



CITY OF SCOTTSDALE  
ARIZONA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



for the  
Fiscal Year  
Ended  
June 30, 2010

**City of Scottsdale, Arizona**



**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2010**

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**Prepared by:**

Finance and Accounting Division

David N. Smith  
City Treasurer

Jeff Nichols, CPA  
Accounting Director



# City of Scottsdale, Arizona

## Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2010

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## **Transmittal Letter**

For the Fiscal Year  
Ended June 30, 2010

City of Scottsdale  
Scottsdale, Arizona

October 29, 2010

Honorable Mayor, Members of the City Council, and Citizens of the City of Scottsdale, Arizona:

The Comprehensive Annual Financial Report of the City of Scottsdale, Arizona, (the City) for the fiscal year ended June 30, 2010, is submitted in accordance with Article 6, Section 14, of the City Charter. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based on a comprehensive framework of internal control established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

LarsonAllen, LLP has issued an unqualified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2010. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***City of Scottsdale Profile***

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing approximately 184 square miles, stretching 31 miles from north to south. The City is bordered on the west by Phoenix, the state capital, by Tempe on the south, and by the Salt River/Pima Maricopa Indian Community on the east. Scottsdale and its neighboring cities form the greater metropolitan Phoenix area, which is the economic, political and population center of the state.



Scottsdale was founded in the 1800's when retired Army Chaplain Major Winfield Scott homesteaded what is now the center of the City. The City incorporated in 1951 and the City Charter, under which it is presently governed, was adopted in 1961. Portions of the City's charter have been modified several times by vote of the citizens.

The City has experienced significant increases in population, with the 1950 census reporting 2,032 residents, and the 2000 census reporting 202,705. The City's population for 2010 is estimated at 243,500.

Scottsdale operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected at large on a non-partisan ballot for a four-year term. The City Council appoints six Charter officers (City Manager, City Attorney, City Auditor, City Clerk, City Judge, and City Treasurer) who have full responsibility for carrying out City Council policies and administering City operations. The City provides a full range of services including police and fire protection, sanitation/solid waste service, water and sewer services, construction and maintenance of streets, and recreational activities, including libraries and cultural events.

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds; the maximum legal expenditure permitted for the fiscal year is the total budget as adopted. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments. In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year (FY) 2009/10, there were no such supplemental budgetary appropriations authorized.

The expenditure appropriations in the adopted budget are by division; however, divisional appropriations may be amended during the year. On the recommendation of the City Manager, and with the approval of the City Council: 1) transfers may be made from the appropriations for contingencies to divisions; and 2) unexpended appropriations may be transferred from one division to another.

### ***Local Economy***

The City of Scottsdale's tax revenue base consists of a variety of tax categories, the most significant being taxes applicable to retail sales. The City also benefits from favorable conditions including a stable, diversified economic base and being a desirable location to work and live. Scottsdale is beyond its historic period of peak expansion and the long-term economic outlook for the City recognizes this fact. Revitalization efforts have resulted in a rebirth of the City's downtown area, as well as renewed interest in redevelopment of the more mature, southern parts of the City. Commercial successes are due, in part, to Scottsdale's commitment to targeted recruitment efforts that focus on industry segments that complement the existing business mix, including: corporate headquarters and regional offices; high-tech, research and development; bio-med; luxury resorts and hotels; and business and professional services. The following categories represent key indicators affecting Scottsdale's economic and financial success:

## Tourism

Tourism is one of Scottsdale's largest and most vibrant industries, and is a significant contributor to the City's economy. A variety of lodging properties, including several world-class resorts and "boutique" hotels, provide over 11,000 guest rooms, along with spectacular spas, trend-setting dining and one-of-a-kind Sonoran desert golf courses. With over 17,000 retail shops, nearly 600 restaurants, national and international events, and spectacular southwest Sonoran desert setting, Scottsdale continues to be a popular destination for visitors year-round and is well-positioned as the economy emerges from the current recession. Bed tax revenues to the City declined by 6 percent for FY 2009/10, due largely to the declining national economy. Scottsdale visitors contribute about 20 percent of the City's total privilege and use tax revenues.

## Retail Sales

Scottsdale's largest revenue source is sales tax generated from a balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. Sales tax is generated directly from the City's own applied tax rate and indirectly as the City receives a share of sales tax generated from the Arizona State applied tax rate. The City saw retail sales tax revenues decrease by 8 percent in FY 2009/10 after falling 17 percent in the previous fiscal year, a result of the national recession.

## Employment

Scottsdale's unemployment rate was 6.6 percent in June 2010, significantly lower than the state level of 9.8 percent. Historically, Scottsdale's unemployment rate is about 2 percent lower than the state's average. Firms relocating to Scottsdale in FY 2009/10 created 855 new jobs over the past year. New employers to announce moves to Scottsdale last year included AxoSoft, Eventinterface.com, and International Cruise & Excursions.

## Commercial Vacancy Rates

Scottsdale's citywide office vacancy rate was about 23 percent for the last quarter of FY 2009/10 – slightly higher than the Phoenix market average of 21 percent. There were only 13 commercial buildings under construction in the Phoenix market during the second quarter of 2010; none of the buildings were located in Scottsdale.

## ***Long-term Financial Planning***

Scottsdale's Five-Year Financial Plan is based on sound financial reserves, low debt burden and conservative revenue growth forecasts. The potential for State legislative initiatives to reduce revenue sharing and additional demands for essential City services such as police, fire, transportation and social services pose a fiscal challenge. Achieving and maintaining fiscal stability requires many elements, all working in concert with one another. The following identifies key elements of our financial plan:

### Adopted Comprehensive Financial Policies

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has 53 adopted financial policies governing operations, capital planning, debt management, reserves and financial reporting. Regular review and refinement of these policies is done in conjunction with financial plan development and are adopted annually by the City Council.

### Financial Resource Planning

Scottsdale's strategic financial planning begins with a determination of the City's fiscal capacity, based on long-term financial forecasts of available revenues. Conservative financial forecasts, coupled with financial trend analysis techniques and reserve analysis help preserve the fiscal well-being of Scottsdale. Strategic financial planning is a critical element to maintain long-term financial stability.

### Multi-Year Operating Budget Planning

Multi-year budgeting encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to community expectations and broad goals of the City Council. While the City is required to adopt a one-year budget to meet State statutory requirements, Scottsdale builds a five-year financial plan to help anticipate future impacts and ensure achievement of the City's long-term objectives.

### Strategic Capital Improvement Project Planning

Scottsdale Capital Improvement Projects are planned for five or more years and analyzed using City specific prioritization criteria. The operating cost impacts of projects are also planned and considered in developing future operating budgets. Projects with significant operating impacts are carefully timed to avoid contingent liabilities that future operating resources cannot meet. All capital funding sources are conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used, capital project plans are sized to conform to existing debt management policies.

### Debt Management

Scottsdale has a financial policy that prohibits the issuance of debt for operating expenses. With that as a governing framework, all debt issuances are for the purpose of financing infrastructure or long-lived costly assets. Each debt issuance is evaluated against policies addressing: debt service as a percent of operating expenditures, tax and revenue bases for the repayment of debt, overall debt burden on the community, statutory limitations and market factors affecting interest costs. In all cases, a long-term analysis is made considering the debt capacity that fits the financial wherewithal (and willingness) of our community to pay

for the capital projects. Sizing of the City’s Capital Improvement Plan based on debt capacity in conjunction with conservatively estimated revenues helps stabilize per capita debt and lower annual debt service costs to the City over the long-term.

