beginning of year	<u>396,518</u>	<u>396,518</u>	<u>396,518</u>	<u>-</u>
Fund balance, end of year	<u>\$ 475,518</u>	<u>\$ 18</u>	<u>\$ 484,555</u>	<u>\$ 484,537</u>

**CITY OF SHOW LOW, ARIZONA**  
**SHOW LOW BLUFF COMMUNITIES FACILITIES DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ 2,353	\$ 2,353
Interest	5,000	100	357	257
Special assessments	200,000	244,200	292,735	48,535
Total revenues	<u>205,000</u>	<u>244,300</u>	<u>295,445</u>	<u>51,145</u>
<b>EXPENDITURES</b>				
General government	-	-	18,079	(18,079)
Capital outlay	821,674	326,800	-	326,800
Debt service:				
Principal	189,416	121,500	60,000	61,500
Interest and fiscal charges	40,000	107,900	151,055	(43,155)
Total expenditures	<u>1,051,090</u>	<u>556,200</u>	<u>229,134</u>	<u>327,066</u>
Excess of revenues				
Over (Under) expenditures	<u>(846,090)</u>	<u>(311,900)</u>	<u>66,311</u>	<u>378,211</u>
<b>Other Financing Sources (Uses):</b>				
Debt issued	831,674	-	-	-
Total other financing	<u>831,674</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sources (Uses)	<u>831,674</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(14,416)	(311,900)	66,311	378,211
Fund balance, beginning of year	<u>311,538</u>	<u>311,538</u>	<u>311,538</u>	<u>-</u>
Fund balance, end of year	<u>\$ 297,122</u>	<u>\$ (362)</u>	<u>\$ 377,849</u>	<u>\$ 378,211</u>

**SUPPLEMENTARY INFORMATION**  
**COMBINING STATEMENTS**  
**AND BUDGETARY COMPARISON SCHEDULES**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **Highway User Revenue Special Revenue Fund** is used to account for revenue sources that are legally restricted for road construction and maintenance.
- The **Local Transportation Assistance** fund is used to account for the City's portion of the State lottery distributions that are restricted for use for highways and streets.
- The **Street Lighting District** fund is used to account for property taxes assessed and collected for the payment of street lighting utilities, maintenance and improvements.
- The **Public Transportation** fund is used to account for charges for services and grants for the operation, maintenance and improvement of the City's rural transportation system.
- The **Family Aquatic** fund is used to account for activities of the City's Family Aquatic center.
- The **Grants** fund is used to account for RICO funds, JCEF funds, Magistrate funds and other grants restricted for a specific use.

**Debt Service Funds**

- The **Improvement District #7** debt service fund is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for Improvement District #7 governmental debt principal and interest.
- The **Other Debt Service** fund is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for other governmental debt principal and interest.

**Capital Project Funds**

- The **Open Spaces Impact Fee** fund is used to account for development impact fees earmarked for open spaces development.
- The **Recreation Impact Fee** fund is used to account for development impact fees earmarked for recreation facilities.

**CITY OF SHOW LOW, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

	Special Revenue					
	Highway User Revenue Fund	Local Transportation Assistance	Street Lighting District	Public Transportation	Family Aquatic	Grants
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ 29,248	\$ 57,700	\$ 500	\$ -
Receivables:						
Taxes	-	-	3,896	-	-	-
Interest	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Intergovernmental	112,048	-	-	125,825	-	-
Prepaid Items	-	-	-	-	-	-
Restricted Cash	968,800	47,299	-	-	-	63,836
Total assets	<u>\$ 1,080,848</u>	<u>\$ 47,299</u>	<u>\$ 33,144</u>	<u>\$ 183,525</u>	<u>\$ 500</u>	<u>\$ 63,836</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	\$ 39,676	\$ -	\$ 22,364	\$ 49,423	\$ 13,642	\$ -
Accrued wages and salaries	7,290	-	-	-	5,374	-
Deferred revenues	-	-	-	-	-	63,836
Total liabilities	<u>46,966</u>	<u>-</u>	<u>22,364</u>	<u>49,423</u>	<u>19,016</u>	<u>63,836</u>
Fund Balance:						
Reserved by statute or for specific use	-	47,299	-	-	-	-
Reserved for debt service	-	-	-	-	-	-
Designated for road and highways	1,033,882	-	-	-	-	-
Unreserved, undesignated	-	-	10,780	134,102	(18,516)	-
Total fund balance	<u>1,033,882</u>	<u>47,299</u>	<u>10,780</u>	<u>134,102</u>	<u>(18,516)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,080,848</u>	<u>\$ 47,299</u>	<u>\$ 33,144</u>	<u>\$ 183,525</u>	<u>\$ 500</u>	<u>\$ 63,836</u>

Debt Service		Capital Project		
Improvement District #7	Other Debt Service	Open Spaces Impact Fee	Recreation Impact Fee	Total
\$ 76,018	\$ -	\$ -	\$ -	\$ 163,466
-	-	-	-	3,896
1,958	-	-	-	1,958
445,775	-	-	-	445,775
-	-	-	-	237,873
-	719,400	-	-	719,400
-	-	171,445	193,771	1,445,151
<u>\$ 523,751</u>	<u>\$ 719,400</u>	<u>\$ 171,445</u>	<u>\$ 193,771</u>	<u>\$ 3,017,519</u>
\$ -	\$ -	\$ -	\$ -	\$ 125,105
-	-	-	-	12,664
437,084	-	-	-	500,920
<u>437,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,689</u>
-	-	171,445	193,771	412,515
86,667	719,400	-	-	806,067
-	-	-	-	1,033,882
-	-	-	-	126,366
<u>86,667</u>	<u>719,400</u>	<u>171,445</u>	<u>193,771</u>	<u>2,378,830</u>
<u>\$ 523,751</u>	<u>\$ 719,400</u>	<u>\$ 171,445</u>	<u>\$ 193,771</u>	<u>\$ 3,017,519</u>

**CITY OF SHOW LOW, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	Special Revenue					
	Highway User Revenue Fund	Local Transportation Assistance	Street Lighting District	Public Transportation	Family Aquatic Center	Grants
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ 139,867	\$ -	\$ -	\$ -
Intergovernmental	1,273,949	29,738	-	623,560	-	-
Charges for services	-	-	-	-	112,866	-
Investment earnings	32	273	59	273	-	-
Impact fees	94,751	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Other revenues	52,012	-	-	76,716	-	-
<b>Total revenues</b>	<b>1,420,744</b>	<b>30,011</b>	<b>139,926</b>	<b>700,549</b>	<b>112,866</b>	<b>-</b>
<b>EXPENDITURES:</b>						
General government	-	-	-	484,500	-	-
Public works/Streets	945,194	-	142,104	-	-	-
Culture and recreation	-	-	-	-	378,570	-
Capital outlay	1,374,210	10,460	-	146,814	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,319,404</b>	<b>10,460</b>	<b>142,104</b>	<b>631,314</b>	<b>378,570</b>	<b>-</b>
Excess of revenues						
Over (under) expenditures	(898,660)	19,551	(2,178)	69,235	(265,704)	-
Other Financing Sources (Uses):						
Debt issued	-	-	-	-	-	-
Sale of Assets	1,389	-	-	-	-	-
Transfers out	-	-	-	(111,200)	-	-
Transfers in	1,818,290	-	-	59,656	273,298	-
<b>Total other financing sources (uses):</b>	<b>1,819,679</b>	<b>-</b>	<b>-</b>	<b>(51,544)</b>	<b>273,298</b>	<b>-</b>
Net change in fund balances	921,019	19,551	(2,178)	17,691	7,594	-
Fund balance, beginning of year	112,863	27,748	12,958	116,411	(26,110)	-
Fund balance, end of year	<u>\$ 1,033,882</u>	<u>\$ 47,299</u>	<u>\$ 10,780</u>	<u>\$ 134,102</u>	<u>\$ (18,516)</u>	<u>\$ -</u>

