

**CITY OF SHOW LOW,
ARIZONA**

City of Show Low, Arizona

Comprehensive Annual

Financial Report



Fiscal Year Ended June 30, 2007

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

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April 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, 2007, 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 10,555, 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 34.3 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 enjoys a good economic environment, and local indicators point to continued growth. 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 9, 2004, 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 2005-2008).

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 5.1459% for fiscal year 2006-2007.

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.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Show Low for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

Mike Urie
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Show Low
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald H. Hahn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

CITY OF SHOW LOW OFFICIALS

MAYOR

Rick Fernau

CITY COUNCIL

Gordon Kearl, Vice Mayor

Rennie Crittenden

Virginia Evans

Gene Kelly

Daryl Seymore

Gerry Whipple

CITY MANAGER AND CITY STAFF

Ed Muder, City Manager

Justen Tregaskes, Community Development Director

Mike Urie, Administrative Services Director

K. Kane Graves, City Attorney

Ann Kurasaki, City Clerk

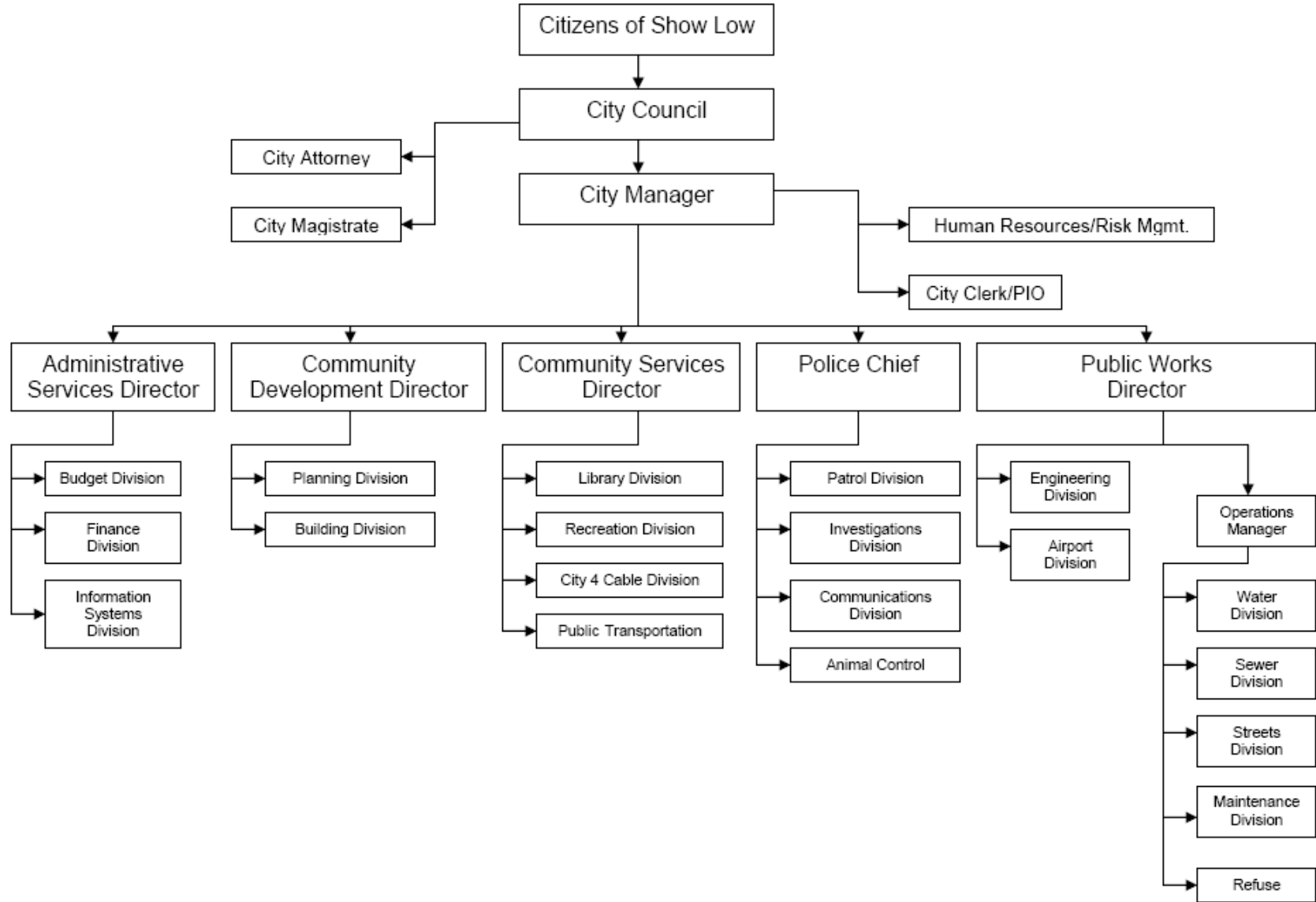
James Griffith, Police Chief

Connie Kakavas, Human Resource Director

Joel Weeks, Community Services Director

Ken Patterson, Public Works Director

City of Show Low Organizational Chart (2006 - 2007)



Financial Section

Financial Section

Independent Auditor's Report

Management's Discussion & Analysis

Basic Financial Statements

Combining Statements



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
April 30, 2008

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, 2007**

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, 2007. 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 IV to VI of this report.

Financial Highlights

- ☐ City sales tax revenue increased 10.5 percent over last year and is the single largest revenue in the budget.
- ☐ The city used the Greater Arizona Development Authority to issue \$8,370,000 in bonds for road improvements, police vehicles, Airport hangar and an Airport vehicle.
- ☐ The Airport received an additional \$1,489,557 in grants from State and Federal Agencies during the year for runway, taxiway, parking, and other improvements.
- ☐ A Community Facilities District was formed for Show Low Bluffs to facilitate growth in this area of the city.

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 the enterprise fund 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 25-29 of this report.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 31-45 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 46 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 50-71 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 \$28,384,905 at June 30, 2007. The City has also experienced double digit increases in sales tax revenues over the past 4 years.

Statement of Net Assets As of June 30, 2007

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Assets:						
Current and other assets	\$ 20,264,229	\$ 29,961,275	\$ 7,228,086	\$ 10,722,434	\$ 27,492,315	\$ 40,683,709
Capital assets	20,620,489	27,417,962	48,103,530	54,602,039	68,724,019	\$ 82,020,001
Total assets	<u>40,884,718</u>	<u>57,379,237</u>	<u>55,331,616</u>	<u>65,324,473</u>	<u>96,216,334</u>	<u>\$ 122,703,710</u>
Liabilities:						
Current and other liabilities	3,896,406	4,242,149	1,312,331	1,524,865	5,208,737	\$ 5,767,014
Long-term liabilities	8,544,279	15,938,371	1,454,801	2,711,200	9,999,080	\$ 18,649,571
Total liabilities	<u>12,440,685</u>	<u>20,180,520</u>	<u>2,767,132</u>	<u>4,236,065</u>	<u>15,207,817</u>	<u>\$ 24,416,585</u>
Net assets:						
Invested in capital assets, net of related debt	11,108,140	10,495,243	46,176,330	51,597,470	57,284,470	\$ 62,092,713
Restricted	8,366,723	2,014,571	3,909,842	5,985,776	12,276,565	\$ 8,000,347
Unrestricted	8,969,170	24,688,903	2,478,312	3,696,002	11,447,482	\$ 28,384,905
Total net assets	<u>\$ 28,444,033</u>	<u>\$ 37,198,717</u>	<u>\$ 52,564,484</u>	<u>\$ 61,279,248</u>	<u>\$ 81,008,517</u>	<u>\$ 98,477,965</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.

The City has \$122,894,550 in total assets, with \$82,210,841 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 (8 percent) represents resources that are subject to external restriction on how they may be used. The unrestricted net assets of \$28,384,905 may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities Fiscal Year Ended June 30, 2007

	Governmental activities		Business-type activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$ 2,727,443	\$ 3,219,795	\$ 6,100,599	\$ 7,572,830	\$ 8,828,042	\$ 10,792,625
Operating grants and contributions	152,870	-	-	20,000	152,870	20,000
Capital grants and contributions	333,283	6,210,914	3,544,000	5,654,682	3,877,283	11,865,596
General revenues:						
Sales tax	9,976,632	10,964,955	-	-	9,976,632	10,964,955
Other taxes	2,462,314	2,908,554	-	-	2,462,314	2,908,554
Other	3,515,487	2,078,816	217,363	410,644	3,732,850	2,489,460
Total Revenues	<u>19,168,029</u>	<u>25,383,034</u>	<u>9,861,962</u>	<u>13,658,156</u>	<u>29,029,991</u>	<u>39,041,190</u>
Expenses:						
General government	3,989,285	4,779,683	-	-	3,989,285	4,779,683
Public safety	3,624,181	3,918,568	-	-	3,624,181	3,918,568
Public works	3,077,390	4,261,420	-	-	3,077,390	4,261,420
Public health	135,214	143,046	-	-	135,214	143,046
Culture and recreation	849,871	985,496	-	-	849,871	985,496
Interest on long-term debt	603,688	826,485	-	-	603,688	826,485
Water	-	-	1,992,474	2,088,639	1,992,474	2,088,639
Wastewater	-	-	2,066,814	1,659,410	2,066,814	1,659,410
Airport	-	-	1,764,740	2,129,881	1,764,740	2,129,881
Family aquatic	-	-	468,936	272,260	468,936	272,260
Refuse	-	-	645,161	506,854	645,161	506,854
Total Expenses	<u>12,279,629</u>	<u>14,914,698</u>	<u>6,938,125</u>	<u>6,657,044</u>	<u>19,217,754</u>	<u>21,571,742</u>
Increase in net assets before transfers	6,888,400	10,468,336	2,923,837	7,001,112	9,812,237	17,469,448
Transfers	(1,210,025)	(1,713,652)	1,210,025	1,713,652	-	-
Increase in net assets	5,678,375	8,754,684	4,133,862	8,714,764	9,812,237	17,469,448
Net assets, July 1, 2006	22,765,658	28,444,033	48,430,622	52,564,484	71,196,280	81,008,517
Net assets, June 30, 2007	<u>\$ 28,444,033</u>	<u>\$ 37,198,717</u>	<u>\$ 52,564,484</u>	<u>\$ 61,279,248</u>	<u>\$ 81,008,517</u>	<u>\$ 98,477,965</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.

The City of Show Low experienced continued growth in **total tax collections** during the year. There was a 12.5% increase over the prior year. More residences are occupied year round.

The Debt Service funds that service our special assessments are experiencing early payment of assessments. This past year Improvement District 5 paid an extra \$60,000 and Improvement District 6 paid an extra \$45,000 of principal. On June 30, 2007 both special assessment funds had received prepayments of assessments in excess of the debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$926,732.

The Water fund continues to meet its cash needs and has an investment in the LGIP (Local Governmental Investment Pool) of \$2,029,179.

The Airport and Family Aquatic Center both had transfers from the general fund that were \$560,194 and \$271,091 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 \$15,757,166 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 with the exception of capital outlay which was under spent by \$2,417,963 of budget. 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, 2007 amounts to \$82,210,841 (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 19 percent.

Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2007	2006	2007	2006	2007
Land	3,347,200	3,491,546	2,509,894	2,541,394	5,857,094	6,032,940
Buildings and systems	2,563,843	2,911,450	1,525,703	2,336,645	4,089,547	5,248,095
Improvements other than buildings	1,076,469	1,119,999	39,353,974	44,318,676	40,430,443	45,438,675
Machinery and equipment	1,687,444	2,074,557	2,240,405	2,122,278	3,927,850	4,196,835
Infrastructure	11,047,542	16,659,833	-	-	11,047,542	16,659,833
Construction in progress	897,991	1,160,577	2,473,554	3,473,886	3,371,545	4,634,463
Total	20,620,489	27,417,962	48,103,530	54,792,879	68,724,020	82,210,841

The City accepted donations of capital assets from developers this year totaling \$10,326,267. 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Long-term Debt

At the end of the current fiscal year, the City of Show Low had a total outstanding debt of \$18,548,935. Of this amount, \$6,755,000 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 used Greater Arizona Development Authority to issue \$8,370,000 in bonds for road improvements, police vehicles, Airport hangar and an Airport vehicle.

The City of Show Low’s, total long term debt increased by \$6,647,833 (56 percent) during the year.

**Summary of Outstanding Debt
Fiscal Year Ended June 30, 2007**

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Special Assessment	7,445,000	6,775,000	-	-	7,445,000	6,775,000
Landfill monitoring cost	26,988	26,988	-	-	26,988	26,988
Show Low Bluffs CFD Bonds	-	2,014,000	-	-	-	2,014,000
Compensated absences	379,411	356,889	55,154	60,931	434,565	417,820
GADA Bonds	-	6,630,000	-	1,740,000	-	7,370,00
Certificates of Participations	1,941,090	1,491,241	1,820,149	1,408,759	3,761,239	2,900,000
Loans	126,259	12,478	107,051	46,649	233,310	59,127
	<u>9,918,748</u>	<u>15,306,596</u>	<u>1,982,354</u>	<u>3,256,339</u>	<u>11,901,102</u>	<u>20,562,935</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 41-44 of this report.

Economic Factors

The City of Show Low continues to enjoy a strong economic environment and local indicators point to a continued growth. The City serves as a regional trade and services center for the southern part of Navajo County and a portion of Apache County.

Sales tax collection for the month of July 2006 was \$1,038,420, which set an all-time record for a single month. 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.

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, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,806,634	\$ 43	\$ 1,806,677
Investments	17,728,029	3,596,551	21,324,580
Receivables (net of allowances for uncollectibles)	8,558,000	673,330	9,231,330
Due from other governments	319,943	227,594	547,537
Internal balances	91,010	(91,010)	-
Inventories	-	122,787	122,787
Prepays	104,502	83,753	188,255
Restricted assets:			
Cash and cash equivalents	852,046	564,933	1,416,979
Investments	501,111	5,544,453	6,045,564
Capital assets:			
Land and construction in progress	4,652,123	6,015,280	10,667,403
Other capital assets	32,391,767	72,344,656	104,736,423
Accumulated depreciation	(9,625,928)	(23,567,057)	(33,192,985)
Total assets	57,379,237	65,515,313	122,894,550
LIABILITIES			
Accounts payable and other current liabilities	1,966,541	800,858	2,767,399
Deposits held	289,759	89,323	379,082
Accrued wages and benefits	366,463	44,531	410,994
Accrued interest payable	251,161	40,126	291,287
Unearned revenue	-	4,887	4,887
Current portion of:			
Compensated absences	270,883	51,538	322,421
Current portion of bonds payable:			
Notes payable	3,493	46,650	50,143
Bonds payable	1,093,849	446,952	1,540,801
Long-term portion of:			
Compensated absences	86,006	9,393	95,399
Notes payable	8,985	-	8,985
Bonds payable	15,816,392	2,701,807	18,518,199
Landfill monitoring costs	26,988	-	26,988
Total liabilities	20,180,520	4,236,065	24,416,585
NET ASSETS			
Invested in capital assets, net of related debt	10,495,243	51,597,470	62,092,713
Restricted for:			
Debt service	852,413	-	852,413
Health insurance fund	718,926	-	718,926
Developer fees	443,232	5,985,776	6,429,008
Unrestricted	24,688,903	3,696,002	28,384,905
Total net assets	\$ 37,198,717	\$ 61,279,248	\$ 98,477,965

CITY OF SHOW LOW, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

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	\$ 4,779,683	\$ 608,541	\$ -	\$ 272,247	\$ (3,898,895)	\$ -	\$ (3,898,895)
Public safety	3,918,568	-	-	-	(3,918,568)	-	(3,918,568)
Public works	4,261,420	1,593,626	-	5,938,667	3,270,873	-	3,270,873
Public health	143,046	-	-	-	(143,046)	-	(143,046)
Culture and recreation	985,496	1,017,628	-	-	32,132	-	32,132
Interest on long-term debt	887,001	-	-	-	(887,001)	-	(887,001)
	<u>14,975,214</u>	<u>3,219,795</u>	<u>-</u>	<u>6,210,914</u>	<u>(5,544,505)</u>	<u>-</u>	<u>(5,544,505)</u>
Business Type Activities							
Water	2,088,639	2,365,512	20,000	2,761,142	-	3,058,015	3,058,015
Wastewater	1,659,410	2,686,146	-	2,889,018	-	3,915,754	3,915,754
Airport	2,129,881	1,110,555	-	792,676	-	(226,650)	(226,650)
Family Aquatic	272,260	100,440	-	-	-	(171,820)	(171,820)
Refuse	506,854	522,023	-	-	-	15,169	15,169
	<u>6,657,044</u>	<u>6,784,676</u>	<u>20,000</u>	<u>6,442,836</u>	<u>-</u>	<u>6,590,468</u>	<u>6,590,468</u>
Total Primary Government	<u>21,632,258</u>	<u>10,004,471</u>	<u>20,000</u>	<u>12,653,750</u>	<u>(5,544,505)</u>	<u>6,590,468</u>	<u>1,045,963</u>
General revenues							
Sales taxes					10,964,955	-	10,964,955
Franchise taxes					349,826	-	349,826
Program revenue					435,373	-	435,373
Investment earnings					893,918	408,605	1,302,523
Gain on sale of assets					-	2,039	2,039
Miscellaneous					466,244	-	466,244
Shared revenues (intergovernmental, unrestricted)							
State sales taxes					939,542	-	939,542
Urban revenue sharing					1,029,042	-	1,029,042
Auto-in lieu					590,144	-	590,144
Other					343,797	-	343,797
Transfers					(1,713,652)	1,713,652	-
Total general revenues and transfers					<u>14,299,189</u>	<u>2,124,296</u>	<u>16,423,485</u>
Increase in net assets					8,754,684	8,714,764	17,469,448
Net Assets - beginning					28,444,033	52,564,484	81,008,517
Net Assets - ending					<u>\$ 37,198,717</u>	<u>\$ 61,279,248</u>	<u>\$ 98,477,965</u>

CITY OF SHOW LOW, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General Fund</u>	<u>Highway User Fund</u>	<u>Debt Service ID #5 Fund</u>	<u>Debt Service ID #6 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 188,005	\$ -	\$ -	\$ -	\$ 1,618,629	\$ 1,806,634
Investments	10,820,658	6,597,274	66,240	106,269	137,588	17,728,029
Receivables (net of allowances for uncollectibles)						
Accounts	50,810	-	-	-	108,552	159,362
Taxes	1,140,096	131,754	-	-	2,238	1,274,088
Interest	75,243	177,766	16,447	18,393	3,874	291,723
Special assessments	-	-	3,077,052	3,617,399	-	6,694,451
Due from other governments	29,729	-	-	-	290,214	319,943
Due from other funds	212,469	-	-	-	-	212,469
Prepays	45,302	-	-	-	59,200	104,502
Restricted assets:						
Cash and cash equivalents	-	-	-	-	657,607	657,607
Total assets	<u>\$ 12,562,312</u>	<u>\$ 6,906,794</u>	<u>\$ 3,159,739</u>	<u>\$ 3,742,061</u>	<u>\$ 2,877,902</u>	<u>\$ 29,248,808</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable and other liabilities	558,183	\$ 869,569	\$ -	\$ -	\$ 423,789	\$ 1,851,541
Accrued wages and benefits	351,518	14,945	-	-	-	366,463
Due to other funds	-	-	-	727	120,732	121,459
Deposits held	289,759	-	-	-	-	289,759
Deferred revenue	-	-	3,036,217	3,576,559	-	6,612,776
Total liabilities	<u>1,199,460</u>	<u>884,514</u>	<u>3,036,217</u>	<u>3,577,286</u>	<u>544,521</u>	<u>9,241,998</u>
FUND BALANCE						
Reserved for:						
Prepaid items	45,302	-	-	-	-	45,302
Debt service	-	-	123,522	164,775	564,116	852,413
Capital projects	-	-	-	-	(56,691)	(56,691)
Development fees	443,232	-	-	-	-	443,232
Unreserved, reported in:						
General fund	10,874,318	-	-	-	-	10,874,318
Special revenue funds	-	6,022,280	-	-	1,825,956	7,848,236
Total fund balance	<u>11,362,852</u>	<u>6,022,280</u>	<u>123,522</u>	<u>164,775</u>	<u>2,333,381</u>	<u>20,006,810</u>
Total liabilities and fund balance	<u>\$ 12,562,312</u>	<u>\$ 6,906,794</u>	<u>\$ 3,159,739</u>	<u>\$ 3,742,061</u>	<u>\$ 2,877,902</u>	<u>\$ 29,248,808</u>

See Notes to Financial Statements

CITY OF SHOW LOW, ARIZONA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$ 20,006,810
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.		
Governmental capital assets	\$ 37,043,890	
Less accumulated depreciation	<u>(9,625,928)</u>	27,417,962
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	(356,889)	
Notes payable	(12,478)	
Bonds payable	(16,910,241)	
Landfill monitoring costs	<u>(26,988)</u>	(17,306,596)
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.		(251,161)
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net assets.		6,612,776
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>718,926</u>
Net assets of governmental activities		<u>\$ 37,198,717</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Highway User Fund</u>	<u>Debt Service ID #5 Fund</u>	<u>Debt Service ID #6 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 13,992,389	\$ 1,447,673	\$ -	\$ -	\$ 145,953	\$ 15,586,015
Licenses and permits	1,043,028	-	-	-	-	1,043,028
Intergovernmental	272,247	590,039	-	-	672,523	1,534,809
Charges for services	583,141	-	-	-	-	583,141
Fines	113,322	-	8,952	9,604	-	131,878
Special assessments	-	-	589,323	573,347	-	1,162,670
Investment earnings	553,303	235,277	2,402	2,344	100,592	893,918
Miscellaneous	366,407	182,798	-	-	10,078	559,283
Total revenues	<u>16,923,837</u>	<u>2,455,787</u>	<u>600,677</u>	<u>585,295</u>	<u>929,146</u>	<u>21,494,742</u>
EXPENDITURES						
Current						
General government	4,577,097	-	-	-	-	4,577,097
Public safety	3,719,234	-	-	-	-	3,719,234
Public works	1,524,067	1,471,972	-	-	458,742	3,454,781
Public health	143,046	-	-	-	-	143,046
Culture and recreation	880,612	-	-	-	-	880,612
Capital outlay	1,132,344	1,649,727	-	-	596,169	3,378,240
Debt service						
Principal	-	-	385,000	285,000	505,440	1,175,440
Interest and fiscal charges	-	-	210,011	230,776	424,928	865,715
Total expenditures	<u>11,976,400</u>	<u>3,121,699</u>	<u>595,011</u>	<u>515,776</u>	<u>1,985,279</u>	<u>18,194,165</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,947,437</u>	<u>(665,912)</u>	<u>5,666</u>	<u>69,519</u>	<u>(1,056,133)</u>	<u>3,300,577</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	6,644,917	-	-	2,014,000	8,658,917
Transfers in (out)	(2,401,033)	-	-	-	687,381	(1,713,652)
Total other financing sources (uses)	<u>(2,401,033)</u>	<u>6,644,917</u>	<u>-</u>	<u>-</u>	<u>2,701,381</u>	<u>6,945,265</u>
NET CHANGE IN FUND BALANCES	<u>2,546,404</u>	<u>5,979,005</u>	<u>5,666</u>	<u>69,519</u>	<u>1,645,248</u>	<u>10,245,842</u>
FUND BALANCES, beginning of year	<u>8,816,448</u>	<u>43,275</u>	<u>117,856</u>	<u>95,256</u>	<u>688,133</u>	<u>9,760,968</u>
FUND BALANCES, end of year	<u>\$ 11,362,852</u>	<u>\$ 6,022,280</u>	<u>\$ 123,522</u>	<u>\$ 164,775</u>	<u>\$ 2,333,381</u>	<u>\$ 20,006,810</u>

