

CITY OF SHOW LOW, ARIZONA



CPAs & BUSINESS ADVISORS

City of Show Low, Arizona

Comprehensive Annual

Financial Report



Fiscal Year Ended June 30, 2008
Prepared by the City of Show Low Department of Finance

How Show Low Got Its Name

In 1876, Corydon E. Cooley and Marion Clark, two ranchers who had both laid claim to, and eventually became partners in managing 100,000 acres of land at the northwest edge of the White Mountains, determined that the land could not support two families. Neither man was willing to buy the other out.

To settle the matter, Cooley and Clark engaged in a friendly game of Seven Up. The game was played at the kitchen table of Cooley's two-story home atop the hill directly south of this monument where a church now stands. As the game neared completion Cooley needed just one point to win. With nothing else to lose, Clark, holding a three, exclaimed, "show low and you win the ranch." Cooley drew the Deuce of Clubs. He renamed the ranch Show Low and the main street became known as the Deuce of Clubs.

Introductory Section

**CITY OF SHOW LOW, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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City of Show Low

180 N. 9th Street
Show Low, AZ 85901
Telephone (928) 532-4024
Facsimile (928) 532-4044
info@ci.show-low.az.us
www.ci.show-low.az.us

October 30, 2008

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

The Comprehensive Annual Financial Report for the City of Show Low (City) for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

Profile of the City of Show Low

The City of Show Low, with a present population estimated at 12,400, is located in the southern portion of Navajo County, approximately 175 miles northeast of the City of Phoenix and 195 miles north of the City of Tucson, and encompasses an area of approximately 41.0 square miles.

The City was established in 1870 and incorporated in 1953. Under a Council-Manager form of government, the seven-member Council is elected at large on a staggered basis and consists of a Mayor and six Council members. The Mayor is directly elected and serves a four-year term. The Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations.

The City provides a full range of services for its citizens. The services include police, public transportation, library, parks and recreation, planning and development, street improvements and lighting, and general administration. The City also operates sewer and water utilities, provides for refuse collection, and has an airport.

Economic Conditions

The City currently is experiencing a slowing economic environment, and local indicators point to continued slow growth during 2009. 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, horseback riding, golf, and big game hunting. Other points of interest include the Apache Sitgreaves National Forest, the Mogollon Rim, and the Sunrise Park Ski Resort, which is located on the White Mountain Apache Indian Reservation.

Financial Information

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

Article IX, Section 20(1) of the Arizona Constitution sets out limits on the City's legal budget capacity. In general, the Mayor and Council cannot authorize expenditures of local revenues in excess of the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on the City's actual expenditures incurred during 1979-1980, adjusted to reflect subsequent inflation and population growth.

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

As a condition of the Home Rule Option, the City must maintain a reserve of at least one million dollars before any expenditure can be authorized. See the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual, General Fund (Pages 22 and 23) 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 4.0966% for fiscal year 2007-08.

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 19 years and has had no claims exceeding its insurance coverage.

The City is covered by the State Workman's Compensation Fund. The City carries commercial insurance for its airport activities.

Other Information

Independent Audit

The accounting firm of Eide Bailly LLP 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,

A handwritten signature in black ink that reads "Michael Urie". The signature is written in a cursive style with a large initial "M" and a long, sweeping underline.

Mike Urie
Director of Finance

CITY OF SHOW LOW OFFICIALS

MAYOR

Rick Fernau

CITY COUNCIL

Rennie Crittenden, Vice Mayor

Virginia Evans

Gene Kelly

Jack Latham

Daryl Seymore

Gerry Whipple

CITY MANAGER AND STAFF

Ed Muder, City Manager

Mike Urie, Finance Director

Justen Tregaskes, Planning and Zoning Director

Morgan Brown, City Attorney

Ann Kurasaki, City Clerk

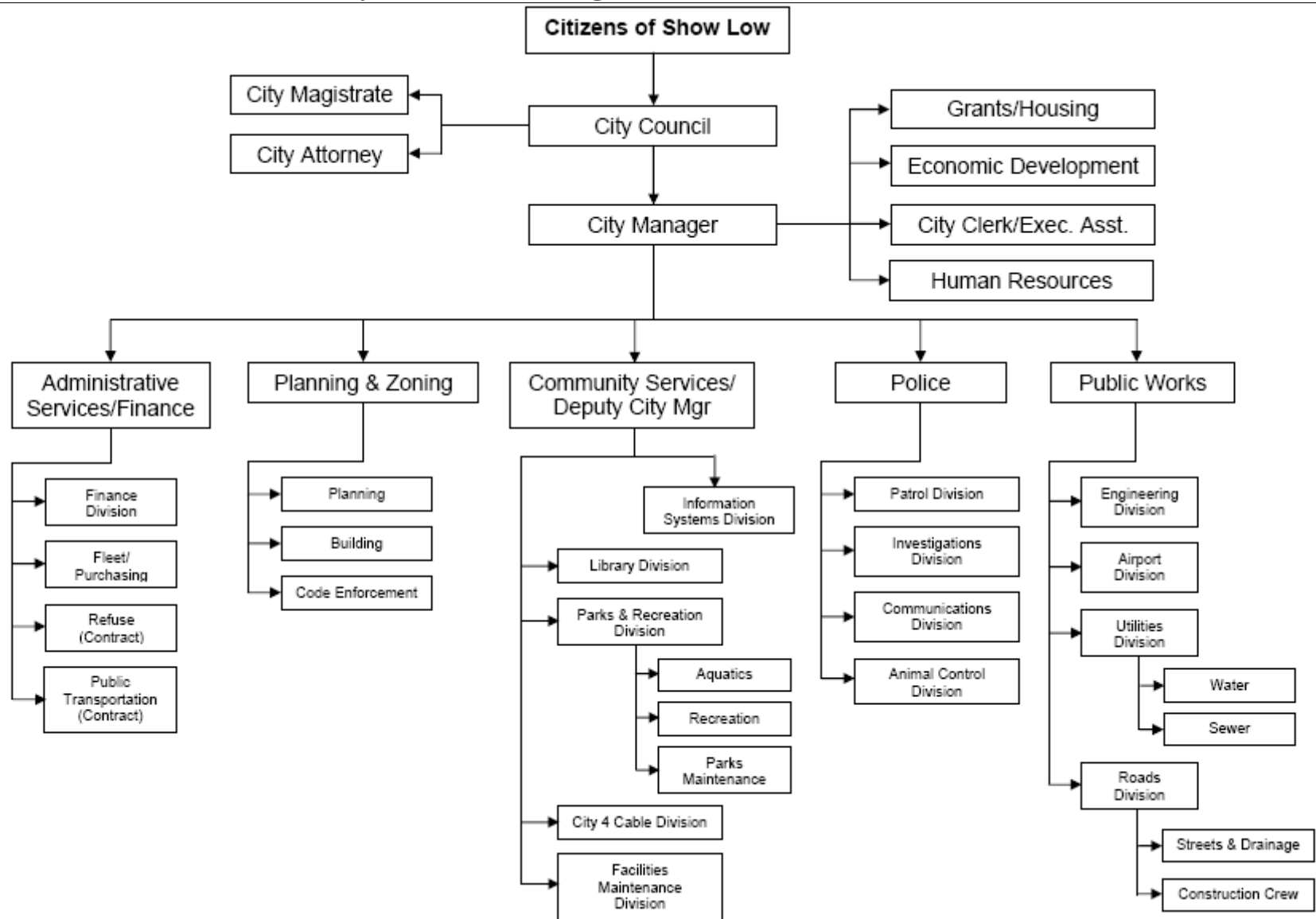
Jeffrey Smythe, Police Chief

Connie Kakavas, Human Resources Director

Joel Weeks, Community Services Director

Ken Patterson, Public Works Director

City of Show Low Organizational Chart (2007-2008)



Financial Section

Financial Section

Independent Auditor's Report

Management's Discussion & Analysis

Basic Financial Statements

Combining Statements





INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Council
City of Show Low, Arizona
Show Low, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate fund information, and the budgetary information of the **City of Show Low, Arizona** (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Show Low, Arizona** 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary information of the **City of Show Low, Arizona**, at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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 a report dated March 3, 2009 on our consideration of the City of Show Low, Arizona's internal control over financial reporting and our test 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 the results of 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 on pages 7 – 13 is not a required part of the basic financial statements but is 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.

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www.eidebailly.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Show Low, Arizona's** basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have 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 introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Phoenix, Arizona
March 3, 2009

Financial Section

Independent Auditors' Report

Management's Discussion & Analysis

Basic Financial Statements

Combining Statements



**CITY OF SHOW LOW, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

As management of the City of Show Low (the City), we offer this narrative overview and analysis of the financial activities of the City of Show Low for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages V to VII of this report.

Financial Highlights

- ☐ City sales tax revenue decreased 0.21 percent over last year and still is the single largest revenue in the budget. Given the slowing national economy, staff felt this decrease was minor and compared very well to the experience of many other cities in Arizona.
- ☐ The city used the Greater Arizona Development Authority to issue \$3,250,000 in bonds for construction of a new library and renovation of the existing library into a city hall. The city will also use some reserves and library development fees to fund this project.
- ☐ The Community Facilities District that was formed for Show Low Bluffs to facilitate growth in this area of the city has started to take shape. Many roads, water and sewer lines have now been installed. Also, a number of houses have been constructed and many lots have been sold to builders for future construction opportunities.
- ☐ Generally, Show Low continued to have many positive things happening financially. The city approved a conservative budget for fiscal year 2008 and conducted monthly financial reviews so overall results for the year ending June 30, 2008 were within management's projections.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Show Low's basic financial statements. The City of Show Low's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Show Low's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all the City of Show Low's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Show Low is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Show Low that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City of Show Low include general governments, public safety, public works, public health, debt service, culture, and recreation. The business-type activities of the City of Show Low include water and wastewater, airport, family aquatic center, and refuse.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 16-17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Show Low, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Show Low can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements can be found on pages 18-30 of this report.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as the balance of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Show Low maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, highway user revenue fund, and two debt service funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City of Show Low adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the general, special revenue, debt service, and capital project funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary funds. The City of Show Low maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City of Show Low uses enterprise funds to account for its Airport, Wastewater, Water, Refuse, and Family Aquatic Center. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Show Low's various functions. The City of Show Low uses one internal service fund to account for its self-insured health fund. Because this fund's services predominantly benefit the governmental rather than business-type function, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport, Wastewater, and Water funds, which are considered to be major funds of the City of Show Low. Conversely, the internal service fund is presented in a separate column of the proprietary fund financial statement.

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Show Low’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Show Low. Required supplementary information can be found on page 47 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 51-75 of this report.

Government-wide Financial Analysis

This is the fifth year that the City has presented a financial statement under the new reporting model required by Governmental Accounting Standards Board (GASB) statement number 34, and the second year of GASB 44 the new Statistical section.

The unrestricted fund balance on the government wide financials continues to grow. Unrestricted fund balance has grown from \$(1,001,334) at June 30, 2004 to \$33,054,559 at June 30, 2008.

**Statement of Net Assets
As of June 30, 2008**

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
Assets:						
Current and other assets	\$ 29,961,275	\$ 30,520,938	\$ 10,722,434	\$ 10,325,610	\$ 40,683,709	\$ 40,846,548
Capital assets	27,417,962	36,991,878	54,792,879	62,493,668	82,210,841	99,485,546
Total assets	<u>57,379,237</u>	<u>67,512,816</u>	<u>65,515,313</u>	<u>72,819,278</u>	<u>122,894,550</u>	<u>140,332,094</u>
Liabilities:						
Current and other liabilities	4,242,149	4,463,780	1,524,865	1,226,649	5,767,014	5,690,429
Long-term liabilities	15,938,371	18,398,885	2,711,200	2,168,054	18,649,571	20,566,939
Total liabilities	<u>20,180,520</u>	<u>22,862,665</u>	<u>4,236,065</u>	<u>3,394,703</u>	<u>24,416,585</u>	<u>26,257,368</u>
Net assets:						
Invested in capital assets, net						
of related debt	10,495,243	17,138,810	51,597,470	59,791,861	62,092,713	76,930,671
Restricted	2,014,571	3,613,847	5,985,776	475,649	8,000,347	4,089,496
Unrestricted	24,688,903	23,897,494	3,696,002	9,157,065	28,384,905	33,054,559
Total net assets	<u>\$ 37,198,717</u>	<u>\$ 44,650,151</u>	<u>\$ 61,279,248</u>	<u>\$ 69,424,575</u>	<u>\$ 98,477,965</u>	<u>\$ 114,074,726</u>

Net Assets in the Government-wide financial statement represents all economic resources of the City net of all claims against those assets. As previously mentioned, a comparison of net assets over time is a useful tool to gauge the financial health of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City has \$140,332,094 in total assets, with \$99,485,546 in capital assets (net of depreciation). Funds included in the Business-type activities column are the City's enterprise funds operations, which are Airport, Wastewater, Water, Refuse, and Family Aquatic Center. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

A portion of the City's net assets (4 percent) represents resources that are subject to external restriction on how they may be used. The unrestricted net assets of \$33,054,559 may be used to meet the government's ongoing obligations to citizens and creditors.

Statement of Activities Fiscal Year Ended June 30, 2008

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 3,219,795	\$ 2,753,806	\$ 7,572,830	\$ 6,897,897	\$ 10,792,625	\$ 9,651,703
Operating grants and contributions	-	-	20,000	-	20,000	-
Capital grants and contributions	6,210,914	2,502,668	5,654,682	6,023,858	11,865,596	8,526,526
General revenues:						
Sales tax	10,964,955	10,942,341	-	-	10,964,955	10,942,341
Other taxes	2,908,554	3,409,490	-	-	2,908,554	3,409,490
Other	2,078,816	5,443,843	410,644	670,822	2,489,460	6,114,665
Total Revenues	<u>25,383,034</u>	<u>25,052,148</u>	<u>13,658,156</u>	<u>13,592,577</u>	<u>39,041,190</u>	<u>38,644,725</u>
Expenses:						
General government	4,779,683	4,884,207	-	-	4,779,683	4,884,207
Public safety	3,918,568	4,110,965	-	-	3,918,568	4,110,965
Public works	4,261,420	4,051,944	-	-	4,261,420	4,051,944
Public health	143,046	159,532	-	-	143,046	159,532
Culture and recreation	985,496	973,501	-	-	985,496	973,501
Interest on long-term debt	826,485	755,375	-	-	826,485	755,375
Water	-	-	2,088,639	2,264,614	2,088,639	2,264,614
Wastewater	-	-	1,659,410	2,482,065	1,659,410	2,482,065
Airport	-	-	2,129,881	2,297,975	2,129,881	2,297,975
Family aquatic	-	-	272,260	481,478	272,260	481,478
Refuse	-	-	506,854	586,308	506,854	586,308
Total Expenses	<u>14,914,698</u>	<u>14,935,524</u>	<u>6,657,044</u>	<u>8,112,440</u>	<u>21,571,742</u>	<u>23,047,964</u>
Increase in net assets before transfers	10,468,336	10,116,624	7,001,112	5,480,137	17,469,448	15,596,761
Transfers	(1,713,652)	(2,665,190)	1,713,652	2,665,190	-	-
Increase in net assets	8,754,684	7,451,434	8,714,764	8,145,327	17,469,448	15,596,761
Net assets, July 1, 2007	28,444,033	37,198,717	52,564,484	61,088,408	81,008,517	98,477,965
Net assets, June 30, 2008	<u>\$ 37,198,717</u>	<u>\$ 44,650,151</u>	<u>\$ 61,279,248</u>	<u>\$ 69,233,735</u>	<u>\$ 98,477,965</u>	<u>114,074,726</u>

Financial Analysis of the Government's Funds

The City of Show Low uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Show Low's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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.