Debt Service		Capital Project		
Improvement District #7	Other Debt Service	Open Spaces Impact Fee	Recreation Impact Fee	Total
\$ -	\$ -	\$ -	\$ -	\$ 139,867
-	-	-	-	1,927,247
-	-	-	-	112,866
41	22,666	457	516	24,317
-	-	4,911	5,756	105,418
144,778	-	-	-	144,778
2,096	-	-	-	130,824
<u>146,915</u>	<u>22,666</u>	<u>5,368</u>	<u>6,272</u>	<u>2,585,317</u>
-	-	-	-	484,500
-	-	-	-	1,087,298
-	-	-	-	378,570
-	-	-	-	1,531,484
49,000	1,111,946	-	-	1,160,946
29,693	451,549	-	-	481,242
<u>78,693</u>	<u>1,563,495</u>	<u>-</u>	<u>-</u>	<u>5,124,040</u>
<u>68,222</u>	<u>(1,540,829)</u>	<u>5,368</u>	<u>6,272</u>	<u>(2,538,723)</u>
-	-	-	-	-
-	-	-	-	1,389
(2,000)	-	-	-	(113,200)
-	1,012,030	166,077	187,499	3,516,850
<u>(2,000)</u>	<u>1,012,030</u>	<u>166,077</u>	<u>187,499</u>	<u>3,405,039</u>
66,222	(528,799)	171,445	193,771	866,316
20,445	1,248,199	-	-	1,512,514
<u>\$ 86,667</u>	<u>\$ 719,400</u>	<u>\$ 171,445</u>	<u>\$ 193,771</u>	<u>\$ 2,378,830</u>

**CITY OF SHOW LOW, ARIZONA  
HIGHWAY USER  
SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 3,506,209	\$ 2,965,600	\$ 1,273,949	\$(1,691,651)
Interest	50,000	100	32	(68)
Impact fees	50,000	65,000	94,751	29,751
Other revenues	25,000	-	52,012	52,012
Total revenues	<u>3,631,209</u>	<u>3,030,700</u>	<u>1,420,744</u>	<u>(1,609,956)</u>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	1,494,085	943,400	945,194	(1,794)
Capital outlay	<u>4,035,639</u>	<u>4,382,200</u>	<u>1,374,210</u>	<u>3,007,990</u>
Total expenditures	<u>5,529,724</u>	<u>5,325,600</u>	<u>2,319,404</u>	<u>3,006,196</u>
Excess of revenues Over (Under) expenditures	<u>(1,898,515)</u>	<u>(2,294,900)</u>	<u>(898,660)</u>	<u>1,396,240</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Assets	5,000	2,000	1,389	(611)
Transfers in	<u>2,155,100</u>	<u>2,180,100</u>	<u>1,818,290</u>	<u>(361,810)</u>
Total other financing Sources (Uses)	<u>2,160,100</u>	<u>2,182,100</u>	<u>1,819,679</u>	<u>(362,421)</u>
Net change in fund balances	261,585	(112,800)	921,019	1,033,819
Fund balance, beginning of year	<u>112,863</u>	<u>112,863</u>	<u>112,863</u>	<u>-</u>
Fund balance, end of year	<u>\$ 374,448</u>	<u>\$ 63</u>	<u>\$ 1,033,882</u>	<u>\$ 1,033,819</u>

**CITY OF SHOW LOW, ARIZONA**  
**LOCAL TRANSPORTATION ASSISTANCE**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 53,719	\$ 53,700	\$ 29,738	\$ (23,962)
Interest	1,000	200	273	73
Total revenues	<u>54,719</u>	<u>53,900</u>	<u>30,011</u>	<u>(23,889)</u>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	-	-	-	-
Capital outlay	<u>238,656</u>	<u>81,600</u>	<u>10,460</u>	<u>71,140</u>
Total expenditures	<u>238,656</u>	<u>81,600</u>	<u>10,460</u>	<u>71,140</u>
Excess of revenues				
Over (Under) expenditures	(183,937)	(27,700)	19,551	47,251
Fund balance, beginning of year	<u>27,748</u>	<u>27,748</u>	<u>27,748</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (156,189)</u></u>	<u><u>\$ 48</u></u>	<u><u>\$ 47,299</u></u>	<u><u>\$ 47,251</u></u>

**CITY OF SHOW LOW, ARIZONA  
STREET LIGHTING DISTRICT  
SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 140,000	\$ 140,000	\$ 139,867	\$ (133)
Interest	250	100	59	(41)
Total revenues	<u>140,250</u>	<u>140,100</u>	<u>139,926</u>	<u>(174)</u>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	137,500	151,800	142,104	9,696
Capital outlay	<u>79,627</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>217,127</u>	<u>151,800</u>	<u>142,104</u>	<u>9,696</u>
Excess of revenues				
Over (Under) expenditures	(76,877)	(11,700)	(2,178)	9,522
Fund balance, beginning of year	<u>12,958</u>	<u>12,958</u>	<u>12,958</u>	<u>-</u>
Fund balance, end of year	<u>\$ (63,919)</u>	<u>\$ 1,258</u>	<u>\$ 10,780</u>	<u>\$ 9,522</u>

**CITY OF SHOW LOW, ARIZONA**  
**PUBLIC TRANSPORTATION**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 1,188,271	\$ 1,062,900	\$ 623,560	\$ (439,340)
Interest	250	500	273	(227)
Miscellaneous	12,000	51,500	76,716	25,216
Total revenues	<u>1,200,521</u>	<u>1,114,900</u>	<u>700,549</u>	<u>(414,351)</u>
<b>EXPENDITURES</b>				
Current:				
General government	609,020	572,100	484,500	87,600
Capital outlay	<u>686,000</u>	<u>686,000</u>	<u>146,814</u>	<u>539,186</u>
Total expenditures	<u>1,295,020</u>	<u>1,258,100</u>	<u>631,314</u>	<u>626,786</u>
Excess of revenues				
Over (Under) expenditures	(94,499)	(143,200)	69,235	212,435
<b>Other Financing Sources (Uses):</b>				
Sale of Assets	-	-	4	4
Transfers out	-	-	(111,200)	(111,200)
Transfers in	<u>-</u>	<u>26,800</u>	<u>59,656</u>	<u>32,856</u>
Total other financing Sources (Uses)	<u>-</u>	<u>26,800</u>	<u>(51,540)</u>	<u>(78,340)</u>
Net change in fund balances	(94,499)	(116,400)	17,695	134,095
Fund balance, beginning of year	<u>116,411</u>	<u>116,411</u>	<u>116,411</u>	<u>-</u>
Fund balance, end of year	<u>\$ 21,912</u>	<u>\$ 11</u>	<u>\$ 134,106</u>	<u>\$ 134,095</u>

**CITY OF SHOW LOW, ARIZONA**  
**FAMILY AQUATIC CENTER**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 120,000	\$ 88,700	\$ 112,866	\$ 24,166
Total revenues	<u>120,000</u>	<u>88,700</u>	<u>112,866</u>	<u>24,166</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	411,768	378,600	378,570	30
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>411,768</u>	<u>378,600</u>	<u>378,570</u>	<u>30</u>
Excess of revenues				
Over (Under) expenditures	(291,768)	(289,900)	(265,704)	24,196
<b>Other Financing Sources (Uses):</b>				
Transfers out	(273,793)	-	-	-
Transfers in	<u>-</u>	<u>303,500</u>	<u>273,298</u>	<u>(30,202)</u>
Total other financing Sources (Uses)	<u>(273,793)</u>	<u>303,500</u>	<u>273,298</u>	<u>(30,202)</u>
Net change in fund balances	(565,561)	13,600	7,594	(6,006)
Fund balance, beginning of year	<u>(26,110)</u>	<u>(26,110)</u>	<u>(26,110)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (591,671)</u></u>	<u><u>\$ (12,510)</u></u>	<u><u>\$ (18,516)</u></u>	<u><u>\$ (6,006)</u></u>