The City retained credit ratings of “Aaa”, “AAA”, and “AAA” from the three major credit rating agencies (Moody’s Investors Service, Standard and Poor’s Rating Group, and Fitch Investors Services, respectively) on the City’s outstanding general obligation bonds where debt service is supported by property taxes. These are the highest ratings possible and are held by only a handful of local governments across the nation. Ratings for the City’s bonds where debt service is supported by enterprise revenues or excise taxes are also highly rated by the three major credit rating agencies and, in some cases, have been upgraded in the past year. A summary of the City’s bond ratings are shown as follows:

### City of Scottsdale Bonded Debt Ratings

As of June 30, 2010

|                                     | Moody's<br>Investors<br>Service | Standard and<br>Poor's Rating<br>Group | Fitch<br>Investors<br>Services |
|-------------------------------------|---------------------------------|--|--------------------------------|
| General Obligation (GO)             | Aaa                             | AAA                                    | AAA                            |
| Water and Sewer Revenue (W&S)       | Aaa                             | AAA                                    | AAA                            |
| Municipal Property Corp (MPC)       | Aa1                             | AAA                                    | AAA                            |
| Scottsdale Preserve Authority (SPA) | Aa2                             | AA                                     | AA+                            |
| Highway User Revenue Fund (HURF)    | Aa3                             | AA                                     | Not Rated                      |

### Major Initiatives

The City of Scottsdale’s adopted FY 2010/11 budget reflects continued downward pressure on revenues in the local economy. Budgeted expenditures reflect a “maintenance budget” reflecting council direction to maintain or reduce expenditures from the prior year’s levels. Even with those guidelines, the initial shortfall between forecasted revenues and expenditures was approximately \$18.0 million. To close the gap, \$8.3 million in low priority expenditures and services were reduced or eliminated, a portion of the beginning unreserved fund balance of \$4.2 million was used as a funding source, a transfer of \$3.2 million of excess Self Insurance Fund reserves was authorized and contingency reserves were reduced to \$2.5 million (a level consistent with historic averages). In the process we were able to accomplish an important objective in that we made the needed reductions while limiting the impacts on our direct services to citizens.

We were able to hold the increase in the primary property tax rate to \$0.0186 per \$100 of assessed value, an increase of approximately 5 percent over the FY 2009/10 rate (2 percent of the increase was related to the statutorily allowed increase over prior year’s levy as approved by Council; the remainder of increase is primarily due to decreasing property values).

For the 2011/12 budget year, the City Council, the Budget Review Commission, our citizens and staff are faced with difficult choices necessary to close a forecast budget deficit of \$28.4 million.

### *Awards and Acknowledgements*

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 Scottsdale for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the 37<sup>th</sup> 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 CAFR. 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 that our current CAFR 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.

The City of Scottsdale also received the “Distinguished Budget Presentation Award” for the fiscal year beginning July 1, 2009 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and we expect to receive this award again for the fiscal year beginning July 1, 2010.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Finance and Accounting Division, the assistance of administrative personnel in the various departments, and the valuable oversight and critique of our independent auditors. I also wish to express my sincere appreciation to the City Council and the City Manager for their interest and support in planning and conducting the financial affairs of the City of Scottsdale in a responsible and progressive manner.

Respectfully submitted,



David N. Smith  
City Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Scottsdale  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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 stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

President

A handwritten signature in black ink that reads "Jeffrey R. Enos" in a cursive script.

Executive Director



**Comprehensive  
Annual  
Financial  
Report**

For the Fiscal Year  
Ended June 30, 2010

City of Scottsdale  
Scottsdale, Arizona

**City of Scottsdale, Arizona  
List of Elected and Appointed Officials**

**City Council**

W.J. "Jim" Lane, Mayor  
Lisa M. Borowsky  
Wayne Ecton  
Susan Klapp  
Robert W. Littlefield  
Ron McCullagh  
Marg Nelssen

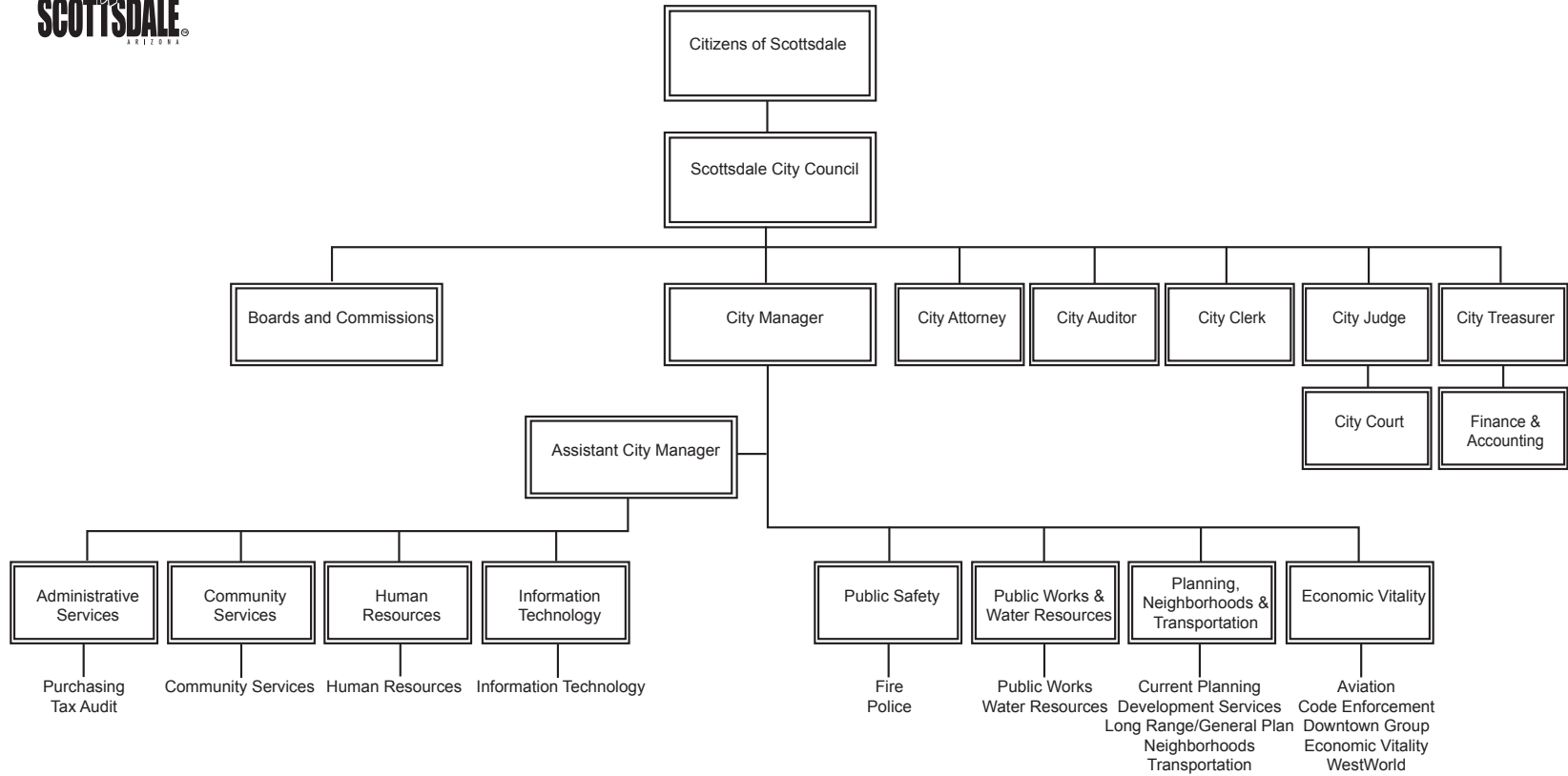
**Charter Offices**

David Richert, City Manager  
Bruce Washburn, City Attorney  
Sharron Walker, City Auditor  
Carolyn Jagger, City Clerk  
B. Monte Morgan, City Judge  
David N. Smith, City Treasurer



# Organizational Chart

June 30, 2010







## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council  
City of Scottsdale, Arizona  
Scottsdale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



An independent member of Nexia International

The Honorable Mayor and the City Council  
City of Scottsdale, Arizona

The management's discussion and analysis on pages 13 through 30, the Public Safety Personnel Retirement System Schedule of Funding Progress on pages 101 and 102 and the Other Postemployment Benefit Plan Schedule of Funding Progress on page 103 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical section 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.

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
October 29, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scottsdale's (the City) Comprehensive Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal and the basic financial statements.

## FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2010 are as follows:

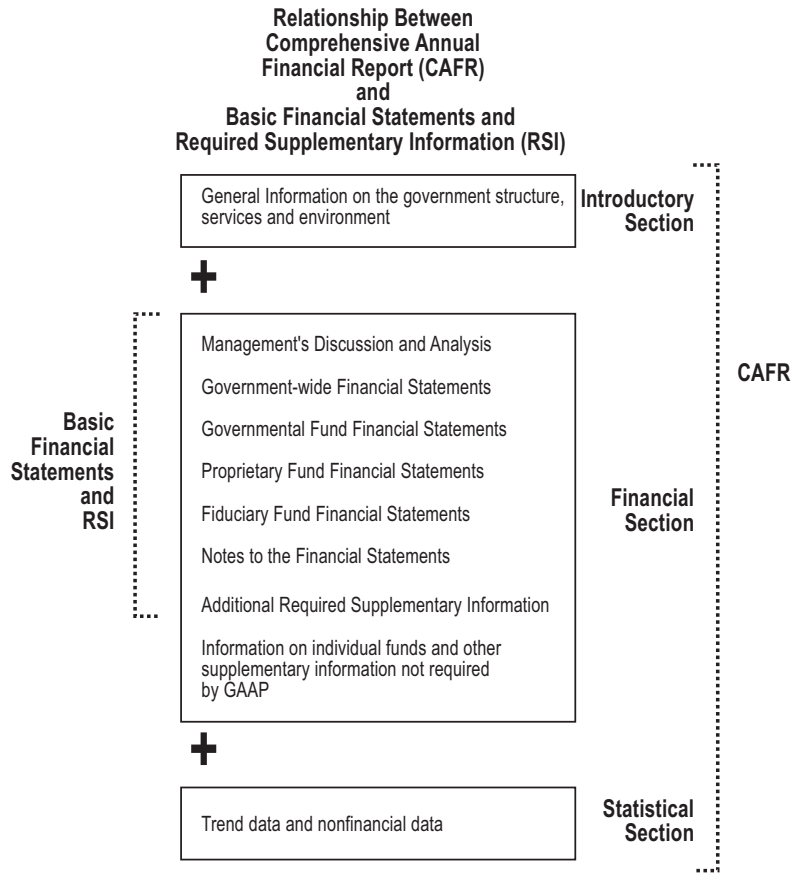
- The assets of the City exceeded its liabilities at the close of the fiscal years 2010 and 2009 by \$4.2 billion and \$4.1 billion (net assets), respectively. Of these amounts, \$395.0 million and \$323.0 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$137.0 million and \$196.8 million during fiscal years 2010 and 2009, respectively.
- As of June 30, 2010 and 2009, the City's governmental funds had combined ending balances of \$205.8 million and \$221.3 million, respectively.
- At the close of the fiscal year, the unreserved fund balance for the General Fund was \$51.5 million or 23 percent of total General Fund expenditures of \$227.3 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- (1) **Government-wide** financial statements,
- (2) **Fund** financial statements, and
- (3) **Notes** to the financial statements.

This report also contains other **supplementary information** in addition to the basic financial statements themselves.



### Government-wide Financial Statements

The **government-wide** financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business and, accordingly, provide information about the whole City, presenting both an aggregate current view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short term as well as what dollars remain for future spending. The fund financial statement also displays the City's most significant funds.

The **statement of net assets** presents information on all of the City'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 an indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City'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, accrued revenues and expenses are reported in this statement for some items that are expected to result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses for earned but unused vacation and sick leave balances.

Both of the government-wide financial statements distinguish functions of the City 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 include general government, finance, accounting, economic vitality, public works, water resources, planning, neighborhoods, transportation, public safety, human resources, community services, information technology, administrative services, street light and services districts. The business-type activities of the City include water, sewer, solid waste, and airport operations.

The government-wide financial statements are for the City itself; however, they include the operations of the City of Scottsdale Municipal Property Corporation (MPC), the Scottsdale Preserve Authority (SPA), and the Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, Via Linda Road, and Waterfront Commercial Community Facilities Districts. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. (Separate financial statements of the MPC, SPA and the Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, Via Linda Road and Waterfront Commercial Community Facilities Districts may be obtained at the City's Finance and Accounting Division, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251.)

The government-wide financial statements can be found on pages 32 and 33 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, 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 can be divided into the following three categories: **Governmental** Funds, **Proprietary** Funds, and **Fiduciary** Funds.

## 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

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. Doing so highlights the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their purpose (special revenue, debt service, and capital projects). 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, General Obligation Bond Debt Service Fund, and General Capital Improvement Plan (CIP) Capital Project Fund which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in a separate section of this report.

The basic governmental fund financial statements begin on page 34 of this report.

## Proprietary Funds

Proprietary Funds are generally used to account for services for which the City charges customers—either outside customers, internal units or divisions of the City. Proprietary Funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of Proprietary Funds:

**Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for the operations of the Water, Sewer, Solid Waste and Airport operations of the City. All Enterprise Funds are considered to be major funds of the City.

**Internal Service Funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses Internal Service Funds to account for its fleet of vehicles and its health insurance and general liability insurance activities. Because these services predominantly benefit internal units or divisions of the City, they have been included within governmental activities in the government-wide financial statements. The Internal Service Funds are combined into a single, aggregated presentation in the Proprietary Fund financial statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements in a separate section of this report.

The basic Proprietary Fund financial statements begin on page 42 of this report.

## **Fiduciary Funds**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. The City has one private-purpose trust fund and two agency funds, which are reported under the Fiduciary Funds. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Fund financial statements begin on page 47 of this report.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 49 of this report.

## **Combining Statements**

The combining statements referred to earlier in connection with non-major Governmental Funds, Internal Service Funds, and Fiduciary Funds are presented beginning on page 106.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Assets and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets and liabilities using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. The change in assets reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

## **Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$4.2 billion and \$4.1 billion at the close of the fiscal years 2010 and 2009, respectively.



**Net Assets**

June 30, 2010 and 2009 (in thousands of dollars)

|   | Governmental |              | Business-Type |              | Total        |              |
|---|--------------|--------------|---------------|--------------|--------------|--------------|
|   | Activities   |              | Activities    |              |              |              |
|   | 2010         | 2009         | 2010          | 2009         | 2010         | 2009         |
| <b>Assets</b>                                   |              |              |               |              |              |              |
| Current and Other Assets                        | \$ 395,442   | \$ 404,805   | \$ 411,675    | \$ 338,886   | \$ 807,117   | \$ 743,691   |
| Capital Assets                                  | 3,528,042    | 3,389,974    | 1,322,357     | 1,305,463    | 4,850,399    | 4,695,437    |
| Total Assets                                    | 3,923,484    | 3,794,779    | 1,734,032     | 1,644,349    | 5,657,516    | 5,439,128    |
| <b>Liabilities</b>                              |              |              |               |              |              |              |
| Long-term Liabilities Outstanding               | 849,069      | 826,301      | 408,023       | 342,395      | 1,257,092    | 1,168,696    |
| Other Liabilities                               | 159,433      | 166,131      | 44,602        | 44,893       | 204,035      | 211,024      |
| Total Liabilities                               | 1,008,502    | 992,432      | 452,625       | 387,288      | 1,461,127    | 1,379,720    |
| <b>Net Assets</b>                               |              |              |               |              |              |              |
| Invested in Capital Assets, Net of Related Debt | 2,729,334    | 2,586,731    | 941,884       | 991,390      | 3,671,218    | 3,578,121    |
| Restricted                                      | 97,950       | 131,732      | 32,244        | 26,568       | 130,194      | 158,300      |
| Unrestricted                                    | 87,698       | 83,884       | 307,279       | 239,103      | 394,977      | 322,987      |
| Total Net Assets                                | \$ 2,914,982 | \$ 2,802,347 | \$ 1,281,407  | \$ 1,257,061 | \$ 4,196,389 | \$ 4,059,408 |

The largest portion (88 percent) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related outstanding debt used to acquire those assets. These amounted to \$3.7 billion and \$3.6 billion at June 30, 2010 and 2009, respectively. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these assets to provide services to citizens and therefore cannot liquidate them.

A small portion (3 percent) of the City's net assets (\$130.2 million at June 30, 2010 and \$158.3 million at June 30, 2009) represents resources that are subject to external restrictions on how they may be used. The remaining balance (9 percent) of unrestricted net assets at June 30, 2010 and 2009, \$395.0 million and \$323.0 million, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

**Analysis of Changes in Net Assets**

The City's total net assets increased by \$137.0 million and \$196.8 million during the fiscal years 2010 and 2009, respectively. These increases are explained in the government and business-type activities discussion herein, and are primarily a result of contributions from developers of infrastructure assets. Such amounts are included in Capital Grants and Contributions on the table which follows.