(continued on next page)

MANAGEMENT’S DISCUSSION AND ANALYSIS

The City of Show Low experienced continued growth in **total tax collections** during the year. There was a 3% increase over the prior year. More residences are occupied year round as time passes. This is due to the favorable living environment Show Low offers.

The Debt Service funds that service our special assessments are experiencing early payment of assessments. On June 30, 2008 both special assessment funds had received prepayments of assessments in excess of the debt service.

Proprietary funds. The City of Show Low proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The transfer into the Wastewater fund this year was \$1,786,890.

The Water fund continues to meet its cash needs and has an investment in the LGIP (Local Governmental Investment Pool) of \$2,735,241.

The Airport and Family Aquatic Center both had transfers from the general fund that were \$559,895 and \$318,405 respectively.

General Fund Budgetary Highlights

Tax revenues have a positive variance of nearly one million dollars. Miscellaneous revenue is budgeted of unanticipated grants, gifts, or donations that the City may receive. The Finance department variance of \$9,633,769 is for unanticipated expenditures related to unanticipated revenues. Arizona does not allow expenditures that are not budgeted.

Differences between the original budget and the final amended budget were relatively minor. There was no increase in appropriations.

Capital Asset and Debt Administration

Capital assets. The City of Show Low’s investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$99,485,546 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, and roads. The total increase in the City’s investment in capital assets for the current fiscal year was 21 percent.

Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2007	2008	2007	2008	2007	2008
Land	3,491,546	4,704,430	2,541,394	3,348,551	6,032,940	8,052,981
Buildings and systems	2,911,450	2,721,384	2,336,642	3,802,766	5,248,092	6,524,150
Improvements other than buildings	1,119,999	5,247,514	44,167,721	48,445,958	45,287,720	53,693,472
Machinery and equipment	2,074,557	2,496,421	2,095,530	2,889,015	4,170,087	5,385,436
Infrastructure	16,659,833	15,895,760	-	-	16,659,833	15,895,760
Construction in progress	1,160,577	5,926,369	3,473,887	4,007,378	4,634,464	9,933,747
Total	27,417,962	36,991,878	54,615,174	62,493,668	82,033,136	99,485,546

MANAGEMENT’S DISCUSSION AND ANALYSIS

The City accepted donations of capital assets from developers this year totaling \$8,128,602. The capital assets from the fourteen different development included roads, water lines, and sewer lines. Readers desiring more detailed information on capital asset activity should refer to note 6 on pages 38-39 of this report.

Long-term Debt

At the end of the current fiscal year, the City of Show Low had a total outstanding debt of \$20,628,385. Of this amount, \$6,770,000 was in special assessment debt for which the government is liable in the event of default by the property owners covered by the assessments. The Certificates of Participation debt is also backed by the full faith and credit of the government.

The City of Show Low’s, total long-term debt increased by \$2,794,450 (11 percent) during the year.

**Summary of Outstanding Debt
Fiscal Year Ended June 30, 2008**

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Special Assessment	6,775,000	6,770,000	-	-	6,775,000	6,770,000
Landfill monitoring cost	26,988	26,988	-	-	26,988	26,988
Show Low Bluffs CFD Bonds	2,014,000	2,455,000	-	-	2,014,000	2,455,000
Compensated absences	356,889	411,708	60,931	89,814	417,820	501,522
GADA Bonds	6,630,000	9,600,000	-	-	6,630,000	9,600,000
Certificates of Participations	1,491,241	1,018,193	3,148,759	2,701,807	4,640,000	3,720,000
Loans	12,478	9,875	46,650	-	59,128	9,875
	<u>17,306,596</u>	<u>20,291,764</u>	<u>3,256,340</u>	<u>2,791,621</u>	<u>20,562,936</u>	<u>23,083,385</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 20 percent of its total assessed valuation. The current bonded debt limitation for the City of Show Low is \$28,931,274. The City of Show Low currently has no general obligation debt.

Additional information on the City of Show Low long-term debt can be found in Note 8 on pages 42-44 of this report.

Economic Factors

The City of Show Low is experiencing slower economic growth due to the national recession. As a result, the City has reduced expenditures in order to match revenues. Management feels that growth will resume soon, however in the short term, it is prudent to manage funds carefully. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Request for Information

This financial report is designed to provide a general overview of the finances for the City of Show Low, Arizona, and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Director, City of Show Low, 180 North 9th Street, Suite B, Show Low, Arizona 85901.

Financial Section

Independent Auditor's Report

Management's Discussion & Analysis

Basic Financial Statements

Combining Statements



CITY OF SHOW LOW, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,579,062	\$ 2,856,817	\$ 6,435,879
Investments	14,735,491	-	14,735,491
Receivables (net of allowances for uncollectibles)	10,081,521	981,322	11,062,843
Inventories	-	166,088	166,088
Prepays	489,544	138,316	627,860
Restricted assets:			
Cash and cash equivalents	1,115,281	551,546	1,666,827
Investments	520,039	5,625,633	6,145,672
Interest receivable	-	5,888	5,888
Capital assets:			
Land and construction in progress	10,662,507	7,355,929	18,018,436
Other capital assets	36,910,297	81,119,631	118,029,928
Accumulated depreciation	(10,070,000)	(25,981,892)	(36,051,892)
Total assets	68,023,742	72,819,278	140,843,020
LIABILITIES			
Accounts payable and other current liabilities	1,571,513	464,358	2,035,871
Deposits held	288,468	90,515	378,983
Accrued wages and benefits	655,796	6,729	662,525
Accrued interest payable	55,124	37,209	92,333
Unearned revenue	-	4,269	4,269
Current portion of:			
Compensated absences	349,952	89,816	439,768
Current portion of bonds payable:			
Notes payable	4,680	-	4,680
Bonds payable	1,538,247	533,753	2,072,000
Long-term portion of:			
Compensated absences	61,756	-	61,756
Notes payable	5,195	-	5,195
Bonds payable	18,304,946	2,168,054	20,473,000
Landfill monitoring costs	26,988	-	26,988
Total liabilities	22,862,665	3,394,703	26,257,368
NET ASSETS			
Invested in capital assets, net of related debt	17,649,736	59,791,861	77,441,597
Restricted for:			
Debt service	2,285,635	-	2,285,635
Health insurance fund	884,980	-	884,980
Developer fees	443,232	6,101,282	6,544,514
Unrestricted	23,897,494	3,531,432	27,428,926
Total net assets	\$ 45,161,077	\$ 69,424,575	\$ 114,585,652

CITY OF SHOW LOW, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 4,884,207	509,708	\$ -	\$ 401,660	\$ (3,972,839)	\$ -	\$ (3,972,839)
Public safety	4,110,965	-	-	-	(4,110,965)	-	(4,110,965)
Public works	4,051,944	1,569,276	-	2,611,934	129,266	-	129,266
Public health	159,532	-	-	-	(159,532)	-	(159,532)
Culture and recreation	973,501	674,822	-	-	(298,679)	-	(298,679)
Interest on long-term debt	755,375	-	-	-	(755,375)	-	(755,375)
	<u>14,935,524</u>	<u>2,753,806</u>	<u>-</u>	<u>3,013,594</u>	<u>(9,168,124)</u>	<u>-</u>	<u>(9,168,124)</u>
Business Type Activities							
Water	2,264,614	2,373,304	-	1,951,000	-	2,059,690	2,059,690
Wastewater	2,482,065	2,547,067	-	2,380,093	-	2,445,095	2,445,095
Airport	2,297,975	1,240,029	-	1,692,765	-	634,819	634,819
Family Aquatic	481,478	102,547	-	-	-	(378,931)	(378,931)
Refuse	586,308	634,950	-	-	-	48,642	48,642
	<u>8,112,440</u>	<u>6,897,897</u>	<u>-</u>	<u>6,023,858</u>	<u>-</u>	<u>4,809,315</u>	<u>4,809,315</u>
Total Primary Government	<u>\$ 23,047,964</u>	<u>\$ 9,651,703</u>	<u>\$ -</u>	<u>\$ 9,037,452</u>	<u>(9,168,124)</u>	<u>4,809,315</u>	<u>(4,358,809)</u>
General revenues							
Sales taxes					10,942,341	-	10,942,341
Franchise taxes					397,091	-	397,091
Program revenue					3,139,681	-	3,139,681
Investment earnings					489,904	660,278	1,150,182
Gain on sale of assets					1,416,206	10,544	1,426,750
Miscellaneous					398,052	-	398,052
Shared revenues (intergovernmental, unrestricted)							
State sales taxes					908,471	-	908,471
Urban revenue sharing					1,514,108	-	1,514,108
Auto-in lieu					589,820	-	589,820
Other					-	-	-
Transfers					(2,665,190)	2,665,190	-
Total general revenues and transfers					<u>17,130,484</u>	<u>3,336,012</u>	<u>20,466,496</u>
Increase in net assets					7,962,360	8,145,327	16,107,687
Net Assets - beginning					37,198,717	61,279,248	98,477,965
Net Assets - ending					<u>\$ 45,161,077</u>	<u>\$ 69,424,575</u>	<u>\$ 114,585,652</u>

CITY OF SHOW LOW, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Highway User Fund	Debt Service		Show Low Bluff Communities Facilities District	Other Governmental Funds	Total Governmental Funds
			ID #5 Fund	ID #6 Fund			
ASSETS							
Cash and cash equivalents	\$ 3,361,999	\$ -	\$ -	\$ -	\$ 217,063	\$ -	\$ 3,579,062
Investments	10,060,352	3,627,104	202,336	268,058	17,688	559,953	14,735,491
Receivables (net of allowances for uncollectibles)							
Accounts	160,537	695	-	-	-	62,489	223,721
Taxes	1,182,433	120,542	-	-	-	1,547	1,304,522
Interest	8,439	94,936	14,206	16,550	10,142	3,778	148,051
Special assessments	-	-	2,616,743	3,222,290	1,958,965	606,664	8,404,662
Prepays	44,344	-	-	-	-	445,200	489,544
Restricted assets:							
Cash and cash equivalents	-	-	-	-	156,703	499,809	656,512
Total assets	<u>\$ 14,818,104</u>	<u>\$ 3,843,277</u>	<u>\$ 2,833,285</u>	<u>\$ 3,506,898</u>	<u>\$ 2,360,561</u>	<u>\$ 2,179,440</u>	<u>\$ 29,541,565</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable and other liabilities	\$ 538,906	\$ 752,932	\$ -	\$ -	\$ 94,294	\$ 90,988	\$ 1,477,120
Accrued wages and benefits	652,145	3,651	-	-	-	-	655,796
Deposits held	288,468	-	-	-	-	-	288,468
Deferred revenue			2,595,872	3,201,150	1,952,641	600,888	8,350,551
Total liabilities	<u>1,479,519</u>	<u>756,583</u>	<u>2,595,872</u>	<u>3,201,150</u>	<u>2,046,935</u>	<u>691,876</u>	<u>10,771,935</u>
FUND BALANCE							
Reserved for:							
Prepaid items	44,344	-	-	-	-	-	44,344
Debt service	-	-	237,413	305,748	313,626	1,428,848	2,285,635
Development fees	443,232	-	-	-	-	-	443,232
Unreserved, reported in:							
General fund	12,851,009	-	-	-	-	-	12,851,009
Special revenue funds	-	3,086,694	-	-	-	58,716	3,145,410
Total fund balance	<u>13,338,585</u>	<u>3,086,694</u>	<u>237,413</u>	<u>305,748</u>	<u>313,626</u>	<u>1,487,564</u>	<u>18,769,630</u>
Total liabilities and fund balance	<u>\$ 14,818,104</u>	<u>\$ 3,843,277</u>	<u>\$ 2,833,285</u>	<u>\$ 3,506,898</u>	<u>\$ 2,360,561</u>	<u>\$ 2,179,440</u>	<u>\$ 29,541,565</u>

CITY OF SHOW LOW, ARIZONA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 18,769,630
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.		
Governmental capital assets	\$ 47,572,804	
Less accumulated depreciation	<u>(10,070,000)</u>	37,502,804
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(411,708)	
Notes payable	(9,875)	
Bonds payable	(19,843,193)	
Landfill monitoring costs	<u>(26,988)</u>	(20,291,764)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.		(55,124)
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net assets.		8,350,551
Internal service funds are used by the management to charge costs of certain activities to individual funds.		
The assets and liabilities of the internal service funds that are reported with governmental activities.		<u>884,980</u>
Net assets of governmental activities		<u><u>\$ 45,161,077</u></u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General Fund	Highway User Fund	Debt Service		Show Low Bluff Communities Facilities District	Other Governmental Funds	Total Governmental Funds
			ID #5 Fund	ID #6 Fund			
REVENUES							
Taxes	\$ 14,351,831	\$ 1,399,551	\$ -	\$ -	\$ -	\$ 169,726	\$ 15,921,108
Licenses and permits	697,482	-	-	-	-	-	697,482
Intergovernmental	401,660	500,000	-	-	-	453,499	1,355,159
Charges for services	487,048	-	-	-	-	-	487,048
Fines	144,582	-	12,658	10,469	78	-	167,787
Special assessments	-	-	630,804	589,491	150,659	30,952	1,401,906
Investment earnings	123,944	234,527	10,399	12,027	51,414	57,593	489,904
Miscellaneous	175,194	146,394	-	-	-	76,464	398,052
Total revenues	16,381,741	2,280,472	653,861	611,987	202,151	788,234	20,918,446
EXPENDITURES							
Current							
General government	5,094,448	-	-	-	-	-	5,094,448
Public safety	3,841,165	-	-	-	-	-	3,841,165
Public works	1,756,280	631,768	-	-	-	563,448	2,951,496
Public health	159,532	-	-	-	-	-	159,532
Culture and recreation	863,900	-	-	-	-	-	863,900
Capital outlay	3,006,459	4,584,290	-	-	1,969,969	416,923	9,977,641
Debt service							
Principal	-	-	350,000	255,000	39,000	688,048	1,332,048
Interest and fiscal charges	-	-	189,970	216,014	134,405	411,023	951,412
Total expenditures	14,721,784	5,216,058	539,970	471,014	2,143,374	2,079,442	25,171,642
REVENUES OVER (UNDER) EXPENDITURES	1,659,957	(2,935,586)	113,891	140,973	(1,941,223)	(1,291,208)	(4,253,196)
OTHER FINANCING SOURCES (USES)							
Sale of assets	1,416,206	-	-	-	-	-	1,416,206
Bond proceeds	3,185,000	-	-	-	480,000	600,000	4,265,000
Transfers in (out)	(4,285,430)	-	-	-	-	1,620,240	(2,665,190)
Total other financing sources (uses)	315,776	-	-	-	480,000	2,220,240	3,016,016
NET CHANGE IN FUND BALANCES	1,975,733	(2,935,586)	-	-	(1,461,223)	929,032	(1,237,180)
FUND BALANCES, beginning of year	11,362,852	6,022,280	123,522	164,775	1,774,849	558,532	20,006,810
FUND BALANCES, end of year	\$ 13,338,585	\$ 3,086,694	\$ 237,413	\$ 305,748	\$ 313,626	\$ 1,487,564	\$ 18,769,630