**CITY OF SHOW LOW, ARIZONA**  
**GRANTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 260,016	\$ 264,600	\$ -	\$ (264,600)
Total revenues	<u>260,016</u>	<u>264,600</u>	<u>-</u>	<u>(264,600)</u>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	-	-	-	-
Capital outlay	<u>180,477</u>	<u>264,600</u>	<u>-</u>	<u>264,600</u>
Total expenditures	<u>180,477</u>	<u>264,600</u>	<u>-</u>	<u>264,600</u>
Excess of revenues				
Over (Under) expenditures	79,539	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 79,539</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF SHOW LOW, ARIZONA**  
**IMPROVEMENT DISTRICT #7**  
**DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ 2,096	\$ 2,096
Interest	2,500	100	41	(59)
Special assessments	125,000	137,400	144,778	7,378
Total revenues	<u>127,500</u>	<u>137,500</u>	<u>146,915</u>	<u>9,415</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	79,090	79,100	49,000	30,100
Interest and fiscal charges	2,000	76,800	29,693	47,107
Total expenditures	<u>81,090</u>	<u>155,900</u>	<u>78,693</u>	<u>77,207</u>
Excess of revenues				
Over (Under) expenditures	46,410	(18,400)	68,222	86,622
<b>Other Financing Sources (Uses):</b>				
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing Sources (Uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>
Net change in fund balances	44,410	(20,400)	66,222	86,622
Fund balance, beginning of year	<u>20,445</u>	<u>20,445</u>	<u>20,445</u>	<u>-</u>
Fund balance, end of year	<u>\$ 64,855</u>	<u>\$ 45</u>	<u>\$ 86,667</u>	<u>\$ 86,622</u>

**CITY OF SHOW LOW, ARIZONA**  
**OTHER DEBT SERVICE**  
**DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ 10,000	\$ 21,000	\$ 22,666	\$ 1,666
Total revenues	<u>10,000</u>	<u>21,000</u>	<u>22,666</u>	<u>1,666</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	1,066,362	1,116,500	1,111,946	4,554
Interest and fiscal charges	<u>561,082</u>	<u>470,900</u>	<u>451,549</u>	<u>19,351</u>
Total expenditures	<u>1,627,444</u>	<u>1,587,400</u>	<u>1,563,495</u>	<u>23,905</u>
Excess of revenues				
Over (Under) expenditures	<u>(1,617,444)</u>	<u>(1,566,400)</u>	<u>(1,540,829)</u>	<u>25,571</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,009,287)	-	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>1,012,030</u>	<u>1,012,030</u>
Total other financing Sources (Uses)	<u>(1,009,287)</u>	<u>-</u>	<u>1,012,030</u>	<u>1,012,030</u>
Net change in fund balances	(2,626,731)	(1,566,400)	(528,799)	1,037,601
Fund balance, beginning of year	<u>1,248,199</u>	<u>1,248,199</u>	<u>1,248,199</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,378,532)</u>	<u>\$ (318,201)</u>	<u>\$ 719,400</u>	<u>\$ 1,037,601</u>

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**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

**CITY OF SHOW LOW, ARIZONA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules By Source**  
**June 30, 2010 and 2009**

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	2010	2009
<b>Capital assets:</b>		
Land	\$ 5,772,884	\$ 4,704,430
Buildings	10,449,293	4,591,262
Improvements	7,004,177	3,225,243
Furniture, Equipment and Vehicles	3,829,335	6,475,619
Infrastructure/Streets	45,716,313	29,681,320
Construction in Progress	13,535,935	9,208,528
Vehicles	3,511,415	-
	\$ 89,819,352	\$ 57,886,402
 <b>Investment in capital assets by source:</b>		
Investment in property acquired by all sources excluding donations	\$ 85,714,142	\$ 55,812,892
Donations *	4,105,210	2,073,510
	\$ 89,819,352	\$ 57,886,402

\* The donations listed are for 2009 and 2010 additions only. The prior years' donations are not available.

**CITY OF SHOW LOW, ARIZONA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity**  
**June 30, 2010**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Furniture, Equipment and Vehicles</u>	<u>Infrastructure/ Streets</u>	<u>Construction in Progress</u>	<u>Vehicles</u>	<u>Total</u>
General Government	\$ -	\$ -	\$ -	\$ 157,083	\$ -	\$ -	\$ 168,295	\$ 325,378
Public Works/Streets	3,897,922	7,467,490	4,546,209	2,597,895	45,716,313	7,489,942	2,180,228	73,895,999
Public Safety	10,000	772,374	145,287	822,354	-	40,050	1,162,892	2,952,957
Culture and Recreation	1,864,962	2,209,429	2,312,681	252,003	-	6,005,943	-	12,645,018
Totals	<u>\$ 5,772,884</u>	<u>\$ 10,449,293</u>	<u>\$ 7,004,177</u>	<u>\$ 3,829,335</u>	<u>\$ 45,716,313</u>	<u>\$ 13,535,935</u>	<u>\$ 3,511,415</u>	<u>\$ 89,819,352</u>

**CITY OF SHOW LOW, ARIZONA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Year Ended June 30, 2010**

<u>Function and Activity</u>	<u>Capital Assets July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2010</u>
General Government	\$ 6,183,379	\$ 76,965	\$ (5,934,966)	\$ 325,378
Public Works and Streets	41,707,586	32,252,253	(63,840)	73,895,999
Public Safety	3,033,092	167,664	(247,799)	2,952,957
Public Works	2,265,923	-	(2,265,923)	-
Economic Development	76,615	-	(76,615)	-
Culture and Recreation	4,619,807	8,035,977	(10,766)	12,645,018
Totals	<u>\$ 57,886,402</u>	<u>\$ 40,532,859</u>	<u>\$ (8,599,909)</u>	<u>\$ 89,819,352</u>

## 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 .....	76
<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 .....	81
<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 .....	88
<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.....	91
<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 .....	94
<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**  
**Net Assets by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Fiscal Year	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	N/A	N/A	\$ 3,268,520	\$ 5,047,274	\$ 8,025,270	\$ 11,108,140	\$ 10,495,243	\$ 17,649,736	\$ 26,842,932	\$ 47,397,604
Restricted			10,449,679	9,833,472	8,719,606	8,366,723	2,014,571	3,613,847	2,406,492	2,343,990
Unrestricted			3,756,812	5,180,212	6,020,782	8,969,170	24,688,903	23,897,494	18,756,457	14,288,968
Total governmental activities net assets	\$ -	\$ -	\$ 17,475,011	\$ 20,060,958	\$ 22,765,658	\$ 28,444,033	\$ 37,198,717	\$ 45,161,077	\$ 48,005,881	\$ 64,030,562
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	N/A	N/A	\$ 39,637,789	\$ 42,473,129	\$ 43,445,397	\$ 46,176,330	\$ 51,406,630	\$ 59,791,861	\$ 59,558,080	\$ 45,065,106
Restricted			3,850,746	8,819,520	3,909,842	3,909,842	5,985,776	6,101,282	6,825,104	7,170,515
Unrestricted			394,501	(6,181,546)	1,075,383	2,478,312	3,696,002	3,531,432	2,293,898	1,619,549
Total Business-type activities net assets	\$ -	\$ -	\$ 43,883,036	\$ 45,111,103	\$ 48,430,622	\$ 52,564,484	\$ 61,088,408	\$ 69,424,575	\$ 68,677,082	\$ 53,855,170
<b>Primary government</b>										
Invested in capital assets, net of relate debt	N/A	N/A	\$ 42,906,309	\$ 47,520,403	\$ 51,470,667	\$ 57,284,470	\$ 61,901,873	\$ 77,441,597	\$ 86,401,012	\$ 92,462,710
Restricted	-	-	14,300,425	18,652,992	12,629,448	12,276,565	8,000,347	9,715,129	9,231,596	9,514,505
Unrestricted	-	-	4,151,313	(1,001,334)	7,096,165	11,447,482	28,384,905	27,428,926	21,050,355	15,908,517
Total Primary government net assets	\$ -	\$ -	\$ 61,358,047	\$ 65,172,061	\$ 71,196,280	\$ 81,008,517	\$ 98,287,125	\$ 114,585,652	\$ 116,682,963	\$ 117,885,732

