

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



*Year-ended June 30, 2011
With Report of Certified Public Accountants*

CITY OF SHOW LOW, ARIZONA

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City of Show Low

Administrative Services Department

December 1, 2011

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

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The Comprehensive Annual Financial Report for the City of Show Low (City) for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

Profile of the City of Show Low

The City of Show Low, with a present population estimated at 11,100, is located in the southern portion of Navajo County, approximately 175 miles northeast of the City of Phoenix and 195 miles north of the City of Tucson, and encompasses an area of approximately 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 has experienced a slowed economic environment, and local indicators point to very slow growth during 2012. 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, but not service expansion.

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 0.99% for fiscal year 2010-11.

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
Administrative Services 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, Administrative Services Director

Ray Herbel, Accounting Manager

Justen Tregaskes, Planning and Zoning Director

Morgan Brown, City Attorney

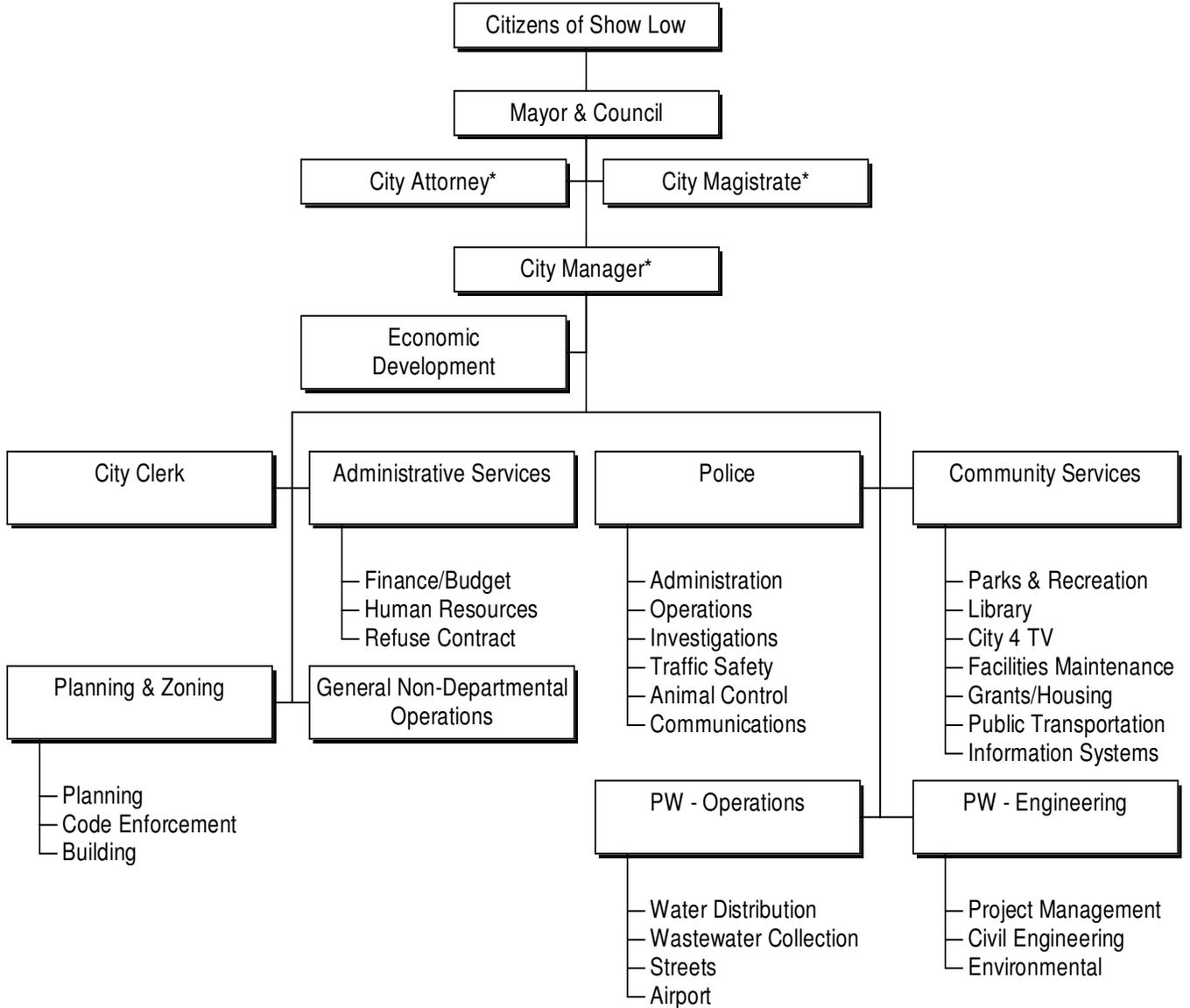
Ann Kurasaki, City Clerk

Jeffrey Smythe, Police Chief

Bill Kopp, Public Works Director



City of Show Low, Arizona
Organizational Chart



FINANCIAL SECTION

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MEMBERS:

CHAD B. ATKINSON, CPA
 KRIS J. BRAUNBERGER, CPA
 DEAN R. BURDICK, CPA
 ROBERT S. COX, CPA
 TODD B. FELTNER, CPA
 K. MARK FROST, CPA
 BRENT R. HALL, CPA

TODD R. HESS, CPA
 KENNETH A. HINTON, CPA
 MORRIS J. PEACOCK, CPA
 PHILLIP S. PEINE, CPA
 MICHAEL K. SPILKER, CPA
 KEVIN L. STEPHENS, CPA
 MARK E. TICHENOR, CPA

Independent Auditors' Report

The Honorable Mayor and
 City Council
 Show Low, Arizona

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, 2011, 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, 2011, 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 11, 2011, 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.



HINTON, BURDICK, HALL & SPILKER, PLLC
November 11, 2011

**CITY OF SHOW LOW, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

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, 2011. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- City Sales tax revenue has stabilized after three years of decline, collections rose by 0.5% over last year and remains the single largest revenue in the budget. This trend is similar to that being seen across the state and nation due to the overall economic conditions. Overall sales tax revenue has decreased by 23.5% in the last four years.
- At year end the City had completed the renovation of the city hall and completed construction on the downtown streetscape project.
- The City approved a conservative budget for fiscal year 2011, conducted monthly financial reviews and did programmatic adjustments throughout the year, so overall results for the year ending June 30, 2011 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 of the cost of the services provided for water, wastewater and sanitation.

Reporting the City’s Most Significant Funds

Fund Financial Statements

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

- Governmental funds – Most of the City’s basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net 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, 2011 as shown in the following condensed statement of net assets. The City has chosen to account for its water, sewer and refuse operations in enterprise funds which are shown as Business Activities.

**City of Show Low
Statement of Net Assets**

	Governmental activities		Business-type activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 17,047,870	\$ 19,679,036	\$ 10,079,957	\$ 9,145,631	\$ 27,127,827	\$ 28,824,667
Capital assets	67,096,224	65,723,592	46,701,206	45,122,624	113,797,430	110,846,216
Total assets	<u>84,144,094</u>	<u>85,402,628</u>	<u>56,781,163</u>	<u>54,268,255</u>	<u>140,925,257</u>	<u>139,670,883</u>
Long-term liabilities outstanding	17,815,986	18,853,242	2,440,566	57,518	20,256,552	18,910,760
Other liabilities	1,690,898	2,518,824	570,609	355,567	2,261,507	2,874,391
Total liabilities	<u>19,506,884</u>	<u>21,372,066</u>	<u>3,011,175</u>	<u>413,085</u>	<u>22,518,059</u>	<u>21,785,151</u>
Net assets:						
Invested in capital assets, net of related debt	49,802,236	47,397,604	44,340,440	45,065,106	94,142,676	92,462,710
Restricted	1,793,086	2,343,990	1,470,312	7,170,515	3,263,398	9,514,505
Unrestricted	13,041,888	14,288,968	7,959,236	1,619,549	21,001,124	15,908,517
Total net assets	<u>\$ 64,637,210</u>	<u>\$ 64,030,562</u>	<u>\$ 53,769,988</u>	<u>\$ 53,855,170</u>	<u>\$ 118,407,198</u>	<u>\$ 117,885,732</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.

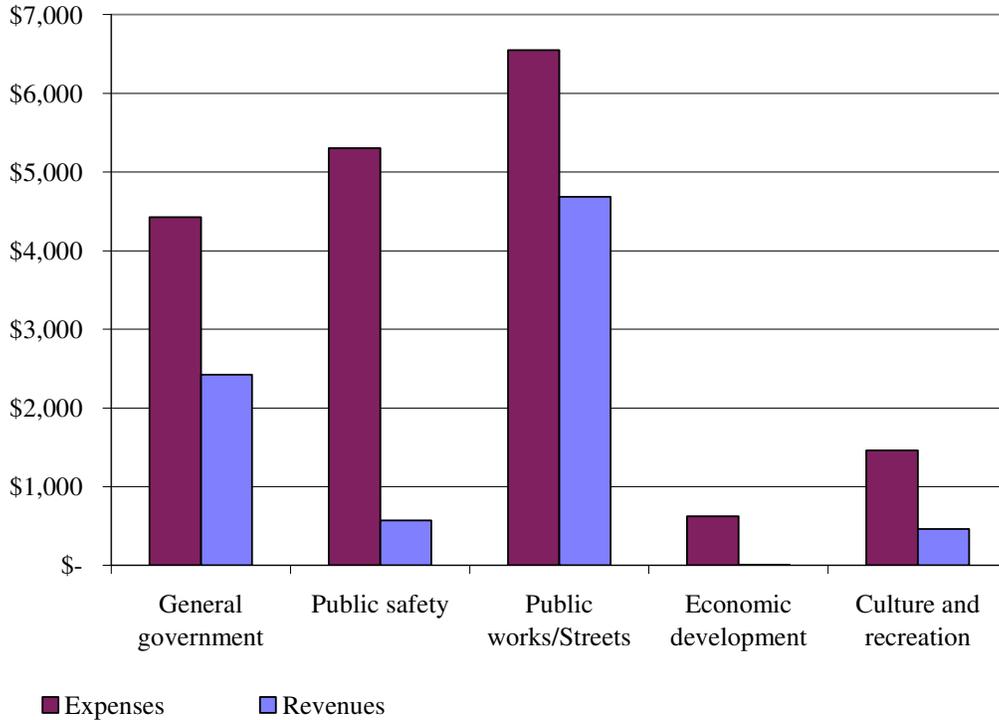
**City of Show Low
Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 4,360,170	\$ 4,123,621	\$ 4,902,099	\$ 4,686,926	\$ 9,262,269	\$ 8,810,547
Operating grants and contributions	2,972,526	3,804,820	-	-	2,972,526	3,804,820
Capital grants and contributions	824,743	3,715,329	236,198	1,692,976	1,060,941	5,408,305
General revenues:						
Taxes	10,525,867	10,182,529	-	-	10,525,867	10,182,529
State revenue sharing	956,935	1,250,084	-	-	956,935	1,250,084
Other revenue/(expense)	113,005	69,712	136,625	(197,714)	249,630	(128,002)
Total revenues	<u>19,753,246</u>	<u>23,146,095</u>	<u>5,274,922</u>	<u>6,182,188</u>	<u>25,028,168</u>	<u>29,328,283</u>
Expenses:						
General government	4,426,519	5,513,628	-	-	4,426,519	5,513,628
Public safety	5,301,924	5,105,901	-	-	5,301,924	5,105,901
Public works/Streets	6,550,314	6,055,886	-	-	6,550,314	6,055,886
Culture and recreation	623,313	767,179	-	-	623,313	767,179
Economic development	1,463,546	1,573,326	-	-	1,463,546	1,573,326
Interest on long-term debt	975,981	974,643	-	-	975,981	974,643
Water	-	-	2,255,641	2,378,246	2,255,641	2,378,246
Wastewater	-	-	2,233,567	2,455,025	2,233,567	2,455,025
Refuse	-	-	675,893	653,491	675,893	653,491
Total expenses	<u>19,341,597</u>	<u>19,990,563</u>	<u>5,165,101</u>	<u>5,486,762</u>	<u>24,506,698</u>	<u>25,477,325</u>
Increase (Decrease) in net assets before transfers	411,649	3,155,532	109,821	695,426	521,470	3,850,958
Transfers	<u>195,000</u>	<u>125,000</u>	<u>(195,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	606,649	3,280,532	(85,179)	570,426	521,470	3,850,958
Net assets, beginning	64,030,561	63,790,008	53,855,167	53,284,744	117,885,728	117,074,752
Prior period adjustment	-	(3,039,978)	-	-	-	(3,039,978)
Net assets, ending	<u>\$ 64,637,210</u>	<u>\$ 64,030,562</u>	<u>\$ 53,769,988</u>	<u>\$ 53,855,170</u>	<u>\$ 118,407,198</u>	<u>\$ 117,885,732</u>

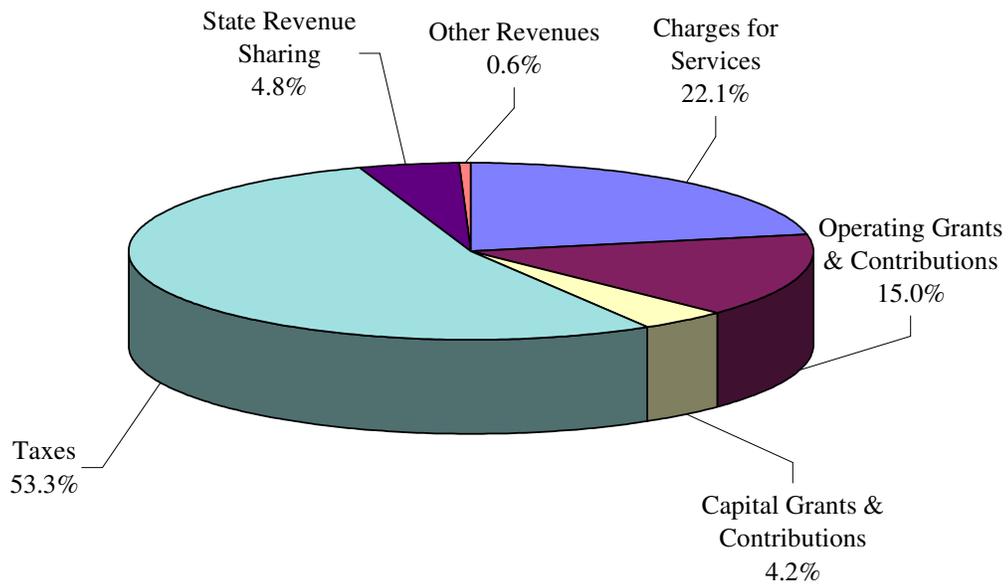
Total resources available during the year to finance governmental operations were \$84.4 million consisting of Net assets at July 1, 2010 of \$64 million, program revenues of \$8.2 million and General Revenues of \$11.4 million. Total Governmental Activities during the year were \$19.3 million; thus Governmental Net Assets were increased by \$606,649 to \$64.6 million.