## Changes in Net Assets

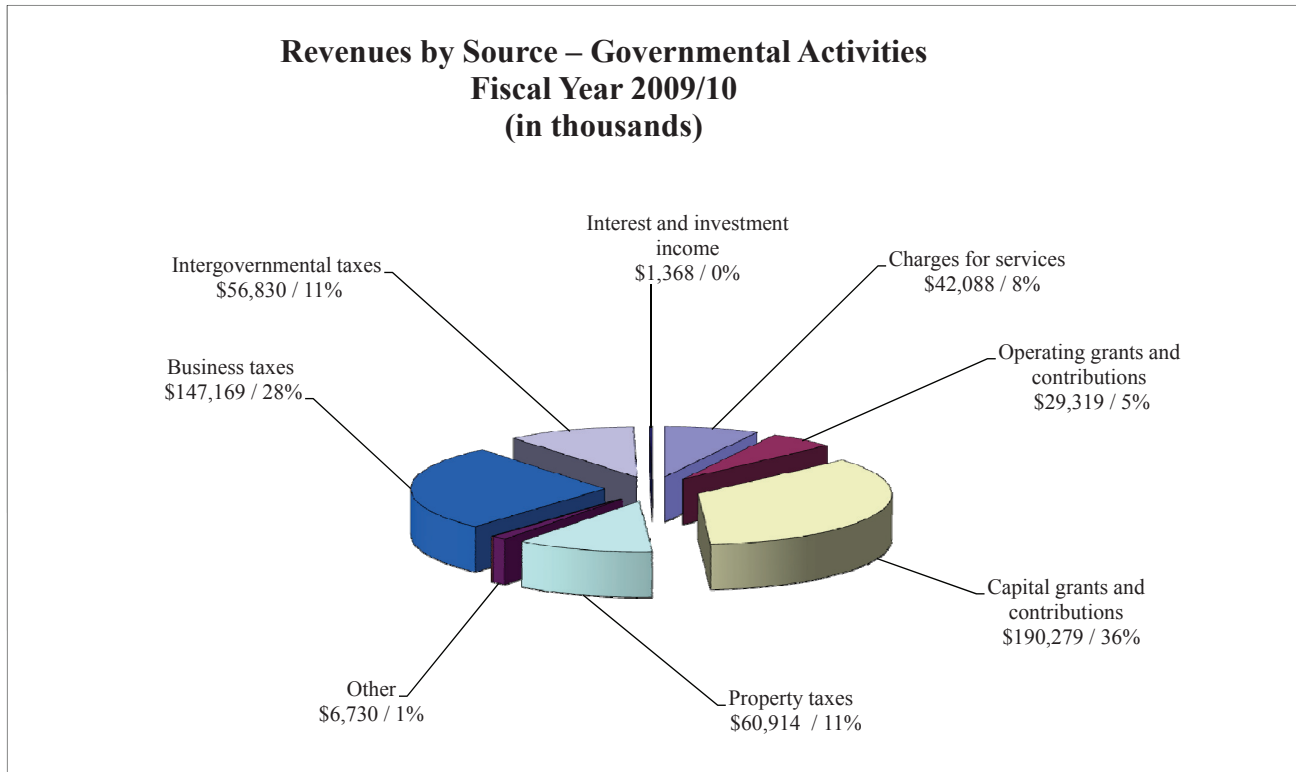
For the Years Ended June 30, 2010 and 2009 (in thousands of dollars)

|   | Governmental Activities |              | Business-type Activities |              | Total        |              |
|---|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|   | 2010                    | 2009         | 2010                     | 2009         | 2010         | 2009         |
| <b>Revenues</b>                         |                         |              |                          |              |              |              |
| Program Revenues                        |                         |              |                          |              |              |              |
| Charges for Services                    | \$ 42,088               | \$ 36,941    | \$ 152,374               | \$ 148,606   | \$ 194,462   | \$ 185,547   |
| Operating Grants and Contributions      | 29,319                  | 26,272       | -                        | -            | 29,319       | 26,272       |
| Capital Grants and Contributions        | 190,279                 | 240,289      | 9,268                    | 22,067       | 199,547      | 262,356      |
| General Revenues                        |                         |              |                          |              |              |              |
| Property Taxes                          | 60,914                  | 61,138       | -                        | -            | 60,914       | 61,138       |
| Business and Privilege Taxes            | 147,169                 | 160,134      | 130                      | 117          | 147,299      | 160,251      |
| Intergovernmental Taxes                 | 56,830                  | 64,145       | -                        | -            | 56,830       | 64,145       |
| Interest and Investment Income          | 1,368                   | 14,653       | 4,295                    | 4,958        | 5,663        | 19,611       |
| Other                                   | 6,730                   | 5,038        | 430                      | 408          | 7,160        | 5,446        |
| Total Revenues                          | 534,697                 | 608,610      | 166,497                  | 176,156      | 701,194      | 784,766      |
| <b>Expenses</b>                         |                         |              |                          |              |              |              |
| General Government                      | 24,351                  | -            | -                        | -            | 24,351       | -            |
| Finance & Accounting                    | 5,848                   | -            | -                        | -            | 5,848        | -            |
| Economic Vitality                       | 20,676                  | -            | -                        | -            | 20,676       | -            |
| Public Works & Water Resources          | 37,143                  | -            | -                        | -            | 37,143       | -            |
| Planning, Neighborhood & Transportation | 114,530                 | -            | -                        | -            | 114,530      | -            |
| Public Safety                           | 116,155                 | -            | -                        | -            | 116,155      | -            |
| Human Resources                         | 3,717                   | -            | -                        | -            | 3,717        | -            |
| Community Services                      | 53,596                  | -            | -                        | -            | 53,596       | -            |
| Information Technology                  | 14,876                  | -            | -                        | -            | 14,876       | -            |
| Administrative Services                 | 1,917                   | -            | -                        | -            | 1,917        | -            |
| General Government                      | -                       | 20,646       | -                        | -            | -            | 20,646       |
| Police                                  | -                       | 92,530       | -                        | -            | -            | 92,530       |
| Financial Services                      | -                       | 9,913        | -                        | -            | -            | 9,913        |
| Transportation                          | -                       | 87,552       | -                        | -            | -            | 87,552       |
| Community Services                      | -                       | 78,523       | -                        | -            | -            | 78,523       |
| Information Systems                     | -                       | 13,723       | -                        | -            | -            | 13,723       |
| The Downtown Group                      | -                       | 4,595        | -                        | -            | -            | 4,595        |
| Fire                                    | -                       | 31,174       | -                        | -            | -            | 31,174       |
| Municipal Services                      | -                       | 22,887       | -                        | -            | -            | 22,887       |
| Citizen and Neighborhood Resources      | -                       | 3,802        | -                        | -            | -            | 3,802        |
| Human Resources                         | -                       | 3,545        | -                        | -            | -            | 3,545        |
| Economic Vitality                       | -                       | 8,553        | -                        | -            | -            | 8,553        |
| Planning and Development                | -                       | 29,029       | -                        | -            | -            | 29,029       |
| WestWorld                               | -                       | 595          | -                        | -            | -            | 595          |
| Streetlight and Services Districts      | 538                     | 631          | -                        | -            | 538          | 631          |
| Interest on Long-term Debt              | 39,405                  | 42,242       | -                        | -            | 39,405       | 42,242       |
| Water Utility                           | -                       | -            | 76,178                   | 81,391       | 76,178       | 81,391       |
| Sewer Utility                           | -                       | -            | 33,274                   | 33,509       | 33,274       | 33,509       |
| Airport                                 | -                       | -            | 3,120                    | 3,482        | 3,120        | 3,482        |
| Solid Waste                             | -                       | -            | 18,889                   | 19,650       | 18,889       | 19,650       |
| Total Expenses                          | 432,752                 | 449,940      | 131,461                  | 138,032      | 564,213      | 587,972      |
| Increase in Net Assets Before Transfers | 101,945                 | 158,670      | 35,036                   | 38,124       | 136,981      | 196,794      |
| Transfers                               | 10,690                  | 9,932        | (10,690)                 | (9,932)      | -            | -            |
| Increase in Net Assets                  | 112,635                 | 168,602      | 24,346                   | 28,192       | 136,981      | 196,794      |
| Net Assets at Beginning of Year         | 2,802,347               | 2,633,745    | 1,257,061                | 1,228,869    | 4,059,408    | 3,862,614    |
| Net Assets at End of Year               | \$ 2,914,982            | \$ 2,802,347 | \$ 1,281,407             | \$ 1,257,061 | \$ 4,196,389 | \$ 4,059,408 |

## Governmental Activities

Governmental activities increased the City's net assets by \$112.6 million in fiscal year 2010 and \$168.6 million in fiscal year 2009, thereby accounting for 86 percent and 82 percent, respectively, of the total growth in the net assets of the City. Capital grants and contributions continued to have a positive influence on the total growth in net assets, despite a reduction of approximately 21 percent from the previous fiscal year. In addition, charges for services increased approximately \$5.1 million, helping to offset reductions in revenue from other sources.