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

Expenses	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>										
General government	\$ -	\$ -	\$ 3,921,783	\$ 4,104,054	\$ 4,002,302	\$ 3,989,285	\$ 4,779,683	\$ 4,884,207	\$ 5,658,484	\$ 5,513,628
Public safety	-	-	2,266,130	2,844,624	3,005,895	3,759,395	4,061,614	4,270,497	4,389,665	5,105,901
Public Works <sup>1</sup>	-	-	2,766,797	2,872,362	2,872,918	3,077,390	4,261,420	4,051,944	4,507,493	6,055,886
Economic development <sup>2</sup>	-	-	-	-	-	-	-	-	631,619	767,177
Culture and recreation <sup>3</sup>	-	-	597,382	704,400	845,588	849,871	985,496	973,501	1,026,732	1,573,326
Interest on long-term debt	-	-	781,075	725,521	929,135	603,688	826,485	755,375	1,277,768	974,645
<b>Total governmental activities expenses</b>	<b>-</b>	<b>-</b>	<b>10,333,167</b>	<b>11,250,961</b>	<b>11,655,838</b>	<b>12,279,629</b>	<b>14,914,698</b>	<b>14,935,524</b>	<b>17,491,761</b>	<b>19,990,563</b>
<b>Business-type activities:</b>										
Water	-	-	2,763,342	1,579,290	1,928,857	1,992,474	2,088,639	2,264,614	2,791,811	2,378,246
Wastewater	-	-	-	1,467,116	1,742,718	2,066,814	1,659,410	2,482,065	2,712,337	2,455,025
Airport	-	-	1,497,573	1,359,784	1,926,814	1,764,740	2,129,881	2,297,975	2,301,370	-
Family Aquatic	-	-	478,869	520,308	456,557	468,936	463,100	481,478	660,355	-
Refuse	-	-	456,713	537,815	559,758	645,161	506,854	586,308	502,044	653,491
<b>Total business-type activities expenses</b>	<b>-</b>	<b>-</b>	<b>5,196,497</b>	<b>5,464,313</b>	<b>6,614,704</b>	<b>6,938,125</b>	<b>6,847,884</b>	<b>8,112,440</b>	<b>8,967,917</b>	<b>5,486,762</b>
<b>Total primary government expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,529,664</b>	<b>\$ 16,715,274</b>	<b>\$ 18,270,542</b>	<b>\$ 19,217,754</b>	<b>\$ 21,762,582</b>	<b>\$ 23,047,964</b>	<b>\$ 26,459,678</b>	<b>\$ 25,477,325</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for services:</b>										
General government	-	-	651,232	272,940	998,298	456,815	608,541	509,708	2,787,815	2,213,490
Culture and recreation	-	-	74,501	82,630	104,526	78,507	1,017,628	674,822	128,149	289,722
Other activities	-	-	117,315	79,052	82,312	895,774	1,593,626	1,569,276	650,640	1,620,410
Operating grants and contributions	-	-	427,430	216,550	654,087	152,870	-	-	2,269,916	3,804,819
Capital grants and contributions	-	-	960,209	382,948	379,539	333,283	6,210,914	3,013,594	2,808,785	3,715,329
<b>Total governmental activities program revenues</b>	<b>-</b>	<b>-</b>	<b>2,230,687</b>	<b>1,034,120</b>	<b>2,218,762</b>	<b>1,917,249</b>	<b>9,430,709</b>	<b>5,767,400</b>	<b>8,645,305</b>	<b>11,643,770</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	-	-	2,271,808	1,800,949	2,189,915	2,030,071	2,365,512	2,373,304	2,020,118	2,048,688
Wastewater	-	-	-	1,668,035	1,938,463	2,270,913	2,686,146	2,547,067	1,912,187	1,914,523
Airport <sup>1</sup>	-	-	872,047	767,773	930,197	1,040,160	1,898,709	1,240,029	1,083,344	-
Family Aquatic Center <sup>3</sup>	-	-	96,147	99,982	131,190	98,166	100,440	102,547	109,637	-
Refuse	-	-	465,194	512,061	577,425	661,289	522,023	634,950	692,644	723,717
Operating grants and contributions	-	-	322,620	-	-	-	20,000	-	-	-
Capital grants and contributions	-	-	7,473,762	952,107	3,472,317	3,544,000	5,654,682	6,023,858	1,280,860	1,692,976
<b>Total business-type activities program revenues</b>	<b>-</b>	<b>-</b>	<b>11,501,578</b>	<b>5,800,907</b>	<b>9,239,507</b>	<b>9,644,599</b>	<b>13,247,512</b>	<b>12,921,755</b>	<b>7,098,790</b>	<b>6,379,904</b>
<b>Total primary government program revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,732,265</b>	<b>\$ 6,835,027</b>	<b>\$ 11,458,269</b>	<b>\$ 11,561,848</b>	<b>\$ 22,678,221</b>	<b>\$ 18,689,155</b>	<b>\$ 15,744,095</b>	<b>\$ 18,023,674</b>

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

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

(continued)