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)



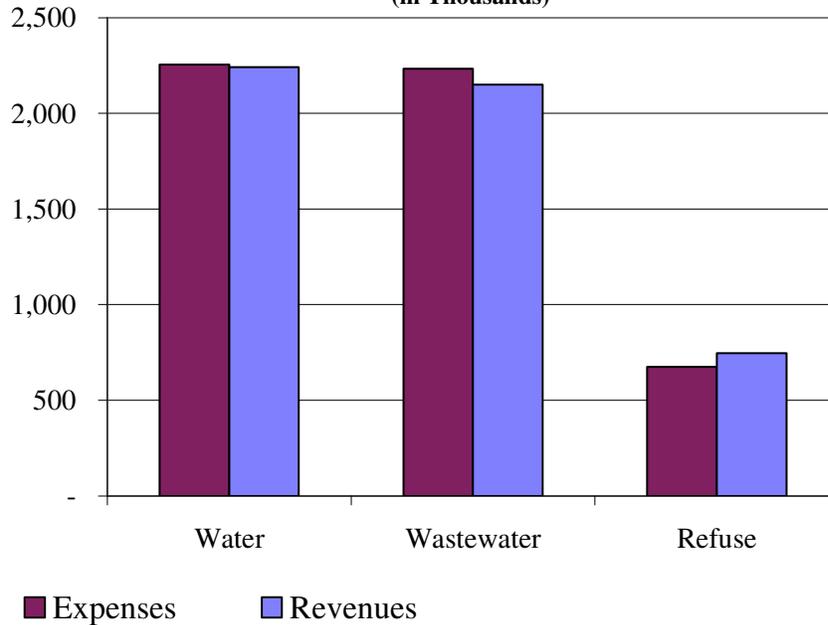
Revenue By Source - Governmental Activities



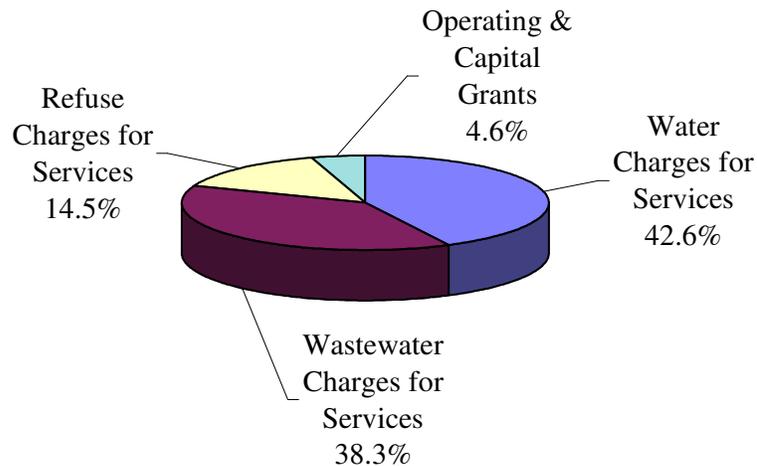
Business Type Activities

Net assets of the Business Type activities at June 30, 2011, as reflected in the Statement of Net Assets were \$53.8 million. The cost of providing all Proprietary (Business Type) activities this year was \$5.2 million. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$4.9 million and there was \$236,198 subsidized by capital grants and contributions. Interest earnings and other revenues were \$(136,625) which consists mainly of loss on disposal of capital assets. The Net Assets decreased by \$85,179.

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 \$9,222,303, a decrease of \$1,117,428 in comparison with the prior year. Approximately, 82% of this total amount, \$4,926,515 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is non-spendable, restricted, committed or assigned in accordance with GASB 54.

The general fund is the chief operating fund of the City of Show Low. At the end of the current fiscal year, unassigned fund balance in the general fund was \$4,936,910, while total fund balance is \$5,216,796. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.0% of total general fund expenditures, while total fund balance represents 34.9% of the same amount.

During the year, the City of Show Low's general fund balance decreased by \$1,445,171. Key factors in this planned 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 \$1,202,967, all of which is assigned to road and street construction and improvements. The net increase in the fund balance during the current year was \$169,085 representing transfers from the general fund for the city's portion of a federally funded street project.

The Improvement District #5 and #6 debt service funds fund balance increased by \$5,148 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 \$90,082 change in fund balance for 2011 primarily due to a loan from the general fund and receipts of property taxes, principal and interest payments exceeding the debt service obligations.

General Fund Budgetary Highlights

Tax revenues have a positive variance of \$1.2 million mainly due to stronger than anticipated sales tax collections. No major variances of expenditure budgets existed at the end of the fiscal year. Differences between the original budget and the final amended budget were not very significant representing minor modifications in costs, program priorities or unfinished capital projects to be carried forward.

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 2011, net capital assets of the government activities totaled \$67.1 million and the net capital assets of the business-type activities totaled \$46.7 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 \$17.82 million in governmental type debt, and \$2.5 million in proprietary debt. The debt is a liability of the government and amounts to approximately \$1,831 per capita. During the current fiscal year, the City's total debt increased by \$1.34 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 slow economic growth due to the regional, state and national recession. As a result, the City has in past years reduced expenditures in order to match lowered 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 Administrative Services Director, City of Show Low, 180 North 9th Street, Suite B, Show Low, Arizona 85901. dsandstrom@showlowaz.gov

BASIC FINANCIAL STATEMENTS

CITY OF SHOW LOW, ARIZONA
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,056,036	\$ 1,564,835	\$ 7,620,871
Receivables (net of allowance)	7,563,456	688,262	8,251,718
Prepaid items/Inventory	914,143	176,907	1,091,050
Deferred charges	-	79,800	79,800
Temporarily restricted assets:			
Cash and cash equivalents	2,514,235	7,570,153	10,084,388
Capital assets (net of accumulated depreciation):			
Land	5,772,884	1,089,833	6,862,717
Buildings	11,293,432	56,577	11,350,009
Improvements	6,012,444	-	6,012,444
System improvements	-	43,850,273	43,850,273
Machinery and equipment	1,875,725	1,414,187	3,289,912
Vehicles	1,339,997	160,789	1,500,786
Infrastructure/Roads	37,837,216	-	37,837,216
Construction in progress	2,964,526	129,547	3,094,073
Total assets	<u>84,144,094</u>	<u>56,781,163</u>	<u>140,925,257</u>
Liabilities			
Accounts payable and other current liabilities	1,433,774	567,165	2,000,939
Interest payable	257,124	3,444	260,568
Noncurrent liabilities:			
Due within one year	1,843,627	150,026	1,993,653
Due in more than one year	15,972,359	2,290,540	18,262,899
Total liabilities	<u>19,506,884</u>	<u>3,011,175</u>	<u>22,518,059</u>
Net Assets			
Invested in capital assets, net of related debt	49,802,236	44,340,440	94,142,676
Restricted for:			
Highways and streets	88,878	-	88,878
Debt service	1,316,790	-	1,316,790
Capital projects and other	387,418	7,450,713	7,838,131
Unrestricted	13,041,888	1,978,835	15,020,723
Total net assets	<u>\$ 64,637,210</u>	<u>\$ 53,769,988</u>	<u>\$ 118,407,198</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, 2011

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
Governmental activities:							
General government	\$ 4,426,519	\$ 2,424,804	\$ -	\$ -	\$ (2,001,715)	\$ -	\$ (2,001,715)
Public safety	5,301,924	218,512	268,943	85,796	(4,728,673)	-	(4,728,673)
Public works/Streets	6,550,314	1,482,156	2,589,055	615,599	(1,863,504)	-	(1,863,504)
Economic development	623,313	7,080	-	-	(616,233)	-	(616,233)
Culture and recreation	1,463,546	227,618	114,528	123,348	(998,052)	-	(998,052)
Interest on long-term debt	975,981	-	-	-	(975,981)	-	(975,981)
Total governmental activities	19,341,597	4,360,170	2,972,526	824,743	(11,184,158)	-	(11,184,158)
Business-type activities:							
Water	2,255,641	2,190,079	-	52,492	-	(13,070)	(13,070)
Wastewater	2,233,567	1,965,828	-	183,706	-	(84,033)	(84,033)
Refuse	675,893	746,192	-	-	-	70,299	70,299
Total business-type activities	5,165,101	4,902,099	-	236,198	-	(26,804)	(26,804)
Total primary government	\$ 24,506,698	\$ 9,262,269	\$ 2,972,526	\$ 1,060,941			
General Revenues:							
Taxes:							
City sales tax					8,695,613	-	8,695,613
State sales tax					761,358	-	761,358
Property tax					136,979	-	136,979
Auto lieu tax					511,760	-	511,760
Franchise tax					420,157	-	420,157
State sales taxes - revenue sharing (unrestricted)					956,935	-	956,935
Unrestricted investment earnings					113,005	136,625	249,630
Transfers					195,000	(195,000)	-
Total general revenues & transfers					11,790,807	(58,375)	11,732,432
Change in net assets					606,649	(85,179)	521,470
Net assets - beginning					64,030,561	53,855,167	117,885,728
Net assets - ending					\$ 64,637,210	\$ 53,769,988	\$ 118,407,198

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

CITY OF SHOW LOW, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

Assets	<u>General</u>	<u>Airport</u>	<u>Debt Service</u>	
			<u>Improvement District #5</u>	<u>Improvement District #6</u>
Cash and cash equivalents	\$ 4,871,582	\$ -	\$ -	\$ -
Receivables:				
Taxes	1,138,113	-	-	-
Interest	51,274	-	7,278	10,642
Other	70,819	-	-	-
Assessments	-	-	1,381,194	2,144,181
Intergovernmental	69,214	87,788	-	-
Due from other funds	110,128	-	-	-
Inventories	-	46,883	-	-
Prepaid items	14,071	117,789	-	-
Restricted cash and investments	76,980	-	234,103	473,669
Total assets	<u>\$ 6,402,181</u>	<u>\$ 252,460</u>	<u>\$ 1,622,575</u>	<u>\$ 2,628,492</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 548,348	\$ 6,470	\$ -	\$ -
Accrued wages and benefits	403,924	2,104	-	-
Accrued liabilities	120,465	16,176	-	-
Deposits held	112,648	-	-	-
Deferred revenue	-	-	1,370,053	2,128,307
Due to other funds	-	73,433	-	-
Total liabilities	<u>1,185,385</u>	<u>98,183</u>	<u>1,370,053</u>	<u>2,128,307</u>
Fund Balances:				
Nonspendable:				
Inventories and prepaids	14,071	164,672	-	-
Restricted for:				
Public works/streets	-	-	-	-
Economic development	-	-	-	-
Parks and recreation	-	-	-	-
Debt service	76,980	-	252,522	500,185
Committed to:				
Cemetery	188,835	-	-	-
Public transportation	-	-	-	-
Assigned to:				
Public works/streets	-	-	-	-
Debt service	-	-	-	-
Unassigned	4,936,910	(10,395)	-	-
Total fund balances	<u>5,216,796</u>	<u>154,277</u>	<u>252,522</u>	<u>500,185</u>
Total Liabilities and fund balances	<u>\$ 6,402,181</u>	<u>\$ 252,460</u>	<u>\$ 1,622,575</u>	<u>\$ 2,628,492</u>

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

Show Low Bluff Communities Facilities District	Non-major Funds	Total Governmental Funds
\$ 7,575	\$1,176,879	\$ 6,056,036
54,601	1,302	1,194,016
7,690	1,798	78,682
-	-	70,819
1,843,801	403,405	5,772,581
-	290,346	447,348
-	-	110,128
-	-	46,883
-	735,400	867,260
422,377	586,950	1,794,079
<u>\$ 2,336,044</u>	<u>\$3,196,080</u>	<u>\$ 16,437,832</u>
\$ 3,557	\$ 123,753	\$ 682,128
-	16,329	422,357
-	-	136,641
-	-	112,648
1,827,861	425,406	5,751,627
36,695	-	110,128
<u>1,868,113</u>	<u>565,488</u>	<u>7,215,529</u>
-	735,400	914,143
-	90,349	90,349
-	175,793	175,793
-	211,625	211,625
467,931	60,369	1,357,987
-	-	188,835
-	118,306	118,306
-	1,202,967	1,202,967
-	35,783	35,783
-	-	4,926,515
<u>467,931</u>	<u>2,630,592</u>	<u>9,222,303</u>
<u>\$ 2,336,044</u>	<u>\$3,196,080</u>	<u>\$ 16,437,832</u>

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CITY OF SHOW LOW, ARIZONA
Reconciliation of Total Governmental Fund Balance
To Net Assets of Governmental Activities
June 30, 2011

Total governmental fund balances	\$	9,222,303
<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	\$	94,442,346
Less accumulated depreciation		<u>(27,346,122)</u>
		67,096,224
<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	\$	(9,925,000)
Bonds payable		(895,000)
Special assessment bonds		(6,447,000)
Landfill monitoring costs		(26,988)
Compensated absences		<u>(521,998)</u>
		(17,815,986)
<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>		
		(257,124)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>		
		5,751,627
<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>640,166</u>
Total net assets of governmental activities	\$	<u><u>64,637,210</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, 2011