CITY OF SHOW LOW, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (1,237,180)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 9,977,641	
Depreciation expense	<u>(1,551,234)</u>	8,426,407

Capital assets used in governmental activities are not financial resources and therefore are not reported in funds. This is the amount by which capital assets increased by infrastructure from completed developments. 1,658,435

Compensated absences were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but not reported in the governmental fund. Therefore, long-term claims, judgments use of current financial resources. absences were not reported as expenditures payable and compensated in governmental funds. (54,819)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,737,775

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government -Wide Statement of Net Assets. 1,332,048

Proceeds of issuance of bonds provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Proceeds should be reported as a liability in the Government-Wide Statement (4,265,000)

Repayment of notes payable is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government -Wide Statement of Net Assets. 2,603

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. The following amount represents the change in accrued interest from the prior year. 196,037

The net revenue of certain activities of internal service funds is reported with governmental activities. 166,054

Change in net assets of governmental activities \$ 7,962,360

CITY OF SHOW LOW, ARIZONA
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 14,391,381	\$ 14,391,381	\$ 14,351,831	\$ (39,550)
Licenses and permits	973,706	973,706	697,482	(276,224)
Intergovernmental revenues	326,223	326,223	401,660	75,437
Charges for services	564,051	564,051	487,048	(77,003)
Fines	127,520	127,520	144,582	17,062
Investment earnings	253,324	253,324	123,944	(129,380)
Miscellaneous	10,428,862	10,428,862	175,194	(10,253,668)
Total revenues	<u>27,065,067</u>	<u>27,065,067</u>	<u>16,381,741</u>	<u>(10,683,326)</u>
EXPENDITURES				
Current				
General government				
City council	253,691	253,691	190,508	63,183
Finance	10,288,130	10,288,130	654,361	9,633,769
City magistrate	163,544	163,544	154,875	8,669
City attorney	293,091	293,091	362,607	(69,516)
City manager	323,410	323,410	234,932	88,478
Planning and zoning	1,000,372	1,000,372	810,084	190,288
Public information	355,745	355,745	278,411	77,334
Information systems	351,886	351,886	341,842	10,044
Human resources	614,615	614,615	568,074	46,541
City 4 cable TV	237,038	237,038	219,297	17,741
Economic development/Promo programs	3,112,661	3,112,661	1,148,557	1,964,104
Community services administration	132,355	132,355	130,900	1,455
Total general government	<u>17,126,538</u>	<u>17,126,538</u>	<u>5,094,448</u>	<u>12,032,090</u>
Public safety				
Public safety	3,375,757	3,375,757	3,041,279	334,478
Communications	869,446	869,446	799,886	69,560
Total public safety	<u>4,245,203</u>	<u>4,245,203</u>	<u>3,841,165</u>	<u>404,038</u>
Public works				
Public works	293,166	293,166	290,039	3,127
Maintenance	526,557	526,557	314,374	212,183
Facilities	481,804	481,804	501,917	(20,113)
City engineer	619,074	619,074	649,950	(30,876)
Total public works	<u>1,920,601</u>	<u>1,920,601</u>	<u>1,756,280</u>	<u>164,321</u>
Public health	<u>174,996</u>	<u>174,996</u>	<u>159,532</u>	<u>15,464</u>
Culture and recreation				
Recreation	353,793	353,793	298,761	55,032
Library	626,644	626,644	565,139	61,505
Total culture and recreation	<u>980,437</u>	<u>980,437</u>	<u>863,900</u>	<u>116,537</u>
Capital outlay	<u>3,402,276</u>	<u>3,402,276</u>	<u>3,006,459</u>	<u>395,817</u>
Total expenditures	<u>27,850,051</u>	<u>27,850,051</u>	<u>14,721,784</u>	<u>13,128,267</u>

(continued on next page)

**STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES OVER (UNDER) EXPENDITURES	<u>(784,984)</u>	<u>(784,984)</u>	<u>1,659,957</u>	<u>2,444,941</u>
OTHER FINANCING SOURCES (USES)				
Sale of asset	40,000	40,000	1,416,206	1,376,206
Proceeds from issuance of debt	-	-	3,185,000	3,185,000
Transfers in (out)	<u>(4,285,430)</u>	<u>(4,285,430)</u>	<u>(4,285,430)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(5,030,414)</u>	<u>(5,030,414)</u>	<u>1,975,733</u>	<u>7,006,147</u>
FUND BALANCE, beginning of the year	<u>11,362,852</u>	<u>11,362,852</u>	<u>11,362,852</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 6,332,438</u>	<u>\$ 6,332,438</u>	<u>\$ 13,338,585</u>	<u>\$ 7,006,147</u>

CITY OF SHOW LOW, ARIZONA
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HIGHWAY USERS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
State-shared gas tax	\$ 1,667,318	\$ 1,667,318	\$ 1,399,551	\$ (267,767)
Sale of asset	500	500	7,590	7,090
Investment earnings	-	-	234,527	234,527
ADOT Grant	-	-	500,000	500,000
Miscellaneous	2,000	2,000	138,804	136,804
Total revenues	<u>1,669,818</u>	<u>1,669,818</u>	<u>2,280,472</u>	<u>610,654</u>
EXPENDITURES				
Public works				
Highway and streets	1,390,848	1,390,848	631,768	759,080
Capital outlay				
Highway and streets	<u>10,770,937</u>	<u>10,770,937</u>	<u>4,584,290</u>	<u>6,186,647</u>
Total expenditures	<u>12,161,785</u>	<u>12,161,785</u>	<u>5,216,058</u>	<u>6,945,727</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(10,491,967)</u>	<u>(10,491,967)</u>	<u>(2,935,586)</u>	<u>7,556,381</u>
NET CHANGE IN FUND BALANCE	<u>(10,491,967)</u>	<u>(10,491,967)</u>	<u>(2,935,586)</u>	<u>7,556,381</u>
FUND BALANCE, beginning of the year	<u>6,022,280</u>	<u>6,022,280</u>	<u>6,022,280</u>	<u>-</u>
FUND BALANCE, end of the year	<u><u>\$ (4,469,687)</u></u>	<u><u>\$ (4,469,687)</u></u>	<u><u>\$ 3,086,694</u></u>	<u><u>\$ 7,556,381</u></u>

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-type Activities - Enterprise Funds					Governmental
	Water	Wastewater	Airport	Other Enterprise	Totals	Internal Service
						Health Insurance
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,735,241	-	\$ 200	\$ 121,376	\$ 2,856,817	\$ -
Receivables (net of uncollectibles)						
Accounts	245,225	179,080	366,026	65,756	856,087	-
Unbilled accounts	91,108	-	-	-	91,108	-
Interest	2	9,139	24,865	121	34,127	565
Inventories	55,577	22,831	87,680	-	166,088	-
Other current assets	-	9,615	128,701	-	138,316	-
Total current assets	<u>3,127,153</u>	<u>220,665</u>	<u>607,472</u>	<u>187,253</u>	<u>4,142,543</u>	<u>565</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	75,897	352,000	123,649	-	551,546	458,769
Investments	-	5,625,633	-	-	5,625,633	520,039
Interest receivable	5,888	-	-	-	5,888	-
Capital assets:						
Land	112,355	895,496	2,340,700	-	3,348,551	-
Buildings and improvements	23,813,369	33,107,320	17,958,315	2,218,830	77,097,834	-
Machinery and equipment	1,415,225	871,319	1,601,841	133,412	4,021,797	-
Construction in progress	26,690	2,502,933	1,477,755	-	4,007,378	-
Less accumulated depreciation	(6,358,809)	(11,605,453)	(7,103,844)	(913,786)	(25,981,892)	-
Total capital assets, net	<u>19,008,830</u>	<u>25,771,615</u>	<u>16,274,767</u>	<u>1,438,456</u>	<u>62,493,668</u>	<u>-</u>
Total noncurrent assets	<u>19,090,615</u>	<u>31,749,248</u>	<u>16,398,416</u>	<u>1,438,456</u>	<u>68,676,735</u>	<u>978,808</u>
Total assets	<u>22,217,768</u>	<u>31,969,913</u>	<u>17,005,888</u>	<u>1,625,709</u>	<u>72,819,278</u>	<u>979,373</u>

**COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2008**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Airport	Other Enterprise	Totals	Internal Service Health Insurance
LIABILITIES						
Current liabilities:						
Accounts payable	114,139	100,269	175,080	68,380	457,868	94,393
Accrued wages and benefits	2,052	2,194	1,196	1,287	6,729	-
Retainage payable	-	4,932	-	-	4,932	-
Intergovernmental payable						
Accrued interest payable	-	2,724	34,485	-	37,209	-
Deferred revenue	4,269	-	-	-	4,269	-
Due to others	-	-	1,558	-	1,558	-
Deposits held	-	-	14,618	-	14,618	-
Compensated absences	22,641	40,397	17,780	8,998	89,816	-
Deferred compensation benefits payable						
Certification of participation	-	335,000	198,753	-	533,753	-
Total current liabilities	<u>143,101</u>	<u>485,516</u>	<u>443,470</u>	<u>78,665</u>	<u>1,150,752</u>	<u>94,393</u>
Noncurrent liabilities:						
Liabilities payable from restricted assets:						
Customer security deposits	75,897	-	-	-	75,897	-
Certification of participation	-	352,500	1,815,554	-	2,168,054	-
Total noncurrent liabilities	<u>75,897</u>	<u>352,500</u>	<u>1,815,554</u>	<u>-</u>	<u>2,243,951</u>	<u>-</u>
Total liabilities	<u>218,998</u>	<u>838,016</u>	<u>2,259,024</u>	<u>78,665</u>	<u>3,394,703</u>	<u>94,393</u>
NET ASSETS						
Invested in capital assets,						
Net Assets						
net of related debt	19,008,830	25,084,115	14,260,460	1,438,456	59,791,861	-
Restricted for:						
Developer fees	-	5,977,633	123,649	-	6,101,282	-
Unrestricted	2,989,940	70,149	362,755	108,588	3,531,432	884,980
Total net assets	<u>\$ 21,998,770</u>	<u>\$ 31,131,897</u>	<u>\$ 14,746,864</u>	<u>\$ 1,547,044</u>	<u>\$ 69,424,575</u>	<u>\$ 884,980</u>

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Airport	Other Enterprise	Total	Internal Service Health Insurance
OPERATING REVENUES						
Service fees	\$ 2,367,054	\$ 2,547,067	\$ 1,240,029	\$ 737,497	\$ 6,891,647	\$ 1,924,464
OPERATING EXPENSES						
Cost of goods sold	-	-	785,706	1,646	787,352	-
Personnel services	529,326	562,065	322,679	258,078	1,672,148	-
Admin expenses	76,763	95,296	57,415	612,997	842,471	1,785,636
Vehicle expenses	57,371	64,367	-	-	121,738	-
Field supplies	7,500	924	19,532	2,651	30,607	-
Repairs and maintenance	582,840	592,028	94,701	24,475	1,294,044	-
Utilities	286,848	194,144	67,625	81,638	630,255	-
Risk management	6,581	140	14,746	-	21,467	-
Departmental expense	18,501	12,624	2,863	4,540	38,528	-
Total operating expenses	1,565,730	1,521,588	1,365,267	986,025	5,438,610	1,785,636
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	801,324	1,025,479	(125,238)	(248,528)	1,453,037	138,828
Depreciation expense	698,884	911,208	831,128	81,761	2,522,981	-
OPERATING INCOME (LOSS)	102,440	114,271	(956,366)	(330,289)	(1,069,944)	138,828
NONOPERATING REVENUES (EXPENSES)						
Investment income	247,454	348,282	64,542	-	660,278	27,226
Interest expense	-	(49,269)	(101,580)	-	(150,849)	-
Grant revenue	-	-	1,692,765	-	1,692,765	-
Gain (loss) on sale of equipment	-	3,756	2,131	4,657	10,544	-
Miscellaneous income	-	6,250	-	-	6,250	-
Total nonoperating revenues (expense)	247,454	309,019	1,657,858	4,657	2,218,988	27,226
Income (Loss) before capital contributions and transfers	349,894	423,290	701,492	(325,632)	1,149,044	166,054
CAPITAL CONTRIBUTIONS TRANSFERS IN (OUT)	1,951,000	2,380,093	-	-	4,331,093	-
	-	1,786,890	559,895	318,405	2,665,190	-
CHANGE IN NET ASSETS	2,300,894	4,590,273	1,261,387	(7,227)	8,145,327	166,054
NET ASSETS:						
Beginning of year	19,697,876	26,541,624	13,485,477	1,554,271	61,279,248	718,926
End of year	\$ 21,998,770	\$ 31,131,897	\$ 14,746,864	\$ 1,547,044	\$ 69,424,575	\$ 884,980

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Airport	Other Enterprise	Totals	Internal Service Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 2,398,194	\$ 2,575,523	\$ 1,014,462	\$ 728,480	\$ 6,716,659	\$ 2,062,275
Payments to suppliers	(1,105,163)	(944,741)	(1,323,620)	(731,209)	(4,104,733)	(1,806,243)
Payments to employees	(539,243)	(543,707)	(321,512)	(265,652)	(1,670,114)	-
Customer security deposits	-	-	14,618	-	14,618	-
Net cash provided by (used in) operating activities	<u>753,788</u>	<u>1,087,075</u>	<u>(616,052)</u>	<u>(268,381)</u>	<u>956,430</u>	<u>256,032</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING TRANSACTIONS						
Purchases of capital assets	(1,043,521)	(1,947,560)	(3,062,422)	-	(6,053,503)	-
Capital grant revenue	-	-	1,692,765	-	1,692,765	-
Principal paid on capital debt	-	(320,000)	(126,952)	-	(446,952)	-
Interest on capital debt	-	(49,269)	(101,580)	-	(150,849)	-
Net cash used in capital and related financing transactions	<u>(1,043,521)</u>	<u>(2,316,829)</u>	<u>(1,598,189)</u>	<u>-</u>	<u>(4,958,539)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	-	1,786,890	559,895	318,405	2,665,190	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,786,890</u>	<u>559,895</u>	<u>318,405</u>	<u>2,665,190</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash received from interest and dividends	247,454	348,282	64,542	4,657	664,935	27,226
Net cash provided by investing activities	<u>247,454</u>	<u>348,282</u>	<u>64,542</u>	<u>4,657</u>	<u>664,935</u>	<u>27,226</u>
NET CHANGE IN CASH	<u>(42,279)</u>	<u>905,418</u>	<u>(1,589,804)</u>	<u>54,681</u>	<u>(671,984)</u>	<u>283,258</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,853,417</u>	<u>5,072,215</u>	<u>1,713,653</u>	<u>66,695</u>	<u>9,705,980</u>	<u>695,550</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,811,138</u>	<u>\$ 5,977,633</u>	<u>\$ 123,849</u>	<u>\$ 121,376</u>	<u>\$ 9,033,996</u>	<u>\$ 978,808</u>

COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental
	Water	Wastewater	Airport	Other Enterprise	Totals	Internal Service
						Health Insurance
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 102,440	\$ 114,271	\$ (956,366)	\$ (330,289)	\$ (1,069,944)	\$ 138,828
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	698,884	911,208	831,128	81,761	2,522,981	-
(Increase) decrease in						
Accounts receivable	9,696	(3,442)	(359,692)	(9,017)	(362,455)	135,909
Unbilled accounts	12,995	-	-	-	12,995	-
Interest receivable	9,067	19,857	21,683	-	50,607	1,902
Due from other governments	-	-	227,594	-	227,594	-
Inventories	1,626	7,234	(52,161)	-	(43,301)	-
Other assets	3,621	4,807	(62,991)	-	(54,563)	-
Increase (decrease) in						
Accounts payable	(74,006)	14,782	(281,032)	(3,262)	(343,518)	(20,607)
Accrued wages	(8,783)	(12,915)	(6,472)	(9,632)	(37,802)	-
Unearned revenue	(618)	-	-	-	(618)	-
Compensated absences payable	(1,134)	31,273	6,081	2,058	38,278	-
Customer deposits	-	-	14,618	-	14,618	-
Due to others	-	-	1,558	-	1,558	-
Total adjustments	651,348	972,804	340,314	61,908	2,026,374	117,204
Net cash provided by (used in) operating activities	753,788	1,087,075	(616,052)	(268,381)	956,430	256,032
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Contributions of capital assets	\$ 1,951,000	\$ 2,380,093	\$ -	\$ -	\$ 4,331,093	\$ -

CITY OF SHOW LOW, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2008

	<u>Agency Fund</u>
ASSETS	
Investments	\$ 4,958
Total assets	<u>\$ 4,958</u>
LIABILITIES	
Accounts Payable	\$ 45
Scuba Crew #384	2,329
Slovakian/Sister Cities	2,424
Swim Team	159
Total liabilities	<u>\$ 4,958</u>

CITY OF SHOW LOW, ARIZONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Show Low (City) was incorporated May 20, 1953, under the provisions of Article 13, Sections 1 through 6, of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government.

The financial statements of the City of Show Low have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The more significant of the City's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, 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 are 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 the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Governmental Fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented, in these statements to the net assets presented in the government-wide financial statements.

Proprietary Fund financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows for each major proprietary fund and nonmajor funds aggregated. A column representing internal service funds is also presented in these statements. However, a portion of the internal service balances and activities has been combined with the governmental activities in the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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 the related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Franchise taxes, 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 government.

The government reports the following major governmental funds:

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

The Highway User Fund accounts for all the revenues and expenditures that the City uses to maintain the streets and sidewalks.

The Improvement District #5 and Improvement District #6 Debt Service Funds account for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

The Show Low Bluffs Community Facility District account for the resources accumulated and payment made for principal and interest on long-term obligation debt of the governmental funds.

The government reports the following major proprietary funds:

The Water and Wastewater fund accounts for the activities of pumping, treating, and distribution of water, as well as the wastewater collection and treatment plant.

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

Additionally, the government reports the following fiduciary funds:

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

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. The following funds are included in the agency fund. Slovakian Fund and the Sister Cities Fund are both used to cover expenses of learning. The swim team fund is used to cover the expense of the swim team travel and equipment etc.

Private sector standards of account 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.

NOTES TO FINANCIAL STATEMENTS

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 principle ongoing operations. Operating expenses for enterprise funds and internal service 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 resources are available for the intended purpose, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the City upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are: 1) readily convertible to known amounts of cash and, 2) so near maturity that they present insignificant risks of changes in value because of changes in interest rates. The City considers the monies deposited in the Local Government Investment Pool to be cash equivalents.

Investments

The City adheres to the Arizona Revised Statutes (A.R.S. Section 35-323) that govern the investment of City funds. Eligible investments include certificates of deposit in eligible depositories; interest-bearing accounts in qualified banks; repurchase agreements; pooled investments by the State Treasurer (which the City considers to be cash equivalent); bonds of the U.S. Government that are guaranteed as to principal and interest; and bonds of the State, County, City, City, or School District. The City states investments at fair value, in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Development Fees Receivable

The City has adopted a policy allowing developers and customers to pay certain development fees, consisting of line extension charges and plant investment fees, for the water and wastewater utilities on an installment basis. These fees are receivable on a monthly basis for ten years at 12% interest and are secured by a deed of trust on the related property.

Development fee receivables are recorded in the benefiting fund when an agreement is entered into with a developer or a customer. The development fees earned are recorded as revenue in the Water and Wastewater Utility Funds.

Inventories

Inventories of the proprietary funds are valued at the lower of cost (first-in, first-out) or market.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the balance sheet date are recorded as prepaid expenses and are charged to expenditures (or expenses) in the accounting period for which the benefit is received.

Property, Plant, and Equipment

All property, plant, and equipment are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant, and equipment are valued at their estimated fair value on the date donated.

Property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is capitalized when it exceeds \$15,000 and a useful life of more than one year.

Depreciation is provided using the straight-line method over estimated useful lives. Expenditures for repairs and maintenance are charged to current period operations. Major renewals and replacements that increase the properties' useful lives are capitalized. The cost of property sold or retired, and the related accumulated depreciation is removed from the appropriate accounts in the year of sale or retirement. Any resulting gain or loss is included in the operations statement of the affected fund.

The estimated useful lives of each major class of depreciable fixed assets are as follows:

Buildings	20 to 30 years
Improvements other than buildings, including wells and tanks	20 to 50 years
Movable equipment and machinery	5 to 15 years
Infrastructure	30 to 50 years

Long-Term Liabilities

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.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – BUDGETARY ACCOUNTING POLICIES

Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the City Manager submits to the Mayor and City Council a proposed operating budget for the fiscal year. The budget includes proposed operating and capital expenditures and the means of financing them.
2. Public meetings are held to review the budget and to receive public input.
3. The tentative budget is adopted prior to the third Monday in July.
4. After publication of the tentative budget, a public hearing is held on the final budget. The final budget is adopted immediately after the public hearing.
5. The legal level of control stipulated by Arizona state law provides that no expenditures may be made for a purpose not authorized in the annual budget. However, in certain circumstances, the City Council may transfer funds between budget items. The City Manager is authorized to transfer funds within a department. The final budget amounts in the financial statements include all budget transfers made during the fiscal year.
6. Encumbrance accounting is a method whereby purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. All appropriations lapse at fiscal year-end and outstanding encumbrances for goods or services not yet received before the fiscal year-end are cancelled, and must be rebudgeted in the following fiscal year to be expended.
7. The following funds have legally adopted budgets: General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Internal Service Funds and Enterprise Funds.

Excess of Expenditures over Appropriations

In the general fund the following departments exceeded the amounts budgeted.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		
General government				
City Attorney	\$ 293,091	\$ 293,091	\$ 362,607	\$ (69,516)
Public Works				
Facilities	481,804	481,804	501,917	(20,113)
City Engineering	619,074	619,074	649,950	(30,876)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS

Cash Deposits

At June 30, 2008, the carrying amount of the City's deposits was \$1,765,200, while the balance on the bank's records was \$2,755,572. Of the bank balance, \$300,000 was covered by federal depository insurance. The balance and all cash with fiscal agents are covered by collateral held in the pledging financial institution's trust department.

Investments

The City pools idle cash from all funds for the purpose of increasing income through activities. Investments are carried at fair value in accordance with GASB Pronouncement Number 31. As of June 30, 2008, the City held \$25,465,054 in the Local Government Investment Pool, valued at \$1.00 per share, which is managed by the State of Arizona Treasurer's Office. Interest income on investments is allocated on the basis of average monthly cash balances to all funds. The investments are not subject to risk categorization. Additionally, the City holds \$1,610,000 in Societe Generale Investments.

The total cash and pooled investments balance held by the City as of June 30, 2008 is \$28,840,254.

Credit and Interest rate Risk Disclosures

As a means of limiting its exposure to fair value losses arising from changing interest rates, the City's investment portfolio maturities do not exceed one year. The City's investment in the State of Arizona Local Government Investment pool is limited to a pool that invests only in government securities. At June 30, 2008, all investments of that pool were rated AAA.

NOTE 4 – INTERFUND AND TRANSFER BALANCES

The transfers from funds are primarily debt service and operational subsidies from the General Fund. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2008.

	Transfers in (out)
	<u> </u>
Governmental funds	
Major governmental funds	
General fund	\$ (4,285,430)
Non-major	1,620,240
	<u>(2,665,190)</u>
Business-type funds	
Wastewater fund	1,786,890
Airport fund	559,895
Non-major	318,405
	<u>2,665,190</u>
Total	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – RESTRICTED ASSETS

Cash and other assets as of June 30, 2008 were restricted to use as follows:

Governmental Activities:

Debt Service Funds

Cash and cash equivalents	
Reserved for debt service of 2000 Certificates of Participation	\$ 499,809
Reserved for Show Low Bluff CFD	156,703
Total cash and cash equivalents	<u>656,512</u>

Internal Service Funds

Cash and cash equivalents	
Reserved for Self-Insured Medical	458,769
Investments	
Reserved for Self-Insured Medical	520,039
Total restricted	<u>978,808</u>

Total Governmental activities \$ 1,635,320

Business Activities:

Water Utility Fund

Cash and cash equivalents	
Customer security deposits	\$ 75,897
Investments	
Interest receivable	5,888
Total water utility fund	<u>81,785</u>

Wastewater Utility Fund

Cash and cash equivalents	
Reserved for debt service of 1997 Certificates of Participation	<u>352,000</u>

Sewer Fund

Investments	
Reserved for Sewer fund	<u>5,625,633</u>

Airport Fund

Cash and cash equivalents	
Airport capital projects	<u>123,649</u>

Total Business activities \$ 557,434

Total Restricted Assets \$ 2,192,754

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PROPERTY, PLANT, AND EQUIPMENT

Capital asset activity for the year ended June 30, 2008 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,491,546	\$ 1,212,884	\$ (119,805)	\$ 4,584,625
Construction in progress	1,160,577	4,927,305	(10,000)	6,077,882
Total capital assets, not being depreciated	<u>4,652,123</u>	<u>6,140,189</u>	<u>(129,805)</u>	<u>10,662,507</u>
Capital assets, being depreciated:				
Buildings	4,261,262	-	(479,218)	3,782,044
Improvements other than buildings	2,132,287	3,203,413	-	5,335,700
Machinery and equipment	5,213,717	944,279	(148,726)	6,009,270
Infrastructure	20,784,501	998,782	-	21,783,283
Total capital assets being depreciated	<u>32,391,767</u>	<u>5,146,474</u>	<u>(627,944)</u>	<u>36,910,297</u>
Less accumulated depreciation for:				
Buildings	(1,349,812)	(190,066)	479,218	(1,060,660)
Improvements other than buildings	(1,012,288)	(74,680)	-	(1,086,968)
Machinery and equipment	(3,139,160)	(522,415)	627,944	(3,033,631)
Infrastructure	(4,124,668)	(764,073)	-	(4,888,741)
Total accumulated depreciation	<u>(9,625,928)</u>	<u>(1,551,234)</u>	<u>1,107,162</u>	<u>(10,070,000)</u>
Total capital assets, being depreciated, net	<u>22,765,839</u>	<u>3,595,240</u>	<u>479,218</u>	<u>26,840,297</u>
Governmental activities capital assets, net	<u>\$ 27,417,962</u>	<u>\$ 9,583,913</u>	<u>\$ 349,413</u>	<u>\$ 37,502,804</u>
Depreciation was charged by function as follows:				
General government				\$ 126,204
Public safety				269,800
Streets/Transportation				934,785
Public works				110,844
Culture and recreation				109,601
Total depreciation expense - governmental activities				<u>\$ 1,551,234</u>

NOTES TO FINANCIAL STATEMENTS

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,541,394	\$ 807,157	\$ -	\$ 3,348,551
Construction in progress	3,473,886	1,568,716	(1,035,224)	4,007,378
Total capital assets, not being depreciated	<u>6,015,280</u>	<u>2,375,873</u>	<u>(1,035,224)</u>	<u>7,355,929</u>
Capital assets, being depreciated:				
Buildings and systems	6,724,308	1,717,804	-	8,442,112
Improvements other than buildings	62,489,624	6,200,110	(34,012)	68,655,722
Machinery and equipment	3,130,724	999,219	(108,146)	4,021,797
Total capital assets being depreciated	<u>72,344,656</u>	<u>8,917,133</u>	<u>(142,158)</u>	<u>81,119,631</u>
Less accumulated depreciation for:				
Buildings and systems	(4,387,663)	(251,683)	-	(4,639,346)
Improvements other than buildings	(18,170,948)	(2,038,816)	-	(20,209,764)
Machinery and equipment	(1,008,446)	(232,482)	108,146	(1,132,782)
Total accumulated depreciation	<u>(23,567,057)</u>	<u>(2,522,981)</u>	<u>108,146</u>	<u>(25,981,892)</u>
Total capital assets, being depreciated, net	<u>48,777,599</u>	<u>6,394,152</u>	<u>(34,012)</u>	<u>55,137,739</u>
Business-type activities capital assets, net	<u>\$ 54,792,879</u>	<u>\$ 8,921,538</u>	<u>\$ (1,069,235)</u>	<u>\$ 62,645,181</u>
Depreciation was charged by function as follows:				
Water				\$ 831,128
Wastewater				81,761
Airport				803,062
Aquatic Center				<u>698,884</u>
Total depreciation expense - business-type activities				<u>\$ 2,414,835</u>

NOTE 7 – RETIREMENT PLANS

The City contributes to the two retirement plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health premium benefits.

The Arizona State Retirement System (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The Public Safety Personnel Retirement System (PSPRS) is an agent, multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 171 local boards according to the provisions of the A.R.S. Title 38, Chapter 5, Article 4.

NOTES TO FINANCIAL STATEMENTS

Each plan issues a publicly available report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS
 3300 North Central Avenue
 Phoenix, Arizona 85012-0250
 (800) 621-3778
 www.azasrs.gov

PSPRS
 3010 East Camelback Road, Suite 200
 Phoenix, Arizona 85016
 (602) 255-5572
 www.psprs.com

FUNDING POLICY

The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate.

Cost-Sharing Plan - For the year ended June 30, 2008, active ASRS members and the City were each required to contribute at the actuarially determined rate of 9.1% (8.6 retirement and 0.5 long-term disability) of member's annual covered payroll. The City's contribution to the ASRS for the years ending June 30, 2006, June 30, 2007, and June 30, 2008, were \$336,746, \$443,028 and \$463,781, respectively, which were equal to the required contribution for the years.

Agent Plan - For the year ended June 30, 2008, active PSPRS members were required by statute to contribute 7.65% of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 14.83% of covered compensation consisting of 9.62% for normal cost and 5.21% for amortization of unfunded actuarial accrued liability.