**CITY OF SHOW LOW, ARIZONA**  
**Changes in Net Assets**

**Last Ten Fiscal Years  
(Continued)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ -	\$ -	\$ (8,102,480)	\$ (10,216,841)	\$ (9,437,076)	\$ (10,362,380)	\$ (5,483,989)	\$ (9,168,124)	\$ (8,846,456)	\$ (8,346,793)
Business-type activities	-	-	6,305,081	336,594	2,624,803	2,706,474	6,399,628	4,809,315	(1,869,127)	893,142
Total primary government net expense	\$ -	\$ -	\$ (1,797,399)	\$ (9,880,247)	\$ (6,812,273)	\$ (7,655,906)	\$ 915,639	\$ (4,358,809)	\$ (10,715,583)	\$ (7,453,651)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Sales taxes	\$ -	\$ -	\$ 6,882,454	\$ 7,685,555	\$ 8,544,891	\$ 9,924,958	10,964,955	\$ 10,942,341	\$ 9,038,647	\$ 8,341,697
Franchise taxes	-	-	218,654	250,610	283,449	301,769	349,826	397,091	416,309	460,863
State sales taxes	-	-	601,809	647,382	712,867	830,093	939,542	908,471	786,482	725,415
Urban revenue sharing	-	-	808,564	694,977	715,536	831,807	1,029,042	1,514,108	1,459,297	1,250,084
Auto-in-lieu	-	-	421,988	426,779	440,379	498,645	590,144	589,820	560,171	514,687
Other	-	-	1,547,858	3,616,225	2,171,592	4,262,883	779,170	3,139,681	142,188	139,867
Investment earnings	-	-	110,061	78,058	172,331	337,177	828,583	489,904	157,504	65,012
Gain (Loss) on sales of assets	-	-	54,777	(67,670)	-	-	-	1,416,206	12,535	4,700
Miscellaneous	-	-	19,185	91,976	29,165	263,448	471,063	398,052	-	-
Transfers	-	-	(801,285)	(621,104)	(928,434)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000
Total governmental activities	-	-	9,864,065	12,802,788	12,141,776	16,040,755	14,238,673	17,130,484	11,691,261	11,627,325
Business-type activities:										
Investment earnings	-	-	104,387	100,665	146,124	212,550	408,605	660,278	235,930	107,417
Gain (Loss) on sales of assets	-	-	(69,781)	169,704	1,178	4,813	2,039	10,544	3,833	(305,132)
Transfers	-	-	801,285	621,104	928,434	1,210,025	1,713,652	2,665,190	881,872	(125,000)
Total business-type activities	-	-	835,891	891,473	1,075,736	1,427,388	2,124,296	3,336,012	1,121,635	(322,715)
Total Primary government	\$ -	\$ -	\$ 10,699,956	\$ 13,694,261	\$ 13,217,512	\$ 17,468,143	\$ 16,362,969	\$ 20,466,496	\$ 12,812,896	\$ 11,304,610
<b>Change in Net Asset</b>										
Governmental activities	\$ -	\$ -	\$ 1,761,585	\$ 2,585,947	\$ 2,704,700	\$ 5,678,375	\$ 8,754,684	\$ 7,962,360	\$ 2,844,805	\$ 3,280,532
Business-type activities	-	-	7,140,972	1,228,067	3,700,539	4,133,862	8,523,924	8,145,327	(747,492)	570,427
Total primary government	\$ -	\$ -	\$ 8,902,557	\$ 3,814,014	\$ 6,405,239	\$ 9,812,237	\$ 17,278,608	\$ 16,107,687	\$ 2,097,313	\$ 3,850,959

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General fund</b>										
Reserved	\$ -	\$ -	\$ 124,721	\$ 382,809	\$ 457,619	\$ 780,003	\$ 488,534	\$ 487,576	\$ 57,763	\$ 44,348
Unreserved	-	-	3,382,850	4,581,623	5,174,543	8,036,445	10,874,318	12,851,009	11,068,630	6,617,619
Total general fund	\$ -	\$ -	\$ 3,507,571	\$ 4,964,432	\$ 5,632,162	\$ 8,816,448	\$ 11,362,852	\$ 13,338,585	\$ 11,126,393	\$ 6,661,967
<b>All other governmental funds</b>										
Reserved:										
Roads and Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,299
Capital Outlay	-	-	-	-	-	-	-	-	-	365,216
Debt service	-	-	789,581	619,181	650,680	714,149	852,413	2,285,635	2,265,881	1,931,475
Other	-	-	-	-	-	-	-	-	140,611	-
Designated for:										
Roads and Highways	-	-	-	-	-	-	-	-	-	1,033,882
Unreserved, reported in:										
Special revenue funds	-	-	311,208	229,119	251,762	230,371	7,848,236	3,145,410	129,367	299,892
Total all other governmental funds	\$ -	\$ -	\$ 1,100,789	\$ 848,300	\$ 902,442	\$ 944,520	\$ 8,700,649	\$ 5,431,045	\$ 2,535,859	\$ 3,677,764

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ 9,080,535	\$ 11,044,732	\$ 12,085,009	\$ 13,846,075	\$ 15,586,015	\$ 15,921,108	\$ 9,597,142	\$ 8,942,430
Licenses and permits	-	-	367,881	529,895	623,009	1,192,968	1,043,028	697,482	175,143	170,564
Intergovernmental	-	-	1,724,474	735,695	1,032,926	1,531,190	1,534,809	1,355,159	5,754,141	7,250,735
Charges for services	-	-	321,800	400,102	449,387	736,688	583,141	487,048	236,118	1,479,960
Fines	-	-	224,176	202,023	122,958	126,915	131,878	167,787	225,171	608,860
Special assessments	-	-	1,122,373	1,134,646	1,165,709	1,133,569	1,162,670	1,401,906	1,501,157	1,465,205
Investment earnings	-	-	110,061	78,058	166,180	337,177	828,583	489,904	150,024	63,957
Miscellaneous	-	-	479,939	400,531	298,768	263,448	564,102	398,052	1,168,981	463,964
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,431,239</b>	<b>\$ 14,525,682</b>	<b>\$ 15,943,946</b>	<b>\$ 19,168,030</b>	<b>\$ 21,434,226</b>	<b>\$ 20,918,446</b>	<b>\$ 18,807,877</b>	<b>\$ 20,445,675</b>
<b>Expenditures</b>										
Current:										
General government	\$ -	\$ -	\$ 3,634,851	\$ 3,333,143	\$ 3,668,296	\$ 3,752,094	\$ 4,577,097	\$ 5,094,448	\$ 4,433,502	\$ 4,352,980
Public safety	-	-	2,058,233	2,366,808	2,660,077	3,295,460	3,719,234	3,841,165	4,392,538	4,596,844
Public works	-	-	2,060,795	2,190,291	2,586,569	2,890,444	3,454,781	2,951,496	3,037,275	3,001,780
Economic Development/General Operations	-	-	638,151	717,434	864,334	985,085	1,023,658	1,023,432	2,645,887	5,755,111
Capital outlay	-	-	1,903,744	1,977,143	2,614,386	2,124,818	3,378,240	9,977,641	6,247,917	3,345,259
Principal	-	-	1,575,574	1,389,866	1,232,146	1,080,052	1,175,440	1,332,048	1,522,234	2,071,500
Interest and fiscal charges	-	-	784,515	725,521	680,594	603,688	805,199	951,412	1,016,563	1,046,806
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>12,655,863</b>	<b>12,700,206</b>	<b>14,306,402</b>	<b>14,731,641</b>	<b>18,133,649</b>	<b>25,171,642</b>	<b>23,295,916</b>	<b>24,170,280</b>
Revenues over (under) expenditures	-	-	775,376	1,825,476	1,637,544	4,436,389	3,300,577	(4,253,196)	(4,488,039)	(3,724,605)
<b>Other finance sources (Uses)</b>										
Sale of Assets	-	-	-	-	-	-	-	1,416,206	12,534	4,696
Bond Proceeds	-	-	-	-	-	-	8,658,917	4,265,000	250,000	-
Transfers in (out)	-	-	(801,285)	(621,104)	(915,672)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000
Total other finance sources (uses)	-	-	(801,285)	(621,104)	(915,672)	(1,210,025)	6,945,265	3,016,016	(619,338)	129,696
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (25,909)</b>	<b>\$ 1,204,372</b>	<b>\$ 721,872</b>	<b>\$ 3,226,364</b>	<b>\$ 10,245,842</b>	<b>\$ (1,237,180)</b>	<b>\$ (5,107,377)</b>	<b>\$ (3,594,909)</b>
Debt service as a percentage of noncapital expenditures			28.12%	24.58%	19.56%	15.41%	15.50%	17.69%	17.50%	17.61%

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

<u>Fiscal Year</u>	<u>Net Assessed Value</u>	<u>Total Value</u>	<u>Ratio of Net Assessed to Cash Values</u>
2000-01	61,707,039	431,486,151	14%
2001-02	68,519,289	485,129,057	14%
2002-03	78,807,745	560,847,052	14%
2003-04	89,338,936	634,210,704	14%
2004-05	94,162,089	677,090,505	14%
2005-06	103,182,998	767,788,032	13%
2006-07	115,815,162	882,912,270	13%
2007-08	144,656,369	1,124,883,712	13%
2009-10	183,337,696	1,599,217,618	11%
2010-11	190,067,004	1,559,074,446	12%