REVENUES	General	Airport	Debt Service	
			Improvement District #5	Improvement District #6
Taxes	\$ 9,115,770	\$ -	\$ -	\$ -
Licenses, permits and fees	181,638	-	-	-
Intergovernmental revenue	2,671,039	280,367	-	-
Charges for services	278,468	1,194,680	-	-
Fines and forfeitures	801,623	-	11,883	5,846
Interest	92,416	-	1,417	3,653
Impact fees	-	-	-	-
Special assessments	-	-	525,456	490,646
Other revenues	174,786	349	3,698	2,656
Total revenues	13,315,740	1,475,396	542,454	502,801
EXPENDITURES				
Current:				
General government	2,755,724	-	-	6,073
Public safety	4,626,025	-	-	-
Public works/Streets	1,108,487	1,064,833	-	-
Economic development	3,614,560	-	-	-
Culture and recreation	701,332	-	-	-
Capital outlay	-	280,399	-	-
Debt service				
Principal	-	75,000	420,000	305,000
Interest and fiscal charges	-	74,413	122,935	166,098
Total expenditures	12,806,128	1,494,645	542,935	477,171
Excess of revenues				
Over (Under) Expenditures	509,612	(19,249)	(481)	25,630
Other Financing Sources (Uses):				
Debt issued	-	-	-	-
Transfers out	(2,275,483)	-	(10,000)	(10,000)
Transfers in	320,700	-	-	-
Total other financing Sources (Uses)	(1,954,783)	-	(10,000)	(10,000)
Net change in fund balances	(1,445,171)	(19,249)	(10,481)	15,630
Fund balances, beginning of year	6,661,967	173,526	263,003	484,555
Fund balances, end of year	\$ 5,216,796	\$ 154,277	\$ 252,522	\$ 500,185

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

Show Low Bluff		
<u>Communities Facilities District</u>	<u>Non-major Funds</u>	<u>Totals (Memorandum Only)</u>
\$ -	\$ 136,979	\$ 9,252,749
-	-	181,638
-	2,568,716	5,520,122
-	108,576	1,581,724
7,368	-	826,720
901	16,333	114,720
-	89,265	89,265
304,128	54,967	1,375,197
224	80,205	261,918
<u>312,621</u>	<u>3,055,041</u>	<u>19,204,053</u>
3,272	509,581	3,274,650
-	135,522	4,761,547
-	1,209,320	3,382,640
-	-	3,614,560
-	383,957	1,085,289
393,000	1,703,482	2,376,881
60,000	622,000	1,482,000
<u>198,267</u>	<u>427,200</u>	<u>988,913</u>
<u>654,539</u>	<u>4,991,062</u>	<u>20,966,480</u>
<u>(341,918)</u>	<u>(1,936,021)</u>	<u>(1,762,427)</u>
450,000	-	450,000
(18,000)	(158,547)	(2,472,030)
-	2,346,330	2,667,030
<u>432,000</u>	<u>2,187,783</u>	<u>645,000</u>
90,082	251,762	(1,117,427)
<u>377,849</u>	<u>2,378,830</u>	<u>10,339,730</u>
<u>\$ 467,931</u>	<u>\$ 2,630,592</u>	<u>\$ 9,222,303</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, 2011

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

Net change in fund balances - total governmental funds		\$ (1,117,427)
<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	\$ 4,867,676	
Depreciation expense	<u>(3,407,016)</u>	1,460,660
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net assets</p>		
		(88,028)
<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>		
		(899,916)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets.</p>		
		(450,000)
<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>		
		1,482,000
<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>		
		5,256
<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>		
		12,932
<p>The net revenues of certain activities of the internal service fund is reported with governmental activities.</p>		
		<u>201,172</u>
Change in net assets of governmental activities		<u><u>\$ 606,649</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
City sales tax	\$ 7,621,800	\$ 7,621,800	\$ 8,695,613	\$ 1,073,813
Franchise taxes	385,000	385,000	420,157	35,157
Total taxes	<u>8,006,800</u>	<u>8,006,800</u>	<u>9,115,770</u>	<u>1,108,970</u>
Licenses and permits	171,500	171,500	181,638	10,138
Intergovernmental revenues:				
State sales tax	676,700	676,700	761,358	84,658
Auto lieu tax	508,500	508,500	511,760	3,260
Urban revenue sharing	956,300	956,300	956,935	635
Grant revenues	288,600	433,100	440,986	7,886
Total intergovernmental	<u>2,430,100</u>	<u>2,574,600</u>	<u>2,671,039</u>	<u>96,439</u>
Charges for services	230,600	230,600	278,468	47,868
Fines and forfeitures	1,593,000	1,593,000	801,623	(791,377)
Interest earnings	2,000	2,000	92,416	90,416
Other revenues:				
Cemetery plot sales and services	25,000	25,000	18,965	(6,035)
Charges for administrative services	1,000	1,000	38,165	37,165
Rent income	18,000	18,000	18,000	-
Miscellaneous revenues	184,800	103,400	99,656	(3,744)
Total other revenues	<u>228,800</u>	<u>147,400</u>	<u>174,786</u>	<u>27,386</u>
Total revenues	<u>12,662,800</u>	<u>12,725,900</u>	<u>13,315,740</u>	<u>589,840</u>
Expenditures				
Current:				
General government:				
City council	533,900	430,000	76,008	353,992
Finance	522,700	510,700	498,667	12,033
City magistrate	251,400	251,400	187,401	63,999
City attorney	234,500	234,500	225,608	8,892
City manager	325,500	325,500	303,256	22,244
Planning and zoning	403,600	403,600	329,364	74,236
Public information	193,900	193,900	189,891	4,009
Information systems	300,000	300,000	252,134	47,866
Human resources	215,000	225,000	224,117	883
Community services administration	453,000	624,400	302,424	321,976
Cemetery	205,500	201,100	166,854	34,246
Total general government	<u>3,639,000</u>	<u>3,700,100</u>	<u>2,755,724</u>	<u>944,376</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, 2011 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Public safety	4,349,000	4,439,200	3,797,865	641,335
Animal control	159,700	180,300	180,043	257
Communications	849,600	841,300	648,117	193,183
Total public safety	<u>5,358,300</u>	<u>5,460,800</u>	<u>4,626,025</u>	<u>834,775</u>
Public works:				
Maintenance	683,700	683,700	676,463	7,237
City engineer	502,800	502,800	432,024	70,776
Total public works	<u>1,186,500</u>	<u>1,186,500</u>	<u>1,108,487</u>	<u>78,013</u>
Economic development/promo programs:				
Economic development	4,533,400	4,269,200	3,456,598	812,602
City 4 cable TV	138,300	158,300	157,962	338
Total economic development	<u>4,671,700</u>	<u>4,427,500</u>	<u>3,614,560</u>	<u>812,940</u>
Culture and recreation:				
Parks and recreation	313,100	313,100	281,156	31,944
Library	451,800	451,800	420,176	31,624
Total culture and recreation	<u>764,900</u>	<u>764,900</u>	<u>701,332</u>	<u>63,568</u>
Total expenditures	<u>15,620,400</u>	<u>15,539,800</u>	<u>12,806,128</u>	<u>2,733,672</u>
Excess of revenues over expenditures	<u>(2,957,600)</u>	<u>(2,813,900)</u>	<u>509,612</u>	<u>3,323,512</u>
Other financing sources (uses)				
Sale of capital assets	2,500	2,500	-	(2,500)
Transfers out	(2,426,400)	(2,460,600)	(2,275,483)	185,117
Transfers in	232,200	315,700	320,700	5,000
Total other financing sources and (uses)	<u>(2,191,700)</u>	<u>(2,142,400)</u>	<u>(1,954,783)</u>	<u>187,617</u>
Net change in fund balance	(5,149,300)	(4,956,300)	(1,445,171)	3,511,129
Fund balance, beginning of year	6,661,967	6,661,967	6,661,967	-
Fund balance, end of year	<u>\$ 1,512,667</u>	<u>\$ 1,705,667</u>	<u>\$ 5,216,796</u>	<u>\$ 3,511,129</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 955,200	\$ 870,800	\$ 280,367	\$ (590,433)
Charges for services	1,009,500	1,009,500	1,194,680	185,180
Interest	5,000	5,000	-	(5,000)
Other revenues	8,000	8,000	349	(7,651)
Total revenues	<u>1,977,700</u>	<u>1,893,300</u>	<u>1,475,396</u>	<u>(417,904)</u>
EXPENDITURES				
Current:				
Public works/Streets	997,700	997,700	1,064,833	(67,133)
Capital outlay	981,300	879,400	280,399	599,001
Debt service				
Principal	75,000	75,000	75,000	-
Interest and fiscal charges	74,400	74,400	74,413	(13)
Total expenditures	<u>2,128,400</u>	<u>2,026,500</u>	<u>1,494,645</u>	<u>531,855</u>
Excess of revenues				
Over (Under) expenditures	<u>(150,700)</u>	<u>(133,200)</u>	<u>(19,249)</u>	<u>113,951</u>
Other Financing Sources (Uses):				
Transfers in	<u>150,600</u>	<u>150,600</u>	<u>-</u>	<u>(150,600)</u>
Total other financing Sources (Uses)	<u>150,600</u>	<u>150,600</u>	<u>-</u>	<u>(150,600)</u>
Net change in fund balance	(100)	17,400	(19,249)	(36,649)
Fund balance, beginning of year	<u>173,526</u>	<u>173,526</u>	<u>173,526</u>	<u>-</u>
Fund balance, end of year	<u>\$ 173,426</u>	<u>\$ 190,926</u>	<u>\$ 154,277</u>	<u>\$ (36,649)</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
Assets					
Current Assets:					
Cash	\$ 479,120	\$ 888,774	\$ 196,941	\$ 1,564,835	\$ -
Receivables (net of allowance)	468,235	159,197	60,830	688,262	10
Inventories	142,143	34,764	-	176,907	-
Total current assets	<u>1,089,498</u>	<u>1,082,735</u>	<u>257,771</u>	<u>2,430,004</u>	<u>10</u>
Noncurrent Assets:					
Restricted cash and investments	1,351,393	6,218,760	-	7,570,153	720,156
Deferred charges	79,800	-	-	79,800	-
Land	265,355	824,478	-	1,089,833	-
Buildings	74,054	-	-	74,054	-
System improvements	28,262,531	37,730,395	-	65,992,926	-
Machinery and equipment	1,370,276	1,079,431	-	2,449,707	-
Vehicles	337,782	174,068	-	511,850	-
Construction in progress	129,547	-	-	129,547	-
Accumulated depreciation	(8,737,287)	(14,809,424)	-	(23,546,711)	-
Total noncurrent assets	<u>23,133,451</u>	<u>31,217,708</u>	<u>-</u>	<u>54,351,159</u>	<u>720,156</u>
Total Assets	<u>24,222,949</u>	<u>32,300,443</u>	<u>257,771</u>	<u>56,781,163</u>	<u>720,166</u>
Liabilities					
Current liabilities:					
Accounts payable	174,341	97,843	\$ 65,866	338,050	80,000
Accrued wages and benefits	8,219	8,158	-	16,377	-
Compensated absences	39,415	30,583	-	69,998	-
Deferred revenue	23,300	-	-	23,300	-
Interest payable	-	3,444	-	3,444	-
Customer deposits	119,440	-	-	119,440	-
Notes payable - current portion	140,044	9,982	-	150,026	-
Total current liabilities	<u>504,759</u>	<u>150,010</u>	<u>65,866</u>	<u>720,635</u>	<u>80,000</u>
Noncurrent liabilities:					
Notes payable, net of current portion	2,059,956	230,584	-	2,290,540	-
Total noncurrent liabilities	<u>2,059,956</u>	<u>230,584</u>	<u>-</u>	<u>2,290,540</u>	<u>-</u>
Total liabilities	<u>2,564,715</u>	<u>380,594</u>	<u>65,866</u>	<u>3,011,175</u>	<u>80,000</u>
Net Assets					
Invested in capital assets, net of related debt	19,582,058	24,758,382	-	44,340,440	-
Restricted for developer fees	1,231,953	6,218,760	-	7,450,713	-
Unrestricted	844,223	942,707	191,905	1,978,835	640,166
Total net assets	<u>\$ 21,658,234</u>	<u>\$ 31,919,849</u>	<u>\$ 191,905</u>	<u>\$ 53,769,988</u>	<u>\$ 640,166</u>