General revenues such as property, business, and privilege taxes are not shown by program, but are used to support program activities citywide. For governmental activities overall, without regard to program, capital grants and contributions (36 percent), are the largest single source of funds, followed by business taxes which includes sales and use taxes and franchise taxes (28 percent), property taxes (11 percent), intergovernmental taxes, including state shared revenues (11 percent), and charges for services (8 percent).



Property taxes decreased by less than one percent from the previous year, due to a \$0.05 decrease in the secondary tax rate which was partially offset with new construction assessed values being added to the tax roll. In addition, there was an increase in both the primary and secondary assessed valuations over the previous year.

Business taxes decreased 8 percent from the previous year, primarily due to reduced sales tax collections, an effect of the economic recession which especially affected the automotive and construction sectors.

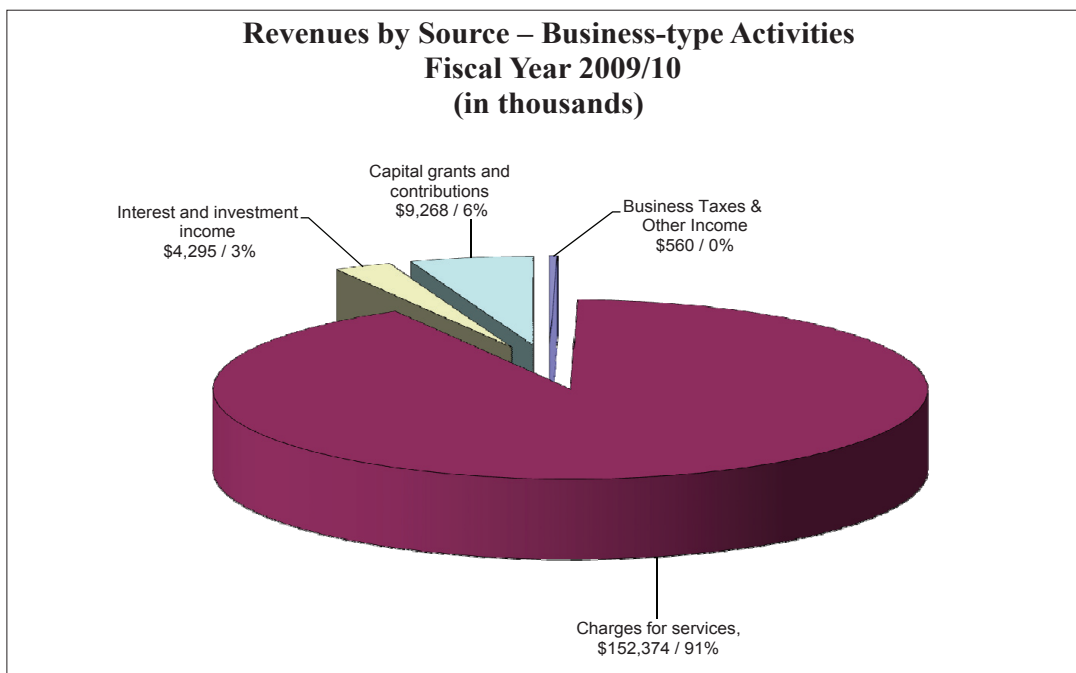
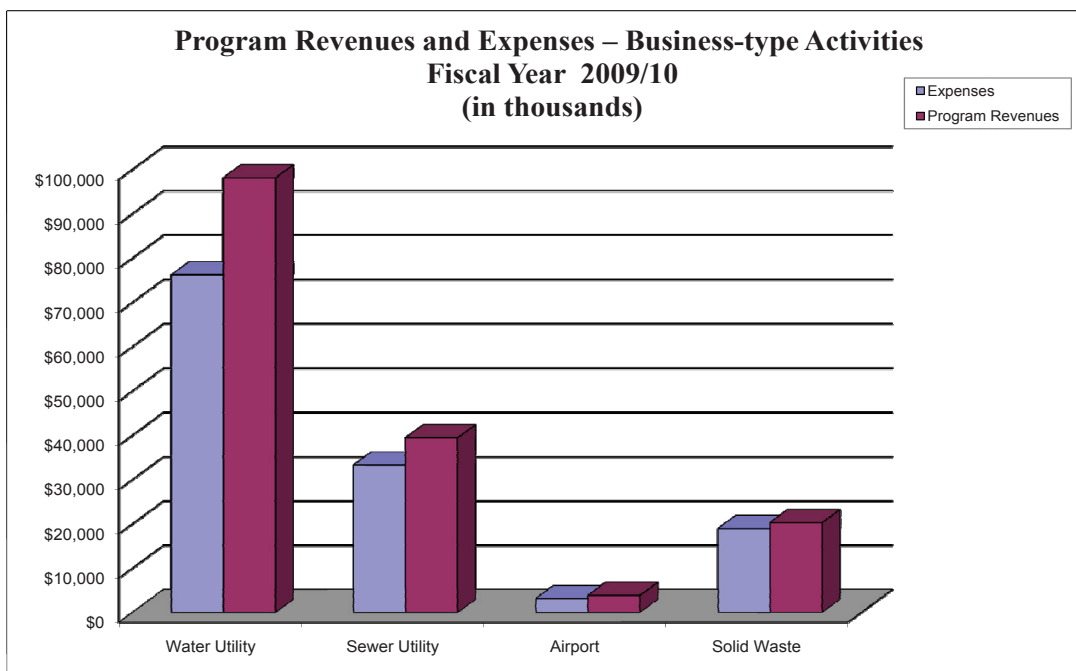
The Scottsdale Police and Fire Departments, which together comprise the Public Safety Division, is the largest expense function (27 percent), followed closely by planning, neighborhood and transportation (26 percent), and community services (12 percent).

The Transportation Department, one of three departments in the newly formed Planning, Neighborhood and Transportation Division, is charged with ensuring Scottsdale neighborhoods, businesses and visitors are provided an accessible, environmentally sensitive, safe and efficient transportation system. Projects and operations for street, transit and non-motorized travel are developed in cooperation with the public and promote economic sustainability for the community, and ensure seamless connections to the regional transportation network.

The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, and development of lifetime skills, promote healthy lifestyles and serve as a catalyst for community involvement. They also provide assistance and guidance to those in need and link citizens with information and resources throughout the world.

### Business-type Activities

Business-type activities increased the City's net assets in fiscal years 2010 and 2009 by \$24.3 million and \$28.2 million, respectively, accounting for 18 percent and 14 percent, respectively, of the total growth in the City's net assets. The key factor of this increase was Water and Sewer Utility Fund capital contributions from developers and grantors, resulting in \$8.3 million and \$22.1 million for fiscal years 2010 and 2009, respectively. The majority of this amount was infrastructure donated by developers and development fees received.



As shown in “Program Revenues and Expenses for Business-type Activities” and the “Revenues by Source for Business-type Activities” charts, the largest of Scottsdale’s business-type activities, Water and Sewer utilities, had expenses of \$76.2 million and \$33.3 million, respectively, in fiscal year 2010, followed by Solid Waste with operating expenses of \$18.9 million and Aviation of \$3.1 million. Charges for services provided the largest share of revenues (91 percent) followed by capital grants and contributions (6 percent), which are principally developer contributions and development fees.

The City’s Water Resources Department plans, manages and operates a safe, reliable water supply and wastewater reclamation system and provides efficient, high quality customer service to Scottsdale citizens. The Water Resources Department provides water service connections to approximately 87,400 customers.

The Solid Waste Department provides delivery of safe, efficient and environmentally sound solid waste services to approximately 79,000 residential customers and 1,490 commercial customers.

The Aviation Department operates the City’s general aviation reliever facility with no commercial commuter or airline service and is home to many of the Valley’s corporate aircraft. Approximately 10,000 passengers a year travel through Scottsdale Airport.

## **FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund. Governmental funds are used to account for tax-supported activities.

### **Governmental Funds**

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information may be useful in assessing the City’s financing requirements. In particular, the 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. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$205.8 million, a decrease of \$15.5 million in comparison to the balance at June 30, 2009 of \$221.3 million. Approximately \$185.0 million of the total at June 30, 2010 constitutes an unreserved fund balance. Portions of this unreserved balance are designated in the City’s budget plan for capital projects and operational contingency funding. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (e.g., \$17.2 million is committed for debt service payments).