Source: Arizona Department of Revenue

**CITY OF SHOW LOW, ARIZONA**  
**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>
2000-01	-	-	0.6381	1.4106	6.2283	8.2770
2001-02	-	-	0.6506	1.4164	6.5555	8.6225
2002-03	-	-	0.6909	1.4542	6.3946	8.5397
2003-04	-	-	0.4772	1.4406	5.9103	7.8281
2004-05	-	-	0.6316	1.5092	5.4816	7.6224
2005-06	-	-	0.6337	1.5200	5.0497	7.2034
2006-07	-	-	0.6229	1.4858	4.8494	6.9581
2007-08	-	-	0.6041	1.4206	4.3062	6.3309
2008-09	-	-	0.5594	1.1352	4.5665	6.2611
2009-10						

Source: Navajo County Assessor's Office

**CITY OF SHOW LOW, ARIZONA**  
**Street Lighting Levies and Collections**  
**Last Ten Fiscal Years (unaudited)**

Tax Year	Original Real Property Assessments	Collected to June 30th, End of Tax Fiscal Year		Taxes Receivable
		Amount	Percent of Original Levy	
2001	\$ 94,295	\$ 93,376	99%	\$ 7,447
2002	91,652	82,485	90%	9,167
2003	92,173	84,973	92%	7,200
2004	90,012	84,563	94%	5,449
2005	94,154	88,634	94%	5,520
2006	92,668	90,037	97%	2,631
2007	96,404	94,583	98%	1,820
2008	142,968	136,158	95%	6,593
2009	140,459	134,186	96%	6,273
2010*	138,824	1,386	1%	137,438

Source: Navajo County Treasurer's Office

\*Collected through October 27

**CITY OF SHOW LOW, ARIZONA**  
**Special Assesment Billings and Collections**  
**Last Ten Fiscal Years**

Fiscal Year	Current Assessments Billed	Total Current Assessments Collected	Ratio of Collections to Amount Due	Total Current Outstanding Assessments	Prepaid	Total Outstanding Assessments
2000-2001	\$ 630,263	\$ 624,777	99.13%	\$ 5,486	\$ 2,419	\$ 7,942
2001-2002	781,885	778,030	99.51%	3,855	54,846	7,987
2002-2003	723,159	708,055	97.91%	15,104	351,663	17,813
2003-2004	1,131,847	1,125,566	99.45%	6,281	175,732	14,408
2004-2005	882,039	850,548	96.43%	31,491	151,069	69,844
2005-2006	674,957	616,469	91.33%	58,488	213,114	139,138
2006-2007	728,623	663,231	91.03%	65,392	289,024	168,527
2007-2008	882,407	849,756	96.30%	32,651	382,089	81,676
2008-2009	830,682	767,807	92.43%	62,875	582,222	128,897
2009-2010	862,850	802,808	93.04%	60,042	520,580	129,778

Source: City of Show Low Finance Department

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

Fiscal Year	Construction	Utilities	Wholesale	Retail	Restaurants	Real Estate	Services	Others	Total	
2000-2001	597,918	399,661	116,329	4,325,608	308,686	158,633	369,365	169,586	6,445,786	103.88%
2001-2002	549,505	439,266	121,925	4,483,143	321,439	159,348	343,534	199,100	6,617,259	102.66%
2002-2003	652,773	287,999	123,471	4,730,725	353,551	168,737	366,706	198,492	6,882,454	104.01%
2003-2004	895,577	137,473	134,455	5,213,135	375,041	195,926	332,265	401,685	7,685,556	111.67%
2004-2005	1,000,458	107,850	205,425	5,665,592	444,885	414,040	203,978	502,663	8,544,891	111.18%
2005-2006	1,471,231	144,500	265,074	6,277,525	540,826	473,152	191,733	560,920	9,924,958	116.15%
2006-2007	1,725,329	184,492	305,802	6,680,442	577,688	680,273	170,973	639,955	10,964,954	110.48%
2007-2008	1,819,140	245,124	255,190	6,652,414	553,708	648,069	152,106	616,590	10,942,341	99.79%
2008-2009	1,819,135	225,178	264,864	6,669,648	553,706	644,317	138,752	626,739	10,942,339	100.00%
2009-2010	436,445	288,846	123,085	5,958,669	502,095	433,503	131,006	468,055	8,341,704	76.23%

Source: Arizona Department of Revenue

**CITY OF SHOW LOW, ARIZONA**

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

**Last Ten Fiscal Years**

**(modified accrual basis of accounting)**

**TAXABLE SALES (1)**

City of Show Low (1)

Fiscal Year	Amount
2000-2001	323,224,715
2001-2002	330,862,950
2002-2003	344,122,700
2003-2004	384,277,800
2004-2005	427,244,550
2005-2006	496,247,922
2006-2007	548,247,700
2007-2008	547,117,050
2008-2009	451,930,450
2009-2010	417,085,225

Navajo County (1)

Taxable Retail Sales

Year	Amount
2001	557,901,659
2002	578,071,060
2003	609,720,330
2004	615,673,414
2005	669,120,354
2006	756,087,523
2007	786,854,498
2008	818,594,217
2009	788,925,825
2010	705,557,999

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

Category	Rate
Services	2%
Manufacturing	2%
Construction	2%
Hotel\Other Lodging	2%
Restaurants and Bars	2%
Retail (including food sales)	2%
Transportation/Communications/	
Utilities	2%
Mining	1%
Feed-Wholesale	2%
Real Property Rental	2%
All other	2%

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

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

	<u>Privilege &amp; Use Tax</u>	<u>State Shared Sales Tax</u>	<u>Urban Revenue Share</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2001	6,445,786	637,044	811,933	195,055	269,195	8,359,013
2002	6,617,259	592,980	803,944	228,800	318,630	8,561,613
2003	6,882,454	601,809	808,564	218,654	421,988	8,933,469
2004	7,685,555	647,382	694,977	250,610	426,779	9,705,303
2005	8,544,891	712,867	715,536	283,449	440,379	10,697,122
2006	9,924,958	830,093	831,807	301,769	498,646	12,387,273
2007	10,964,955	939,542	1,029,042	349,826	590,144	13,873,509
2008	10,942,341	908,471	1,514,108	397,091	589,820	14,351,831
2009	10,942,339	786,482	1,459,297	416,309	560,171	14,164,597
2010	8,341,704	725,415	1,250,084	460,863	514,687	11,292,753

Source: City of Show Low Finance Department

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

Fiscal Year	Governmental Activities							Business-Type Activities				Total Primary Government
	Special Assessment Bonds	Landfill Monitoring Costs	Compensated Absences	Show Low Bluffs CFD Bonds	Certificates of Participation	GADA Bonds	Loans Payable	Certificates of Participation	Compensated Absences	GADA Bonds	Loans Payable	
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2002	9,905,000	26,988	48,349	-	3,622,796	-	1,133,668	3,262,204	37,933	-	231,422	18,268,360
2003	9,310,000	26,988	216,809	-	3,167,142	-	758,169	2,992,858	29,129	-	177,533	16,678,628
2004	8,665,000	26,988	216,161	-	2,776,424	-	304,021	2,623,576	47,683	-	351,688	15,011,541
2005	8,045,000	26,988	312,371	-	2,367,740	-	238,608	2,237,260	51,351	-	380,504	13,659,822
2006	7,445,000	26,988	328,060	-	1,941,090	-	126,259	1,833,910	55,155	-	102,551	11,859,013
2007	6,775,000	26,988	356,888	2,014,000	1,491,241	6,630,000	12,478	1,408,759	60,932	1,740,000	46,649	20,562,935
2008	6,770,000	26,988	411,707	2,455,000	1,018,193	9,600,000	9,875	961,807	89,816	1,740,000	-	23,083,386
2009	6,083,000	26,988	406,654	2,395,000	521,946	9,305,000	256,167	493,054	76,926	1,675,000	-	21,239,735
2010	5,394,000	26,988	503,728	2,335,000	-	10,370,000	200,000	-	79,672	-	57,218	18,966,606