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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
Operating Revenues					
Charges for services	\$ 2,149,621	\$ 1,965,029	\$ 746,192	\$ 4,860,842	\$ -
Premiums	-	-	-	-	1,447,386
Other revenues	40,458	799	-	41,257	-
Total operating revenues	<u>2,190,079</u>	<u>1,965,828</u>	<u>746,192</u>	<u>4,902,099</u>	<u>1,447,386</u>
Operating Expenses					
Salaries, wages and benefits	595,574	575,264	-	1,170,838	-
Administration/legal/contract services	87,109	20,875	646,036	754,020	1,247,937
Field supplies	87,214	31,869	23,686	142,769	-
Repairs and maintenance	352,849	218,015	-	570,864	-
Utilities	267,775	215,964	-	483,739	-
Miscellaneous	4,276	19,734	-	24,010	-
Bad debt expense	20,938	14,317	6,171	41,426	-
Depreciation	839,906	1,131,043	-	1,970,949	-
Total operating expenses	<u>2,255,641</u>	<u>2,227,081</u>	<u>675,893</u>	<u>5,158,615</u>	<u>1,247,937</u>
Operating income (loss)	<u>(65,562)</u>	<u>(261,253)</u>	<u>70,299</u>	<u>(256,516)</u>	<u>199,449</u>
Non-operating Revenues (Expenses)					
Interest income	72,105	62,794	1,726	136,625	1,723
Interest expense and fiscal charges	-	(6,486)	-	(6,486)	-
Impact fees/Investment fees	52,492	183,706	-	236,198	-
Total non-operating revenue (expense)	<u>124,597</u>	<u>240,014</u>	<u>1,726</u>	<u>366,337</u>	<u>1,723</u>
Income (loss) before contributions and transfers	59,035	(21,239)	72,025	109,821	201,172
Transfers out	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>(195,000)</u>	<u>-</u>
Change in net assets	(5,965)	(86,239)	7,025	(85,179)	201,172
Total net assets, beginning 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>
Total net assets, end of year	<u>\$ 21,658,234</u>	<u>\$ 31,919,849</u>	<u>\$ 191,905</u>	<u>\$ 53,769,988</u>	<u>\$ 640,166</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse	Totals	Internal Service Health Insurance
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 2,057,904	\$ 1,980,122	\$ 749,559	\$ 4,787,585	\$ 1,447,420
Cash received from customers, other	40,458	799	-	41,257	-
Cash paid to suppliers	(771,863)	(518,498)	(670,047)	(1,960,408)	(1,336,937)
Cash paid to employees	(521,488)	(574,935)	-	(1,096,423)	-
Cash flows from operating activities	<u>805,011</u>	<u>887,488</u>	<u>79,512</u>	<u>1,772,011</u>	<u>110,483</u>
Cash Flows From Noncapital Financing Activities:					
Transfers	(65,000)	(65,000)	(65,000)	(195,000)	-
Cash flows from noncapital financing activities	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>(195,000)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from long term debt	2,120,200	192,482	-	2,312,682	-
Purchase of capital assets	(3,345,865)	(203,667)	-	(3,549,532)	-
Principal paid on long term debt	-	(9,434)	-	(9,434)	-
Interest paid	-	(6,486)	-	(6,486)	-
Connection & impact fees	52,492	183,706	-	236,198	-
Cash flows from capital and related financing activities	<u>(1,173,173)</u>	<u>156,601</u>	<u>-</u>	<u>(1,016,572)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest on investments	72,105	62,794	1,726	136,625	1,723
Net change in cash and cash equivalents	(361,057)	1,041,883	16,238	697,064	112,206
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>2,191,570</u>	<u>6,065,651</u>	<u>180,703</u>	<u>8,437,924</u>	<u>607,950</u>
Cash and cash equivalents, including temporarily restricted cash , end of year	<u><u>\$ 1,830,513</u></u>	<u><u>\$ 7,107,534</u></u>	<u><u>\$ 196,941</u></u>	<u><u>\$ 9,134,988</u></u>	<u><u>\$ 720,156</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Net operating income/(loss)	\$ (65,562)	\$ (261,253)	\$ 70,299	\$ (256,516)	\$ 199,449
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	839,906	1,131,043	-	1,970,949	-
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(91,717)	15,093	3,367	(73,257)	34
(Increase)/Decrease in prepaid items	-	-	-	-	-
(Increase)/Decrease in inventory	(56,143)	(4,764)	-	(60,907)	-
Increase/(Decrease) in payables	104,441	7,040	5,846	117,327	(89,000)
Increase/(Decrease) in accrued liabilities & deposits	74,086	329	-	74,415	-
Net cash flows from operating activities	<u><u>\$ 805,011</u></u>	<u><u>\$ 887,488</u></u>	<u><u>\$ 79,512</u></u>	<u><u>\$ 1,772,011</u></u>	<u><u>\$ 110,483</u></u>

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

CITY OF SHOW LOW, ARIZONA
Statement Fiduciary Net Assets
Agency Fund
June 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 13,492
Total assets	<u>\$ 13,492</u>
 LIABILITIES	
Accounts payable	\$ 482
Slovakian/Sister Cities	2,521
Police Department Evidence	<u>10,489</u>
Total liabilities	<u>\$ 13,492</u>

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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 three years. 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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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.

Net Assets and Fund Equity

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

Equity is classified in the government-wide financial statements and in the proprietary fund financial statements as net assets and is displayed in three components as follows:

Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets are net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

Nonspendable fund balance cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the City Council. A resolution, ordinance or vote by the City Council is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy.

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

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, 2011

Note 2. Stewardship, Compliance, and Accountability

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

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, 2011

Note 2. Stewardship, Compliance, and Accountability, Continued

Supplementary budgetary appropriations were made in during the year ended June 30, 2011.

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, 62-74 present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2011, 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.

Note 3. Deposits and Investments

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

Cash and cash equivalents	\$ 6,548,790
Restricted cash and cash equivalents	11,156,469
Agency fund monies	13,492
	<u>\$ 17,718,751</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, 2011, none of the City's bank balance of \$973,714 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, 2011

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, 2011 the City had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 1,011,103	N/A	N/A
Cash on hand	1,800	N/A	N/A
Local Governments Investment Pool	16,705,848	N/A	N/A
	\$ 17,718,751		

(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, 2011

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, 2011:

Governmental Activities:

General Fund:

Reserve for arbitrage - GADA 2006	\$ 76,980
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Debt Service Funds:

Restricted for debt service ID Bonds	764,300
Restricted for debt service CFD Bonds	422,377

Special Revenue Funds:

Restricted for LTAF funds	12,894
Restricted for Street Lighting District	12,237
Restricted for grant proceeds	117,873

Capital Project Funds:

Restricted for capital outlay - investment fees	387,418
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Internal Service Fund:

Restricted for self-insured medical	720,156
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Total Governmental Activities	<u>\$ 2,514,235</u>
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Business-Type Activities:

Water Fund:

Restricted for capital outlay - investment fees	\$ 1,231,953
Customer security deposits	119,440

Wastewater Fund:

Restricted for capital outlay - investment fees	6,218,760
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Total Business-Type Activities	<u>\$ 7,570,153</u>
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CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 5. Capital Assets

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

Governmental Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets, not being depreciated:				
Land	\$ 5,772,884	\$ -	\$ -	\$ 5,772,884
Construction in progress	13,535,935	430,037	(11,001,446)	2,964,526
Total capital assets, not being depreciated	<u>19,308,819</u>	<u>430,037</u>	<u>(11,001,446)</u>	<u>8,737,410</u>
Capital assets, being depreciated:				
Buildings	10,449,293	5,700,539	-	16,149,832
Improvements other than buildings	7,004,177	3,008,991	(130,291)	9,882,877
Machinery and equipment	3,829,335	261,912	(26,709)	4,064,538
Infrastructure	45,716,313	6,067,319	-	51,783,632
Vehicles	3,511,415	400,321	(87,679)	3,824,057
Total capital assets, being depreciated	<u>70,510,533</u>	<u>15,439,082</u>	<u>(244,679)</u>	<u>85,704,936</u>
Less accumulated depreciation for:				
Buildings	(4,262,993)	(593,407)	-	(4,856,400)
Improvements other than buildings	(3,555,262)	(357,434)	42,263	(3,870,433)
Machinery and equipment	(1,878,935)	(336,587)	26,709	(2,188,813)
Infrastructure	(12,158,986)	(1,787,430)	-	(13,946,416)
Vehicles	(2,239,581)	(332,158)	87,679	(2,484,060)
Total accumulated depreciation	<u>(24,095,757)</u>	<u>(3,407,016)</u>	<u>156,651</u>	<u>(27,346,122)</u>
Total capital assets, being depreciated, net	<u>46,414,776</u>	<u>12,032,066</u>	<u>(88,028)</u>	<u>58,358,814</u>
Governmental activities capital assets, net	<u>\$ 65,723,595</u>	<u>\$ 12,462,103</u>	<u>\$ (11,089,474)</u>	<u>\$ 67,096,224</u>

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

Governmental Activities:	
General government	\$ 26,540
Public safety	267,163
Public works/streets	2,733,637
Culture & recreation	378,611
Economic development	1,065
Total depreciation expense - governmental activities	<u>\$ 3,407,016</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 5. Capital Assets, Continued

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

Business Type Activities:	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
Capital assets not being depreciated:				
Land	\$ 910,332	\$ 179,501	\$ -	\$ 1,089,833
Construction in progress	12,457	129,547	(12,457)	129,547
Total capital assets, not being depreciated	<u>922,789</u>	<u>309,048</u>	<u>(12,457)</u>	<u>1,219,380</u>
Capital assets being depreciated:				
Buildings	74,054	-	-	74,054
Improvements other than buildings	62,826,482	3,166,444	-	65,992,926
Machinery and equipment	2,376,869	86,498	(13,660)	2,449,707
Vehicles	511,850	-	-	511,850
Total capital assets, being depreciated	<u>65,789,255</u>	<u>3,252,942</u>	<u>(13,660)</u>	<u>69,028,537</u>
Less accumulated depreciation for:				
Buildings	(12,061)	(5,416)	-	(17,477)
Improvements other than buildings	(20,382,833)	(1,759,820)	-	(22,142,653)
Machinery and equipment	(888,466)	(147,054)	-	(1,035,520)
Vehicles	(306,062)	(58,659)	13,660	(351,061)
Total accumulated depreciation	<u>(21,589,422)</u>	<u>(1,970,949)</u>	<u>13,660</u>	<u>(23,546,711)</u>
Total capital assets, being depreciated, net	<u>44,199,833</u>	<u>1,281,993</u>	<u>-</u>	<u>45,481,826</u>
Business-type activities capital assets, net	<u>\$ 45,122,622</u>	<u>\$ 1,591,041</u>	<u>\$ (12,457)</u>	<u>\$ 46,701,206</u>

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

Business-Type Activities:	
Wastewater	1,131,043
Water	839,906
Total depreciation expense - business-type activities	<u>\$ 1,970,949</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

	Balance 6/30/2010	Additions	Retirements	Balance 6/30/2011	Current Portion
Governmental Activities:					
Accrued compensated absences	\$ 527,254	\$ 18,270	\$ (23,526)	\$ 521,998	\$ 263,627
Landfill monitoring costs	26,988	-	-	26,988	-
Total Other	<u>554,242</u>	<u>18,270</u>	<u>(23,526)</u>	<u>548,986</u>	<u>263,627</u>
Special assessment bonds					
Improvement District #5	1,980,000	-	(420,000)	1,560,000	450,000
Improvement District #6	2,910,000	-	(305,000)	2,605,000	325,000
Improvement District #7	504,000	-	(52,000)	452,000	55,000
Bluff Community Facilities District	1,880,000	-	(50,000)	1,830,000	55,000
Total Special Assessment Bonds	<u>7,274,000</u>	<u>-</u>	<u>(827,000)</u>	<u>6,447,000</u>	<u>885,000</u>
General obligation bonds					
Bluff Community Facilities					
District bonds - Series 2007	455,000	-	(10,000)	445,000	10,000
District bonds - Series 2011	-	450,000	-	450,000	15,000
Total General Obligation	<u>455,000</u>	<u>450,000</u>	<u>(10,000)</u>	<u>895,000</u>	<u>25,000</u>
Loans payable					
Senior Center Note	200,000	-	(50,000)	150,000	50,000
GADA Bonds Series - Series 2006B	7,420,000	-	(315,000)	7,105,000	330,000
GADA Bonds Series - Series 2008A	2,950,000	-	(280,000)	2,670,000	290,000
Total Loans Payable	<u>10,570,000</u>	<u>-</u>	<u>(645,000)</u>	<u>9,925,000</u>	<u>670,000</u>
Total Governmental Debt	<u>\$ 18,853,242</u>	<u>\$ 468,270</u>	<u>\$ (1,505,526)</u>	<u>\$ 17,815,986</u>	<u>\$ 1,843,627</u>
Business-Type Activities:					
Accrued compensated absences	\$ 79,672	\$ 80,288	\$ (89,963)	\$ 69,997	\$ 39,836
Total Other	<u>79,672</u>	<u>80,288</u>	<u>(89,963)</u>	<u>69,997</u>	<u>39,836</u>
Loans payable					
WIFA Loan - Water	-	2,200,000	-	2,200,000	140,044
WIFA Loan - Sewer	57,518	192,482	(9,434)	240,566	9,982
Total Loans Payable	<u>57,518</u>	<u>2,392,482</u>	<u>(9,434)</u>	<u>2,440,566</u>	<u>150,026</u>
Total Business-Type Long-Term Debt	<u>\$ 137,190</u>	<u>\$ 2,472,770</u>	<u>\$ (99,397)</u>	<u>\$ 2,510,563</u>	<u>\$ 189,862</u>
Total Long-Term Liabilities	<u>\$ 18,990,432</u>	<u>\$ 2,941,040</u>	<u>\$ (1,604,923)</u>	<u>\$ 20,326,549</u>	<u>\$ 2,033,489</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

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, 2011:

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.	\$ 1,560,000
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.	2,605,000
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.	452,000
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>1,830,000</u>
Total Special Assessment Bonds	<u><u>\$ 6,447,000</u></u>

Special Assessment debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
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	548,000	158,613	706,613
2017-2021	1,286,000	443,079	1,729,079
2022-2026	500,000	270,200	770,200
2027-2031	<u>655,000</u>	<u>114,240</u>	<u>769,240</u>
Total	<u><u>\$ 6,447,000</u></u>	<u><u>\$ 2,080,090</u></u>	<u><u>\$ 8,527,090</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 6. Long-Term Debt, Continued

The following is a listing of general obligation bonds outstanding as of June 30, 2011:

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. \$ 445,000

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

Total General Obligation Bonds \$ 895,000

General obligation bond debt service maturities are as follows:

Year Ended June 30,	<u>Governmental Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 10,000	\$ 50,941	\$ 60,941
2013	25,000	59,556	84,556
2014	35,000	57,419	92,419
2015	40,000	54,700	94,700
2016	45,000	51,641	96,641
2017-2021	270,000	203,328	473,328
2022-2026	260,000	96,104	356,104
2027-2031	140,000	42,006	182,006
2032-2033	70,000	4,112	74,112
Total	<u><u>\$ 895,000</u></u>	<u><u>\$ 619,807</u></u>	<u><u>\$ 1,514,807</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 6. Long-Term Debt, Continued

The following is a listing of loans payable outstanding as of June 30, 2011:

Loans Payable:	<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, bearing interest ranging from 4% to 5% with an average rate of 4.558%. 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.	\$ 7,105,000	\$ -
GADA Bonds Series 2008A were issued April 1, 2008 in the amount of \$3,185,000, bearing interest ranging from 3% to 5% with an average rate of 4.53%. The 2008 loans were issued to finance the costs of building a new library, council chambers and remodeling existing library for administrative purposes.	2,670,000	-
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.	150,000	-
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.	-	240,566
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.096%, maturing July 2031. This loan was approved in January 2011 with a maximum principal balance of \$3,800,000. As of June 30, 2011 the outstanding principal balance to be drawn down was \$1,600,000.	-	2,200,000
Total Loans Payable	<u><u>\$ 9,925,000</u></u>	<u><u>\$ 2,440,566</u></u>