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, 2007

Net change in fund balances - total governmental funds		\$ 10,245,842
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	\$ 3,312,544	
Depreciation expense	<u>(1,191,176)</u>	2,121,368
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.		4,676,105
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.		22,522
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(727,297)
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.		1,119,849
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		(8,658,917)
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.		128,698
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.		(21,286)
The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>(152,200)</u>
Change in net assets of governmental activities		<u>\$ 8,754,684</u>

CITY OF SHOW LOW, ARIZONA
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		
REVENUES				
Taxes	\$ 13,037,389	\$ 13,037,389	\$ 13,992,389	\$ 955,000
Licenses and permits	885,150	885,150	1,043,028	157,878
Intergovernmental revenues	200,000	200,000	272,247	72,247
Charges for services	590,080	590,080	583,141	(6,939)
Fines	144,560	144,560	113,322	(31,238)
Investment earnings	140,500	140,500	553,303	412,803
Miscellaneous	16,603,310	16,603,310	366,407	(16,236,903)
Total revenues	31,600,989	31,600,989	16,923,837	(14,677,152)
EXPENDITURES				
Current				
General government				
City council	751,574	751,574	551,019	200,555
Finance	16,349,016	16,349,016	591,850	15,757,166
City magistrate	180,378	180,378	133,297	47,081
City attorney	332,201	332,201	228,481	103,720
City manager	352,762	352,762	304,025	48,737
Planning and zoning	1,108,412	1,108,412	963,331	145,081
Public information	285,020	285,020	234,696	50,324
Information systems	278,180	278,180	249,155	29,025
Human resources	716,551	716,551	624,791	91,760
City 4 cable TV	228,743	228,743	207,835	20,908
Economic development/Promo programs	396,313	396,313	292,533	103,780
Community services administration	143,626	143,626	196,084	(52,458)
Total general government	21,122,776	21,122,776	4,577,097	16,545,679
Public safety				
Public safety	2,970,009	2,970,009	2,926,459	43,550
Communications	880,501	880,501	792,775	87,726
Total public safety	3,850,510	3,850,510	3,719,234	131,276
Public works				
Public works	281,898	281,898	208,849	73,049
Maintenance	767,608	767,608	779,002	(11,394)
City engineer	699,203	699,203	536,216	162,987
Total public works	1,748,709	1,748,709	1,524,067	224,642
Public health				
	157,360	157,360	143,046	14,314
Culture and recreation				
Recreation	343,551	343,551	308,513	35,038
Library	639,974	639,974	572,099	67,875
Total culture and recreation	983,525	983,525	880,612	102,913
Capital outlay				
	3,550,307	3,550,307	1,132,344	2,417,963
Total expenditures	31,413,187	31,413,187	11,976,400	19,436,787

**STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	<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>187,802</u>	<u>187,802</u>	<u>4,947,437</u>	<u>4,759,635</u>
OTHER FINANCING SOURCES (USES) Transfers in (out)	<u>(3,274,131)</u>	<u>(3,274,131)</u>	<u>(2,401,033)</u>	<u>873,098</u>
NET CHANGE IN FUND BALANCE	<u>(3,086,329)</u>	<u>(3,086,329)</u>	<u>2,546,404</u>	<u>5,632,733</u>
FUND BALANCE, beginning of the year	<u>8,816,448</u>	<u>8,816,448</u>	<u>8,816,448</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 5,730,119</u>	<u>\$ 5,730,119</u>	<u>\$ 11,362,852</u>	<u>\$ 5,632,733</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, 2007

	<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	\$ 1,309,274	\$ 1,538,173	\$ 1,447,673	\$ (90,500)
Sale of asset	6,294	500	251	(249)
Investment earnings	-	-	235,277	235,277
ADOT Grant	-	-	590,039	590,039
Miscellaneous	-	2,000	182,547	180,547
Total revenues	<u>1,315,568</u>	<u>1,540,673</u>	<u>2,455,787</u>	<u>915,114</u>
EXPENDITURES				
Public works				
Highway and streets	963,118	1,099,037	1,471,972	(372,935)
Capital outlay				
Highway and streets	<u>2,254,342</u>	<u>4,626,321</u>	<u>1,649,727</u>	<u>2,976,594</u>
Total expenditures	<u>3,217,460</u>	<u>5,725,358</u>	<u>3,121,699</u>	<u>2,603,659</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(1,901,892)</u>	<u>(4,184,685)</u>	<u>(665,912)</u>	<u>3,518,773</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds			6,644,917	6,644,917
Transfers in (out)	<u>1,876,758</u>	<u>1,876,758</u>	-	(1,876,758)
Other financing sources	<u>1,876,758</u>	<u>1,876,758</u>	<u>6,644,917</u>	<u>4,768,159</u>
NET CHANGE IN FUND BALANCE	<u>(25,134)</u>	<u>(2,307,927)</u>	<u>5,979,005</u>	<u>8,286,932</u>
FUND BALANCE, beginning of the year	<u>43,275</u>	<u>43,275</u>	<u>43,275</u>	-
FUND BALANCE, end of the year	<u>\$ 18,141</u>	<u>\$ (2,264,652)</u>	<u>\$ 6,022,280</u>	<u>\$ 8,286,932</u>

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental
	Water	Wastewater	Airport	Other Enterprise	Totals	Internal Service
						Health Insurance
ASSETS						
Current assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 43	\$ -	\$ 43	\$ -
Investments	1,939,856	-	1,590,000	66,695	3,596,551	-
Receivables (net of uncollectibles)						
Accounts	254,921	175,638	6,334	56,771	493,664	135,909
Unbilled accounts	104,103	-	-	-	104,103	-
Interest	9,069	19,857	46,548	89	75,563	2,467
Due from other governments	-	-	227,594	-	227,594	-
Inventories	57,203	30,065	35,519	-	122,787	-
Other current assets	3,621	14,422	65,710	-	83,753	-
Total current assets	<u>2,368,773</u>	<u>239,982</u>	<u>1,971,748</u>	<u>123,555</u>	<u>4,704,058</u>	<u>138,376</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	89,323	352,000	123,610	-	564,933	194,439
Investments	824,238	4,720,215	-	-	5,544,453	501,111
Interest receivable	-	-	-	-	-	-
Capital assets:						
Land	112,355	88,339	2,340,700	-	2,541,394	-
Buildings and improvements	21,129,901	29,516,625	16,348,576	2,218,830	69,213,932	-
Machinery and equipment	1,150,176	809,363	1,037,773	133,412	3,130,724	-
Construction in progress	-	2,791,407	682,479	-	3,473,886	-
Less accumulated depreciation	(5,659,925)	(10,802,391)	(6,272,716)	(832,025)	(23,567,057)	-
Total capital assets, net	<u>16,732,507</u>	<u>22,403,343</u>	<u>14,136,812</u>	<u>1,520,217</u>	<u>54,792,879</u>	<u>-</u>
Total noncurrent assets	<u>17,646,068</u>	<u>27,475,558</u>	<u>14,260,422</u>	<u>1,520,217</u>	<u>60,902,265</u>	<u>695,550</u>
Total assets	<u>20,014,841</u>	<u>27,715,540</u>	<u>16,232,170</u>	<u>1,643,772</u>	<u>65,606,323</u>	<u>833,926</u>

COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Airport	Other Enterprise	Totals	Internal Service Health Insurance
LIABILITIES						
Current liabilities:						
Accounts payable	188,145	85,487	455,584	71,642	800,858	115,000
Accrued wages and benefits	10,835	15,109	7,668	10,919	44,531	-
Compensated absences payable						
Contracts payable						
Retainage payable						
Intergovernmental payable						
Accrued interest payable	-	5,113	35,013	-	40,126	-
Unearned revenue	4,887	-	-	-	4,887	-
Due to other funds	-	-	91,010	-	91,010	-
Compensated absences	23,775	9,124	11,699	6,940	51,538	-
Deferred compensation benefits payable						
Certification of participation	-	320,000	126,952	-	446,952	-
Other loans	-	46,650	-	-	46,650	-
Total current liabilities	<u>227,642</u>	<u>481,483</u>	<u>727,926</u>	<u>89,501</u>	<u>1,526,552</u>	<u>115,000</u>
Noncurrent liabilities:						
Liabilities payable from restricted assets:						
Customer security deposits	89,323	-	-	-	89,323	-
Compensated absences	-	4,933	4,460	-	9,393	-
Certification of participation	-	687,500	2,014,307	-	2,701,807	-
Total noncurrent liabilities	<u>89,323</u>	<u>692,433</u>	<u>2,018,767</u>	<u>-</u>	<u>2,800,523</u>	<u>-</u>
Total liabilities	<u>316,965</u>	<u>1,173,916</u>	<u>2,746,693</u>	<u>89,501</u>	<u>4,327,075</u>	<u>115,000</u>
NET ASSETS						
Invested in capital assets,						
Net Assets						
net of related debt	16,732,507	21,349,193	11,995,553	1,520,217	51,597,470	-
Restricted for:						
Developer fees	913,561	5,072,215	-	-	5,985,776	-
Unrestricted	2,051,808	120,216	1,489,924	34,054	3,696,002	718,926
Total net assets	<u>\$ 19,697,876</u>	<u>\$ 26,541,624</u>	<u>\$ 13,485,477</u>	<u>\$ 1,554,271</u>	<u>\$ 61,279,248</u>	<u>\$ 718,926</u>