**CITY OF SHOW LOW, ARIZONA**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2010**

<u>Jurisdiction</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>
Show Low School District #10 - 2003B	\$ 6,380,000	71.80%	\$ 4,580,840
			<u>\$ 4,580,840</u>

Source: Navajo County Finance Department

**CITY OF SHOW LOW, ARIZONA**

**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	\$ 198,657,508	\$ 198,657,508
Total assessed value	<u>\$ 198,657,508</u>	<u>\$ 198,657,508</u>
Legal debt margin:		
Debt limitation	\$ 39,731,502	\$ 11,919,450
Debt applicable to limitation:		
Total bonded debt	-	-
Total debt applicable to limitation	-	-
Legal debt margin	<u>\$ 39,731,502</u>	<u>\$ 11,919,450</u>

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

Year	BUILDING PERMITS (1)			NEW HOUSING STARTS (1)
	Residential	Commercial	Total	
2000-01	12,061,427	2,490,735	14,552,162	102
2001-02	17,720,298	1,865,025	19,585,323	133
2002-03	24,283,620	6,053,793	30,337,413	197
2003-04	35,182,390	4,968,208	40,150,598	275
2004-05	51,129,536	5,272,341	56,401,877	310
2005-06	71,314,455	10,525,607	81,840,062	406
2006-07	52,835,280	34,688,175	87,523,455	268
2007-08	46,335,727	9,905,825	56,241,552	202
2008-09	10,467,757	6,731,048	17,198,805	44
2009-10	7,000,652	5,308,046	13,308,698	29

(1) Source: City of Show Low Building Department

**CITY OF SHOW LOW, ARIZONA**

**Demographic Statistics - Population Statistics, Unemployment Averages**

POPULATION STATISTICS (1)

Year	City of Show Low
2000 (Census)	7,695
2001 (Estimated)	8,084
2002 (Estimated)	8,557
2003 (Estimated)	8,785
2004 (Estimated)	9,365
2005 (Estimated)	9,786
2006 (Estimated)	9,885
2007 (Estimated)	10,555
2008 (Estimated)	11,473
2009 (Estimated)	12,400
2010 (Estimated)	12,400

UNEMPLOYMENT AVERAGES (2)

Year	City of Show Low	Navajo County	State of Arizona
2000	3.5%	4.7%	4.0%
2001	3.7%	7.7%	4.7%
2002	4.1%	8.4%	6.0%
2003	4.1%	8.5%	5.7%
2004	4.0%	8.4%	4.8%
2005	3.8%	8.5%	4.7%
2006	3.5%	7.3%	4.1%
2007	3.0%	6.4%	3.8%
2008	4.4%	9.2%	5.5%
2009	6.6%	13.4%	8.3%
2010	7.8%	15.5%	9.7%

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

(2) Source: Arizona Department of Economic Security, Research Administration.

**CITY OF SHOW LOW, ARIZONA**  
**Authorized Full Time Employees by Department**  
**Last Ten Fiscal Years**

	Full-time Equivalent Employees									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Airport	5	5	6	5	5	5	5	5	5	4
Aquatics & Recreation	16	16	15	17	16	15	16	15	15	15
City 4 TV	2	2	2	2	2	2	3	3	3	3
City Attorney	0	0	0	2	2	2	2	2	1	1
City Clerk	3	3	3	2	2	3	3	4	4	2
City Magistrate	3	3	2	2	2	2	4	3	3	5
City Manager	2	1	1	1	1	1	1	1	3	2
Community Services Admin	1	1	1	1	1	1	1	1	1	2
Engineering	6	6	6	5	5	6	11	11	11	5
Finance	11	10	9	8	8	8	8	10	9	7
Human Resources	2	2	3	3	4	3	2	2	2	2
Information Systems	3	3	3	3	3	3	3	3	3	2
Library	7	8	9	8	8	7	10	10	10	8
Parks & Facilities Maintenance	4	4	7	7	7	5	10	10	11	9
Planning & Zoning	9	9	8	10	11	11	14	13	12	7
Police	37	37	38	38	43	43	47	49	49	50
Public Works Administration	4	4	3	4	4	3	0	0	0	0
Streets	9	9	6	10	10	10	10	9	9	10
Wastewater	0	0	10	10	9	9	12	12	12	12
Water	18	18	10	6	7	7	9	11	11	12
<b>Total Employees</b>	<b>142</b>	<b>141</b>	<b>142</b>	<b>144</b>	<b>150</b>	<b>146</b>	<b>170</b>	<b>174</b>	<b>173</b>	<b>156</b>

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

Function	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Police</b>										
Arrests	1,260	1,499	1,782	2,045	2,028	2,094	2,071	2,160	1,852	1,698
Citations	7,089	8,050	7,365	5,855	5,063	5,331	4,971	6,896	7,467	5,947
Traffic Stops	7,633	7,409	7,967	6,400	5,948	6,452	5,977	9,510	10,362	8,390
Officer Reports	3,197	3,468	3,856	4,190	4,036	4,116	3,929	4,164	3,735	3,021
Photo Enforcement - Notices Printed	0	0	0	0	0	0	0	0	0	15,524
Calls for Service	12,936	14,141	14,590	15,602	17,803	18,841	19,022	20,176	19,985	19,425
<b>Highways &amp; Streets</b>										
Street resurfacing (miles)	*	*	*	*	*	12	15	15	27	17
Potholes repaired	*	*	*	*	*	214	258	312	359	741
Street sweeping (miles)	*	*	*	*	*	3,000	3,000	3,000	1,670	2,094
<b>Water</b>										
New Connections	*	*	*	*	*	463	273	150	36	45
Line Breaks	*	*	*	*	*	16	56	133	65	158
Average Daily Consumption	*	*	*	*	*	987,103	1,286,236	1,145,174	1,285,073	1,652,551
<b>Wastewater</b>										
Average Daily Sewage Treatment (thousands of gallons)	*	*	*	*	*	741,000	837,000	971,000	956,739	830,000
Line cleaning (feet)	*	*	*	*	*	303,996	325,600	340,000	204,033	258,768
Line Plugs	*	*	*	*	*	9	32	43	26	41
<b>Recreation &amp; Aquatics</b>										
Aquatic center admissions	61,526	61,967	69,398	69,323	67,826	68,599	61,197	56,860	64,797	49,352

\* Not available

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

Function	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	15	15	15	15	15	20	23	23
Highways and streets										
Streets (miles)	*	*	*	*	*	92	95	96	97	181
Streetlights	*	*	*	*	*	625	650	665	675	675
Water										
Water mains (miles)	*	*	*	*	*	102	109	111	119	124
Fire hydrants	*	*	*	*	*	815	815	815	815	810
Sewer										
Sanitary Sewer (miles)	*	*	*	*	*	120	127	131	139	146
Maximum daily treatment capacity (thousands of gallons)	*	*	*	*	*	1,420	1,420	1,420	1,420	1,420
Recreation and aquatics										
Parks acreage	70	71	71	71	414	414	414	414	414	428
Number of Parks	6	7	7	7	9	9	9	9	9	10
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Ball fields	3	3	3	3	3	3	3	3	3	5
Community centers	1	1	1	1	1	1	1	2	2	2

\* Not available

**FEDERAL AND STATE REPORTS**



MEMBERS:

CHAD B. ATKINSON  
 KRIS J. BRAUNBERGER  
 DEAN R. BURDICK  
 ROBERT S. COX  
 TODD B. FELTNER  
 BRENT R. HALL  
 TODD R. HESS  
 KENNETH A. HINTON  
 MORRIS J. PEACOCK  
 PHILLIP S. PEINE  
 MICHAEL K. SPILKER  
 MARK E. TICHENOR

**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 the basic financial statements of the City of Show Low, Arizona as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Show Low’s internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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 material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the schedule of findings and recommendations dated November 5, 2010 that we consider to be significant deficiencies in internal control over financial reporting.