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 670,000	\$ 448,400	\$ 9,704	78,971	\$ 1,207,075
2013	695,000	419,756	150,026	121,947	1,386,729
2014	720,000	390,075	154,648	117,254	1,381,977
2015	695,000	359,363	159,412	112,417	1,326,192
2016	725,000	326,875	164,323	107,430	1,323,628
2017-2021	3,195,000	1,146,050	900,738	456,807	5,698,595
2022-2026	2,530,000	501,000	1,048,302	306,969	4,386,271
2027-2031	695,000	23,125	1,203,459	128,942	2,050,526
2032	-	-	249,954	7,739	257,693
less undrawn amounts	-	-	(1,600,000)	-	(1,600,000)
Total	<u><u>\$ 9,925,000</u></u>	<u><u>\$ 3,614,644</u></u>	<u><u>\$ 2,440,566</u></u>	<u><u>\$ 1,438,476</u></u>	<u><u>\$ 17,418,686</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:		
	Airport Fund	Show Low Bluff Communities Facilities District	Total
General Fund	\$ 73,433	\$ 36,695	\$ 110,128
Total	\$ 73,433	\$ 36,695	\$ 110,128

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, 2011 are as follows:

Transfers out:	Transfers in:		
	General	Nonmajor Governmental Funds	Total
General Fund	\$ -	2,275,483	\$ 2,275,483
Improvement District #5	10,000	-	10,000
Improvement District #6	10,000	-	10,000
Show Low Bluff	18,000	-	18,000
Nonmajor Governmental Funds	87,700	70,847	158,547
Water Fund	65,000	-	65,000
Wastewater Fund	65,000	-	65,000
Nonmajor Enterprise Funds	65,000	-	65,000
Total	\$ 320,700	\$ 2,346,330	\$ 2,667,030

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, 2011

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

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 9.85 percent (9.6 percent for retirement, and 0.25 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 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
2009	\$ 392,069	\$ 47,107	\$ 24,535
2010	341,482	27,024	16,378
2011	354,531	23,216	9,837

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

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 16.28 percent of covered compensation. The health insurance premium portion of the contribution rate was actuarially set at 0.74 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, 2011 were established by the June 30, 2010 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 26 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 \$223,205 and the annual OPEB cost of \$15,068 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	2009	\$ 250,512	100%	\$ -
	2010	223,205	100%	-
	2011	*	*	*
Health Insurance	2009	\$ 20,761	100%	\$ -
	2010	15,068	100%	-
	2011	23,993	100%	-

* Information for fiscal year 2011 is not yet available.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 8. Retirement and Pension Plans, Continued

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.

Note 9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In August 1987, the City joined with other cities around the State in the Arizona Municipal Risk Retention Pool, a public entity risk pool currently operating as a common risk management and insurance and workers' compensation program for approximately 73 members. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The Agreement provides that 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 20 years, and has had no claims exceeding this insurance coverage.

Premiums are paid annually for the coverage year from July 1 to June 30 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 four fiscal years.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2011

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, 2011.

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, 2011 totaled 3,005.58 days. Sick leave is forfeited upon termination of employment.

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

<u>Project</u>	<u>Estimated Cost</u>	<u>Construction in Progress</u>
Runway 6/24 Improvements	\$ 2,300,000	\$ 2,097,602
Scott Ranch Road	\$ 5,500,000	\$ 632,195

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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, 2011, based on actuarial valuations follows:

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
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 *	5,274,412	6,885,684	1,611,272	76.6%	1,636,027	98.5%
2011 *	**	**	**	**	**	**

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

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
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 *	-	215,089	215,089	0.0%	1,636,027	13.15%
2011 *	**	**	**	**	**	**

Health insurance subsidy payments reported for fiscal year 2010: \$6,240

* 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 were made and reported; thus, these benefits are disaggregated and reported separately.

** Information for fiscal year 2011 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 5,500	\$ 5,500	\$ 11,883	\$ 6,383
Interest	1,000	1,000	1,417	417
Special assessments	550,000	550,000	525,456	(24,544)
Other revenues	-	-	3,698	(3,698)
Total revenues	<u>556,500</u>	<u>556,500</u>	<u>542,454</u>	<u>(21,442)</u>
EXPENDITURES				
Debt service				
Principal	420,000	420,000	420,000	-
Interest and fiscal charges	473,800	473,800	122,935	350,865
Total expenditures	<u>893,800</u>	<u>893,800</u>	<u>542,935</u>	<u>350,865</u>
Excess of revenues				
Over (Under) expenditures	(337,300)	(337,300)	(481)	336,819
Other Financing Sources (Uses):				
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 balance	(347,300)	(347,300)	(10,481)	336,819
Fund balance, beginning of year	<u>263,003</u>	<u>263,003</u>	<u>263,003</u>	<u>-</u>
Fund balance, end of year	<u>\$ (84,297)</u>	<u>\$ (84,297)</u>	<u>\$ 252,522</u>	<u>\$ 336,819</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 1,000	\$ 1,000	\$ 5,846	\$ 4,846
Interest	1,000	1,000	3,653	2,653
Special assessments	465,000	465,000	490,646	25,646
Other revenues	-	-	2,656	(2,656)
Total revenues	<u>467,000</u>	<u>467,000</u>	<u>502,801</u>	<u>30,489</u>
EXPENDITURES				
Current:				
General government	1,500	1,500	6,073	(4,573)
Capital outlay	521,300	521,300	-	521,300
Debt service				
Principal	305,000	305,000	305,000	-
Interest and fiscal charges	<u>175,700</u>	<u>175,700</u>	<u>166,098</u>	<u>9,602</u>
Total expenditures	<u>1,003,500</u>	<u>1,003,500</u>	<u>477,171</u>	<u>526,329</u>
Excess of revenues				
Over (Under) expenditures	(536,500)	(536,500)	25,630	562,130
Other Financing Sources (Uses):				
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 balance	(546,500)	(546,500)	15,630	562,130
Fund balance, beginning of year	<u>484,555</u>	<u>484,555</u>	<u>484,555</u>	<u>-</u>
Fund balance, end of year	<u>\$ (61,945)</u>	<u>\$ (61,945)</u>	<u>\$ 500,185</u>	<u>\$ 562,130</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 7,368	\$ 7,368
Interest	5,000	5,000	901	(4,099)
Special assessments	250,000	250,000	304,128	54,128
Other revenues	-	-	224	224
Total revenues	<u>255,000</u>	<u>255,000</u>	<u>312,621</u>	<u>57,621</u>
EXPENDITURES				
Current:				
General government	-	-	3,272	(3,272)
Capital outlay	1,247,800	1,247,800	393,000	854,800
Debt service:				
Principal	60,000	60,000	60,000	-
Interest and fiscal charges	231,400	231,400	198,267	33,133
Total expenditures	<u>1,539,200</u>	<u>1,539,200</u>	<u>654,539</u>	<u>884,661</u>
Excess of revenues				
Over (Under) expenditures	<u>(1,284,200)</u>	<u>(1,284,200)</u>	<u>(341,918)</u>	<u>942,282</u>
Other Financing Sources (Uses):				
Debt issued	1,000,000	1,000,000	450,000	(550,000)
Transfers out	<u>(13,000)</u>	<u>(13,000)</u>	<u>(18,000)</u>	<u>(5,000)</u>
Total other financing Sources (Uses)	<u>987,000</u>	<u>987,000</u>	<u>432,000</u>	<u>(555,000)</u>
Net change in fund balance	(297,200)	(297,200)	90,082	387,282
Fund balance, beginning of year	<u>377,849</u>	<u>377,849</u>	<u>377,849</u>	<u>-</u>
Fund balance, end of year	<u>\$ 80,649</u>	<u>\$ 80,649</u>	<u>\$ 467,931</u>	<u>\$ 387,282</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.
- The **Parks Development Impact Fee** fund is used to account for development impact fees earmarked for City parks.
- The **Library Development Impact Fee** fund is used to account for development impact fees earmarked for improvement of libraries.
- The **Transportation Development Impact Fee** fund is used to account for development impact fees earmarked for improvement of transportation systems for the City.

CITY OF SHOW LOW, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue					
	Highway User Revenue Fund	Local Transportation Assistance	Street Lighting District	Public Transportation	Family Aquatic	Grants
ASSETS						
Cash	\$ 1,123,513	\$ -	\$ -	\$ -	\$ 17,583	\$ -
Receivables:						
Taxes	-	-	1,302	-	-	-
Interest	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Intergovernmental	115,372	-	-	161,296	-	13,678
Prepaid items	-	-	-	-	-	-
Restricted cash	-	12,894	12,237	-	-	117,873
Total assets	<u>\$ 1,238,885</u>	<u>\$ 12,894</u>	<u>\$ 13,539</u>	<u>\$ 161,296</u>	<u>\$ 17,583</u>	<u>\$ 131,551</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 26,306	\$ -	\$ 12,068	\$ 42,990	\$ 10,866	\$ 31,523
Accrued wages and salaries	9,612	-	-	-	6,717	-
Deferred revenues	-	-	-	-	-	24,044
Total liabilities	<u>35,918</u>	<u>-</u>	<u>12,068</u>	<u>42,990</u>	<u>17,583</u>	<u>55,567</u>
Fund Balance:						
Nonspendable:						
Prepaid items	-	-	-	-	-	-
Restricted for:						
Public works/streets	-	12,894	1,471	-	-	75,984
Economic development	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Committed to:						
Public transportation	-	-	-	118,306	-	-
Assigned to:						
Public works/streets	1,202,967	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total fund balance	<u>1,202,967</u>	<u>12,894</u>	<u>1,471</u>	<u>118,306</u>	<u>-</u>	<u>75,984</u>
Total liabilities and fund balance	<u>\$ 1,238,885</u>	<u>\$ 12,894</u>	<u>\$ 13,539</u>	<u>\$ 161,296</u>	<u>\$ 17,583</u>	<u>\$ 131,551</u>

Debt Service		Capital Project					Total
Improvement District #7	Other Debt Service	Open Spaces Impact Fee	Recreation Impact Fee	Parks Development Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ -	\$ 35,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,176,879
-	-	-	-	-	-	-	1,302
1,798	-	-	-	-	-	-	1,798
403,405	-	-	-	-	-	-	403,405
-	-	-	-	-	-	-	290,346
-	735,400	-	-	-	-	-	735,400
56,528	-	175,793	198,975	12,650	-	-	586,950
<u>\$ 461,731</u>	<u>\$ 771,183</u>	<u>\$ 175,793</u>	<u>\$ 198,975</u>	<u>\$ 12,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,196,080</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,753
-	-	-	-	-	-	-	16,329
401,362	-	-	-	-	-	-	425,406
<u>401,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>565,488</u>
-	735,400	-	-	-	-	-	735,400
-	-	-	-	-	-	-	90,349
-	-	175,793	-	-	-	-	175,793
-	-	-	198,975	12,650	-	-	211,625
60,369	-	-	-	-	-	-	60,369
-	-	-	-	-	-	-	118,306
-	-	-	-	-	-	-	1,202,967
-	35,783	-	-	-	-	-	35,783
<u>60,369</u>	<u>771,183</u>	<u>175,793</u>	<u>198,975</u>	<u>12,650</u>	<u>-</u>	<u>-</u>	<u>2,630,592</u>
<u>\$ 461,731</u>	<u>\$ 771,183</u>	<u>\$ 175,793</u>	<u>\$ 198,975</u>	<u>\$ 12,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,196,080</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, 2011

	Special Revenue					
	Highway User Revenue Fund	Local Transportation Assistance	Street Lighting District	Public Transportation	Family Aquatic Center	
REVENUES:						
Taxes	\$ -	\$ -	\$ 136,979	\$ -	\$ -	\$ -
Intergovernmental	1,223,150	-	-	931,632	-	413,934
Charges for services	-	-	-	-	108,576	-
Investment earnings	6,797	278	77	301	-	-
Impact fees	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Other revenues	7,324	-	-	72,881	-	-
Total revenues	1,237,271	278	137,056	1,004,814	108,576	413,934
EXPENDITURES:						
Current:						
General government	-	-	-	509,581	-	-
Public safety	-	-	-	-	-	135,522
Public works/streets	866,727	-	145,165	-	-	197,428
Culture and recreation	-	-	-	-	383,957	-
Capital outlay	1,135,302	34,683	-	528,497	-	5,000
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	2,002,029	34,683	145,165	1,038,078	383,957	337,950
Excess of revenues						
Over (under) expenditures	(764,758)	(34,405)	(8,109)	(33,264)	(275,381)	75,984
Other Financing Sources (Uses):						
Transfers out	-	-	(1,200)	(83,500)	-	-
Transfers in	933,843	-	-	100,968	293,897	-
Total other financing sources (uses):	933,843	-	(1,200)	17,468	293,897	-
Net change in fund balances	169,085	(34,405)	(9,309)	(15,796)	18,516	75,984
Fund balance, beginning of year	1,033,882	47,299	10,780	134,102	(18,516)	-
Fund balance, end of year	\$ 1,202,967	\$ 12,894	\$ 1,471	\$ 118,306	\$ -	\$ 75,984