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental
	Water	Wastewater	Airport	Other Enterprise	Total	Internal Service
						Health Insurance
OPERATING REVENUES						
Service fees	\$ 2,365,512	\$ 2,686,146	\$ 1,110,555	\$ 622,463	\$ 6,784,676	\$ 1,757,181
OPERATING EXPENSES						
Cost of goods sold	-	-	762,643	2,534	765,177	-
Personnel services	371,016	523,473	290,602	221,259	1,406,350	-
Admin expenses	44,829	77,728	75,159	528,292	726,008	1,938,233
Vehicle expenses	52,667	57,072	15,436	-	125,175	-
Field supplies	9,875	11,934	-	3,647	25,456	-
Repairs and maintenance	580,222	152,939	172,613	29,023	934,797	-
Utilities	237,302	175,887	51,250	80,841	545,280	-
Risk management	10,659	9,600	-	4,217	24,476	-
Departmental expense	18,003	5,992	16,690	4,741	45,426	-
Total operating expenses	1,324,573	1,014,625	1,384,393	874,554	4,598,145	1,938,233
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,040,939	1,671,521	(273,838)	(252,091)	2,186,531	(181,052)
Depreciation expense	764,066	579,630	679,084	(95,440)	1,927,340	-
OPERATING INCOME (LOSS)	276,873	1,091,891	(952,922)	(156,651)	259,191	(181,052)
NONOPERATING REVENUES (EXPENSES)						
Investment income	150,148	191,471	66,986	-	408,605	28,852
Interest expense	-	(65,155)	(66,404)	-	(131,559)	-
Grant revenue	20,000	-	792,676	-	812,676	-
Gain (loss) on sale of equipment	-	-	-	2,039	2,039	-
Total nonoperating revenues (expense)	170,148	126,316	793,258	2,039	1,091,761	28,852
Income (Loss) before capital contributions and transfers	447,021	1,218,207	(159,664)	(154,612)	1,350,952	(152,200)
CAPITAL CONTRIBUTIONS TRANSFERS IN (OUT)	2,761,142	2,889,018	-	-	5,650,160	-
	(44,365)	926,732	560,194	271,091	1,713,652	-
CHANGE IN NET ASSETS	3,163,798	5,033,957	400,530	116,479	8,714,764	(152,200)
NET ASSETS:						
Beginning of year	16,534,078	21,507,667	13,084,947	1,437,792	52,564,484	871,126
End of year	\$ 19,697,876	\$ 26,541,624	\$ 13,485,477	\$ 1,554,271	\$ 61,279,248	\$ 718,926

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Airport	Other	Totals	Internal Service
				Enterprise		Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 2,349,846	\$ 2,641,111	\$ 1,147,696	\$ 633,287	\$ 6,771,940	\$ 1,746,981
Payments to suppliers	(925,464)	(679,974)	(777,816)	(649,879)	(3,033,133)	(1,823,233)
Payments to employees	(359,228)	(525,714)	(290,610)	(226,810)	(1,402,362)	-
Customer security deposits	701	-	-	-	701	-
Net cash provided by (used in) operating activities	<u>1,065,855</u>	<u>1,435,423</u>	<u>79,270</u>	<u>(243,402)</u>	<u>2,337,146</u>	<u>(76,252)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING TRANSACTIONS						
Purchases of capital assets	(176,694)	(1,208,385)	(1,462,491)	(11,085)	(2,858,655)	-
Capital grant revenue	20,000	-	792,676	-	812,676	-
Proceeds from capital debt	-	-	1,740,000	-	1,740,000	-
Principal paid on capital debt	-	(350,402)	(120,151)	-	(470,553)	-
Interest on capital debt	-	(65,155)	(66,404)	-	(131,559)	-
Net cash provided by (used in) capital and related financing transactions	<u>(156,694)</u>	<u>(1,623,942)</u>	<u>883,630</u>	<u>(11,085)</u>	<u>(908,091)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	(44,365)	-	-	-	(44,365)	-
Transfers from other funds	-	926,732	560,194	271,091	1,758,017	-
Net cash provided by (used in) noncapital financing activities	<u>(44,365)</u>	<u>926,732</u>	<u>560,194</u>	<u>271,091</u>	<u>1,713,652</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash received from interest and dividends	<u>150,148</u>	<u>178,670</u>	<u>66,986</u>	<u>2,039</u>	<u>397,843</u>	<u>28,852</u>
Net cash provided by investing activities	<u>150,148</u>	<u>178,670</u>	<u>66,986</u>	<u>2,039</u>	<u>397,843</u>	<u>28,852</u>
NET CHANGE IN CASH	<u>1,014,944</u>	<u>916,883</u>	<u>1,590,080</u>	<u>18,643</u>	<u>3,540,550</u>	<u>(47,400)</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,838,473</u>	<u>4,155,332</u>	<u>123,573</u>	<u>48,052</u>	<u>6,165,430</u>	<u>742,950</u>
CASH AND CASH EQUIVALENTS, End 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>

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

	Business-type Activities - Enterprise Funds					Governmental Activities
	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)	\$ 276,873	\$ 1,091,891	\$ (952,922)	\$ (156,651)	\$ 259,191	\$ (181,052)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	764,066	579,630	679,084	(95,440)	1,927,340	-
(Increase) decrease in						
Accounts receivable	(41,335)	(26,328)	15,884	10,824	(40,955)	(10,200)
Unbilled accounts	(4,786)	-	-	-	(4,786)	-
Interest receivable	(4,835)	(19,707)	-	-	(24,542)	-
Due from other governments	-	-	66,071	-	66,071	-
Inventories	36,411	(3,807)	8,435	-	41,039	-
Other assets	(1,121)	4,807	(53,249)	-	(49,563)	-
Increase (decrease) in						
Accounts payable	28,093	(188,822)	315,975	3,416	158,662	115,000
Accrued wages	1,881	371	(1,803)	(2,526)	(2,077)	-
Unearned revenue	-	-	-	-	-	-
Compensated absences payable	9,907	(2,612)	1,795	(3,025)	6,065	-
Customer deposits	701	-	-	-	701	-
Due to others	-	-	-	-	-	-
Total adjustments	<u>788,982</u>	<u>343,532</u>	<u>1,032,192</u>	<u>(86,751)</u>	<u>2,077,955</u>	<u>104,800</u>
Net cash provided by (used in) operating activities	<u>1,065,855</u>	<u>1,435,423</u>	<u>79,270</u>	<u>(243,402)</u>	<u>2,337,146</u>	<u>(76,252)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Contributions of capital assets	\$ 2,761,142	\$ 2,889,018	\$ -	\$ -	\$ 5,650,160	\$ -
COMPONENTS OF CASH:						
Cash and cash equivalents	\$ -	\$ -	\$ 43	\$ -	\$ 43	\$ -
Investments	1,939,856	-	1,590,000	\$ 66,695	3,596,551	501,111
Restricted cash and cash equivalents	89,323	352,000	123,610	-	564,933	194,439
Restricted investments	<u>824,238</u>	<u>4,720,215</u>	<u>-</u>	<u>-</u>	<u>5,544,453</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS	<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>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2007

	<u>Agency Fund</u>
ASSETS	
Investments	\$ 5,477
Interest receivable	26
	<hr/>
Total assets	<u>\$ 5,503</u>
 LIABILITIES	
Slovakian fund	\$ 2,032
Police explorer post	617
Disaster relief	160
Swim team	2,496
Sister cities fund	198
	<hr/>
Total liabilities	<u>\$ 5,503</u>

CITY OF SHOW LOW, ARIZONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

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 and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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.

NOTES TO FINANCIAL STATEMENTS

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 (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.

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.

NOTES TO FINANCIAL STATEMENTS

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.

Property Taxes

The City of Show Low levies no property taxes.

Comparative Data

Certain comparative total data between the current year and the prior year is generally presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of the funds.

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.

NOTE 3 – CASH AND INVESTMENTS

Cash Deposits

At June 30, 2007, the carrying amount of the City's deposits was \$1,359,484, while the balance on the bank's records was \$1,928,316. The Show Low Bluffs Community Facilities District had deposits with the carrying value of \$60,516 for both book and bank balances. Of the bank balance, \$100,000 was covered by federal depository insurance. The balance and all cash with fiscal agent as reflected in Note 5 are covered by collateral held in the pledging financial institution's trust department.

NOTES TO FINANCIAL STATEMENTS

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, 2007, the City held \$19,454,944 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 \$8,010,000 in Societe Generale Investments and the Show Low Bluffs Community Facilities District holds \$1,714,333 in investments.

The total cash and pooled investments balance held by the City as of June 30, 2007 is \$30,593,800.

Risk Disclosures

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment portfolio maturities do not exceed five years at time of purchase.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The City limits its investments in these investment types to the top rating issued by NRSCOs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service.

NOTE 4 – INTERFUND AND TRANSFER BALANCES

A summary of the interfund receivable and payable balances at June 30, 2007 is presented below. The interfund balances at June 30, 2007 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. All interfund balances outstanding are expected to be repaid within one year.

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, 2007.

	<u>Transfers in (out)</u>	<u>Due (to) from</u>
Governmental funds		
Major governmental funds		
General fund		
Unrestricted	\$ (2,401,033)	\$ 212,469
HURF fund		-
Improvement District #7 fund		(727)
Other governmental funds		
Unrestricted	687,381	(120,732)
	<u>(1,713,652)</u>	<u>91,010</u>
Business-type funds		
Water fund	(44,365)	
Wastewater fund	926,732	
Airport fund	560,194	
Family Aquatic	271,091	(91,010)
	<u>1,713,652</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – RESTRICTED ASSETS

Cash and other assets as of June 30, 2007 were restricted to use as follows:

Governmental Activities:

Debt Service Funds

Cash and cash equivalents	
Reserved for debt service of 2000 Certificates of Participation	\$ 501,022
Reserved for Special Assessment lien Bonds	156,220
Reserved for lease payment	365
Total cash and cash equivalents	<u>\$ 657,607</u>

Internal Service Funds

Cash and cash equivalents	
Reserved for Self-Insured Medical	\$ 194,439
Investments	
Reserved for Self-Insured Medical	501,111
Total restricted	<u>\$ 695,550</u>

Business Activities:

Water Utility Fund

Cash and cash equivalents	
Customer security deposits	\$ 89,323
Investments	
Water plant capital projects	824,238
Total water utility fund	<u>\$ 913,561</u>

Wastewater Utility Fund

Cash and cash equivalents	
Reserved for debt service of 1997 Certificates of Participation	\$ 352,000
Investments	
Wastewater plant capital projects	4,720,215
Total cash and cash equivalents	<u>\$ 5,072,215</u>

Airport Fund

Cash and cash equivalents	
Airport capital projects	\$ 123,610
Total cash and cash equivalents	<u>\$ 123,610</u>

Total Restricted Assets	<u>\$ 7,462,543</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 6 – PROPERTY, PLANT, AND EQUIPMENT

Capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Adjustments	Increases	Decreases	
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,347,200	\$ -	\$ 144,346	\$ -	\$ 3,491,546
Construction in progress	897,991	-	794,664	(532,078)	1,160,577
Total capital assets, not being depreciated	<u>4,245,191</u>	<u>-</u>	<u>939,010</u>	<u>(532,078)</u>	<u>4,652,123</u>
Capital assets, being depreciated:					
Buildings	4,082,637	-	529,857	(351,232)	4,261,262
Improvements other than buildings	2,037,919	-	94,368	-	2,132,287
Machinery and equipment	5,090,061	-	806,902	(683,246)	5,213,717
Infrastructure	14,633,911	-	6,150,590	-	20,784,501
Total capital assets being depreciated	<u>25,844,528</u>	<u>-</u>	<u>7,581,717</u>	<u>(1,034,478)</u>	<u>32,391,767</u>
Less accumulated depreciation for:					
Buildings	(1,518,794)	-	(182,250)	351,232	(1,349,812)
Improvements other than buildings	(961,450)	-	(50,838)	-	(1,012,288)
Machinery and equipment	(3,402,617)	-	(419,789)	683,246	(3,139,160)
Infrastructure	(3,586,369)	-	(538,299)	-	(4,124,668)
Total accumulated depreciation	<u>(9,469,230)</u>	<u>-</u>	<u>(1,191,176)</u>	<u>1,034,478</u>	<u>(9,625,928)</u>
Total capital assets, being depreciated, net	<u>16,375,298</u>	<u>-</u>	<u>6,390,541</u>	<u>-</u>	<u>22,765,839</u>
Governmental activities capital assets, net	<u>\$ 20,620,489</u>	<u>\$ -</u>	<u>\$ 7,329,551</u>	<u>\$ (532,078)</u>	<u>\$ 27,417,962</u>
Depreciation was charged by function as follows:					
General government					\$ 123,493
Public safety					199,334
Streets/Transportation					672,695
Public works					90,770
Culture and recreation					<u>104,884</u>
Total depreciation expense - governmental activities					<u>\$ 1,191,176</u>

NOTES TO FINANCIAL STATEMENTS

	Primary Government				Ending Balance
	Beginning Balance	Adjustments	Increases	Decreases	
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,509,894	\$ -	\$ 31,500	\$ -	\$ 2,541,394
Construction in progress	2,473,554	-	1,162,259	(161,927)	3,473,886
Total capital assets, not being depreciated	<u>4,983,448</u>	<u>-</u>	<u>1,193,759</u>	<u>(161,927)</u>	<u>6,015,280</u>
Capital assets, being depreciated:					
Buildings and systems	5,672,033	1,061,415	-	(9,140)	6,724,308
Improvements other than buildings	55,958,977	(975,580)	7,704,253	(198,026)	62,489,624
Machinery and equipment	3,003,394	(85,835)	407,242	(194,077)	3,130,724
Total capital assets being depreciated	<u>64,634,404</u>	<u>-</u>	<u>8,111,495</u>	<u>(401,243)</u>	<u>72,344,656</u>
Less accumulated depreciation for:					
Buildings and systems	(4,146,330)	-	(241,333)	-	(4,387,663)
Improvements other than buildings	(16,605,003)	-	(1,716,901)	150,956	(18,170,948)
Machinery and equipment	(762,989)	-	(272,206)	26,749	(1,008,446)
Total accumulated depreciation	<u>(21,514,322)</u>	<u>-</u>	<u>(2,230,440)</u>	<u>177,705</u>	<u>(23,567,057)</u>
Total capital assets, being depreciated, net	<u>43,120,082</u>	<u>-</u>	<u>5,881,055</u>	<u>(223,538)</u>	<u>48,777,599</u>
Business-type activities capital assets, net	<u>\$ 48,103,530</u>	<u>\$ -</u>	<u>\$ 7,074,814</u>	<u>\$ (385,465)</u>	<u>\$ 54,792,879</u>
Depreciation was charged by function as follows:					
Water					\$ 601,558
Wastewater					804,670
Airport					744,364
Aquatic Center					<u>79,848</u>
Total depreciation expense - business-type activities					<u>\$ 2,230,440</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, 2007, 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, 2005, June 30, 2006, and June 30, 2007, were \$241,994, \$336,746 and \$443,028, respectively, which were equal to the required contribution for the years.

Agent Plan - For the year ended June 30, 2007, 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, 2007 (the date of the most recent actuarial valuation) and related information follow:

Contribution Rate	14.83%
Annual Pension Costs	\$160,717
Contributions Made	\$160,717
Actuarial Valuation Date	June 30, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period	29 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>
2002	\$ 67,864	100%	\$ -
2003	59,151	100%	-
2004	83,002	100%	-
2005	105,499	100%	-
2006	146,685	100%	-
2007	160,717	100%	-

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, 2007 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, 2007:

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.	\$ 3,095,000
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.	3,680,000
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>2,014,000</u>
Total Special Assessment Bonds	<u><u>\$ 8,789,000</u></u>

NOTES TO FINANCIAL STATEMENTS

Certificates of Participation

On October 21, 1997, the City issued \$7,040,000 in 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%.

\$ 2,015,000

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.

885,000

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.

8,370,000

Total Certificates of Participation and GADA Bonds

\$ 11,270,000

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.

\$ 12,478

On August 15, 2003, the City entered into an agreement with Zions First National Bank for the purchase of a Hydro Vac truck. The loan was for \$179,242, to be paid in four yearly installments, each due in August, including interest at 2.75%.

46,650

Total loans payable

\$ 59,128

NOTES TO FINANCIAL STATEMENTS

Long-term obligations activity for the year ended June 30, 2007 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	\$ 7,445,000	\$ 2,014,000	\$ (670,000)	\$ 8,789,000	\$ 644,000
Landfill monitoring costs	26,988	-	-	26,988	-
Compensated absences	379,411	313,438	(335,960)	356,889	53,535
Certificates of participation	1,941,090	6,630,000	(449,849)	8,121,241	688,048
Loans payable	126,259	14,917	(128,698)	12,478	3,493
Long-term debt of governmental activities	<u>9,918,748</u>	<u>8,972,355</u>	<u>(1,584,507)</u>	<u>17,306,596</u>	<u>1,389,076</u>
Business-type activities:					
Certificates of participation	1,820,149	1,740,000	(411,390)	3,148,759	446,952
Compensated absences	55,154	46,384	(40,607)	60,931	9,140
Loans payable	107,051	-	(60,401)	46,650	46,650
Long-term debt of business-type activities	<u>1,982,354</u>	<u>1,786,384</u>	<u>(512,398)</u>	<u>3,256,340</u>	<u>502,742</u>
Total debt activity	<u>\$ 11,901,102</u>	<u>\$ 10,758,739</u>	<u>\$ (2,096,905)</u>	<u>\$ 20,562,936</u>	<u>\$ 1,891,818</u>

The City of Show Low has estimated that 15% of all compensated absences as of June 30, 2007 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.

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

Fiscal year ending	Principal Payments							
	Governmental Activities				Business-type Activities			
	Special Assessments Bonds	Cert. of Participation and GADA Bonds	Loans Payable	Total Governmental Activities	Cert. of Participation and GADA Bonds	Loans Payable	Total Business-type Activities	Total
2008	\$ 644,000	\$ 688,048	\$ 3,493	\$ 1,335,541	\$ 446,952	\$ 46,650	\$ 493,602	\$ 1,829,143
2009	685,000	791,241	3,790	1,480,031	533,753	-	533,753	2,013,784
2010	735,000	826,952	4,113	1,566,065	563,054	-	563,054	2,129,119
2011	775,001	240,000	1,082	1,016,083	75,000	-	75,000	1,091,083
2012	830,000	255,000	-	1,085,000	75,000	-	75,000	1,160,000
2013 - 2017	3,379,999	1,420,000	-	4,799,999	445,000	-	445,000	5,244,999
2018 - 2022	675,000	1,740,000	-	2,415,000	410,000	-	410,000	2,825,000
2023-2027	525,000	2,160,000	-	2,685,000	485,000	-	485,000	3,170,000
2028-2031	540,000	-	-	540,000	115,000	-	115,000	655,000
Principal payments	<u>8,789,000</u>	<u>8,121,241</u>	<u>12,478</u>	<u>16,922,719</u>	<u>3,148,759</u>	<u>46,650</u>	<u>3,195,409</u>	<u>20,118,128</u>

NOTES TO FINANCIAL STATEMENTS

Fiscal year ending	Interest Payments							
	Governmental Activities				Business-type Activities			
	Special Assessments Bonds	Cert. of Participation and GADA Bonds	Loans Payable	Total Governmental Activities	Cert. of Participation and GADA Bonds	Loans Payable	Total Business-type Activities	Total
2008	553,604	380,764	-	629,668	152,997	1,283	72,967	702,634
2009	507,654	346,529	-	559,683	129,032	-	49,019	608,702
2010	464,129	309,233	-	490,862	102,493	-	25,180	516,042
2011	417,701	271,600	-	417,701	74,413	-	-	417,701
2012	368,470	261,381	-	368,470	71,319	-	-	368,470
2013 - 2017	1,058,908	1,129,869	-	1,058,908	301,975	-	-	1,058,908
2018 - 2022	382,150	763,700	-	382,150	202,550	-	-	382,150
2023-2027	242,200	280,500	-	-	94,000	-	-	-
2028-2031	77,560	-	-	-	-	-	-	-
Interest payments	<u>4,072,376</u>	<u>3,743,576</u>	<u>-</u>	<u>3,907,442</u>	<u>1,128,779</u>	<u>1,283</u>	<u>147,165</u>	<u>4,054,607</u>
Total debt service	<u>\$ 12,861,376</u>	<u>\$ 11,864,817</u>	<u>\$ 12,478</u>	<u>\$ 20,830,161</u>	<u>\$ 4,277,538</u>	<u>\$ 47,933</u>	<u>\$ 3,342,574</u>	<u>\$ 24,172,735</u>

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, 2007. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent to Date	Commitment Remaining
Amon builders	\$ 88,280	\$ 1,311,720
Pueblo West	426,234	102,880

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.

NOTES TO FINANCIAL STATEMENTS

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.