ANNUAL PENSION COST

The City's pension cost for the Police Plan (PSPRS) for the year ended June 30, 2008(the date of the most recent actuarial valuation) and related information follow:

Annual Pension Costs	\$170,819
Contributions Made	\$170,819
Actuarial Valuation Date	June 30, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	Smoothed market value
 <u>Actuarial Assumptions:</u>	
Investment rate of return	8.50%
Projected salary increases (includes inflation at 5.00%)	5.50% - 8.50%

State law provides for an annual benefit increase for retirees or their survivors who are over the age 55 on the effective day of the increase and for disability retirees regardless of age. These increases are subject to the level of investment income earned.

NOTES TO FINANCIAL STATEMENTS

TREND INFORMATION

Information for the Police Plan (PSPRS) for the last six fiscal years:

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	59,151	100%	-
2004	83,002	100%	-
2005	105,499	100%	-
2006	146,685	100%	-
2007	160,717	100%	-
2008	170,819	100%	-

Post retirement health insurance subsidy. The liabilities and computed contribution for the post-retirement health insurance subsidy were based on the same assumptions and actuarial cost methods as indicated for GASB Statement 25.

Actuarial Accrued Liability

<u>Actuarial Valuation Date June 30</u>	<u>Valuation Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Percent funded (a/b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Annual Covered Payroll* (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2006	-	118,327	0.0%	118,327	1,307,500	9.05%
2007	-	169,459	0.0%	169,459	1,467,953	11.5%
2008	-	132,915	0.0%	132,915	1,674,273	7.9%

Annual Required Contribution

<u>Valuation Date June 30</u>	<u>Fiscal Year Ended June 30</u>	<u>(1) Normal Cost</u>	<u>(2) Actuarial Accrued Liability</u>	<u>(3) Total (1) + (2)</u>	<u>(4) Dollar Amount Based on Covered Payroll * (1) + (2)</u>
2006	2008	0.45%	0.42%	0.87%	14,566
2007	2009	0.70%	0.54%	1.24%	20,761
2008	2010	0.52%	0.38%	0.90%	15,068

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LONG-TERM OBLIGATIONS

The City has issued debt in both the government and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include 1) Special Assessment Bonds that are payable from the proceeds of assessments made against the benefiting property owners, 2) Certificates of Participation that pledge general government and business-type revenues to repay bonds, and 3) loans from developers and other governmental agencies.

A description of long-term obligations outstanding at June 30, 2008 by category follows:

The special assessment bonds are payable from the proceeds of the assessments made against the benefiting property owners. Special assessment debt for which the City is contingently liable in the event the property owners' default is included in the City's long-term debt and reported in the government-wide financials and in the Enterprise Funds for sewer related projects. In the event of default by the property owner, the City may enforce a public auction to satisfy the debt service requirements of the bonds. The following is a summary of special assessment bonds outstanding at June 30, 2008:

Show Low Improvement District No. 5 bonds at an interest rate of 6%, due in annual principal installments ranging from \$200,000 to \$465,000 through January 1, 2015. Interest is payable semiannually.	\$ 2,745,000
Show Low Improvement District No. 6 bonds at an interest rate of 6.375% due in annual principal installments ranging from \$270,000 to \$545,000 through January 1, 2015. Interest is payable semiannually.	3,425,000
Show Low Improvement District No. 7 bonds at an interest rate of 5.375% due in annual principal installments ranging from \$47,000 to \$75,000 through January 1, 2018. Interest is payable semiannually.	600,000
Show Low Bluff Community Facilities District bonds at an interest rate of 6.75% , due in annual principal installments ranging from \$34,000 to \$160,000 through July 1, 2031. Interest is payable semiannually.	<u>1,975,000</u>
Total Special Assessment Bonds	<u><u>\$ 8,745,000</u></u>

GADA Bonds

Show Low Bluff Community Facilities District bonds at an interest rate of 5.875% , due in annual principal installments ranging from \$10,000 to \$35,000 through July 15, 2032. Interest is payable semiannually.	\$ 480,000
On November 1, 2006, the City issued \$8,370,000 in GADA Bonds. The 2006 issue were issued to finance or refinance the costs of road improvements, airport improvements and vehicles and police vehicles located in and for the City.	8,155,000
On April 1, 2008 the City issued \$3,185,000 in GADA Bonds. The 2008 issue were issued to finance the costs of building a new library, council chambers and remodeling existing library for administrative purposes.	<u>3,185,000</u>
Total GADA bonds	<u><u>\$ 11,340,000</u></u>

NOTES TO FINANCIAL STATEMENTS

Certificates of Participation

(COPS). The 1997 COPS were issued to pay the cost of refinancing \$2,185,000 principal amount of Certificates of Participation, Series 1992, as well as to construct certain water, sewer, and transportation improvements. The liability and proceeds of the 1997 COPS were split equally between the Water and Sewer fund and the General fund. The annual principal installments range from \$530,000 to \$705,000 through June 1, 2010. Semiannual interest payments are at rates ranging from 4.375% to 5.0%.

\$ 1,375,000

On February 1, 2000, the City issued \$2,500,000 in Certificates of Participation. The 2000 COPS were issued to pay for Land Purchases in anticipation of a land exchange with the federal government and several other projects. 45.34% of the issue was for the land exchange and was recorded in the Airport fund. The remaining 54.66% was used in the Capital Projects fund.

605,000

Total Certificates of Participation bonds

\$ 1,980,000

Loans Payable

On September 27, 2006, the City entered into a lease agreement with Pitney Bowes for meter rental and subscription. The total lease payments are \$14,917, monthly lease payments of \$514 paid quarterly over a four year period.

\$ 9,875

Long-term obligations activity for the year ended June 30, 2008, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Special assessment bonds	\$ 8,789,000	\$ 600,000	\$ (644,000)	\$ 8,745,000	\$ 732,000
General obligation bonds	-	480,000	-	480,000	15,000
GADA bonds	6,630,000	3,185,000	(215,000)	9,600,000	-
Landfill monitoring costs	26,988	-	-	26,988	-
Compensated absences	356,889	438,932	(384,113)	411,708	205,854
Certificates of participation	1,491,241	-	(473,048)	1,018,193	791,241
Loans payable	12,478	-	(2,603)	9,875	3,790
Long-term debt of governmental activities	<u>17,306,596</u>	<u>4,703,932</u>	<u>(1,718,764)</u>	<u>20,291,764</u>	<u>1,700,885</u>
Business-type activities:					
GADA bonds	1,740,000	-	-	1,740,000	-
Certificates of participation	1,408,759	-	(446,952)	961,807	446,952
Compensated absences	60,931	90,955	(62,072)	89,814	9,140
Loans payable	46,650	-	(46,650)	-	46,650
Long-term debt of business-type activities	<u>3,256,340</u>	<u>90,955</u>	<u>(555,674)</u>	<u>2,791,621</u>	<u>502,742</u>
Total debt activity	<u>\$ 20,562,936</u>	<u>\$ 4,794,887</u>	<u>\$ (2,274,438)</u>	<u>\$ 23,083,385</u>	<u>\$ 2,203,627</u>

The City of Show Low has estimated that 15% of all compensated absences as of June 30, 2008 in governmental funds and proprietary funds will be paid in the next fiscal year. These absences will primarily be paid out of governmental funds of General and Streets, and out of proprietary funds of Water, Wastewater, Airport and Family Aquatic.

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for special assessment bonds, COPS/GADA and loans payable as follows:

Principal Payments										
Fiscal year ending	Governmental Activities						Business-type Activities			
	Special	Cert. of	Greater Arizona	General	Loans	Total	Greater Arizona	Cert. of	Total	Total
	Assessments Bonds	Participation Bonds	Develop. Auth. (GADA) Bonds	Obligation Bonds	Payable	Governmental Activities	Develop. Auth. (GADA) Bonds	Participation Bonds	Business-type Activities	
2009	\$ 732,000	\$ 496,247	\$ 295,000	\$ 15,000	\$ 4,680	\$ 1,542,927	\$ 65,000	\$ 468,753	\$ 533,753	\$ 2,076,680
2010	784,000	521,946	540,000	10,000	4,113	1,860,059	70,000	493,054	563,054	2,423,113
2011	827,000	-	520,000	10,000	1,082	1,358,082	75,000	-	75,000	1,433,082
2012	885,000	-	545,000	10,000	-	1,440,000	75,000	-	75,000	1,515,000
2013	938,000	-	565,000	10,000	-	1,513,000	80,000	-	80,000	1,593,000
2014 - 2018	3,374,000	-	3,170,000	65,000	-	6,609,000	445,000	-	445,000	7,054,000
2019-2023	235,000	-	2,195,000	85,000	-	2,515,000	420,000	-	420,000	2,935,000
2024-2028	555,000	-	1,770,000	115,000	-	2,440,000	510,000	-	510,000	2,950,000
2029-2032	415,000	-	-	160,000	-	575,000	-	-	-	575,000
Principal payments	<u>8,745,000</u>	<u>1,018,193</u>	<u>9,600,000</u>	<u>480,000</u>	<u>9,875</u>	<u>19,853,068</u>	<u>1,740,000</u>	<u>961,807</u>	<u>2,701,807</u>	<u>22,554,875</u>
Interest Payments										
Fiscal year ending	Governmental Activities						Business-type Activities			
	Special	Cert. of	Greater Arizona	General	Loans	Total	Greater Arizona	Cert. of	Total	Total
	Assessments Bonds	Participation Bonds	Develop. Auth. (GADA) Bonds	Obligation Bonds	Payable	Governmental Activities	Develop. Auth. (GADA) Bonds	Participation and GADA Bonds	Business-type Activities	
2009	551,998	52,029	394,824	27,759	708	559,683	80,013	129,032	49,019	608,702
2010	493,853	26,733	408,425	27,025	390	490,862	77,313	102,493	25,180	516,042
2011	444,791	-	389,800	26,438	-	417,701	74,413	74,413	-	417,701
2012	392,765	-	369,581	25,850	-	368,470	71,319	71,319	-	368,470
2013	337,205	-	346,731	25,263	-	1,058,908	68,025	301,975	-	1,058,908
2014 - 2018	895,578	-	1,345,863	116,178	-	382,150	282,250	202,550	-	382,150
2019-2023	345,800	-	685,375	94,147	-	-	182,000	94,000	-	-
2024-2028	212,800	-	182,250	64,772	-	-	66,250	-	-	-
2029-2032	47,320	-	-	24,381	-	-	-	-	-	-
Interest payments	<u>3,722,110</u>	<u>78,762</u>	<u>4,122,849</u>	<u>431,813</u>	<u>1,098.00</u>	<u>3,277,774</u>	<u>901,581</u>	<u>975,782</u>	<u>74,199</u>	<u>3,351,973</u>
Total debt service	<u>\$ 12,467,110</u>	<u>\$ 1,096,955</u>	<u>\$ 13,722,849</u>	<u>\$ 911,813</u>	<u>\$ 10,973</u>	<u>\$ 23,130,842</u>	<u>2,641,581</u>	<u>\$ 1,937,589</u>	<u>\$ 2,776,006</u>	<u>\$ 25,906,848</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CONTINGENT LIABILITIES

The City is involved in litigation arising in the normal course of operations. Although the outcome of this litigation is not presently determinable, in the opinion of management, after consultation with legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City has entered into various line extension agreements with developers, whereby the developers extended water and sewer lines. Under the terms of the agreements, the City will assess a line charge on future connections to the extended lines and reimburse the developers for that portion of the cost contributed by the developers. The City is under no obligation to refund any of the extension costs other than through future connections.

NOTE 10 – COMMITMENTS

The City had planned construction projects as of June 30, 2008. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>
Atlantis	\$ 1,152,082	\$ 2,827,111
Boomer	32,483	47,342
Pavex	46,300	70,040
Amon	1,330,000	70,000
Pueblo West	137,340	309,660
Aiton	94,102	222,739
	<u>\$ 2,792,307</u>	<u>\$ 3,546,892</u>

NOTE 11 – 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; injuries to employees; and natural disasters. In August 1987, the City joined with other cities around the State in the Arizona Risk Retention Pool, a public entity risk pool currently operating, as a common risk management and insurance program for approximately 73 members. The City makes a premium contribution to the Pool for its general insurance coverage.

Premiums are paid annually for the coverage year from August 15 to August 15 and are recorded as prepaid expenditures when paid and charged to expenditures monthly. The intergovernmental agreement to the Arizona Municipal Risk Retention Pool provides that the Pool will be self-sustaining through member premiums and will reinsure for claims to a maximum of \$5 million for each insured event. The City has had comparable insurance coverage's for the past 17 years, and has had no claims exceeding its insurance coverage.

The City continues to carry commercial insurance for other risks of loss, including airport activities, workers' compensation, and employee health and accident. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – RECEIVABLES

Receivables as of year-end for the government's individual major funds and nonmajor, internal service in the aggregate, including the applicable allowances for uncollectible accounts, Revenues of the Water/Wastewater Authority are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as indicated in the following:

	<u>General</u>	<u>Highway Users</u>	<u>Show Low Bluff CFD</u>	<u>ID #5 Fund</u>	<u>ID #6 Fund</u>	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>	<u>Nonmajor, Other Funds</u>	<u>Total</u>
Receivable:										
Accounts	\$ 160,537	\$ 695	\$ -	\$ -	\$ -	\$ 316,768	\$ 229,047	\$ 366,026	\$ 128,245	\$ 1,201,318
Taxes	1,182,433	120,542	-	-	-	-	-	-	1,547	1,304,522
Interest	8,439	94,936	10,142	14,206	16,550	2	9,139	24,865	3,899	182,178
Unbilled accounts	-	-	-	-	-	91,108	-	-	-	91,108
Special assessments	-	-	1,958,965	2,616,743	3,222,290	-	-	-	606,664	8,404,662
Gross receivables	<u>1,351,409</u>	<u>216,173</u>	<u>1,969,107</u>	<u>2,630,949</u>	<u>3,238,840</u>	<u>407,878</u>	<u>238,186</u>	<u>390,891</u>	<u>740,355</u>	<u>11,183,788</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,543)</u>	<u>(49,967)</u>	<u>-</u>	<u>(21,414)</u>	<u>(142,924)</u>
Net total receivables	<u>\$ 1,351,409</u>	<u>\$ 216,173</u>	<u>\$ 1,969,107</u>	<u>\$ 2,630,949</u>	<u>\$ 3,238,840</u>	<u>\$ 336,335</u>	<u>\$ 188,219</u>	<u>\$ 390,891</u>	<u>\$ 718,941</u>	<u>\$ 11,040,864</u>

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CITY OF SHOW LOW, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2008

An analysis of the progress of the Police Plan (PSPRS) from June 30, 2003 through June 30, 2008, based on actuarial valuations, follows:

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Annual Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2003	2,725,236	2,736,239	99.6%	11,003	906,819	1.21%
2004	2,869,122	3,053,065	94.0%	183,943	971,896	18.9%
2005	2,996,674	3,874,909	77.3%	878,235	1,187,903	73.9%
2006	3,504,560	4,221,244	83.0%	716,684	1,307,500	54.8%
2007	3,606,495	5,086,801	70.9%	1,480,306	1,467,953	100.8%
2008	3,868,452	5,275,916	73.3%	1,407,464	1,674,273	84.1%



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CITY OF SHOW LOW, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