Debt Service		Capital Project					Total
Improvement District #7	Other Debt Service	Open Spaces Impact Fee	Recreation Impact Fee	Parks Development Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,979
-	-	-	-	-	-	-	2,568,716
-	-	-	-	-	-	-	108,576
153	4,943	1,673	1,893	44	11	163	16,333
-	-	2,675	3,311	12,606	6,302	64,371	89,265
54,967	-	-	-	-	-	-	54,967
-	-	-	-	-	-	-	80,205
<u>55,120</u>	<u>4,943</u>	<u>4,348</u>	<u>5,204</u>	<u>12,650</u>	<u>6,313</u>	<u>64,534</u>	<u>3,055,041</u>
-	-	-	-	-	-	-	509,581
-	-	-	-	-	-	-	135,522
-	-	-	-	-	-	-	1,209,320
-	-	-	-	-	-	-	383,957
-	-	-	-	-	-	-	1,703,482
52,000	570,000	-	-	-	-	-	622,000
26,418	400,782	-	-	-	-	-	427,200
<u>78,418</u>	<u>970,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,991,062</u>
<u>(23,298)</u>	<u>(965,839)</u>	<u>4,348</u>	<u>5,204</u>	<u>12,650</u>	<u>6,313</u>	<u>64,534</u>	<u>(1,936,021)</u>
(3,000)	-	-	-	-	(6,313)	(64,534)	(158,547)
-	1,017,622	-	-	-	-	-	2,346,330
<u>(3,000)</u>	<u>1,017,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,313)</u>	<u>(64,534)</u>	<u>2,187,783</u>
(26,298)	51,783	4,348	5,204	12,650	-	-	251,762
86,667	719,400	171,445	193,771	-	-	-	2,378,830
<u>\$ 60,369</u>	<u>\$ 771,183</u>	<u>\$ 175,793</u>	<u>\$ 198,975</u>	<u>\$ 12,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,630,592</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, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenue	\$ 1,874,000	\$ 1,874,000	\$ 1,223,150	\$ (650,850)
Interest	500	500	6,797	6,297
Other revenues	1,000	1,000	7,324	6,324
Total revenues	<u>1,875,500</u>	<u>1,875,500</u>	<u>1,237,271</u>	<u>(638,229)</u>
EXPENDITURES				
Current:				
Public works/Streets	941,800	941,800	866,727	75,073
Capital outlay	<u>2,916,300</u>	<u>3,028,400</u>	<u>1,135,302</u>	<u>1,893,098</u>
Total expenditures	<u>3,858,100</u>	<u>3,970,200</u>	<u>2,002,029</u>	<u>1,968,171</u>
Excess of revenues Over (Under) expenditures	<u>(1,982,600)</u>	<u>(2,094,700)</u>	<u>(764,758)</u>	<u>1,329,942</u>
Other Financing Sources (Uses):				
Sale of Assets	2,000	2,000	-	(2,000)
Transfers in	<u>1,011,800</u>	<u>1,011,800</u>	<u>933,843</u>	<u>(77,957)</u>
Total other financing Sources (Uses)	<u>1,013,800</u>	<u>1,013,800</u>	<u>933,843</u>	<u>(79,957)</u>
Net change in fund balance	(968,800)	(1,080,900)	169,085	1,249,985
Fund balance, beginning of year	<u>1,033,882</u>	<u>1,033,882</u>	<u>1,033,882</u>	<u>-</u>
Fund balance, end of year	<u>\$ 65,082</u>	<u>\$ (47,018)</u>	<u>\$ 1,202,967</u>	<u>\$ 1,249,985</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 278	\$ 278
Total revenues	<u>-</u>	<u>-</u>	<u>278</u>	<u>278</u>
EXPENDITURES				
Capital outlay	<u>47,100</u>	<u>47,300</u>	<u>34,683</u>	<u>12,617</u>
Total expenditures	<u>47,100</u>	<u>47,300</u>	<u>34,683</u>	<u>12,617</u>
Excess of revenues Over (Under) expenditures	(47,100)	(47,300)	(34,405)	12,895
Fund balance, beginning of year	<u>47,299</u>	<u>47,299</u>	<u>47,299</u>	<u>-</u>
Fund balance, end of year	<u>\$ 199</u>	<u>\$ (1)</u>	<u>\$ 12,894</u>	<u>\$ 12,895</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 140,000	\$ 140,000	\$ 136,979	\$ (3,021)
Interest	300	300	77	(223)
Total revenues	<u>140,300</u>	<u>140,300</u>	<u>137,056</u>	<u>(3,244)</u>
EXPENDITURES				
Current:				
Public works/Streets	<u>150,000</u>	<u>150,000</u>	<u>145,165</u>	<u>4,835</u>
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>145,165</u>	<u>4,835</u>
Excess of revenues				
Over (Under) expenditures	(9,700)	(9,700)	(8,109)	1,591
Other Financing Sources (Uses):				
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Total other financing Sources (Uses)	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net change in fund balance	(10,900)	(10,900)	(9,309)	1,591
Fund balance, beginning of year	<u>10,780</u>	<u>10,780</u>	<u>10,780</u>	<u>-</u>
Fund balance, end of year	<u>\$ (120)</u>	<u>\$ (120)</u>	<u>\$ 1,471</u>	<u>\$ 1,591</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 1,244,400	\$ 1,006,600	\$ 931,632	\$ (74,968)
Interest	-	-	301	301
Miscellaneous	84,200	84,200	72,881	(11,319)
Total revenues	<u>1,328,600</u>	<u>1,090,800</u>	<u>1,004,814</u>	<u>(85,986)</u>
EXPENDITURES				
Current:				
General government	609,300	525,800	509,581	16,219
Capital outlay	<u>777,000</u>	<u>539,200</u>	<u>528,497</u>	<u>10,703</u>
Total expenditures	<u>1,386,300</u>	<u>1,065,000</u>	<u>1,038,078</u>	<u>26,922</u>
Excess of revenues				
Over (Under) expenditures	(57,700)	25,800	(33,264)	(59,064)
Other Financing Sources (Uses):				
Transfers out	-	(83,500)	(83,500)	-
Transfers in	<u>-</u>	<u>-</u>	<u>100,968</u>	<u>100,968</u>
Total other financing Sources (Uses)	<u>-</u>	<u>(83,500)</u>	<u>17,468</u>	<u>100,968</u>
Net change in fund balance	(57,700)	(57,700)	(15,796)	41,904
Fund balance, beginning of year	<u>134,102</u>	<u>134,102</u>	<u>134,102</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 76,402</u></u>	<u><u>\$ 76,402</u></u>	<u><u>\$ 118,306</u></u>	<u><u>\$ 41,904</u></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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 120,000	\$ 120,000	\$ 108,576	\$ (11,424)
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>108,576</u>	<u>(11,424)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>391,600</u>	<u>391,600</u>	<u>383,957</u>	<u>7,643</u>
Total expenditures	<u>391,600</u>	<u>391,600</u>	<u>383,957</u>	<u>7,643</u>
Excess of revenues				
Over (Under) expenditures	(271,600)	(271,600)	(275,381)	(3,781)
Other Financing Sources (Uses):				
Transfers in	<u>271,600</u>	<u>271,600</u>	<u>293,897</u>	<u>22,297</u>
Total other financing Sources (Uses)	<u>271,600</u>	<u>271,600</u>	<u>293,897</u>	<u>22,297</u>
Net change in fund balance	-	-	18,516	18,516
Fund balance, beginning of year	<u>(18,516)</u>	<u>(18,516)</u>	<u>(18,516)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (18,516)</u>	<u>\$ (18,516)</u>	<u>\$ -</u>	<u>\$ 18,516</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 8,874,300	\$ 6,778,500	\$ 413,934	\$(6,364,566)
Total revenues	<u>8,874,300</u>	<u>6,778,500</u>	<u>413,934</u>	<u>(6,364,566)</u>
EXPENDITURES				
Current:				
Public safety	133,800	156,200	135,522	20,678
Public works/Streets	-	350,500	197,428	153,072
Grant contingencies	8,500,000	6,100,700	-	6,100,700
Capital outlay	<u>259,600</u>	<u>259,600</u>	<u>5,000</u>	<u>254,600</u>
Total expenditures	<u>8,893,400</u>	<u>6,867,000</u>	<u>337,950</u>	<u>6,529,050</u>
Excess of revenues				
Over (Under) expenditures	(19,100)	(88,500)	75,984	164,484
Other Financing Sources (Uses):				
Transfers in	<u>19,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing Sources (Uses)	<u>19,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(88,500)	75,984	164,484
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (88,500)</u>	<u>\$ 75,984</u>	<u>\$ 164,484</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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 153	\$ (847)
Special assessments	100,000	100,000	54,967	(45,033)
Total revenues	<u>101,000</u>	<u>101,000</u>	<u>55,120</u>	<u>(45,880)</u>
EXPENDITURES				
Debt service:				
Principal	52,000	52,000	52,000	-
Interest and fiscal charges	29,100	29,100	26,418	2,682
Total expenditures	<u>172,700</u>	<u>172,700</u>	<u>78,418</u>	<u>94,282</u>
Excess of revenues				
Over (Under) expenditures	(71,700)	(71,700)	(23,298)	48,402
Other Financing Sources (Uses):				
Transfers out	(3,000)	(3,000)	(3,000)	-
Total other financing	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Sources (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Net change in fund balance	(74,700)	(74,700)	(26,298)	48,402
Fund balance, beginning of year	<u>86,667</u>	<u>86,667</u>	<u>86,667</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,967</u>	<u>\$ 11,967</u>	<u>\$ 60,369</u>	<u>\$ 48,402</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 4,943	\$ (57)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>4,943</u>	<u>(57)</u>
EXPENDITURES				
Debt service				
Principal	570,000	570,000	570,000	-
Interest and fiscal charges	<u>397,300</u>	<u>400,900</u>	<u>400,782</u>	<u>118</u>
Total expenditures	<u>967,300</u>	<u>970,900</u>	<u>970,782</u>	<u>118</u>
Excess of revenues				
Over (Under) expenditures	<u>(962,300)</u>	<u>(965,900)</u>	<u>(965,839)</u>	<u>61</u>
Other Financing Sources (Uses):				
Transfers in	<u>962,300</u>	<u>1,015,600</u>	<u>1,017,622</u>	<u>2,022</u>
Total other financing Sources (Uses)	<u>962,300</u>	<u>1,015,600</u>	<u>1,017,622</u>	<u>2,022</u>
Net change in fund balance	-	49,700	51,783	2,083
Fund balance, beginning of year	<u>719,400</u>	<u>719,400</u>	<u>719,400</u>	<u>-</u>
Fund balance, end of year	<u>\$ 719,400</u>	<u>\$ 769,100</u>	<u>\$ 771,183</u>	<u>\$ 2,083</u>

CITY OF SHOW LOW, ARIZONA
OPEN SPACES IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 1,673	\$ 1,673
Impact fees	5,000	5,000	2,675	(2,325)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>4,348</u>	<u>(652)</u>
EXPENDITURES				
Capital outlay	<u>175,100</u>	<u>175,100</u>	<u>-</u>	<u>175,100</u>
Total expenditures	<u>175,100</u>	<u>175,100</u>	<u>-</u>	<u>175,100</u>
Excess of revenues Over (Under) expenditures	(170,100)	(170,100)	4,348	174,448
Fund balance, beginning of year	<u>171,445</u>	<u>171,445</u>	<u>171,445</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,345</u>	<u>\$ 1,345</u>	<u>\$ 175,793</u>	<u>\$ 174,448</u>

CITY OF SHOW LOW, ARIZONA
RECREATION IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 1,893	\$ 1,893
Impact fees	5,000	5,000	3,311	(1,689)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>5,204</u>	<u>204</u>
EXPENDITURES				
Capital outlay	<u>197,500</u>	<u>197,500</u>	<u>-</u>	<u>197,500</u>
Total expenditures	<u>197,500</u>	<u>197,500</u>	<u>-</u>	<u>197,500</u>
Excess of revenues Over (Under) expenditures	(192,500)	(192,500)	5,204	197,704
Fund balance, beginning of year	<u>193,771</u>	<u>193,771</u>	<u>193,771</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,271</u>	<u>\$ 1,271</u>	<u>\$ 198,975</u>	<u>\$ 197,704</u>

CITY OF SHOW LOW, ARIZONA
PARKS DEVELOPMENT IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 44	\$ 44
Impact fees	5,000	5,000	12,606	7,606
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>12,650</u>	<u>7,650</u>
EXPENDITURES				
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess of revenues Over (Under) expenditures	-	-	12,650	12,650
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,650</u></u>	<u><u>\$ 12,650</u></u>

CITY OF SHOW LOW, ARIZONA
LIBRARY DEVELOPMENT IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 11	\$ 11
Impact fees	5,000	5,000	6,302	1,302
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>6,313</u>	<u>1,313</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over (Under) expenditures	<u>5,000</u>	<u>5,000</u>	<u>6,313</u>	<u>1,313</u>
Other Financing Sources (Uses):				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(6,313)</u>	<u>(1,313)</u>
Total other financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(6,313)</u>	<u>(1,313)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SHOW LOW, ARIZONA
TRANSPORTATION DEVELOPMENT IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 163	\$ 163
Impact fees	50,000	50,000	64,371	14,371
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>64,534</u>	<u>14,534</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over (Under) expenditures	<u>50,000</u>	<u>50,000</u>	<u>64,534</u>	<u>14,534</u>
Other Financing Sources (Uses):				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(64,534)</u>	<u>(14,534)</u>
Total other financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(64,534)</u>	<u>(14,534)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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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	77
<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	82
<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	90
<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.....	96
<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	99
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

CITY OF SHOW LOW, ARIZONA

Financial Trends

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Fiscal Year									
	<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>	<u>2011</u>
Governmental activities										
Invested in capital assets, net of related debt	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	\$ 49,802,236
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	1,793,086
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	13,041,888
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	\$ 64,637,210
Business-type activities										
Invested in capital assets, net of related debt	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	\$ 44,340,440
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	1,470,312
Unrestricted		394,501	(6,181,546)	1,075,383	2,478,312	3,696,002	3,531,432	2,293,898	1,619,549	7,959,236
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	\$ 53,769,988
Primary government										
Invested in capital assets, net of relate debt	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	\$ 94,142,676
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	3,263,398
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	21,001,124
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	\$ 118,407,198