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:

	General	Highway Users	ID #5 Fund	ID #6 Fund	Water	Wastewater	Airport	Nonmajor, Other Funds	Total
Receivable:									
Accounts	\$ 50,810	\$ -	\$ -	\$ -	\$ 410,722	\$ 211,827	\$ 6,334	\$ 316,741	\$ 996,434
Taxes	1,140,096	131,754	-	-	-	-	-	2,238	1,274,088
Interest	75,243	177,766	16,447	18,393	9,069	19,857	46,548	6,341	369,664
Special assessments	-	-	3,077,052	3,617,399	-	-	-	-	6,694,451
Gross receivables	<u>1,266,149</u>	<u>309,520</u>	<u>3,093,499</u>	<u>3,635,792</u>	<u>419,791</u>	<u>231,684</u>	<u>52,882</u>	<u>325,320</u>	<u>9,334,637</u>
Less allowance for uncollectibles	-	-	-	-	(51,698)	(36,189)	-	(15,509)	(103,396)
Net total receivables	<u>\$ 1,266,149</u>	<u>\$ 309,520</u>	<u>\$ 3,093,499</u>	<u>\$ 3,635,792</u>	<u>\$ 368,093</u>	<u>\$ 195,495</u>	<u>\$ 52,882</u>	<u>\$ 309,811</u>	<u>\$ 9,231,241</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, 2007

An analysis of the progress of the Police Plan (PSPRS) from June 30, 2002 through June 30, 2007, 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)
2002	\$ 2,558,345	\$ 2,243,212	114.0%	\$ (315,133)	\$ 902,767	0.00%
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%



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CITY OF SHOW LOW, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

ASSETS	Special Revenue			Show Low Bluff Communities Facilities District	Community Development Block Grant	Debt Service Certificates of Participation	Total Nonmajor Governmental Funds
	LTAf	Street Lighting	Public Transportation				
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,618,629	\$ -	\$ -	\$ 1,618,629
Investments	103,094	34,494	-	-	-	-	137,588
Receivables (net of allowances for uncollectibles)							
Accounts	-	-	108,552	-	-	-	108,552
Taxes	-	2,238	-	-	-	-	2,238
Interest	255	90	-	-	-	3,529	3,874
Other Prepaid Assets	-	-	-	-	-	59,200	59,200
Due from Other Governments	-	-	14,992	-	275,222	-	290,214
Restricted assets							
Cash and cash equivalents	-	-	-	156,220	-	501,387	657,607
Total assets	<u>\$ 103,349</u>	<u>\$ 36,822</u>	<u>\$ 123,544</u>	<u>\$ 1,774,849</u>	<u>\$ 275,222</u>	<u>\$ 564,116</u>	<u>\$ 2,877,902</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable and other current liabilities	\$ 50,000	\$ 15,871	\$ 26,005	-	\$ 331,913	-	\$ 423,789
Due to other funds	-	-	120,732	-	-	-	120,732
Total liabilities	<u>50,000</u>	<u>15,871</u>	<u>146,737</u>	<u>-</u>	<u>331,913</u>	<u>-</u>	<u>544,521</u>
FUND BALANCE							
Reserved for							
Debt service	-	-	-	-	-	564,116	564,116
Capital projects	-	-	-	-	(56,691)	-	(56,691)
Unreserved, reported in							
Special revenue	53,349	20,951	(23,193)	1,774,849	-	-	1,825,956
Total fund balance	<u>53,349</u>	<u>20,951</u>	<u>(23,193)</u>	<u>1,774,849</u>	<u>(56,691)</u>	<u>564,116</u>	<u>2,333,381</u>
Total liabilities and fund balance	<u>\$ 103,349</u>	<u>\$ 36,822</u>	<u>\$ 123,544</u>	<u>\$ 1,774,849</u>	<u>\$ 275,222</u>	<u>\$ 564,116</u>	<u>\$ 2,877,902</u>

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue			Show Low Bluff Communities Facilities District	Community Development Block Grant	Debt Service Certificates of Participation	Total Non-Major Governmental Funds
	LTAF	Street Lighting	Public Transportation				
REVENUES							
Taxes	\$ 47,417	\$ 98,536	\$ -	\$ -	\$ -	\$ -	\$ 145,953
Intergovernmental revenues	-	-	385,094	-	287,429	-	672,523
Investment earnings	7,351	929	-	60,516	-	31,796	100,592
Miscellaneous	-	-	10,078	-	-	-	10,078
Total revenues	<u>54,768</u>	<u>99,465</u>	<u>395,172</u>	<u>60,516</u>	<u>287,429</u>	<u>31,796</u>	<u>929,146</u>
EXPENDITURES							
Current							
Public works	\$ -	\$ 116,290	\$ 342,452	\$ -	\$ -	\$ -	\$ 458,742
Capital outlay	173,932	-	68,984	-	353,253	-	596,169
Debt service							
Principal	-	-	-	-	-	505,440	505,440
Interest and fiscal charges	-	-	-	299,667	-	125,261	424,928
Total expenditures	<u>173,932</u>	<u>116,290</u>	<u>411,436</u>	<u>299,667</u>	<u>353,253</u>	<u>630,701</u>	<u>1,985,279</u>
REVENUES (UNDER)							
EXPENDITURES	<u>(119,164)</u>	<u>(16,825)</u>	<u>(16,264)</u>	<u>(239,151)</u>	<u>(65,824)</u>	<u>(598,905)</u>	<u>(1,056,133)</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	16,264	-	9,133	661,984	687,381
Proceeds from bonds issued	-	-	-	2,014,000	-	-	2,014,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>16,264</u>	<u>2,014,000</u>	<u>9,133</u>	<u>661,984</u>	<u>2,701,381</u>
NET CHANGE IN FUND BALANCE	(119,164)	(16,825)	-	1,774,849	(56,691)	63,079	1,645,248
FUND BALANCE, beginning of the year	<u>172,513</u>	<u>37,776</u>	<u>(23,193)</u>	<u>-</u>	<u>-</u>	<u>501,037</u>	<u>688,133</u>
FUND BALANCE, end of the year	<u>\$ 53,349</u>	<u>\$ 20,951</u>	<u>\$ (23,193)</u>	<u>\$ 1,774,849</u>	<u>\$ (56,691)</u>	<u>\$ 564,116</u>	<u>\$ 2,333,381</u>

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CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Refuse Fund	Family Aquatic	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Investments	\$ 66,695	\$ -	\$ 66,695
Interest receivable	89	-	89
Receivables (net of uncollectibles)	56,771	-	56,771
Total current assets	<u>123,555</u>	<u>-</u>	<u>123,555</u>
Noncurrent assets			
Capital assets			
Buildings and improvements	-	2,218,830	2,218,830
Machinery and equipment	-	133,412	133,412
Less accumulated depreciation	-	(832,025)	(832,025)
Total capital assets, net	<u>-</u>	<u>1,520,217</u>	<u>1,520,217</u>
Total assets	<u>123,555</u>	<u>1,520,217</u>	<u>1,643,772</u>
LIABILITIES			
Current liabilities			
Accounts payable	48,140	23,502	71,642
Accrued wages and benefits	-	10,919	10,919
Compensated absences	-	6,940	6,940
Total liabilities	<u>48,140</u>	<u>41,361</u>	<u>89,501</u>
NET ASSETS			
Invested in capital assets	-	1,520,217	1,520,217
Unrestricted	75,415	(41,361)	34,054
Total net assets	<u>\$ 75,415</u>	<u>\$ 1,478,856</u>	<u>\$ 1,554,271</u>

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Refuse Fund	Family Aquatic	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Service fees	\$ 522,023	\$ 100,440	\$ 622,463
OPERATING EXPENSES			
Cost of goods sold	-	2,534	2,534
Personnel services	-	221,259	221,259
Administrative expenses	506,854	21,438	528,292
Field supplies	-	3,647	3,647
Repairs and maintenance	-	29,023	29,023
Utilities	-	80,841	80,841
Risk management	-	4,217	4,217
Departmental expense	-	4,741	4,741
Total operating expenses	506,854	367,700	874,554
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	15,169	(267,260)	(252,091)
Depreciation expense	-	(95,440)	(95,440)
OPERATING INCOME (LOSS)	15,169	(171,820)	(156,651)
NONOPERATING REVENUES			
Investment income	2,039	-	2,039
Income (Loss) before transfers	17,208	(171,820)	(154,612)
TRANSFERS	-	271,091	271,091
CHANGE IN NET ASSETS	17,208	99,271	116,479
NET ASSETS, beginning of year	58,207	1,379,585	1,437,792
NET ASSETS, end of year	\$ 75,415	\$ 1,478,856	\$ 1,554,271

CITY OF SHOW LOW, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Refuse Fund	Family Aquatic	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 532,847	\$ 100,440	\$ 633,287
Payments to suppliers	(516,243)	(133,636)	(649,879)
Payments to employees	-	(226,810)	(226,810)
Net cash provided by (used in) operating activities	<u>16,604</u>	<u>(260,006)</u>	<u>(243,402)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(11,085)	(11,085)
Net cash used in capital and related financing activities	<u>-</u>	<u>(11,085)</u>	<u>(11,085)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	271,091	271,091
Net cash provided by noncapital financing activities	<u>-</u>	<u>271,091</u>	<u>271,091</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(66,695)		(66,695)
Interest received	2,039	-	2,039
Net cash provided by investing activities	<u>(64,656)</u>	<u>-</u>	<u>(64,656)</u>
NET CHANGE IN CASH	(48,052)	-	(48,052)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>48,052</u>	<u>-</u>	<u>48,052</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued on next page)

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006**

	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)	\$ 15,169	\$ (171,820)	\$ (156,651)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	(95,440)	(95,440)
(Increase) decrease in			
Accounts receivable	10,824	-	10,824
Increase (decrease) in			
Accounts payable	(9,389)	12,805	3,416
Accrued wages	-	(2,526)	(2,526)
Compensated balances	-	(3,025)	(3,025)
Total adjustments	1,435	(88,186)	(86,751)
Net cash provided by (used in) operating activities	\$ 16,604	\$ (260,006)	\$ (243,402)
TOTAL CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -

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CITY OF SHOW LOW, ARIZONA
STATEMENT OF NET ASSETS
HEALTH INSURANCE FUND
JUNE 30, 2007

ASSETS

Interest receivable	\$	2,467
Accounts receivable		135,909
Restricted assets:		
Cash		194,439
Investments		501,111
Total assets		<u>833,926</u>

LIABILITIES

Accounts payable		<u>115,000</u>
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NET ASSETS

Restricted		<u>718,926</u>
Total net assets	\$	<u><u>718,926</u></u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
HEALTH INSURANCE FUND
YEAR ENDED JUNE 30, 2007

OPERATING REVENUES	\$ 1,757,181
OPERATING EXPENSES	
Administrative expenses	<u>1,938,233</u>
Total operating expenses	<u>1,938,233</u>
OPERATING LOSS	<u>(181,052)</u>
NONOPERATING REVENUES	
Investment income	<u>28,852</u>
Total nonoperating revenues	<u>28,852</u>
CHANGE IN NET ASSETS	(152,200)
NET ASSETS, beginning of year	<u>871,126</u>
NET ASSETS, end of year	<u><u>\$ 718,926</u></u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF CASH FLOWS
HEALTH INSURANCE FUND
YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,746,981
Cash paid to vendors	<u>(1,823,233)</u>
Net cash used in operating activities	<u>(76,252)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>28,852</u>
Net cash provided by investing activities	<u>28,852</u>

NET CHANGE IN CASH

(47,400)

CASH AND CASH EQUIVALENTS,

Beginning of year	<u>742,950</u>
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CASH AND CASH EQUIVALENTS,

End of year	<u><u>\$ 695,550</u></u>
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RECONCILIATION OF OPERATING INCOME

(LOSS) TO NET CASH PROVIDED BY
(USED IN) OPERATING ACTIVITIES:

Operating income	<u>\$ (181,052)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in	
Accounts receivables	(10,200)
Increase decrease in	
Accounts payable	<u>115,000</u>
Total adjustments	<u>104,800</u>
Net cash provided by operating activities	<u><u>\$ (76,252)</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments	\$ 659,760	\$ 659,760	\$ 589,323	\$ (70,437)
Fines	2,500	2,500	8,952	6,452
Investment earnings	1,000	1,000	2,402	1,402
Total revenues	<u>663,260</u>	<u>663,260</u>	<u>600,677</u>	<u>(62,583)</u>
EXPENDITURES				
Admin charges	2,300	2,300	-	2,300
Debt Service				
Principal	426,896	426,896	385,000	41,896
Interest	232,864	232,864	210,011	22,853
Total expenditures	<u>662,060</u>	<u>662,060</u>	<u>595,011</u>	<u>67,049</u>
REVENUES OVER (UNDER)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>1,200</u>	<u>1,200</u>	<u>5,666</u>	<u>4,466</u>
FUND BALANCE, beginning of the year	<u>117,856</u>	<u>117,856</u>	<u>117,856</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 119,056</u>	<u>\$ 119,056</u>	<u>\$ 123,522</u>	<u>\$ 4,466</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special assessments	\$ 579,400	\$ 579,400	\$ 573,347	\$ (6,053)
Fines	2,500	2,500	9,604	7,104
Investment earnings	1,000	1,000	2,344	1,344
Total revenues	<u>582,900</u>	<u>582,900</u>	<u>585,295</u>	<u>2,395</u>
EXPENDITURES				
Admin./other	2,000	2,000	-	2,000
Debt Service				
Principal	320,774	320,774	285,000	35,774
Interest	258,926	258,926	230,776	28,150
Total expenditures	<u>579,700</u>	<u>581,700</u>	<u>515,776</u>	<u>63,924</u>
REVENUES (UNDER) EXPENDITURES	<u>1,200</u>	<u>1,200</u>	<u>69,519</u>	<u>66,319</u>
NET CHANGE IN FUND BALANCE	<u>1,200</u>	<u>1,200</u>	<u>69,519</u>	<u>66,319</u>
FUND BALANCE, beginning of the year	<u>95,256</u>	<u>95,256</u>	<u>95,256</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 96,456</u>	<u>\$ 96,456</u>	<u>\$ 164,775</u>	<u>\$ 66,319</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LTAIF SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2007

	<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	\$ 47,417	\$ (21,414)
Investment earnings	2,500	2,500	7,351	4,851
Total revenues	<u>71,331</u>	<u>71,331</u>	<u>54,768</u>	<u>(16,563)</u>
EXPENDITURES				
Transfers out	199,050	199,050	-	(199,050)
Public Works				
Capital outlay	-	-	173,932	(173,932)
Total expenditures	<u>199,050</u>	<u>199,050</u>	<u>173,932</u>	<u>(173,932)</u>
REVENUES (UNDER) EXPENDITURES	<u>(127,719)</u>	<u>(127,719)</u>	<u>(119,164)</u>	<u>(190,495)</u>
NET CHANGE IN FUND BALANCE	<u>(127,719)</u>	<u>(127,719)</u>	<u>(119,164)</u>	<u>(190,495)</u>
FUND BALANCE, beginning of the year	<u>172,513</u>	<u>172,513</u>	<u>172,513</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 44,794</u>	<u>\$ 44,794</u>	<u>\$ 53,349</u>	<u>\$ (190,495)</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 110,750	\$ 110,750	\$ 98,536	\$ (12,214)
Investment earnings	225	225	929	704
Total revenues	<u>110,975</u>	<u>110,975</u>	<u>99,465</u>	<u>(11,510)</u>
EXPENDITURES				
Public works				
Repairs & maintenance	2,500	2,500	-	2,500
Street lighting	<u>125,000</u>	<u>125,000</u>	<u>116,290</u>	<u>8,710</u>
Total expenditures	<u>127,500</u>	<u>127,500</u>	<u>116,290</u>	<u>11,210</u>
REVENUES (UNDER) EXPENDITURES	<u>(16,525)</u>	<u>(16,525)</u>	<u>(16,825)</u>	<u>(300)</u>
NET CHANGE IN FUND BALANCE	<u>(16,525)</u>	<u>(16,525)</u>	<u>(16,825)</u>	<u>(300)</u>
FUND BALANCE, beginning of the year	<u>37,776</u>	<u>37,776</u>	<u>37,776</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 21,251</u>	<u>\$ 21,251</u>	<u>\$ 20,951</u>	<u>\$ (300)</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 731,248	\$ 731,248	\$ 385,094	\$ (346,154)
Miscellaneous	38,000	38,000	10,078	(27,922)
Total revenues	<u>769,248</u>	<u>769,248</u>	<u>395,172</u>	<u>(374,076)</u>
EXPENDITURES				
General Government				
Personnel services	71,776	71,776	-	71,776
Transportation	392,472	392,472	342,452	50,020
Capital outlay	305,000	305,000	68,984	236,016
Total expenditures	<u>769,248</u>	<u>769,248</u>	<u>411,436</u>	<u>357,812</u>
REVENUES (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(16,264)</u>	<u>(16,264)</u>
OTHER FINANCING SOURCES				
Transfers in	68,821	68,821	16,264	(52,557)
NET CHANGE IN FUND BALANCE	<u>68,821</u>	<u>68,821</u>	<u>-</u>	<u>(68,821)</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>\$ 45,628</u>	<u>\$ 45,628</u>	<u>\$ (23,193)</u>	<u>\$ (68,821)</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, 2007

	<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	\$ 31,796	\$ 16,796
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>31,796</u>	<u>16,796</u>
EXPENDITURES				
Debt service				
Principal retirement	449,849	449,849	505,440	(55,591)
Interest and fiscal charges	<u>165,954</u>	<u>165,954</u>	<u>125,261</u>	<u>40,693</u>
Total expenditures	<u>615,803</u>	<u>615,803</u>	<u>630,701</u>	<u>(14,898)</u>
REVENUES (UNDER) EXPENDITURES	<u>(600,803)</u>	<u>(600,803)</u>	<u>(598,905)</u>	<u>1,898</u>
OTHER FINANCING SOURCES				
Transfers in	<u>615,803</u>	<u>615,803</u>	<u>661,984</u>	<u>46,181</u>
NET CHANGE IN FUND BALANCE	<u>15,000</u>	<u>15,000</u>	<u>63,079</u>	<u>48,079</u>
FUND BALANCE, beginning of the year	<u>501,037</u>	<u>501,037</u>	<u>501,037</u>	<u>-</u>
FUND BALANCE, end of the year	<u>\$ 516,037</u>	<u>\$ 516,037</u>	<u>\$ 564,116</u>	<u>\$ 48,079</u>

CITY OF SHOW LOW, ARIZONA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2007

	<u>Balance</u> <u>7/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2007</u>
ASSETS				
Investments	\$ 5,257	\$ 220	\$ -	\$ 5,477
Interest receivable	18	26	18	26
Total assets	<u>\$ 5,275</u>	<u>\$ 246</u>	<u>\$ 18</u>	<u>\$ 5,503</u>
LIABILITIES				
Slovakian fund	\$ 1,953	\$ 86	\$ 7	\$ 2,032
Police explorer post	591	28	2	617
Disaster relief	154	7	1	160
Swim team	2,392	112	8	2,496
Sister cities fund	185	14	1	198
Total liabilities	<u>\$ 5,275</u>	<u>\$ 247</u>	<u>\$ 19</u>	<u>\$ 5,503</u>

Statistical Section
(Unaudited)

CITY OF SHOW LOW, ARIZONA

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>1998</u>	<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>
Governmental activities										
Invested in capital assets, net of related debt	N/A	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	N/A	\$ 39,637,789	\$ 42,473,129	\$ 43,445,397	\$ 46,176,330	\$ 51,597,470
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	\$ 61,279,248
Primary government										
Invested in capital assets, net of relate debt	N/A	N/A	N/A	N/A	N/A	\$ 42,906,309	\$ 47,520,403	\$ 51,470,667	\$ 57,284,470	\$ 62,092,713
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	\$ 98,477,965

CITY OF SHOW LOW, ARIZONA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>1998</u>	<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>
Expenses										
Governmental activities:										
General government						\$ 3,921,783	\$ 4,104,054	\$ 4,002,302	\$ 3,989,285	\$ 4,779,683
Public safety						2,178,331	2,647,230	2,839,820	3,624,181	3,918,568
Public works						2,766,797	2,872,362	2,872,918	3,077,390	4,261,420
Public Health						87,799	197,394	166,075	135,214	143,046
Culture and recreation						597,382	704,400	845,588	849,871	985,496
Interest on long-term debt						781,075	725,521	929,135	603,688	887,001
Total governmental activities expenses	-	-	-	-	-	10,333,167	11,250,961	11,655,838	12,279,629	14,975,214
Business-type activities:										
Water						2,763,342	1,579,290	1,928,857	1,992,474	2,088,639
Wastewater						-	1,467,116	1,742,718	2,066,814	1,659,410
Airport						1,497,573	1,359,784	1,926,814	1,764,740	2,129,881
Family Aquatic						478,869	520,308	456,557	468,936	272,260
Refuse						456,713	537,815	559,758	645,161	506,854
Total business-type activities expenses	-	-	-	-	-	5,196,497	5,464,313	6,614,704	6,938,125	6,657,044
Total primary government expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,529,664	\$ 16,715,274	\$ 18,270,542	\$ 19,217,754	\$ 21,632,258
Program Revenues										
Governmental activities:										
Charges for services:										
General government						651,232	272,940	998,298	456,815	608,541
Culture and recreation						74,501	82,630	104,526	78,507	1,017,628
Other activities						117,315	79,052	82,312	895,774	1,593,626
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
Total governmental activities program revenues	-	-	-	-	-	2,230,687	1,034,120	2,218,762	1,917,249	9,430,709
Business-type activities:										
Charges for services:										
Water						2,271,808	1,800,949	2,189,915	2,030,071	2,365,512
Wastewater							1,668,035	1,938,463	2,270,913	2,686,146
Airport						872,047	767,773	930,197	1,040,160	1,110,555
Family Aquatic Center						96,147	99,982	131,190	98,166	100,440
Refuse						465,194	512,061	577,425	661,289	522,023
Operating grants and contributions						322,620	-	-	-	20,000
Capital grants and contributions						7,473,762	952,107	3,472,317	3,544,000	6,442,836
Total business-type activities program revenues	-	-	-	-	-	11,501,578	5,800,907	9,239,507	9,644,599	13,247,512
Total primary government program revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,732,265	\$ 6,835,027	\$ 11,458,269	\$ 11,561,848	\$ 22,678,221

(continued on next page)

CITY OF SHOW LOW, ARIZONA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>1998</u>	<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>
Net (expense)/revenue										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,102,480)	\$ (10,216,841)	\$ (9,437,076)	\$ (10,362,380)	\$ (5,544,505)
Business-type activities	-	-	-	-	-	6,305,081	336,594	2,624,803	2,706,474	6,590,468
Total primary government net expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,797,399)	\$ (9,880,247)	\$ (6,812,273)	\$ (7,655,906)	\$ 1,045,963
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
Franchise taxes						218,654	250,610	283,449	301,769	349,826
State sales taxes						601,809	647,382	712,867	830,093	939,542
Urban revenue sharing						808,564	694,977	715,536	831,807	1,029,042
Auto-in-lieu						421,988	426,779	440,379	498,645	590,144
Other						1,547,858	3,616,225	2,171,592	4,262,883	343,797
Investment earnings						110,061	78,058	172,331	337,177	1,329,291
Gain(Loss) on sales of assets						54,777	(67,670)	-	-	-
Miscellaneous						19,185	91,976	29,165	263,448	466,244
Transfers						(801,285)	(621,104)	(928,434)	(1,210,025)	(1,713,652)
Total governmental activities	-	-	-	-	-	9,864,065	12,802,788	12,141,776	16,040,755	14,299,189
Business-type activities:										
Investment earning	-	-	-	-	-	104,387	100,665	146,124	212,550	408,605
Gain(Loss) on sales of assets						(69,781)	169,704	1,178	4,813	2,039
Transfers	-	-	-	-	-	801,285	621,104	928,434	1,210,025	1,713,652
Total business-type activities	-	-	-	-	-	835,891	891,473	1,075,736	1,427,388	2,124,296
Total Primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,699,956	\$ 13,694,261	\$ 13,217,512	\$ 17,468,143	\$ 16,423,485
Change in Net Asset										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,761,585	\$ 2,585,947	\$ 2,704,700	\$ 5,678,375	\$ 8,754,684
Business-type activities	-	-	-	-	-	7,140,972	1,228,067	3,700,539	4,133,862	8,714,764
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,902,557	\$ 3,814,014	\$ 6,405,239	\$ 9,812,237	\$ 17,469,448