ASSETS	Special Revenue			Debt Service		Total Nonmajor Governmental Funds
	LTAf	Street Lighting	Public Transportation	ID #7 Fund	Certificates of Participation	
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	11,814	23,638	-	524,501	-	559,953
Receivables (net of allowances for uncollectibles)						
Accounts	-	-	62,489	-	-	62,489
Taxes	-	1,547	-	-	-	1,547
Assessments	-	-	-	3,778	-	3,778
Interest	33	39	-	604,658	1,934	606,664
Other Prepaid Assets	-	-	-	-	445,200	445,200
Restricted assets						
Cash and cash equivalents	-	-	-	-	499,809	499,809
Total assets	\$ 11,847	\$ 25,224	\$ 62,489	\$ 1,132,937	\$ 946,943	\$ 2,179,440
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable and other current liabilities	\$ 1,780	\$ 10,324	\$ 28,740	\$ -	\$ -	\$ 40,844
Prepaid assessments	-	-	-	50,144	-	50,144
Deferred revenue	-	-	-	600,888	-	600,888
Total liabilities	1,780	10,324	28,740	651,032	-	691,876
FUND BALANCE						
Reserved for						
Debt service	-	-	-	481,905	946,943	1,428,848
Unreserved, reported in						
Special revenue	10,067	14,900	33,749	-	-	58,716
Total fund balance	10,067	14,900	33,749	481,905	946,943	1,487,564
Total liabilities and fund balance	\$ 11,847	\$ 25,224	\$ 62,489	\$ 1,132,937	\$ 946,943	\$ 2,179,440

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue				Debt Service		Total Non-Major Governmental Funds
	LTAf	Street Lighting	Public Transportation	Community Development Block Grant	ID #7 Fund	Certificates of Participation	
REVENUES							
Taxes	\$ 48,454	\$ 121,272	\$ -	\$ -	\$ -	\$ -	\$ 169,726
Intergovernmental revenues	-	-	453,499	-	-	-	453,499
Special assessments	-	-	-	-	30,952	-	30,952
Investment earnings	5,915	1,615	-	-	20,385	29,678	57,593
Miscellaneous	-	-	19,773	56,691	-	-	76,464
Total revenues	<u>54,369</u>	<u>122,887</u>	<u>473,272</u>	<u>56,691</u>	<u>51,337</u>	<u>29,678</u>	<u>788,234</u>
EXPENDITURES							
Current							
Public works	-	980	421,255	-	141,213	-	563,448
Capital outlay	97,651	127,958	191,314	-	-	-	416,923
Debt service							
Principal	-	-	-	-	-	688,048	688,048
Interest and fiscal charges	-	-	-	-	28,219	382,804	411,023
Total expenditures	<u>97,651</u>	<u>128,938</u>	<u>612,569</u>	<u>-</u>	<u>169,432</u>	<u>1,070,852</u>	<u>2,079,442</u>
REVENUES (UNDER)							
EXPENDITURES	<u>(43,282)</u>	<u>(6,051)</u>	<u>(139,297)</u>	<u>56,691</u>	<u>(118,095)</u>	<u>(1,041,174)</u>	<u>(1,291,208)</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	196,239	-	-	1,424,001	1,620,240
Proceeds from bonds issued	-	-	-	-	600,000	-	600,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>196,239</u>	<u>-</u>	<u>600,000</u>	<u>1,424,001</u>	<u>2,220,240</u>
NET CHANGE							
IN FUND BALANCE	(43,282)	(6,051)	56,942	56,691	481,905	382,827	929,032
FUND BALANCE, beginning of the year	<u>53,349</u>	<u>20,951</u>	<u>(23,193)</u>	<u>(56,691)</u>	<u>-</u>	<u>564,116</u>	<u>558,532</u>
FUND BALANCE, end of the year	<u>\$ 10,067</u>	<u>\$ 14,900</u>	<u>\$ 33,749</u>	<u>\$ -</u>	<u>\$ 481,905</u>	<u>\$ 946,943</u>	<u>\$ 1,487,564</u>

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CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Refuse Fund	Family Aquatic	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and Cash Equivalents	\$ 121,126	\$ 250	\$ 121,376
Interest receivable	121	-	121
Receivables (net of uncollectibles)	65,756	-	65,756
Total current assets	<u>187,003</u>	<u>250</u>	<u>187,253</u>
Noncurrent assets			
Capital assets			
Buildings and improvements	-	2,218,830	2,218,830
Machinery and equipment	-	133,412	133,412
Less accumulated depreciation	-	(913,786)	(913,786)
Total capital assets, net	<u>-</u>	<u>1,438,456</u>	<u>1,438,456</u>
Total assets	<u>187,003</u>	<u>1,438,706</u>	<u>1,625,709</u>
LIABILITIES			
Current liabilities			
Accounts payable	58,289	10,091	68,380
Accrued wages and benefits	-	1,287	1,287
Compensated absences	-	8,998	8,998
Total liabilities	<u>58,289</u>	<u>20,376</u>	<u>78,665</u>
NET ASSETS			
Invested in capital assets	-	1,438,456	1,438,456
Unrestricted	<u>128,714</u>	<u>(20,126)</u>	<u>108,588</u>
Total net assets	<u>\$ 128,714</u>	<u>\$ 1,418,330</u>	<u>\$ 1,547,044</u>

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Refuse Fund	Family Aquatic	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Service fees	\$ 634,950	\$ 102,547	\$ 737,497
OPERATING EXPENSES			
Cost of goods sold	-	1,646	1,646
Personnel services	-	258,078	258,078
Administrative expenses	586,308	26,689	612,997
Field supplies	-	2,651	2,651
Repairs and maintenance	-	24,475	24,475
Utilities	-	81,638	81,638
Departmental expense	-	4,540	4,540
Total operating expenses	586,308	399,717	986,025
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	48,642	(297,170)	(248,528)
Depreciation expense	-	81,761	81,761
OPERATING INCOME (LOSS)	48,642	(378,931)	(330,289)
NONOPERATING REVENUES			
Investment income	4,657	-	4,657
Income (Loss) before transfers	53,299	(378,931)	(325,632)
TRANSFERS	-	318,405	318,405
CHANGE IN NET ASSETS	53,299	(60,526)	(7,227)
NET ASSETS, beginning of year	75,415	1,478,856	1,554,271
NET ASSETS, end of year	\$ 128,714	\$ 1,418,330	\$ 1,547,044

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Refuse Fund	Family Aquatic	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 625,933	\$ 102,547	\$ 728,480
Payments to suppliers	(576,159)	(155,050)	(731,209)
Payments to employees	-	(265,652)	(265,652)
Net cash provided by (used in) operating activities	49,774	(318,155)	(268,381)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	318,405	318,405
Net cash provided by noncapital financing activities	-	318,405	318,405
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4,657	-	4,657
Net cash provided by investing activities	4,657	-	4,657
NET CHANGE IN CASH	54,431	250	54,681
CASH AND CASH EQUIVALENTS, Beginning of year	66,695	-	66,695
CASH AND CASH EQUIVALENTS, End of year	\$ 121,126	\$ 250	\$ 121,376

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds		
	Refuse Fund	Family Aquatic	Total Nonmajor Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 48,642	\$ (378,931)	\$ (330,289)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	81,761	81,761
(Increase) decrease in Accounts receivable	(9,017)	-	(9,017)
Increase (decrease) in Accounts payable	10,149	(13,411)	(3,262)
Accrued wages	-	(9,632)	(9,632)
Compensated balances	-	2,058	2,058
Total adjustments	1,132	60,776	61,908
Net cash provided by (used in) operating activities	\$ 49,774	\$ (318,155)	\$ (268,381)
TOTAL CASH AND CASH EQUIVALENTS	\$ 121,126	\$ 250	\$ 121,376

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CITY OF SHOW LOW, ARIZONA
STATEMENT OF NET ASSETS
HEALTH INSURANCE FUND
JUNE 30, 2008

ASSETS

Interest receivable \$ 565

Restricted assets:

Cash 458,769

Investments 520,039

Total assets 979,373

LIABILITIES

Accounts payable 94,393

NET ASSETS

Restricted 884,980

Total net assets \$ 884,980

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
HEALTH INSURANCE FUND
YEAR ENDED JUNE 30, 2008

OPERATING REVENUES	\$ 1,924,464
OPERATING EXPENSES	
Administrative expenses	<u>1,785,636</u>
Total operating expenses	<u>1,785,636</u>
OPERATING INCOME	<u>138,828</u>
NONOPERATING REVENUES	
Investment income	<u>27,226</u>
Total nonoperating revenues	<u>27,226</u>
CHANGE IN NET ASSETS	166,054
NET ASSETS, beginning of year	<u>718,926</u>
NET ASSETS, end of year	<u>\$ 884,980</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF CASH FLOWS
HEALTH INSURANCE FUND
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,062,275
Cash paid to vendors	<u>(1,806,243)</u>
Net cash used in operating activities	<u>256,032</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>27,226</u>
Net cash provided by investing activities	<u>27,226</u>

NET CHANGE IN CASH

283,258

CASH AND CASH EQUIVALENTS,

Beginning of year	<u>695,550</u>
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CASH AND CASH EQUIVALENTS,

End of year	<u><u>\$ 978,808</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating income	<u>\$ 138,828</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in	
Interest receivable	1,902
Accounts receivable	135,909
Increase (decrease) in	
Accounts payable	<u>(20,607)</u>
Total adjustments	<u>117,204</u>
Net cash provided by operating activities	<u><u>\$ 256,032</u></u>

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CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
IMPROVEMENTS DISTRICT # 5 DEBT SERVICE
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		
REVENUES				
Special assessments	\$ 663,000	\$ 663,000	\$ 630,804	\$ (32,196)
Fines	2,500	2,500	12,658	10,158
Investment earnings	1,000	1,000	10,399	9,399
Total revenues	<u>666,500</u>	<u>666,500</u>	<u>653,861</u>	<u>(12,639)</u>
EXPENDITURES				
Admin charges	2,300	2,300	2,342	(42)
Debt Service				
Principal	450,000	450,000	350,000	100,000
Interest	213,244	213,244	187,628	25,616
Total expenditures	<u>665,544</u>	<u>665,544</u>	<u>539,970</u>	<u>125,574</u>
REVENUES OVER (UNDER)				
EXPENDITURES	956	956	113,891	112,935
FUND BALANCE, beginning of the year	<u>123,522</u>	<u>123,522</u>	<u>123,522</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 124,478</u>	<u>\$ 124,478</u>	<u>\$ 237,413</u>	<u>\$ 112,935</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
IMPROVEMENTS DISTRICT # 6 DEBT SERVICE
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments	\$ 579,500	\$ 579,500	\$ 589,491	\$ 9,991
Fines	2,500	2,500	10,469	7,969
Investment earnings	1,000	1,000	12,027	11,027
Total revenues	<u>583,000</u>	<u>583,000</u>	<u>611,987</u>	<u>28,987</u>
EXPENDITURES				
Admin./other	-	-	630	(630)
Debt Service				
Principal	355,000	355,000	255,000	100,000
Interest	226,850	226,850	215,384	11,466
Total expenditures	<u>581,850</u>	<u>581,850</u>	<u>471,014</u>	<u>111,466</u>
REVENUES (UNDER) EXPENDITURES	<u>1,150</u>	<u>1,150</u>	<u>140,973</u>	<u>140,453</u>
OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	<u>1,150</u>	<u>1,150</u>	<u>140,973</u>	<u>140,453</u>
FUND BALANCE, beginning of the year	<u>164,775</u>	<u>164,775</u>	<u>164,775</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 165,925</u>	<u>\$ 165,925</u>	<u>\$ 305,748</u>	<u>\$ 140,453</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SHOW LOW BLUFF CFD
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments	\$ -	\$ -	\$ 150,659	\$ 150,659
Fines	-	-	78	78
Proceeds from issuance of debt	-	-	480,000	480,000
Investment earnings	5,000	5,000	51,414	46,414
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>682,151</u>	<u>677,151</u>
EXPENDITURES				
Admin./other	5,000	5,000	7,013	(2,013)
Debt Service	-	-	-	-
Principal	175,000	175,000	39,000	136,000
Interest	-	-	127,392	(127,392)
Public works				
Capital outlay	65,000	65,000	1,969,969	(1,904,969)
Total expenditures	<u>240,000</u>	<u>245,000</u>	<u>2,143,374</u>	<u>(1,898,374)</u>
REVENUES (UNDER) EXPENDITURES	<u>(240,000)</u>	<u>(240,000)</u>	<u>(1,461,223)</u>	<u>(1,221,223)</u>
NET CHANGE IN FUND BALANCE	<u>(240,000)</u>	<u>(240,000)</u>	<u>(1,461,223)</u>	<u>(1,221,223)</u>
FUND BALANCE, beginning of the year	<u>1,774,849</u>	<u>1,774,849</u>	<u>1,774,849</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 1,534,849</u>	<u>\$ 1,534,849</u>	<u>\$ 313,626</u>	<u>\$ (1,221,223)</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LTA SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 68,831	\$ 68,831	\$ 48,454	\$ (20,377)
Investment earnings	2,500	2,500	5,915	3,415
Total revenues	<u>71,331</u>	<u>71,331</u>	<u>54,369</u>	<u>(16,962)</u>
EXPENDITURES				
Public Works				
Capital outlay	<u>238,843</u>	<u>238,843</u>	<u>97,651</u>	<u>141,192</u>
Total expenditures	<u>238,843</u>	<u>238,843</u>	<u>97,651</u>	<u>141,192</u>
REVENUES (UNDER) EXPENDITURES	<u>(167,512)</u>	<u>(167,512)</u>	<u>(43,282)</u>	<u>124,230</u>
NET CHANGE IN FUND BALANCE	(167,512)	(167,512)	(43,282)	124,230
FUND BALANCE, beginning of the year	<u>53,349</u>	<u>53,349</u>	<u>53,349</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ (114,163)</u>	<u>\$ (114,163)</u>	<u>\$ 10,067</u>	<u>\$ 124,230</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STREET LIGHTING SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 125,000	\$ 125,000	\$ 121,272	\$ (3,728)
Investment earnings	225	225	1,615	1,390
Total revenues	<u>125,225</u>	<u>125,225</u>	<u>122,887</u>	<u>(2,338)</u>
EXPENDITURES				
Public works				
Capital outlay	79,627	79,627	980	78,647
Repairs & maintenance	<u>127,500</u>	<u>127,500</u>	<u>127,958</u>	<u>(458)</u>
Total expenditures	<u>207,127</u>	<u>207,127</u>	<u>128,938</u>	<u>78,189</u>
REVENUES (UNDER) EXPENDITURES	<u>(81,902)</u>	<u>(81,902)</u>	<u>(6,051)</u>	<u>75,851</u>
NET CHANGE IN FUND BALANCE	(81,902)	(81,902)	(6,051)	75,851
FUND BALANCE, beginning of the year	<u>37,776</u>	<u>37,776</u>	<u>20,950</u>	<u>(16,826)</u>
FUND BALANCE, end of the year	<u>\$ (44,126)</u>	<u>\$ (44,126)</u>	<u>\$ 14,899</u>	<u>\$ 59,025</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PUBLIC TRANSPORTATION SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2008