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

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

Expenses	Fiscal Year									
	<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>	<u>2011</u>
Governmental activities:										
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	\$ 4,426,519
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	5,301,924
Public Works ¹	-	2,766,797	2,872,362	2,872,918	3,077,390	4,261,420	4,051,944	4,507,493	6,055,886	6,550,314
Economic development ²	-	-	-	-	-	-	-	631,619	767,177	623,313
Culture and recreation ³	-	597,382	704,400	845,588	849,871	985,496	973,501	1,026,732	1,573,326	1,463,546
Interest on long-term debt	-	781,075	725,521	929,135	603,688	826,485	755,375	1,277,768	974,645	975,981
Total governmental activities expenses	-	10,333,167	11,250,961	11,655,838	12,279,629	14,914,698	14,935,524	17,491,761	19,990,563	19,341,597
Business-type activities:										
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	2,255,641
Wastewater	-	-	1,467,116	1,742,718	2,066,814	1,659,410	2,482,065	2,712,337	2,455,025	2,233,567
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	675,893
Total business-type activities expenses	-	5,196,497	5,464,313	6,614,704	6,938,125	6,847,884	8,112,440	8,967,917	5,486,762	5,165,101
Total primary government expenses	\$ -	\$ 15,529,664	\$ 16,715,274	\$ 18,270,542	\$ 19,217,754	\$ 21,762,582	\$ 23,047,964	\$ 26,459,678	\$ 25,477,325	\$ 24,506,698
Program Revenues										
Governmental Activities:										
Charges for services:										
General government		651,232	272,940	998,298	456,815	608,541	509,708	2,787,815	2,213,490	2,424,804
Culture and recreation		74,501	82,630	104,526	78,507	1,017,628	674,822	128,149	289,722	218,512
Other activities	-	117,315	79,052	82,312	895,774	1,593,626	1,569,276	650,640	1,620,410	1,716,854
Operating grants and contributions	-	427,430	216,550	654,087	152,870	-	-	2,269,916	3,804,819	2,972,526
Capital grants and contributions	-	960,209	382,948	379,539	333,283	6,210,914	3,013,594	2,808,785	3,715,329	824,743
Total governmental activities program revenues	-	2,230,687	1,034,120	2,218,762	1,917,249	9,430,709	5,767,400	8,645,305	11,643,770	8,157,439
Business-type activities:										
Charges for services:										
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	2,190,079
Wastewater	-	-	1,668,035	1,938,463	2,270,913	2,686,146	2,547,067	1,912,187	1,914,523	1,965,828
Airport ¹	-	872,047	767,773	930,197	1,040,160	1,898,709	1,240,029	1,083,344	-	-
Family Aquatic Center ³	-	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	746,192
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	236,198
Total business-type activities program revenues	-	11,501,578	5,800,907	9,239,507	9,644,599	13,247,512	12,921,755	7,098,790	6,379,904	5,138,297
Total primary government program revenues	\$ -	\$ 13,732,265	\$ 6,835,027	\$ 11,458,269	\$ 11,561,848	\$ 22,678,221	\$ 18,689,155	\$ 15,744,095	\$ 18,023,674	\$ 13,295,736

² Economic Development is reported with General Government prior to 2009

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

(continued)

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

	<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>	<u>2010</u>
Net (expense)/revenue										
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)	\$ (11,184,158)
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	(26,804)
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)	\$ (11,210,962)
General Revenues and Other Changes in Net Assets										
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	\$ 8,695,613
Franchise taxes	-	218,654	250,610	283,449	301,769	349,826	397,091	416,309	460,863	420,157
State sales taxes	-	601,809	647,382	712,867	830,093	939,542	908,471	786,482	725,415	761,358
Urban revenue sharing	-	808,564	694,977	715,536	831,807	1,029,042	1,514,108	1,459,297	1,250,084	956,935
Auto-in-lieu	-	421,988	426,779	440,379	498,645	590,144	589,820	560,171	514,687	511,760
Other	-	1,547,858	3,616,225	2,171,592	4,262,883	779,170	3,139,681	142,188	139,867	136,979
Investment earnings	-	110,061	78,058	172,331	337,177	828,583	489,904	157,504	65,012	113,005
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	195,000
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	11,790,807
Business-type activities:										
Investment earnings	-	104,387	100,665	146,124	212,550	408,605	660,278	235,930	107,417	136,625
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)	(195,000)
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)	(58,375)
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	\$ 11,732,432
Change in Net Asset										
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	\$ 606,649
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	(85,179)
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	\$ 521,470

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

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

	Fiscal Year									
	<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>	<u>2011</u>
General fund										
Nonspendable:										
Inventories and prepaids	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,344	\$ 57,763	\$ 44,348	\$ 14,071
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	-	76,980
Capital outlay	-	124,721	382,809	457,619	780,003	488,534	443,232	-	-	-
Committed to:										
Cemetery	-	-	-	-	-	-	128,494	160,876	184,844	188,835
Unassigned	-	3,382,850	4,581,623	5,174,543	8,036,445	10,874,318	12,722,515	10,907,754	6,432,775	4,936,910
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	\$ 5,216,796
All other governmental funds										
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,200	\$ 748,916	\$ 895,900	\$ 900,072
Restricted for:										
Public works/streets	-	-	-	-	-	-	24,967	40,705	58,079	90,349
Economic development	-	-	-	-	-	-	-	-	171,445	175,793
Parks and recreation	-	-	-	-	-	-	-	-	193,771	211,625
Debt service	-	789,581	619,181	650,680	714,149	852,413	1,840,435	1,516,965	1,212,075	1,281,007
Other	-	-	-	-	-	-	-	-	-	-
Committed to:										
Public transportation	-	-	-	-	-	-	33,749	116,410	134,102	118,306
Assigned to:										
Public works/streets	-	-	-	-	-	-	3,086,694	112,863	1,033,882	1,202,967
Debt service	-	-	-	-	-	-	-	-	-	35,783
Unassigned, reported in:										
Special revenue funds	-	311,208	229,119	251,762	230,371	7,848,236	-	-	(21,490)	(10,395)
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	\$ 4,005,507

* The City began to report fund balance classification per GASB Statement 54 in fiscal year 2011. Balances previously reported as reserved are reported as restricted and balances previously reported as unreserved are reported as unassigned. The fund balance classification per GASB Statement 54 for restricted, committed or assigned for the years 2002 through 2007 could not be determined.

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

	Fiscal Year									
	<u>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>	<u>2011</u>
Revenues										
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	\$ 9,252,749
Licenses and permits	-	367,881	529,895	623,009	1,192,968	1,043,028	697,482	175,143	170,564	181,638
Intergovernmental	-	1,724,474	735,695	1,032,926	1,531,190	1,534,809	1,355,159	5,754,141	7,250,735	5,520,122
Charges for services	-	321,800	400,102	449,387	736,688	583,141	487,048	236,118	1,479,960	1,581,724
Fines	-	224,176	202,023	122,958	126,915	131,878	167,787	225,171	608,860	826,720
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	1,375,197
Investment earnings	-	110,061	78,058	166,180	337,177	828,583	489,904	150,024	63,957	114,720
Miscellaneous	-	479,939	400,531	298,768	263,448	564,102	398,052	1,168,981	463,964	351,183
Total Revenues	\$ -	\$ 13,431,239	\$ 14,525,682	\$ 15,943,946	\$ 19,168,030	\$ 21,434,226	\$ 20,918,446	\$ 18,807,877	\$ 20,445,675	\$ 19,204,053
Expenditures										
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	\$ 3,274,650
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	4,761,547
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	3,382,640
Economic Development/General Operations	-	638,151	717,434	864,334	985,085	1,023,658	1,023,432	2,645,887	5,755,111	4,699,849
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	2,376,881
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	1,482,000
Interest and fiscal charges	-	784,515	725,521	680,594	603,688	805,199	951,412	1,016,563	1,046,806	988,913
Total expenditures	-	12,655,863	12,700,206	14,306,402	14,731,641	18,133,649	25,171,642	23,295,916	24,170,280	20,966,480
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)	(1,762,427)
Other finance sources (Uses)										
Sale of Assets	-	-	-	-	-	-	1,416,206	12,534	4,696	-
Bond Proceeds	-	-	-	-	-	8,658,917	4,265,000	250,000	-	450,000
Transfers in (out)	-	(801,285)	(621,104)	(915,672)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000
Total other finance sources (uses)	-	(801,285)	(621,104)	(915,672)	(1,210,025)	6,945,265	3,016,016	(619,338)	129,696	645,000
Net change in fund balances	\$ -	\$ (25,909)	\$ 1,204,372	\$ 721,872	\$ 3,226,364	\$ 10,245,842	\$ (1,237,180)	\$ (5,107,377)	\$ (3,594,909)	\$ (1,117,427)
Debt service as a percentage of noncapital expenditures		28.12%	24.58%	19.56%	15.41%	15.50%	17.69%	17.50%	17.61%	15.33%

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

<u>Tax Remitter</u>	<u>Fiscal Year 2011</u>			<u>Fiscal Year 2002</u>		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
	<u>\$ -</u>		<u>0.0%</u>	<u>\$ -</u>		<u>0.0%</u>

Note: This level of information would be a violation of the confidentiality agreement with the Arizona Department of Revenue.

CITY OF SHOW LOW, ARIZONA

Revenue Capacity

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

Last Ten Fiscal Years

(modified accrual basis of accounting)

TAXABLE RETAIL SALES (1)

City of Show Low (1)

<u>Fiscal Year</u>	<u>Amount</u>
2002	330,862,950
2003	344,122,700
2004	384,277,800
2005	427,244,550
2006	496,247,922
2007	548,247,700
2008	547,117,050
2009	451,930,450
2010	417,085,225
2011	419,163,360

Navajo County (1)

<u>Fiscal Year</u>	<u>Amount</u>
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
2011	758,437,095

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

<u>Category</u>	<u>Rate</u>
Services	2%
Manufacturing	2%
Construction	2%
Hotel\Other Lodging	2%
Restaurants and Bars	2%
Retail (including food sales)	2%
Transportation/Communications/ Utilities	2%
Mining	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

Revenue Capacity

Actual Excise Tax Collections

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>Privilege & 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>
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	9,038,612	786,482	1,459,297	416,309	560,171	12,260,871
2010	8,341,704	725,415	1,250,084	460,863	514,687	11,292,753
2011	8,383,267	761,358	956,935	420,157	511,760	11,033,477

Source: City of Show Low Finance Department

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

Fiscal Year	Construction	Utilities	Wholesale	Retail	Restaurants	Real Estate	Services	Others	Total	
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	801,477	219,915	165,420	6,134,484	528,757	543,947	135,887	508,726	9,038,612	82.60%
2009-2010	436,445	288,846	123,085	5,958,669	502,095	433,503	131,006	468,055	8,341,704	76.23%
2010-2011	451,684	269,502	178,849	5,955,451	458,669	424,060	127,555	517,498	8,383,267	100.50%

Source: Arizona Department of Revenue

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
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>
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%
2011-12	170,077,968	1,409,163,131	12%

Source: Arizona Department of Revenue

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

<u>Fiscal Year</u>	<u>City of Show Low</u>	<u>State of Arizona</u>	<u>Navajo County</u>	<u>Northland Pioneer College</u>	<u>Show Low Unified School District</u>	<u>Total</u>
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	-	-	0.5572	1.1308	4.5345	6.2225
2010-11	-	-	0.5984	1.2387	5.0214	6.8585

Source: Navajo County Assessor's Office

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

Tax Year	Original Property Assessments	Collected to June 30th, <u>End of Tax Fiscal Year</u>			Percent of Adjusted Levy	Taxes Receivable
		Adjustments	Amount			
2002	\$ 101,322	\$ 371	\$100,807	100%	\$ 144	
2003	99,937	810	99,072	100%	54	
2004	100,651	967	99,632	100%	51	
2005	97,986	382	97,536	100%	68	
2006	101,262	26	101,152	100%	84	
2007	125,990	115	125,755	100%	119	
2008	142,973	276	142,386	100%	311	
2009	140,460	390	139,365	99%	705	
2010	138,824	589	128,334	93%	9,900	
2011	143,000	-	-	0%	143,000	

Source: Navajo County Treasurer's Office

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

<u>Fiscal Year</u>	<u>Current Assessments Billed</u>	<u>Total Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Current Outstanding Assessments</u>
2001-2002	\$ 712,414	\$ 708,122	99.40%	\$ 4,292
2002-2003	1,129,272	1,123,040	99.45%	6,231
2003-2004	1,137,258	1,148,061	100.95%	(10,803)
2004-2005	1,150,101	1,108,736	96.40%	41,365
2005-2006	1,164,262	1,199,034	102.99%	(34,772)
2006-2007	1,185,339	1,183,457	99.84%	1,881
2007-2008	1,399,158	1,437,350	102.73%	(38,192)
2008-2009	1,408,092	1,428,904	92.43%	(20,812)
2009-2010	1,398,024	1,387,109	99.22%	10,915
2010-2011	1,251,206	1,229,768	98.29%	21,438

Source: City of Show Low Finance Department

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Special Assessment Bonds	Show Low Bluffs CFD Bonds	Certificates of Participation	GADA Bonds	Loans Payable	Certificates of Participation	Compensated Absences	GADA Bonds	WIFA Bonds	Loans Payable			
2002	\$ 9,905,000	\$ -	\$ 3,622,796	\$ -	\$ 1,133,668	\$ 3,262,204	\$ 37,933	\$ -	\$ -	\$ 231,422	\$ 18,193,023	1081.37%	\$ 2,126
2003	9,310,000	-	3,167,142	-	758,169	2,992,858	29,129	-	-	177,533	16,434,831	909.45%	1,871
2004	8,665,000	-	2,776,424	-	304,021	2,623,576	47,683	-	-	351,688	14,768,392	763.93%	1,577
2005	8,045,000	-	2,367,740	-	238,608	2,237,260	51,351	-	-	380,504	13,320,463	628.16%	1,361
2006	7,445,000	-	1,941,090	-	126,259	1,833,910	55,155	-	-	102,551	11,503,965	508.81%	1,164
2007	6,775,000	2,014,000	1,491,241	6,630,000	12,478	1,408,759	60,932	1,740,000	-	46,649	20,179,059	836.38%	1,912
2008	6,770,000	2,455,000	1,018,193	9,600,000	9,875	961,807	89,816	1,740,000	-	-	22,644,691	891.70%	1,974
2009	6,083,000	2,395,000	521,946	9,305,000	256,167	493,054	76,926	1,675,000	-	-	20,806,093	789.86%	1,678
2010	5,394,000	2,335,000	-	10,370,000	200,000	-	79,672	-	250,000	-	18,628,672	687.27%	1,748
2011	4,617,000	2,725,000	-	9,775,000	150,000	-	69,997	-	2,240,296	-	19,577,293	701.91%	1,770