Revenues for governmental functions overall totaled approximately \$346.1 million in fiscal year 2010, a decrease of about 14.5 percent (\$58.4 million) from the previous year total of \$404.5 million. In fiscal

year 2010 expenditures for governmental functions, totaled \$422.6 million, a decrease of 21 percent (\$111.3 million) from the fiscal year 2009 total of \$533.9 million. In the fiscal years ended June 30, 2010 and 2009, expenditures for governmental functions exceeded revenues by approximately \$76.5 million and \$129.5 million respectively.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$51.5 million, while the total fund balance was \$52.1 million; the unreserved and total balances for the General Fund at the end of fiscal year 2009 were \$59.5 million and \$60.4 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23 percent of the total General Fund expenditures of \$227.3 million in fiscal year 2010 and 23 percent of the total General Fund expenditures of \$257.2 million in fiscal year 2009. Total fund balance represents 23 percent and 24 percent of total fund expenditures for fiscal years 2010 and 2009, respectively. In fiscal year 2010 management has designated \$26.1 million of the General Fund unreserved fund balance for various uses. See note section III.C in the Notes to the Financial Statements for further information regarding reservations and designations.

The General Fund Balance decreased in fiscal year 2010 by \$8.3 million. Overall, the General Fund's performance resulted in expenditures exceeding revenue in the fiscal year ended June 30, 2010, of \$0.7 million.

The General Obligation Bond Debt Service fund is used to account for the accumulation of resources for, and the payment of, general obligation debt principal, interest and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$4.9 million, a decrease of \$5.9 million from the \$10.8 million at the end of fiscal year 2009. The majority of the decrease was due to planned use of reserve funds to lower the secondary property tax rate.

The General CIP Construction Capital Project fund accounts for the resources used to acquire, construct and improve major capital facilities, other than those financed by Proprietary Funds. The fund balances were \$31.6 million and \$59.6 million at June 30, 2010 and 2009, respectively. Capital improvement expenditures in 2010 were \$44.0 million.

### **Proprietary Funds**

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

At the end of the fiscal years 2010 and 2009, the unrestricted net assets for the Water and Sewer Utility were \$293.2 million and \$227.0 million, respectively; Scottsdale Airport were \$6.1 million and \$5.1 million, respectively; and the Solid Waste Utility Fund were \$8.0 million and \$7.0 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, also had unrestricted net assets of \$29.4 million and \$26.1 million, respectively.

The total growth in net assets for the Enterprise Funds was \$24.3 million and \$28.2 million for fiscal years 2010 and 2009, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In particular, the Scottsdale Water and Sewer net assets increased by \$22.3 million due to capital contributions of \$8.3 million as well as increased revenues.

## **Fiduciary Funds**

The City maintains small Fiduciary Funds for the assets of the Family Self-Sufficiency Agency Fund (\$4,000, Net Assets), the Retainage Escrow Agency Fund, and the Handicap Scholarship Private Purpose Trust Fund.

## **General Fund Budgetary Highlights**

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The City's final year-end budget differs from the original adopted budget due to applying intra-year budget strategies to deal with the depth and duration of the economic recession. The major adjustments included to develop a revised budget were:

- Net reduction in FTEs of approximately 200 before the beginning of the budget year,
- Two percent across-the-board pay reduction effective July 1, 2009,
- Carry forward of 2 percent pay increase that was cancelled in January 2009, and
- Elimination of merit and Superior Performance Award programs.

Additionally, the Council approved a restructuring of departments into larger divisions. Examples include the Police and Fire Departments being restructured into a combined Public Safety Division; the Planning and Development, Citizens and Neighborhood Resources and Transportation Departments being restructured a combined the Planning, Neighborhood & Transportation Division; and Economic Vitality, WestWorld, and Airport departments being restructured into a combined Economic Vitality Division.

The actual budget based fund balance was \$1.2 million less than the revised budget. Revenues and transfers in were \$7.0 million less than projected primarily because of Transient Occupancy and Building and Related permits. However, expenses and transfers out were \$5.8 million less than the revised budget. Specifically, overtime, professional services, medical claims, utility services (electric, gas and water) and materials to maintain and repair machinery and equipment were all significantly less than the revised budget.

## Capital Assets and Debt Administration

### Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2010 and 2009, amount to \$4.9 billion and \$4.7 billion, respectively (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, water rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation) between fiscal years 2010 and 2009 was 3.3 percent as shown in the table below.

#### Capital Assets, Net of Depreciation

June 30, 2010 and 2009 (in thousands of dollars)

|  | Governmental Activities |              | Business-type Activities |              | Total        |              |
|--|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|  | 2010                    | 2009         | 2010                     | 2009         | 2010         | 2009         |
| Land                                     | \$ 1,512,943            | \$ 1,380,255 | \$ 37,969                | \$ 37,969    | \$ 1,550,912 | \$ 1,418,224 |
| Buildings and Land Improvements          | 365,776                 | 272,321      | 12,413                   | 13,178       | 378,189      | 285,499      |
| Streets and Storm Drains                 | 1,475,341               | 1,427,453    | -                        | -            | 1,475,341    | 1,427,453    |
| Machinery and Equipment                  | 24,894                  | 27,452       | 12,224                   | 12,930       | 37,118       | 40,382       |
| Water Rights                             | -                       | -            | 89,701                   | 89,701       | 89,701       | 89,701       |
| Water System                             | -                       | -            | 665,879                  | 682,560      | 665,879      | 682,560      |
| Sewer System                             | -                       | -            | 301,897                  | 308,230      | 301,897      | 308,230      |
| Motor Vehicles and Maintenance by Fleet  | 23,471                  | 24,120       | -                        | -            | 23,471       | 24,120       |
| Furniture, Fixtures and Office Equipment | -                       | -            | -                        | -            | -            | -            |
| Construction in Progress                 | 125,617                 | 258,373      | 202,274                  | 160,895      | 327,891      | 419,268      |
| Total                                    | \$ 3,528,042            | \$ 3,389,974 | \$ 1,322,357             | \$ 1,305,463 | \$ 4,850,399 | \$ 4,695,437 |

Major capital asset events during the current fiscal year included the following:

- Construction in progress on implementation of the Public Safety Radio System-Phase I project that will allow for a city owned microwave communications network. Expenditures totaled \$9.9 million this year against a budget of \$22.1 million. Inception to date expenditures total \$10.9 million, leaving a balance of \$11.2 million. The project is anticipated to be completed in FY 2011/12.
- Construction in progress on the implementation of the Public Safety Microwave Radio project that will enhance the Police Radio System by augmenting leased lines. Expenditures totaled \$1.6 million against a budget of \$2.6 million. Inception to date expenditures total \$1.6 million, leaving a balance of \$1.0 million. The project is anticipated to be completed in FY 2011/12.
- Construction in progress on the renovation of the 30-year old Scottsdale Center for the Performing Arts located on Second Street. Expenditures totaled \$4.0 million this year against a budget of \$16.7 million. Inception to date expenditures total \$16.6 million, leaving a balance of \$28.5 thousand. The project is anticipated to be completed in FY 2011/12.
- Construction in progress on the design and construction of the 25,000 square foot full service Appaloosa Library located in the northern part of the City. Expenditures totaled \$3.1 this fiscal year against a budget of \$10.7 million. Inception to date expenditures total \$10.5 million, leaving a balance of \$105.7 thousand. The project is anticipated to be completed in FY 2011/12.