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
REVENUES				
Intergovernmental	\$ 704,208	\$ 704,208	\$ 453,499	\$ (250,709)
Miscellaneous	49,000	49,000	19,773	(29,227)
Total revenues	<u>753,208</u>	<u>753,208</u>	<u>473,272</u>	<u>(279,936)</u>
EXPENDITURES				
General Government				
Capital outlay	415,000	415,000	191,314	223,686
Public works	409,339	409,339	421,255	(11,916)
Total expenditures	<u>824,339</u>	<u>824,339</u>	<u>612,569</u>	<u>211,770</u>
REVENUES (UNDER) EXPENDITURES	<u>(71,131)</u>	<u>(71,131)</u>	<u>(139,297)</u>	<u>(68,166)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	196,239	196,239
NET CHANGE IN FUND BALANCE	<u>(71,131)</u>	<u>(71,131)</u>	<u>56,942</u>	<u>128,073</u>
FUND DEFICIT, beginning of the year	<u>(23,193)</u>	<u>(23,193)</u>	<u>(23,193)</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ (94,324)</u>	<u>\$ (94,324)</u>	<u>\$ 33,749</u>	<u>\$ 128,073</u>

**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 COMMUNITY DEVELOPMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous earnings	\$ -	\$ -	\$ 56,691	\$ 56,691
Total revenues	-	-	56,691	56,691
REVENUES OVER EXPENDITURES	-	-	56,691	56,691
NET CHANGE IN FUND BALANCE	-	-	56,691	56,691
FUND BALANCE, beginning of the year	(56,691)	(56,691)	(56,691)	-
FUND BALANCE, end of the year	\$ -	\$ -	\$ -	\$ -

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
IMPROVEMENTS DISTRICT # 7 DEBT SERVICE
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments	\$ -	\$ -	\$ 30,952	\$ 30,952
Fines	-	-	-	-
Proceeds for issuance of Debt	-	-	600,000	600,000
Investment earnings	5,000	5,000	20,385	15,385
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>651,337</u>	<u>646,337</u>
EXPENDITURES				
Admin./other	5,000	5,000	-	5,000
Debt Service	-	-	-	-
Principal	175,000	175,000	-	175,000
Interest	-	-	28,219	(28,219)
Public works	65,000	65,000	141,213	(76,213)
Total expenditures	<u>240,000</u>	<u>245,000</u>	<u>169,432</u>	<u>75,568</u>
REVENUES (UNDER) EXPENDITURES	<u>(240,000)</u>	<u>(240,000)</u>	<u>481,905</u>	<u>721,905</u>
NET CHANGE IN FUND BALANCE	(240,000)	(240,000)	481,905	721,905
FUND BALANCE, beginning of the year	-	-	-	-
FUND BALANCE, end of the year	<u>\$ (240,000)</u>	<u>\$ (240,000)</u>	<u>\$ 481,905</u>	<u>\$ 721,905</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CERTIFICATES OF PARTICIPATION DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 15,000	\$ 15,000	\$ 29,678	\$ 14,678
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>29,678</u>	<u>14,678</u>
EXPENDITURES				
Principal retirement	532,464	532,464	688,048	(155,584)
Interest and fiscal charges	<u>90,264</u>	<u>90,264</u>	<u>382,804</u>	<u>(292,540)</u>
Total expenditures	<u>622,728</u>	<u>622,728</u>	<u>1,070,852</u>	<u>(448,124)</u>
REVENUES (UNDER) EXPENDITURES	<u>607,728</u>	<u>607,728</u>	<u>(1,041,174)</u>	<u>(433,446)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>1,424,001</u>	<u>1,424,001</u>
NET CHANGE IN FUND BALANCE	-	-	382,827	990,555
FUND BALANCE, beginning of the year	<u>501,037</u>	<u>501,037</u>	<u>564,119</u>	<u>63,082</u>
FUND BALANCE, end of the year	<u>\$ 501,037</u>	<u>\$ 501,037</u>	<u>\$ 946,946</u>	<u>\$ 1,053,637</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2008

	<u>Balance</u> <u>7/1/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2008</u>
ASSETS				
Investments	\$ 5,477	\$ 423	\$ 942	\$ 4,958
Interest receivable	26	-	26	-
Total assets	<u>\$ 5,503</u>	<u>\$ 423</u>	<u>\$ 968</u>	<u>\$ 4,958</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 45	\$ -	\$ 45
Scuba Crew #384	-	5,629	3,300	2,329
Slovakian/Sister Cities	2,230	205	11	2,424
Swim Team	2,496	637	2,974	159
Police Explorer Post	617	26	643	-
Disaster Relief	160	7	167	-
Total liabilities	<u>\$ 5,503</u>	<u>\$ 6,542</u>	<u>\$ 6,927</u>	<u>\$ 4,958</u>

Statistical Section
(Unaudited)

CITY OF SHOW LOW, ARIZONA
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities										
Invested in capital assets, net of related debt	N/A	N/A	N/A	N/A	\$ 3,268,520	\$ 5,047,274	\$ 8,025,270	\$ 11,108,140	\$ 10,495,243	
Restricted					10,449,679	9,833,472	8,719,606	8,366,723	2,014,571	
Unrestricted					3,756,812	5,180,212	6,020,782	8,969,170	24,688,903	
Total governmental activities net assets	\$ -	\$ -	\$ -	\$ -	\$ 17,475,011	\$ 20,060,958	\$ 22,765,658	\$ 28,444,033	\$ 37,198,717	\$ -
Business-type activities										
Invested in capital assets, net of related debt	N/A	N/A	N/A	N/A	\$ 39,637,789	\$ 42,473,129	\$ 43,445,397	\$ 46,176,330	\$ 51,406,630	
Restricted					3,850,746	8,819,520	3,909,842	3,909,842	5,985,776	
Unrestricted					394,501	(6,181,546)	1,075,383	2,478,312	3,696,002	
Total Business-type activities net assets	\$ -	\$ -	\$ -	\$ -	\$ 43,883,036	\$ 45,111,103	\$ 48,430,622	\$ 52,564,484	\$ 61,088,408	\$ -
Primary government										
Invested in capital assets, net of relate debt	N/A	N/A	N/A	N/A	\$ 42,906,309	\$ 47,520,403	\$ 51,470,667	\$ 57,284,470	\$ 61,901,873	\$ -
Restricted	-	-	-	-	14,300,425	18,652,992	12,629,448	12,276,565	8,000,347	-
Unrestricted	-	-	-	-	4,151,313	(1,001,334)	7,096,165	11,447,482	28,384,905	-
Total primary government net assets	\$ -	\$ -	\$ -	\$ -	\$ 61,358,047	\$ 65,172,061	\$ 71,196,280	\$ 81,008,517	\$ 98,287,125	\$ -

CITY OF SHOW LOW, ARIZONA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Expenses										
Governmental activities:										
General government					\$ 3,921,783	\$ 4,104,054	\$ 4,002,302	\$ 3,989,285	\$ 4,779,683	\$ 4,884,207
Public safety					2,178,331	2,647,230	2,839,820	3,624,181	3,918,568	4,110,965
Public works					2,766,797	2,872,362	2,872,918	3,077,390	4,261,420	4,051,944
Public Health					87,799	197,394	166,075	135,214	143,046	159,532
Culture and recreation					597,382	704,400	845,588	849,871	985,496	973,501
Interest on long-term debt					781,075	725,521	929,135	603,688	826,485	755,375
Total governmental activities expenses	-	-	-	-	10,333,167	11,250,961	11,655,838	12,279,629	14,914,698	14,935,524
Business-type activities:										
Water					2,763,342	1,579,290	1,928,857	1,992,474	2,088,639	2,264,614
Wastewater					-	1,467,116	1,742,718	2,066,814	1,659,410	2,482,065
Airport					1,497,573	1,359,784	1,926,814	1,764,740	2,129,881	2,297,975
Family Aquatic					478,869	520,308	456,557	468,936	463,100	481,478
Refuse					456,713	537,815	559,758	645,161	506,854	586,308
Total business-type activities expenses	-	-	-	-	5,196,497	5,464,313	6,614,704	6,938,125	6,847,884	8,112,440
Total primary government expenses	\$ -	\$ -	\$ -	\$ -	\$ 15,529,664	\$ 16,715,274	\$ 18,270,542	\$ 19,217,754	\$ 21,762,582	\$ 23,047,964
Program Revenues										
Governmental activities:										
Charges for services:										
General government					651,232	272,940	998,298	456,815	608,541	509,708
Culture and recreation					74,501	82,630	104,526	78,507	1,017,628	674,822
Other activities					117,315	79,052	82,312	895,774	1,593,626	1,569,276
Operating grants and contributions					427,430	216,550	654,087	152,870	-	-
Capital grants and contributions					960,209	382,948	379,539	333,283	6,210,914	3,013,594
Total governmental activities program revenues	-	-	-	-	2,230,687	1,034,120	2,218,762	1,917,249	9,430,709	5,767,400
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
Wastewater						1,668,035	1,938,463	2,270,913	2,686,146	2,547,067
Airport					872,047	767,773	930,197	1,040,160	1,898,709	1,240,029
Family Aquatic Center					96,147	99,982	131,190	98,166	100,440	102,547
Refuse					465,194	512,061	577,425	661,289	522,023	634,950
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
Total business-type activities program revenues	-	-	-	-	11,501,578	5,800,907	9,239,507	9,644,599	13,247,512	12,921,755
Total primary government program revenues	\$ -	\$ -	\$ -	\$ -	\$ 13,732,265	\$ 6,835,027	\$ 11,458,269	\$ 11,561,848	\$ 22,678,221	\$ 18,689,155

(continued on next page)

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net (expense)/revenue										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ (8,102,480)	\$ (10,216,841)	\$ (9,437,076)	\$ (10,362,380)	\$ (5,483,989)	\$ (9,168,124)
Business-type activities	-	-	-	-	6,305,081	336,594	2,624,803	2,706,474	6,399,628	4,809,315
Total primary government net expense	\$ -	\$ -	\$ -	\$ -	\$ (1,797,399)	\$ (9,880,247)	\$ (6,812,273)	\$ (7,655,906)	\$ 915,639	\$ (4,358,809)

**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
Franchise taxes					218,654	250,610	283,449	301,769	349,826	397,091
State sales taxes					601,809	647,382	712,867	830,093	939,542	908,471
Urban revenue sharing					808,564	694,977	715,536	831,807	1,029,042	1,514,108
Auto-in-lieu					421,988	426,779	440,379	498,645	590,144	589,820
Other					1,547,858	3,616,225	2,171,592	4,262,883	779,170	3,139,681
Investment earnings					110,061	78,058	172,331	337,177	828,583	489,904
Gain(Loss) on sales of assets					54,777	(67,670)	-	-	-	1,416,206
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)
Total governmental activities	-	-	-	-	9,864,065	12,802,788	12,141,776	16,040,755	14,238,673	17,130,484
Business-type activities:										
Investment earning	-	-	-	-	104,387	100,665	146,124	212,550	408,605	660,278
Gain(Loss) on sales of assets					(69,781)	169,704	1,178	4,813	2,039	10,544
Transfers	-	-	-	-	801,285	621,104	928,434	1,210,025	1,713,652	2,665,190
Total business-type activities	-	-	-	-	835,891	891,473	1,075,736	1,427,388	2,124,296	3,336,012
Total Primary government	\$ -	\$ -	\$ -	\$ -	\$ 10,699,956	\$ 13,694,261	\$ 13,217,512	\$ 17,468,143	\$ 16,362,969	\$ 20,466,496

Change in Net Asset

Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ 1,761,585	\$ 2,585,947	\$ 2,704,700	\$ 5,678,375	\$ 8,754,684	\$ 7,962,360
Business-type activities	-	-	-	-	7,140,972	1,228,067	3,700,539	4,133,862	8,523,924	8,145,327
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ 8,902,557	\$ 3,814,014	\$ 6,405,239	\$ 9,812,237	\$ 17,278,608	\$ 16,107,687

CITY OF SHOW LOW, ARIZONA
GENERAL GOVERNMENTAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS (unaudited)
(accrual basis of accounting)

Fiscal Year	Taxes	Licenses and Permits	Fines Forfeitures and Penalties	Special Assessments	Interest Income	Inter-governmental	Charges for Service	Miscellaneous Revenue	Capital Projects	Total
1998-99	\$8,193,315	129,528	132,160	119,345	335,243	461,288	104,270	141,644	466,833	\$10,083,626
1999-00	\$9,229,145	192,975	133,125	630,501	250,772	794,719	113,470	172,713	239,918	\$11,757,338
2000-01	\$9,533,316	186,719	136,708	630,263	321,815	793,388	128,801	311,667	239,763	\$12,282,440
2001-02	\$9,703,641	230,539	181,855	781,885	153,136	501,820	132,148	153,244	155,943	\$11,994,211
2002-03	\$9,080,535	367,881	224,176	1,122,373	100,260	1,648,744	321,800	479,939	85,531	\$13,431,239
2003-04	\$11,044,732	529,895	202,023	1,134,646	78,058	735,695	400,102	400,531	-	\$14,525,682
2004-05	\$12,085,009	623,009	122,958	1,165,709	166,180	1,032,926	449,387	298,768	-	\$15,943,946
2005-06	\$13,846,075	1,192,968	126,915	1,133,569	337,177	1,531,190	736,688	263,448	-	\$19,168,030
2006-07	\$15,586,015	1,043,028	131,878	1,162,670	828,583	1,534,809	583,141	564,102	-	\$21,434,226

(1) Includes General, Special Revenue, Debt Service Funds and Capital Projects.