- 09-1 Year End Accounting
- 09-2 Segregation of Duties

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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*.

We noted certain other matters that we have reported to the management of the City in the schedule of findings and recommendations dated November 5, 2010.

This report is intended solely for the information of the mayor, audit committee, management, and various federal and state agencies, and is not intended to be an should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Michael K. Spilker, CPA  
November 5, 2010



**Independent Auditors' Report on  
 State Legal Compliance**

The Honorable Mayor and  
 City Council  
 Show Low, Arizona

MEMBERS:

CHAD B. ATKINSON  
 KRIS J. BRAUNBERGER  
 DEAN R. BURDICK  
 ROBERT S. COX  
 TODD B. FELTNER  
 BRENT R. HALL  
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 KENNETH A. HINTON  
 MORRIS J. PEACOCK  
 PHILLIP S. PEINE  
 MICHAEL K. SPILKER  
 MARK E. TICHENOR

We have audited the basic financial statements of the City of Show Low, Arizona for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. 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, 2010.

Michael K. Spilker, CPA  
 November 5, 2010

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**CITY OF SHOW LOW, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Grantor Agency	Federal CFDA Number	Grantor's Number	Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Passed through Arizona State Forestry Division</b>			
Cooperative Forestry Assistance	10.664	CCC 08-003	\$ 3,067
Cooperative Forestry Assistance	10.664	WFHF 09-022	161,667
Total U.S. Department of Transportation			<u>164,734</u>
<b>U.S. Department of Transportation</b>			
<b>Passed through Arizona Department of Transportation:</b>			
Airport Improvement Program	20.106	3-04-0035-17	39,941
Airport Improvement Program	20.106	3-04-0035-18	21,176
Airport Improvement Program	20.106	3-04-0035-19	1,592,536
Airport Improvement Program	20.106	3-04-0035-20	31,851
			<u>1,685,504</u>
Section 18	20.509	AZ-18-0026	30,712
Section 18	20.509	AZ-18-0027	105,136
Section 18	20.509	AZ-18-0038	281,724
ARRA - Section 18	20.509	AZ-86-X001	52,347
			<u>469,919</u>
<b>Passed through Governor's Office of Highway Safety:</b>			
State and Community Highway Safety	20.600	2009-OP-023	12,241
State and Community Highway Safety	20.600	2009-OP-028	1,362
State and Community Highway Safety	20.600	2010-PT-044	21,773
State and Community Highway Safety	20.600	2010-PT-092	21,043
			<u>56,419</u>
Total U.S. Department of Transportation			<u>2,211,842</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through Arizona Division of Emergency Management:</b>			
Homeland Security Grant	97.067	555108-01	50,659
Homeland Security Grant	97.067	555108-02	93,280
Homeland Security Grant	97.067	555108-03	53,808
Homeland Security Grant	97.067	444112-04	40,050
Homeland Security Grant	97.067	333109-04	447
Homeland Security Grant	97.067	333109-05	42,399
Homeland Security Grant	97.067	444112-03	545
			<u>281,188</u>
			Continued

**CITY OF SHOW LOW, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Law Enforcement Officer Grant	97.090	HSTS0208HSLR349	9,857
Total U.S. Department of Homeland Security			<u>291,045</u>
<b>U.S. Environmental Protection Agency</b>			
ARRA - Water Infrastructure Finance Authority	66.468	91A120-10	<u>250,000</u>
<b>U.S. Department of Justice</b>			
Bureau of Justice Assistance	16.738	2009-DJ-BX-1501	<u>37,123</u>
Total expenditure of federal awards			<u>\$ 2,954,744</u>

Note: This schedule has been prepared on the modified accrual basis of accounting and includes the federal grant activity of the City of Show Low, Arizona. 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*.



**Report on Compliance with Requirements  
 Applicable to Each Major Program  
 and on Internal Control over Compliance  
 in Accordance with OMB Circular A-133**

The Honorable Mayor and  
 City Council  
 Show Low, Arizona

MEMBERS:

CHAD B. ATKINSON  
 KRIS J. BRAUNBERGER  
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 ROBERT S. COX  
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 MARK E. TICHENOR

**Compliance**

We have audited the compliance of the City of Show Low, Arizona, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Show Low, Arizona’s management. Our responsibility is to express an opinion on the City of Show Low, Arizona’s compliance based on our audit.

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 OMB Circular A-133. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the City of Show Low, Arizona’s compliance with those requirements.

In our opinion, the City of Show Low, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of the City of Show Low, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Show Low, Arizona’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We did not audit the City of Show Low, Arizona's response to the findings identified in our audit and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Michael K. Spilker", with a long horizontal flourish extending to the right.

Michael K. Spilker, CPA  
November 5, 2010

**CITY OF SHOW LOW, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2010**

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

Financial Statements

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

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

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal Control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  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: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**CITY OF SHOW LOW, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2010**

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**Section II - Financial Statement Findings**

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**Significant Deficiencies:**

09-1. Year End Accounting – (Prior Year Reissued)

Finding

During our audit, we noted a few significant accounting adjustments that were not initially identified by the City's internal control. Statement on Auditing Standards No. 112 (SAS 112) indicates that the identification by the auditor of such a misstatement in the financial statements may be a material weakness in the City's internal controls. Overall management has done a good job at reconciling accounts and getting journal entries posted in a timely manner. Nevertheless, current audit standards require that we report audit adjustments as a deficiency. Due to the nature of the misstatements listed above and the response by management, we do not consider this control deficiency to be a material weakness.

Recommendation

Management has reviewed the journal entries and has discussed them with us to ensure that the City agrees with the entries, and understands the purpose and underlying accounting principals associated with each entry. We recommend that management continue to follow procedures to reduce the number of entries again for next year.

Response

As always it is the City's goal to have no audit adjustments. We have reviewed all the adjustments with the auditors and have identified areas that we will be able to minimize adjustments in the future with an ultimate goal of having no adjustments.

09-2. Segregation of Duties – (Prior Year Reissued)

Finding

The City lacks a complete segregation of duties in various areas. The same individual who reconciles the bank accounts also has signing authority on checks, posts the direct deposit request report to the bank and records journal entries in the general ledger. At the airport, the same individual prepares invoices, receipts the payments and records transactions in the accounting software. At the court, the same individual receives cash receipts, records transactions in the court accounting software and reconciles the court bank account. Other mitigating controls such as purchase orders, financial statement and budget to actual report reviews by department heads

**CITY OF SHOW LOW, ARIZONA**  
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**Section II - Financial Statement Findings, Continued**

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and the council, review of airport sales reports and court Aztec software report reviews mitigate this weakness such that it is not deemed to be a material weakness. We choose to mention proper segregation in order to remind management of its importance until such time as the City can fully segregate custody of assets and recording functions. Proper segregation of duties provides important safeguards and controls to ensure the proper accounting, deposit and disposition of the City's funds.

Recommendation

The Council and management should consider ways that segregation of duties can be achieved within the accounting and administrative functions as the City continues to grow and additional staff are considered necessary. The City should consider having someone independent of the above mentioned accounting functions review and initial the bank reconciliations on a monthly or quarterly basis and consider implementation of other mitigating controls.

Response

Segregation of duties is very important to the internal controls of the City. With the limited staffing that is available in an organization of our size, complete segregation is not possible. However, specific areas have been identified that will mitigate issues. Modifications to our monthly bank reconciliation process, authorized signers, and journal entry review will be examined.

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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.