CITY OF SHOW LOW, ARIZONA

General Governmental Expenditures by Function Last Ten Fiscal Years (unaudited)

Fiscal Year	General Government	Public Safety	Public Works	Public Health	Culture and Recreation	Debt Service	Capital Projects	Total
1997-98	\$2,901,763	1,370,905	739,999	54,473	298,972	843,793	3,483,308	\$9,693,213
1998-99	\$3,256,205	1,500,533	866,162	66,208	346,556	588,897	3,781,409	\$10,405,970
1999-00	\$3,749,011	1,697,452	903,336	67,810	388,263	1,044,253	1,789,827	\$9,639,952
2000-01	\$3,804,396	1,974,472	1,031,553	61,921	462,604	2,481,682	4,276,447	\$14,093,075
2001-02	\$4,335,919	1,987,968	1,018,222	86,607	552,605	1,730,474	4,677,020	\$14,388,815
2002-03	\$3,634,851	2,058,233	2,060,795	87,799	550,352	2,360,089	1,903,744	\$12,655,863
2003-04	\$3,333,143	2,366,808	2,190,291	94,295	623,139	2,115,387	1,977,143	\$12,700,206
2004-05	\$3,668,296	2,660,077	2,586,569	97,796	766,538	1,912,740	2,614,386	\$14,306,402
2005-06	\$3,752,094	3,295,460	2,890,444	135,214	849,871	1,683,740	2,124,818	\$14,731,641
2006-07	\$4,577,097	3,719,234	3,454,781	143,046	880,612	2,041,155	3,378,240	\$18,194,165

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

Source: City of Show Low Finance Department

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
1997-98	\$7,017,282	179,142	103,571	180,749	313,238	529,291	241,744	66,606	235,486	\$8,867,109
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	893,918	1,534,809	583,141	559,283	-	\$21,494,742

(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>1998</u>	<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>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,507,571</u>	<u>\$ 4,964,432</u>	<u>\$ 5,632,162</u>	<u>\$ 8,816,448</u>	<u>\$ 11,362,852</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	789,581	619,181	650,680	714,149	852,413
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	311,208	229,119	251,762	230,371	7,848,236
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,789</u>	<u>\$ 848,300</u>	<u>\$ 902,442</u>	<u>\$ 944,520</u>	<u>\$ 8,700,649</u>

CITY OF SHOW LOW, ARIZONA

Changes in Fund Balance of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>1998 *</u>	<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>
Revenues										
Taxes						\$ 9,080,535	\$ 11,044,732	\$ 12,085,009	\$ 13,846,075	\$ 15,586,015
Licenses and permits						367,881	529,895	623,009	1,192,968	1,043,028
Intergovernmental						1,724,474	735,695	1,032,926	1,531,190	1,534,809
Charges for services						321,800	400,102	449,387	736,688	583,141
Fines						224,176	202,023	122,958	126,915	131,878
Special assessments						1,122,373	1,134,646	1,165,709	1,133,569	1,162,670
Investment earnings						110,061	78,058	166,180	337,177	893,918
Miscellaneous						479,939	400,531	298,768	263,448	559,283
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,431,239	\$ 14,525,682	\$ 15,943,946	\$ 19,168,030	\$ 21,494,742
Expenditures										
Current:										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,634,851	\$ 3,333,143	\$ 3,668,296	\$ 3,752,094	\$ 4,577,097
Public safety						2,058,233	2,366,808	2,660,077	3,295,460	3,719,234
Public works						2,060,795	2,190,291	2,586,569	2,890,444	3,454,781
Public health						87,799	94,295	97,796	135,214	143,046
Culture and recreation						550,352	623,139	766,538	849,871	880,612
Capital outlay						1,903,744	1,977,143	2,614,386	2,124,818	3,378,240
Debt service:										
Principal						1,575,574	1,389,866	1,232,146	1,080,052	1,175,440
Interest and fiscal charges						784,515	725,521	680,594	603,688	865,715
Total expenditures	-	-	-	-	-	12,655,863	12,700,206	14,306,402	14,731,641	18,194,165
Revenues over(under) expenditures	-	-	-	-	-	775,376	1,825,476	1,637,544	4,436,389	3,300,577
Other finance sources (Uses)										
Bond Proceeds										8,658,917
Transfers in(out)						(801,285)	(621,104)	(915,672)	(1,210,025)	(1,713,652)
Total other finance sources(uses)	-	-	-	-	-	(801,285)	(621,104)	(915,672)	(1,210,025)	6,945,265
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,909)	\$ 1,204,372	\$ 721,872	\$ 3,226,364	\$ 10,245,842
Debt service as a percentage of noncapital expenditures						28.12%	24.58%	19.56%	15.41%	15.98%

* Information not available

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 Limited 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%

Source: Arizona Department of Revenue

CITY OF SHOW LOW, ARIZONA

Property Tax Rates - Direct and Overlapping Governments
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>
1997-98	-	-	0.5656	1.1813	4.6027	6.3496
1998-99	-	-	0.5833	1.1961	4.6017	6.3811
1999-00	-	-	0.5833	1.1961	4.6017	6.3811
2000-01	-	-	0.6506	1.1504	5.2334	7.0344
2001-02	-	-	0.6506	1.1504	5.3253	7.1263
2002-03	-	-	0.7772	1.4406	5.9103	8.1281
2003-04	-	-	0.9316	1.5092	5.4816	7.9224
2004-05	-	-	1.1600	1.5200	5.0497	7.7297
2005-06	-	-	1.1592	1.4858	4.8494	7.4944
2006-07	-	-	1.1504	1.4208	4.3062	6.8774

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	
1997-98	\$68,044	\$62,879	92%	\$5,165
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

Source: Navajo County Treasurer's Office

CITY OF SHOW LOW, ARIZONA

Sales Tax Revenue
Last Ten Fiscal Years

Fiscal Year	Construction	Utilities	Wholesale	Retail	Restaurants	Real Estate	Services	Others	Total	
1997-1998	\$ 303,908	126,649	100,424	3,313,976	278,545	111,704	220,766	145,790	\$ 4,601,762	110.34%
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	639,956	\$ 10,964,955	110.48%

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 Absences	Show Low Bluffs CFD Bonds	Certificates of Participation	GADA Bonds	Loans Payable	Certificates of Participation	Compensated Absences	GADA Bonds		Loans Payable
1998												-
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	356,889	2,014,000	1,491,241	6,630,000	12,478	1,408,759	60,931	1,740,000	46,650	20,562,936

CITY OF SHOW LOW, ARIZONA

Computation of Direct and Overlapping Debt

June 30, 2007

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Show Low</u>	<u>Amount Applicable to the City of Show Low</u>
Show Low School District #10 - 1988B	\$ 375,000	71.80%	\$ 269,250
Show Low School District #10 - 1997A	\$ 9,585,000	71.80%	\$ 6,882,030
Show Low School District #10 - 2003B	\$ 6,380,000	71.80%	\$ 4,580,840
			<u>\$ 11,732,120</u>

CITY OF SHOW LOW, ARIZONA

Debt Limitations and Computation of Legal Debt Margin

	Water, Sewer, Light, Parks and Open Space Purpose Bonds Debt Limitation 20%	All Other General Obligation Bonds Debt Limitation 6%
Assessed Valuation:		
Assessed Value	\$ 144,656,369	\$ 144,656,369
Total assessed value	<u>\$ 144,656,369</u>	<u>\$ 144,656,369</u>
Legal debt margin:		
Debt limitation	\$ 28,931,274	\$ 8,679,382
Debt applicable to limitation:		
Total bonded debt	-	-
Total debt applicable to limitation	-	-
Legal debt margin	<u>\$ 28,931,274</u>	<u>\$ 8,679,382</u>

CITY OF SHOW LOW, ARIZONA

Special Assessment Billings and Collections
Last Ten Fiscal Years

Fiscal Year	Current Assessments Billed	Total Current Assessments Collected	Ratio of Collections to Amount Due	Total Current Outstanding Assessments	Prepaid	Total Outstanding Assessments
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

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	
1998	\$ 9,933,867	\$ 27,638,256	\$ 37,572,123	199
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

(1) Source: City of Show Low Building Department

CITY OF SHOW LOW, ARIZONA

Demographic Statistics - Population Statistics, Unemployment Averages

POPULATION STATISTICS (1)

Year	City of Show Low
1980 (Census)	4,218
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

UNEMPLOYMENT AVERAGES (2)

Year	City of Show Low	Navajo County	State of Arizona
1997	6.1%	16.7%	4.6%
1998	5.0%	13.8%	3.6%
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%

(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)

Fiscal Year	Amount
1997-1998	\$ 230,088,100
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	\$ 548,247,750

Navajo County (1) Taxable Retail Sales

Year	Amount
1998	\$ 471,053,950
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

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

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

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

CITY OF SHOW LOW, ARIZONA

Actual Excise Tax Collections

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>Privilege & 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>
1998	\$ 4,516,760	563,658	597,785	177,688	180,380	\$ 6,036,271
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

Source: City of Show Low Finance Department

CITY OF SHOW LOW, ARIZONA

Employees by Department
Last Ten Fiscal Years

	1998*	1999*	2000	2001	2002	2003	2004	2005	2006	2007
Airport			5	5	5	6	5	5	5	5
Animal Control			2	2	2	2	2	2	2	2
Aquatic Center			4	4	4	3	5	3	2	2
City 4 TV			1	2	2	2	2	2	2	3
City Attorney			0	0	0	0	2	2	2	2
City Magistrate			3	3	3	2	2	2	2	3
City Manager			1	2	1	1	1	1	1	1
Communications			10	10	10	11	10	12	12	12
Community Development			9	9	9	8	10	11	11	11
Community Services Admin			1	1	1	1	1	1	1	1
Engineering			5	6	6	6	5	5	6	8
Finance			10	11	10	9	8	8	8	8
Human Resources			2	2	2	3	3	4	3	2
Information Systems			2	3	3	3	3	3	3	3
Library			6	7	8	9	8	8	7	6
Maintenance			4	4	4	7	7	7	5	9
Parks & Recreation			2	2	2	2	2	3	3	2
Police			25	25	25	25	26	29	29	30
Public Information Services			2	3	3	3	2	2	3	3
Public Works Administration			5	4	4	3	4	4	3	3
Streets			9	9	9	6	10	10	10	9
Wastewater			0	0	0	10	10	9	9	9
Water			18	18	18	10	6	7	7	10
Total Employees			126	132	131	132	134	140	136	144

* Information not available