- Construction in progress of driveway closures, new turn lanes, bus bays and landscaped median to maximize through capacity in the existing four travel lanes on the Indian School Road – Drinkwater to Pima project. Expenditures totaled \$7.2 million this year against a budget of \$17.4 million. Inception to date expenditures total \$16.6 million, leaving a balance of \$801 thousand. The project is anticipated to be completed in FY 2011/12.
- Construction in progress on design and construction of a six-lane parkway cross-section with landscaped median, turn lanes, grade-separated path crossing, bike lanes, sidewalks, curb and gutter, roadway drainage, Intelligent Transportation System facilities and noise mitigation on the Pima Road – Thompson Peak to Pinnacle Peak Road project. Expenditures totaled \$6.4 million this year against a budget of \$23.5 million. Inception to date expenditures total \$7.6 million, leaving a balance of \$15.9 million. The project is currently in the construction phase and is anticipated to be completed in July 2011.
- Construction in progress of the four-lane minor arterial standards with landscaped median, turn lanes, bike lanes, curb and gutter and new all-weather crossing on the Indian Bend Road – Scottsdale to Hayden project. Expenditures totaled \$6.2 million this fiscal year against a budget of \$26.8 million. Inception to date expenditures total \$24.9 million, leaving a balance of \$1.9 million. The project is anticipated to be completed in FY 2011/12.
- Construction in progress on the design and construction of a six-lane major arterial cross-section with landscaped median, turn lanes, bike lanes, sidewalks, curb and gutter, roadway drainage and Intelligent Transportation System facilities on the Scottsdale Road – Frank Lloyd Wright to Thompson Peak Parkway project. Expenditures totaled \$2.2 million this fiscal year against a budget of \$49.1 million. Inception to date expenditures total \$30.5 million, leaving a balance of \$18.6 million. Construction on East and West sides of the road is complete; construction related to the northern area of the project is pending future development and state land agreements.
- Construction in progress on the expansion of the Corporation Yard Fleet Maintenance Facility to accommodate customer base growth due primarily to the absorption of a City Fire Department in July 2005. Expenditures this fiscal year totaled \$1.4 million against a budget of \$4.9 million. Inception to date expenditures total \$2.2 million, leaving a balance of \$2.7 million. Construction of Phase 3 building addition has commenced, with the truck wash replacement, knock down area and major utility work. The project is anticipated to be completed in July 2011.
- The City's water and sewer five-year capital improvement plan includes significant cost impacts from "unfunded" federal water quality mandates for treatment of arsenic and disinfection by-product requirements, in addition to plant and infrastructure expansion to accommodate growth. The most significant capital improvement projects cash expenditures include:
  - o Arsenic Mitigation Treatment (\$3.8 million) – Design and construction of arsenic removal treatment facilities and related distribution systems at various satellite sites throughout the City to comply with the Safe Drinking Water Act Arsenic Rule. The Safe Drinking Water Act lowered the maximum allowable levels for arsenic in drinking water from 50 ppb to 10 ppb as of January 2006. This new level for arsenic will require the City to utilize arsenic mitigation treatment systems in accordance with the 2001 Water Resources Master

Plan. The project's budget totals \$88.5 million. Inception to date expenditures total \$88.2 million, leaving a balance of \$251.3 thousand. The project is anticipated to be completed in FY 2011/12.

- o Multi-City Sub-Regional Operating Group (SROG) Wastewater Plant Expansion UP01 (\$2.7 million) – Provides for additional sewer flow and solids handling capacity through contribution to the capital improvements at the Multi-City 91st Avenue Wastewater Treatment Plant located in Phoenix. Capacity expansion is due to planned increased demand. The City of Scottsdale proportionate cost share is derived through existing intergovernmental agreements with the SROG. This expansion is designated as the Unified Plant 2001 (UP01). The project's budget totals \$11.8 million. Inception to date expenditures total \$6.7 million, leaving a balance of \$5.1 million. The project is anticipated to be completed in FY 2011/12.
- o Central Arizona Project (CAP) Plant expansion (\$8.1 million) – Expansion of the existing CAP Water Treatment Plant from its current capacity of 50 million gallons per day (mgd) to a minimum capacity of 70 mgd to meet required standards. This will further reduce the use of groundwater and increase use of surface water. The project's budget totals \$96.0 million. Inception to date expenditures total \$95.1 million, leaving a balance of \$866 thousand. The project is anticipated to be completed in FY 2011/12.
- o Advanced Water Treatment – Phase 4 (\$5.1 million) – Design and construction of expansion of the advanced water treatment plant consistent with the capacity of the water reclamation plant as incorporated in the updated Water and Wastewater Master Plans. This expansion will help the City comply with sewer capacity regulatory requirements (CMOM) and minimize or eliminate the need for additional capacity in the SROG regional sewage transmission facilities. The project's budget totals \$59.3 million. Inception to date expenditures total \$7.5 million, leaving a balance of \$51.8 million. The project is in the construction phase and is anticipated to be complete in August 2011.
- o Sewer Collection System Improvements (\$4.9 million) – Design and construction of sewer lines and rehabilitation of sewer manholes in the aging sewer system per the Asset Management Program. The project's budget totals \$39.5 million. Inception to date expenditures total \$17.6 million, leaving a balance of \$21.9 million. The project is anticipated to be completed in FY 2014/15.
- o Water Distribution System Improvements (\$2.7 million) – Provides for water distribution system improvements needed due to age of the system and increasing demand. Includes replacement of mains, meters and valves, as well as design and construction of new water mains at various locations throughout the distribution system to improve service and to reduce operating costs. The project's budget totals \$53.7 million. Inception to date expenditures total \$32.5 million, leaving a balance of \$21.2 million. The project is anticipated to be completed in FY 2014/15.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Section IV.C in the Notes to the Financial Statements for further information regarding capital assets.

### Debt Administration

At the end of the fiscal years 2010 and 2009, the City had total long-term obligations outstanding of \$1,286.9 million and \$1,199.1 million, respectively. Of these amounts, \$578.2 million and \$551.5 million, respectively, are General Obligation Bonds backed by the full faith and credit of the City. The remainder includes revenue bonds, municipal property corporation bonds, preserve authority bonds, certificates of participation, and other obligations of \$708.7 million and \$647.6 million for fiscal years 2010 and 2009, respectively.

#### Long-Term Liabilities

June 30, 2010 and 2009 (in thousands of dollars)

|  | Governmental<br>Activities |            | Business-Type<br>Activities |            | Total        |              |
|--|----------------------------|------------|-----------------------------|------------|--------------|--------------|
|  | 2010                       | 2009       | 2010                        | 2009       | 2010         | 2009         |
| General Obligation Bonds                                   | \$ 578,190                 | \$ 551,455 | \$ -                        | \$ -       | \$ 578,190   | \$ 551,455   |
| Revenue Bonds  | -                          | -          | 45,230                      | 48,345     | 45,230       | 48,345       |
| Municipal Property Corporation Bonds                       | 148,212                    | 149,216    | 316,780                     | 249,735    | 464,992      | 398,951      |
| Scottsdale Preserve Authority Bonds                        | 67,870                     | 71,235     | -                           | -          | 67,870       | 71,235       |
| Special Assessments Bonds                                  | 2,250                      | 3,000      | -                           | -          | 2,250        | 3,000        |
| Certificates of Participation                              | 4,194                      | 4,954      | -                           | -          | 4,194        | 4,954        |
| Community Facilities Districts General<br>Obligation Bonds | 38,760                     | 40,665     | -                           | -          | 38,760       | 40,665       |
| Add Deferred Issuance Premiums                             | 17,136                     | 17,572     | 23,562                      | 21,532     | 40,698       | 39,104       |
| Less Deferred Amounts on Refunding                         | (7,223)                    | (8,112)    | (5,106)                     | (5,592)    | (12,329)     | (13,704)     |
| Total Bonds Payable  | 849,389                    | 829,985    | 380,466                     | 314,020    | 1,229,855    | 1,144,005    |
| Contracts Payable  | 15,732                     | 16,828     | -                           | -          | 15,732       | 16,828       |
| Risk Management Claims                                     | 11,142                     | 11,530     | -                           | -          | 11,142       | 11,530       |
| Capital Lease  | -                          | -          | 7                           | 53         | 7            | 53           |
| Compensated Absences                                       | 25,617                     | 22,553     | 3,223                       | 2,797      | 28,840       | 25,350       |
| Post Employment Benefit - Implied Subsidy                  | 1,114                      | 1,157      | 181                         | 185        | 1,295        | 1,342        |
| Total Long-Term Liabilities                                | \$ 902,994                 | \$ 882,053 | \$ 383,877                  | \$ 317,055 | \$ 1,286,871 | \$ 1,199,108 |

During fiscal year 2010, the City's total long-term debt increased approximately \$87.8 million. The City issued \$50.8 million of new general obligation bonds (Governmental Activities), the remaining balance of the Bond 2000 authorization. The City also issued \$75.0 million of new Municipal Property Corporation Excise Tax Revenue bonds (Business-Type Activities) for water treatment plant expansion and sewer collection system improvements.

The State constitution imposes debt limitations on the City equal to 6 percent and 20 percent of the assessed valuation of properties within the City. The City's available debt margin at June 30, 2010 and 2009 is \$426.1 million and \$358.0 million, respectively, in the 6 percent capacity and \$1,181.3 million and \$1,241.4 million, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.F of the Notes to the Financial Statements and also in Table XVIIa in the Statistical Section of this report.