CITY OF SHOW LOW, ARIZONA

Debt Capacity

Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Assessed Value	General Obligation Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita (a)
2002	\$ 68,519,289	\$ -	0.0%	\$ -
2003	78,807,745	-	0.0%	-
2004	89,338,936	-	0.0%	-
2005	94,162,089	-	0.0%	-
2006	103,182,998	-	0.0%	-
2007	115,815,162	-	0.0%	-
2008	144,656,369	-	0.0%	-
2009	183,337,696	-	0.0%	-
2010	190,067,004	-	0.0%	-
2011	170,077,968	-	0.0%	-

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

(a) Population information is shown on page 96 - DEMOGRAPHIC

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Computation of Direct and Overlapping Debt
June 30, 2011

Jurisdiction	Net Debt Outstanding	Percentage Applicable to the City of Show Low	Amount Applicable to the City of Show Low
Direct Debt Repaid with Property Taxes:			
General obligation bonds payable from property tax	\$ -	100.00%	\$ -
Total direct debt			\$ -
Overlapping Debt Repaid with Property Taxes:			
Navajo County	\$ -	n/a	\$ -
Northland Pioneer College	\$ -	n/a	\$ -
Show Low School District #10 - 2003B	\$ 5,375,000	71.80%	3,859,250
Total overlapping debt			\$ 3,859,250
Total direct and overlapping debt			\$ 3,859,250

Source: Navajo County Finance Department

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

Fiscal Year Ended June 30,	Operating Revenues	Operating Expenses (a)	Net Revenue Available for Debt Service	Revenue Bond/Loan/CFP Debt Service			Coverage
				Principal	Interest	Total	
2002	\$ 2,016,344	\$ 1,306,185	\$ 710,160	\$ 257,500	\$ 146,459	\$ 403,959	175.8%
2003	2,114,593	1,366,191	748,403	267,500	143,838	411,338	181.9%
2004	2,370,779	1,409,525	961,253	280,000	127,047	407,047	236.2%
2005	2,810,749	1,585,495	1,225,254	320,504	97,322	417,826	293.2%
2006	3,491,058	1,873,418	1,617,640	364,186	96,940	461,126	350.8%
2007	3,790,578	2,178,135	1,612,442	365,402	65,155	430,557	374.5%
2008	3,937,159	2,433,130	1,504,029	320,000	49,269	369,269	407.3%
2009	3,798,657	3,228,784	569,873	335,000	33,048	368,048	154.8%
2010	3,853,768	2,346,901	1,506,867	352,500	16,632	369,132	408.2%
2011	3,969,640	2,264,160	1,705,480	9,704	6,486	16,190	10534.2%

Source: City of Show Low finance department

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

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

Fiscal Year Ended June 30,	Special Assessment Bonds				Show Low Bluff CFD Bonds				GADA Bonds			
	Special Assessments Collected	Principal	Interest	Coverage	Bluff CFD Tax Collected	Principal	Interest	Coverage	Excise Tax Collected	Principal	Interest	Coverage
2002	\$ 708,122	\$ 235,000	\$ 447,339	104%	\$ -	\$ -	\$ -	0%	\$ 8,561,613	\$ -	\$ -	0%
2003	1,123,040	595,000	599,072	94%	-	-	-	0%	8,933,469	-	-	0%
2004	1,148,061	645,000	552,606	96%	-	-	-	0%	9,705,303	-	-	0%
2005	1,108,736	626,517	517,538	97%	-	-	-	0%	10,697,122	-	28,595	37409%
2006	1,199,034	600,000	478,416	111%	-	-	-	0%	12,387,273	215,000	386,013	2061%
2007	1,183,457	670,000	438,928	107%	-	-	-	0%	13,873,509	360,000	374,513	1889%
2008	1,437,350	605,000	427,519	139%	150,659	39,000	122,782	93%	14,351,831	375,000	359,813	1953%
2009	1,428,904	687,000	391,587	132%	238,098	60,000	136,319	121%	12,260,871	295,000	346,013	1913%
2010	1,387,109	689,000	349,173	134%	292,735	60,000	133,245	151%	11,292,753	610,000	485,738	1031%
2011	1,229,768	777,000	303,980	114%	304,128	60,000	130,058	160%	11,033,477	595,000	464,213	1042%

Source: City of Show Low finance department

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

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

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

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

Year	City of Show Low Population (1)	Navajo County Population (1)	Personal Income Navajo County (2) (thousands)	Per Capita Income	Unemployment Averages (3)		
					City of Show Low	Navajo County	State of Arizona
2002 (Estimated)	8,557	101,358	1,682,401	19,661	4.1%	8.4%	6.0%
2003 (Estimated)	8,785	103,220	1,807,125	20,571	4.1%	8.5%	5.7%
2004 (Estimated)	9,365	105,020	1,933,211	20,643	4.0%	8.4%	4.8%
2005 (Estimated)	9,786	106,968	2,120,553	21,668	3.8%	8.5%	4.7%
2006 (Estimated)	9,885	109,000	2,260,966	22,873	3.5%	7.3%	4.1%
2007 (Estimated)	10,555	110,999	2,412,656	22,858	3.0%	6.4%	3.8%
2008 (Estimated)	11,473	112,348	2,539,509	22,135	4.4%	9.2%	5.5%
2009 (Estimated)	12,400	112,975	2,634,137	21,243	6.6%	13.4%	8.3%
2010 (Census)	10,660	107,449	2,710,527	25,427	7.8%	15.5%	9.7%
2011 (Estimated)	11,058	111,747	2,789,132	25,223	7.7%	15.7%	9.4%

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

(2) Source: US Department of Commerce, Bureau of Economic Analysis Unit (2002-2009).
 2010 & 2011 county data unavailable and estimated based on statewide information

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

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

<u>Employer</u>	<u>Fiscal Year 2011</u>			<u>Fiscal Year 2002 *</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Summit Healthcare Regional Medical	750	1	30.55%			
Walmart	600	2	24.44%			
Show Low Unified School District	350	3	14.26%			
Cellular One	180	4	7.33%			
Home Depot	150	5	6.11%			
City of Show Low	120	6	4.89%			
Northland Pioneer College	115	7	4.68%			
Lowe's	110	8	4.48%			
Safeway stores	40	9	1.63%			
JC Penney	40	10	1.63%			
Total Employees	<u>2,455</u>		<u>100.00%</u>	<u>-</u>		<u>0.00%</u>

Source: Show Low Chamber of Commerce

* This information is not available.

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

	Full-time Equivalent Employees									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Airport	5	6	5	5	5	5	5	5	4	4
Aquatics & Recreation	16	15	17	16	15	16	15	15	15	14
City 4 TV	2	2	2	2	2	3	3	3	3	2
City Attorney	0	0	2	2	2	2	2	1	1	0
City Clerk	3	3	2	2	3	3	4	4	2	2
City Magistrate	3	2	2	2	2	4	3	3	5	4
City Manager	1	1	1	1	1	1	1	3	2	2
Community Services Admin	1	1	1	1	1	1	1	1	2	2
Engineering	6	6	5	5	6	11	11	11	5	5
Finance	10	9	8	8	8	8	10	9	7	6
Human Resources	2	3	3	4	3	2	2	2	2	2
Information Systems	3	3	3	3	3	3	3	3	2	2
Library	8	9	8	8	7	10	10	10	8	8
Parks & Facilities Maintenance	4	7	7	7	5	10	10	11	9	9
Planning & Zoning	9	8	10	11	11	14	13	12	7	5
Police	37	38	38	43	43	47	49	49	50	47
Public Works Administration	4	3	4	4	3	0	0	0	0	0
Streets	9	6	10	10	10	10	9	9	10	10
Wastewater	0	10	10	9	9	12	12	12	12	12
Water	18	10	6	7	7	9	11	11	12	12
Total Employees	141	142	144	150	146	170	174	173	156	147

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

Function	Fiscal Year									
	<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>	<u>2011</u>
Police										
Arrests	1,499	1,782	2,045	2,028	2,094	2,071	2,160	1,852	1,698	1,605
Citations	8,050	7,365	5,855	5,063	5,331	4,971	6,896	7,467	5,947	4,928
Traffic Stops	7,409	7,967	6,400	5,948	6,452	5,977	9,510	10,362	8,390	10,261
Officer Reports	3,468	3,856	4,190	4,036	4,116	3,929	4,164	3,735	3,021	2,749
Photo Enforcement - Notices Printed	0	0	0	0	0	0	0	0	15,524	15,813
Calls for Service	14,141	14,590	15,602	17,803	18,841	19,022	20,176	19,985	19,425	17,304
Highways & Streets										
Street resurfacing (miles)	*	*	*	*	12	15	15	27	17	25
Potholes repaired	*	*	*	*	214	258	312	359	741	791
Street sweeping (miles)	*	*	*	*	3,000	3,000	3,000	1,670	2,094	965
Water										
New Connections	*	*	*	*	463	273	150	36	45	34
Line Breaks	*	*	*	*	16	56	133	65	158	128
Average Daily Consumption	*	*	*	*	987,103	1,286,236	1,145,174	1,285,073	1,652,551	1,345,038
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	*	*	*	*	741,000	837,000	971,000	956,739	830,000	867,000
Line cleaning (feet)	*	*	*	*	303,996	325,600	340,000	204,033	258,768	268,231
Line Plugs	*	*	*	*	9	32	43	26	41	53
Recreation & Aquatics										
Aquatic center admissions	61,967	69,398	69,323	67,826	68,599	61,197	56,860	64,797	49,352	32,164

* Not available

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

Year	BUILDING PERMITS (1)			NEW HOUSING STARTS (1)
	Residential	Commercial	Total	
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	12,308,698	29
2010-11	8,027,334	14,095,184	22,122,518	30

(1) Source: City of Show Low Building Department

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

Function	Fiscal Year									
	<u>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>	<u>2011</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	15	15	15	15	15	20	23	23	23
Highways and streets										
Streets (miles)	*	*	*	*	92	95	96	97	181	182
Streetlights	*	*	*	*	625	650	665	675	675	735
Water										
Water mains (miles)	*	*	*	*	102	109	111	119	124	165
Fire hydrants	*	*	*	*	815	815	815	815	810	817
Sewer										
Sanitary Sewer (miles)	*	*	*	*	120	127	131	139	146	148
Maximum daily treatment capacity (thousands of gallons)	*	*	*	*	1,420	1,420	1,420	1,420	1,420	1,420
Recreation and aquatics										
Parks acreage	71	71	71	414	414	414	414	414	428	428
Number of Parks	7	7	7	9	9	9	9	9	10	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	5	5
Community centers	1	1	1	1	1	1	2	2	2	2

* Not available

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FEDERAL AND STATE REPORTS

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**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, 2011, and have issued our report thereon dated November 11, 2011. 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 11, 2011 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 11, 2011.

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.



HINTON, BURDICK, HALL & SPILKER, PLLC
November 11, 2011



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

The Honorable Mayor and
 City Council
 Show Low, Arizona

We have audited the basic financial statements of the City of Show Low, Arizona for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011. 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, 2011.

HINTON, BURDICK, HALL & SPILKER, PLLC
 November 11, 2011

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CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed through Arizona State Forestry Division			
Cooperative Forestry Assistance	10.664	WFHF 09-022	<u>\$ 273,413</u>
U.S. Department of Transportation			
Passed through Arizona Department of Transportation:			
Airport Improvement Program	20.106	3-04-0035-17	10,070
Airport Improvement Program	20.106	3-04-0035-18	14,911
Airport Improvement Program	20.106	3-04-0035-19	208,806
Airport Improvement Program	20.106	3-04-0035-20	32,593
			<u>266,380</u>
Section 18	20.509	AZ-18-0038	80,858
Section 18	20.509	AZ-18-0041	234,770
ARRA - Section 18	20.509	AZ-86-X001	548,022
			<u>863,650</u>
Passed through Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2010-PT-044	3,227
State and Community Highway Safety	20.600	2010-PT-092	3,957
State and Community Highway Safety	20.600	2011-PT-028	15,050
State and Community Highway Safety	20.600	2011-AL-039	9,312
			<u>31,546</u>
Total U.S. Department of Transportation			<u>1,161,576</u>
U.S. Department of Homeland Security			
Passed through Arizona Division of Emergency Management:			
Homeland Security Grant	97.067	555108-01	19,341
Homeland Security Grant	97.067	555108-02	3,620
Homeland Security Grant	97.067	444112-04	4,450
Homeland Security Grant	97.067	777113-01	10,961
Homeland Security Grant	97.067	777113-02	14,419
			<u>52,791</u>
Passed through the Transportation Security Administration:			
Law Enforcement Officer Reimbursement Agreement	97.090	HSTS0208HSLR349	6,978
Total U.S. Department of Homeland Security			<u>59,769</u>

Continued

CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2011

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Economic Development Passed through the Arizona Department of Housing Community Development Block Grant	14.228	156-10	<u>5,000</u>
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607	11055638	<u>2,258</u>
Institute of Museum & Library Services Passed through the Arizona State Library State Library Program	45.310	SGIAC-2010	<u>15,000</u>
Total expenditure of federal awards			<u><u>\$ 1,517,016</u></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 That Could Have a Direct and Material Effect on 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

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, 2011. 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, 2011.

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.



HINTON, BURDICK, HALL & SPILKER, PLLC
November 11, 2011

CITY OF SHOW LOW, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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>
20.509	Non-urbanized Program Area Formula

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, 2011

Section II - Financial Statement Findings

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. 115 (SAS 115) 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 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 Reworded, Reissued)

Finding

The City lacks a complete segregation of duties in various areas. 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 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

CITY OF SHOW LOW, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II - Financial Statement Findings, Continued

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 court bank reconciliations on a monthly or quarterly basis and consider implementation of other mitigating controls.

Response

The finding lists that the functions at the court include balancing the bank account and the recommendation is that someone outside of the court should reconcile that account as well. That is a practice that is currently in place and has been all of FY2011. The finance department reconciles the court checking account and signs off on it each month.

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV – Summary of Prior Year Findings and Questioned Costs

No significant matters were noted.