Source: City of Show Low Finance Department

CITY OF SHOW LOW, ARIZONA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 124,721	\$ 382,809	\$ 457,619	\$ 780,003	\$ 488,534	
Unreserved	-	-	-	-	3,382,850	4,581,623	5,174,543	8,036,445	10,874,318	
Total general fund	\$ -	\$ -	\$ -	\$ -	\$ 3,507,571	\$ 4,964,432	\$ 5,632,162	\$ 8,816,448	\$ 11,362,852	\$ -
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	789,581	619,181	650,680	714,149	852,413	2,285,635
Unreserved, reported in:										
Special revenue funds	-	-	-	-	311,208	229,119	251,762	230,371	7,848,236	-
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ 1,100,789	\$ 848,300	\$ 902,442	\$ 944,520	\$ 8,700,649	\$ 2,285,635

CITY OF SHOW LOW, ARIZONA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues										
Taxes					\$ 9,080,535	\$ 11,044,732	\$ 12,085,009	\$ 13,846,075	\$ 15,586,015	\$ 15,921,108
Licenses and permits					367,881	529,895	623,009	1,192,968	1,043,028	697,482
Intergovernmental					1,724,474	735,695	1,032,926	1,531,190	1,534,809	1,355,159
Charges for services					321,800	400,102	449,387	736,688	583,141	487,048
Fines					224,176	202,023	122,958	126,915	131,878	167,787
Special assessments					1,122,373	1,134,646	1,165,709	1,133,569	1,162,670	1,401,906
Invertment earnings					110,061	78,058	166,180	337,177	828,583	489,904
Miscellaneous					479,939	400,531	298,768	263,448	564,102	398,052
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ 13,431,239	\$ 14,525,682	\$ 15,943,946	\$ 19,168,030	\$ 21,434,226	\$ 20,918,446
Expenditures										
Current:										
General government	\$ -	\$ -	\$ -	\$ -	\$ 3,634,851	\$ 3,333,143	\$ 3,668,296	\$ 3,752,094	\$ 4,577,097	\$ 5,094,448
Public safety					2,058,233	2,366,808	2,660,077	3,295,460	3,719,234	3,841,165
Public works					2,060,795	2,190,291	2,586,569	2,890,444	3,454,781	2,951,496
Public health					87,799	94,295	97,796	135,214	143,046	159,532
Culture and recreation					550,352	623,139	766,538	849,871	880,612	863,900
Capital outlay					1,903,744	1,977,143	2,614,386	2,124,818	3,378,240	9,977,641
Debt service:										
Principal					1,575,574	1,389,866	1,232,146	1,080,052	1,175,440	1,332,048
Interest and fiscal charges					784,515	725,521	680,594	603,688	805,199	951,412
Total expenditures	-	-	-	-	12,655,863	12,700,206	14,306,402	14,731,641	18,133,649	25,171,642
Revenues over(under) expenditures	-	-	-	-	775,376	1,825,476	1,637,544	4,436,389	3,300,577	(4,253,196)
Other finance sources (Uses)										
Sale of assets										1416206
Bond Proceeds									8,658,917	4,265,000
Transfers in(out)					(801,285)	(621,104)	(915,672)	(1,210,025)	(1,713,652)	(2,665,190)
Total other finance scources(uses)	-	-	-	-	(801,285)	(621,104)	(915,672)	(1,210,025)	6,945,265	3,016,016
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ (25,909)	\$ 1,204,372	\$ 721,872	\$ 3,226,364	\$ 10,245,842	\$ (1,237,180)
Debt service as a percentage of										

CITY OF SHOW LOW, ARIZONA
ASSESSED, LIMITED AND FULL CASH VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Net Assessed Value</u>	<u>Total Value</u>	<u>Ratio of Net Assessed to Cash Values</u>
1998-99	\$49,512,424	\$338,139,614	15%
1999-00	\$55,684,672	\$384,666,941	14%
2000-01	\$61,707,039	\$431,486,151	14%
2001-02	\$68,519,289	\$485,129,057	14%
2002-03	\$78,807,745	\$560,847,052	14%
2003-04	\$89,338,936	\$634,210,704	14%
2004-05	\$94,162,089	\$677,090,505	14%
2005-06	\$103,182,998	\$767,788,032	13%
2006-07	\$115,815,162	\$882,912,270	13%
2007-08	\$144,656,369	\$1,124,883,712	13%
2008-09	\$178,635,620	\$1,420,838,131	13%

Source: Arizona Department of Revenue

CITY OF SHOW LOW, ARIZONA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(INCLUSIVE OF PRIMARY AND 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>
1998-99	-	-	0.5656	1.4850	6.9547	9.0053
1999-00	-	-	0.5833	1.4904	6.9274	9.0011
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

Source: Navajo County Assessor's Office

CITY OF SHOW LOW, ARIZONA
STREET LIGHTING LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Original Real Property Assessments	Collected to June 30th, End of Tax Fiscal Year		Delinquent Taxes Receivable
		Amount	Percent of Original Levy	
1998-99	\$68,799	\$59,833	87%	\$4,965
1999-00	\$79,487	\$72,346	91%	\$7,141
2000-01	\$94,295	\$93,376	99%	\$7,447
2001-02	\$91,652	\$82,485	90%	\$9,167
2002-03	\$92,173	\$84,973	92%	\$7,200
2003-04	\$90,012	\$84,563	94%	\$5,449
2004-05	\$94,154	\$88,634	94%	\$5,520
2005-06	\$92,668	\$90,037	97%	\$2,631
2006-07	\$96,404	\$94,583	98%	\$1,820
2007-08 - *	\$142,968	\$65,643	46%	\$77,325

Source: Navajo County Treasurer's Office

* - Collected through November 30

CITY OF SHOW LOW, ARIZONA
SALES TAX REVENUE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Construction</u>	<u>Utilities</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Restaurants</u>	<u>Real Estate</u>	<u>Services</u>	<u>Others</u>	<u>Total</u>	
1998-1999	\$ 589,258	167,077	128,171	3,676,568	274,737	128,158	310,682	164,288	\$ 5,438,939	118.19%
1999-2000	\$ 653,405	305,235	113,757	4,191,938	283,238	142,016	328,873	186,559	\$ 6,205,021	114.09%
2000-2001	\$ 597,918	399,661	116,329	4,325,608	308,686	158,633	369,365	169,586	\$ 6,445,786	103.88%
2001-2002	\$ 549,505	439,266	121,925	4,483,143	321,439	159,348	343,534	199,100	\$ 6,617,259	102.66%
2002-2003	\$ 652,773	287,999	123,471	4,730,725	353,551	168,737	366,706	198,492	\$ 6,882,454	104.01%
2003-2004	\$ 895,577	137,473	134,455	5,213,135	375,041	195,926	332,265	401,685	\$ 7,685,556	111.67%
2004-2005	\$ 1,000,458	107,850	205,425	5,665,592	444,885	414,040	203,978	502,663	\$ 8,544,891	111.18%
2005-2006	\$ 1,471,231	144,500	265,074	6,277,525	540,826	473,152	191,733	560,920	\$ 9,924,958	116.15%
2006-2007	\$ 1,725,329	184,492	305,802	6,680,442	577,688	680,273	170,973	639,955	\$10,964,954	110.48%
2007-2008	\$ 1,819,140	245,124	255,190	6,652,414	553,708	648,069	152,106	616,590	\$10,942,341	99.79%

Source: Arizona Department of Revenue

CITY OF SHOW LOW, ARIZONA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities							Business-Type Activities				Total Primary Government
	Special Assessment Bonds	Landfill Monitoring Costs	Compensated Absenses	Show Low Bluffs CFD Bonds	Certificates of Participation	GADA Bonds	Loans Payable	Certificates of Participation	Compensated Absenses	GADA Bonds	Loans Payable	
1999												-
2000												-
2001												-
2002	9,905,000	26,988	48,349		3,622,796		1,133,668	3,262,204	37,933		231,422	18,268,360
2003	9,310,000	26,988	216,809		3,167,142		758,169	2,992,858	29,129		177,533	16,678,628
2004	8,665,000	26,988	216,161		2,776,424		304,021	2,623,576	47,683		351,688	15,011,541
2005	8,045,000	26,988	312,371		2,367,740		238,608	2,237,260	51,351		380,504	13,659,822
2006	7,445,000	26,988	328,060		1,941,090		126,259	1,833,910	55,155		102,551	11,859,013
2007	6,775,000	26,988	356,888	2,014,000	1,491,241	6,630,000	12,478	1,408,759	60,932	1,740,000	46,649	20,562,935
2008	6,770,000	26,988	411,707	2,455,000	1,018,193	9,600,000	9,875	961,807	89,816	1,740,000	-	23,083,386

CITY OF SHOW LOW, ARIZONA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2007

Jurisdiction	Net Debt Outstanding	Percentage Applicable to the City of Show Low	Amount Applicable to the City of Show Low
Show Low School District #10 - 1997A	\$ 9,235,000	71.80%	\$ 6,630,730
Show Low School District #10 - 2003B	\$ 6,380,000	71.80%	\$ 4,580,840
			<u>\$ 11,211,570</u>

Source: Navajo County Finance Department

CITY OF SHOW LOW, ARIZONA
SPECIAL ASSESSMENT 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>	<u>Prepaid</u>	<u>Total Outstanding Assessments</u>
1997-1998	\$ 126,931	\$ 124,567	98.14%	\$ 2,364	\$ -	\$ 2,364
1998-1999	\$ 104,314	\$ 104,314	100.00%	\$ -	\$ 15,031	\$ -
1999-2000	\$ 630,501	\$ 628,856	99.74%	\$ 1,645	\$ 9,794	\$ 1,645
2000-2001	\$ 630,263	\$ 624,777	99.13%	\$ 5,486	\$ 2,419	\$ 7,942
2001-2002	\$ 781,885	\$ 778,030	99.51%	\$ 3,855	\$ 54,846	\$ 7,987
2002-2003	\$ 723,159	\$ 708,055	97.91%	\$ 15,104	\$ 351,663	\$ 17,813
2003-2004	\$ 1,131,847	\$ 1,125,566	99.45%	\$ 6,281	\$ 175,732	\$ 14,408
2004-2005	\$ 882,039	\$ 850,548	96.43%	\$ 31,491	\$ 151,069	\$ 69,844
2005-2006	\$ 674,957	\$ 616,469	91.33%	\$ 58,488	\$ 213,114	\$ 139,138
2006-2007	\$ 728,623	\$ 663,231	91.03%	\$ 65,392	\$ 289,024	\$ 168,527
2007-2008	\$ 882,407	\$ 849,756	96.30%	\$ 32,651	\$ 382,089	\$ 81,676

Source: City of Show Low Finance Department

CITY OF SHOW LOW, ARIZONA
BUILDING PERMITS AND NEW HOUSING STARTS
LAST TEN FISCAL YEARS (UNAUDITED)

Year	BUILDING PERMITS (1)			NEW HOUSING STARTS (1)
	Residential	Commercial	Total	
1999	\$ 11,525,019	\$ 6,042,288	\$ 17,567,307	157
2000	\$ 15,337,933	\$ 2,228,373	\$ 17,566,306	192
2001	\$ 12,799,057	\$ 2,917,207	\$ 15,716,264	174
2002	\$ 24,540,960	\$ 732,525	\$ 25,273,484	231
2003	\$ 35,444,612	\$ 13,076,487	\$ 48,521,099	341
2004	\$ 46,506,966	\$ 6,342,044	\$ 52,849,010	348
2005	\$ 70,377,886	\$ 7,400,068	\$ 77,777,954	478
2006	\$ 72,449,961	\$ 16,853,930	\$ 89,303,891	443
2007	\$ 60,890,733	\$ 30,167,878	\$ 91,058,611	354
2008	\$ 62,975,792	\$ 9,905,826	\$ 72,881,618	300

(1) Source: City of Show Low Building Department

CITY OF SHOW LOW, ARIZONA

DEMOGRAPHIC STATISTICS - POPULATION STATISTICS, UNEMPLOYMENT AVERAGES

POPULATION STATISTICS (1)

<u>Year</u>	<u>City of Show Low</u>
1990 (Census)	5,019
2000 (Census)	7,695
2001 (Estimated)	8,084
2002 (Estimated)	8,557
2003 (Estimated)	8,785
2004 (Estimated)	9,365
2005 (Estimated)	9,786
2006 (Estimated)	9,885
2007 (Estimated)	10,555
2008 (Estimated)	11,473

UNEMPLOYMENT AVERAGES (2)

<u>Year</u>	<u>City of Show Low</u>	<u>Navajo County</u>	<u>State of Arizona</u>
1999	4.8%	13.4%	4.4%
2000	4.1%	11.5%	3.9%
2001	3.7%	10.5%	4.7%
2002	3.8%	10.8%	6.2%
2003	3.8%	10.8%	5.2%
2004	3.7%	10.6%	4.8%
2005	4.1%	8.5%	4.7%
2006	3.5%	7.3%	4.1%
2007	3.0%	6.4%	3.8%
2008	3.4%	7.2%	4.2%

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

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

CITY OF SHOW LOW, ARIZONA
TAXABLE RETAIL SALES, CITY TRANSACTION PRIVILEGE (SALES)
TAX RATES BY CATEGORY
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

TAXABLE SALES (1)

City of Show Low (1)

<u>Fiscal Year</u>	<u>Amount</u>
1998-1999	\$ 271,946,950
1999-2000	\$ 311,340,189
2000-2001	\$ 323,224,715
2001-2002	\$ 330,862,950
2002-2003	\$ 344,122,700
2003-2004	\$ 384,277,800
2004-2005	\$ 427,244,550
2005-2006	\$ 496,247,922
2006-2007	\$ 548,247,700
2007-2008	\$ 547,117,050

Navajo County (1)
Taxable Retail Sales

<u>Year</u>	<u>Amount</u>
1999	\$ 510,151,428
2000	\$ 556,907,867
2001	\$ 557,901,659
2002	\$ 578,071,060
2003	\$ 609,720,330
2004	\$ 615,673,414
2005	\$ 669,120,354
2006	\$ 756,087,523
2007	\$ 786,854,498
2008	\$ 818,594,217

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
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>
1999	\$ 5,407,006	558,419	762,384	181,105	241,606	\$ 7,150,520
2000	\$ 6,205,021	613,813	777,593	196,423	224,348	\$ 8,017,198
2001	\$ 6,445,786	637,044	811,933	195,055	269,195	\$ 8,359,013
2002	\$ 6,617,259	592,980	803,944	228,800	318,630	\$ 8,561,613
2003	\$ 6,882,454	601,809	808,564	218,654	421,988	\$ 8,933,469
2004	\$ 7,685,555	647,382	694,977	250,610	426,779	\$ 9,705,303
2005	\$ 8,544,891	712,867	715,536	283,449	440,379	\$10,697,122
2006	\$ 9,924,958	830,093	831,807	301,769	498,646	\$12,387,273
2007	\$10,964,955	939,542	1,029,042	349,826	590,144	\$13,873,509
2008	\$10,942,341	908,471	1,514,108	397,091	589,820	\$14,351,831

Source: City of Show Low Finance Department

CITY OF SHOW LOW, ARIZONA
FULL TIME EMPLOYEES BY DEPARTMENT
LAST TEN FISCAL YEARS

	<u>1999*</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Airport		5	5	5	6	5	5	5	5	5
Animal Control		2	2	2	2	2	2	2	2	2
Aquatic Center		4	4	4	3	5	3	2	2	3
City 4 TV		1	2	2	2	2	2	2	3	2
City Attorney		0	0	0	0	2	2	2	2	2
City Magistrate		3	3	3	2	2	2	2	3	2
City Manager		1	2	1	1	1	1	1	1	1
Communications		10	10	10	11	10	12	12	12	11
Community Development		9	9	9	8	10	11	11	11	10
Community Services Admin		1	1	1	1	1	1	1	1	1
Engineering		5	6	6	6	5	5	6	8	8
Finance		10	11	10	9	8	8	8	8	9
Human Resources		2	2	2	3	3	4	3	2	2
Information Systems		2	3	3	3	3	3	3	3	3
Library		6	7	8	9	8	8	7	6	6
Parks Maintenance										4
Facilities Maintenance		4	4	4	7	7	7	5	9	5
Parks & Recreation		2	2	2	2	2	3	3	2	2
Police		25	25	25	25	26	29	29	30	30
Public Information Services		2	3	3	3	2	2	3	3	3
Public Works Administration		5	4	4	3	4	4	3	3	3
Streets		9	9	9	6	10	10	10	9	10
Wastewater		0	0	0	10	10	9	9	9	11
Water		18	18	18	10	6	7	7	10	9
Total Employees		<u>126</u>	<u>132</u>	<u>131</u>	<u>132</u>	<u>134</u>	<u>140</u>	<u>136</u>	<u>144</u>	<u>144</u>

* Information not available