In accordance with Statement No. 45 of the Governmental Accounting Standards Board – GASB (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions), the Net Other Post-Employment Benefit Obligation (NOPEBO) included in the Outstanding Long-Term Liabilities represents the City's actuarial required contribution (ARC) pursuant to the actuarial calculations for the accrued cost of retiree health insurance as of June 30, 2010. The NOPEBO at the end of the fiscal years 2010 and 2009 were \$1.3 million and \$1.3 million, respectively.

The City is self insured and funds employee healthcare costs with current funds and designates a reserve for the self insured fund balance.

Additional information in the City's long-term liabilities can be found in Section IV.F of the Notes to the Financial Statements.

### **Economic Factors and Next Year's Budget and Rates**

The City of Scottsdale's FY 2010/11 budget included funding for the highest priorities of the City Council and citizens despite the economic recession. The budget is a maintenance budget. Staff was requested to maintain or reduce expenditures from the prior year's final approved budget; therefore, increases were only allowed where contractually required or prudent based on changed conditions.

Significant reductions included eliminating or reducing lower priority expenditures and services, which resulted in a reduction of \$8.3 million in planned spending. Some, but not all, of these changes are structural reductions that will be maintained in future years. In addition, the contingency reserve was reduced to \$2.5 million, a level consistent with historic average uses. Finally, fund balances (unreserved and Self Insurance Fund) were used as one-time revenue sources.

A separate, key component of the annual financial plan is the City's five-year Capital Improvement Plan (CIP) for infrastructure and public facilities including roads, water and sewer improvements, parks, buildings and information technology. The adopted CIP appropriation for fiscal year 2010/11 is \$677.7 million, which includes \$440.5 million (or 65 percent of the total) re-budgeted from the prior year. Under Arizona law, the City must re-budget for a capital project until it is completed. Some examples of major projects included in the CIP budget are:

- **Community Facilities** – Acquire, preserve and restore desert lands along Scottsdale Road to promote its designation as a Scenic Corridor, infrastructure to support site development of the Sky Song facility, design and construction of Troon Park North.
- **Preservation** – Construction of trails supporting the gateway to the preserve and expansion of preserve lands.
- **Drainage and Flood Control** – Drainage improvement to several areas within Scottsdale including the Granite Reef Watershed, Upper Camelback Watershed, and Pima Road Drainage System.
- **Public Safety** – Construction of the Cactus Acres Fire Station 8, Eldorado Park Fire Station 1, and Public Safety Radio System.
- **Service Facilities** – Corporate Yard Fleet Maintenance Facility Expansion, Transfer Station Expansion and Network Infrastructure Extension.
- **Transportation** – Improvements to several main Scottsdale thorough ways including Scottsdale Road – Thompson Peak Parkway to Pinnacle Peak, and Pima Road – Thompson Peak Parkway to Pinnacle Peak Road. Additionally, improvements will be made to bicycle lanes and enhanced sidewalks.
- **Water Services** – Modification and improvements to water distribution and sewer collection system improvements.

The adopted budget continues the practice of designating a reserve equal to 10 percent of the General Fund and Highway User Fund program budgets to ensure the City can provide basic services in the event of major emergencies. For FY 2010/11, this amount is \$26.2 million and a \$2.5 million contingency is maintained as well.

### **Requests For Information**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact:

City of Scottsdale  
Finance and Accounting Division  
7447 E. Indian School Road, Suite 210  
Scottsdale, AZ 85251  
(480) 312-2437

Or visit our website at:

<http://www.scottsdaleaz.gov/finance>

# Basic Financial Statements

## Statement of Net Assets

June 30, 2010 (in thousands of dollars)

|   | Governmental<br>Activities | Business-type<br>Activities | Total        |
|---|----------------------------|-----------------------------|--------------|
| <b>ASSETS</b>   |                            |                             |              |
| <b>Current Assets</b>   |                            |                             |              |
| Cash and Investments  | \$ 264,484                 | \$ 127,943                  | \$ 392,427   |
| Cash with Fiscal Agent  | 52,791                     | 61,280                      | 114,071      |
| Receivable (net of uncollectible amounts of \$ 26,442)          |                            |                             |              |
| Property Taxes and Penalties                                    | 13,467                     | -                           | 13,467       |
| Other Local Taxes   | 23,138                     | 16                          | 23,154       |
| Intergovernmental   | 28,157                     | 423                         | 28,580       |
| Charges for Services  | -                          | 15,618                      | 15,618       |
| Interest and Other  | 8,860                      | 2,388                       | 11,248       |
| Supplies Inventory  | 934                        | -                           | 934          |
| Restricted Cash, Cash Equivalents, and Investments:             |                            |                             |              |
| Customer Advances and Deposits                                  | -                          | 1,820                       | 1,820        |
| Other Restricted Assets   |                            |                             |              |
| Joint Venture Construction Deposits                             | -                          | 4,605                       | 4,605        |
| Total Current Assets  | 391,831                    | 214,093                     | 605,924      |
| <b>Noncurrent Assets</b>  |                            |                             |              |
| Equity in Joint Venture   | -                          | 126,646                     | 126,646      |
| Deferred Charges  | 3,611                      | 1,735                       | 5,346        |
| Pollution Remediation Recoveries                                | -                          | 27,605                      | 27,605       |
| Restricted Cash, Cash Equivalents, and Investments:             |                            |                             |              |
| Deferred Revenue  | -                          | 9,352                       | 9,352        |
| Water and Sewer System Replacement                              | -                          | 26,778                      | 26,778       |
| Revenue Bond Reserve  | -                          | 5,466                       | 5,466        |
| Capital Assets  |                            |                             |              |
| Land, Water Rights, and Construction in Progress                | 1,638,560                  | 329,944                     | 1,968,504    |
| Facilities, Infrastructure, and Equipment (net of depreciation) | 1,889,482                  | 992,413                     | 2,881,895    |
| Total Capital Assets (net of accumulated depreciation)          | 3,528,042                  | 1,322,357                   | 4,850,399    |
| Total Noncurrent Assets   | 3,531,653                  | 1,519,939                   | 5,051,592    |
| Total Assets  | 3,923,484                  | 1,734,032                   | 5,657,516    |
| <b>LIABILITIES</b>  |                            |                             |              |
| <b>Current Liabilities</b>                                      |                            |                             |              |
| Accounts Payable  | 25,328                     | 10,472                      | 35,800       |
| Accrued Payroll and Benefits                                    | 11,436                     | 1,104                       | 12,540       |
| Accrued Compensated Absences-Current                            | 126                        | -                           | 126          |
| Accrued Compensated Absences-Due within One Year                | 11,371                     | 1,329                       | 12,700       |
| Claims Payable  | 5,525                      | -                           | 5,525        |
| Due to Other Governments  | 4,393                      | -                           | 4,393        |
| Customer Advances and Deposits                                  | 1,900                      | 1,820                       | 3,720        |
| Matured Bonds, Loans, Other Payables                            | 31,421                     | 11,070                      | 42,491       |
| Matured Bonds, Loans, Other Interest Payable                    | 18,959                     | 7,325                       | 26,284       |
| Bonds, Loans, and Other Payables-Due within One Year            | 37,029                     | 11,482                      | 48,511       |
| Unearned Revenue  | 8,985                      | -                           | 8,985        |
| Other Liabilities   | 2,960                      | -                           | 2,960        |
| Total Current Liabilities                                       | 159,433                    | 44,602                      | 204,035      |
| <b>Noncurrent Liabilities</b>                                   |                            |                             |              |
| Accrued Compensated Absences-Due in More Than One Year          | 14,246                     | 1,894                       | 16,140       |
| Deferred Revenue  | -                          | 9,352                       | 9,352        |
| Bonds, Loans, and Other Payables-Due in More Than One Year      | 834,823                    | 369,172                     | 1,203,995    |
| Pollution Remediation Obligation                                | -                          | 27,605                      | 27,605       |
| Total Noncurrent Liabilities                                    | 849,069                    | 408,023                     | 1,257,092    |
| Total Liabilities   | 1,008,502                  | 452,625                     | 1,461,127    |
| <b>NET ASSETS</b>   |                            |                             |              |
| Invested in Capital Assets, Net of Related Debt                 | 2,729,334                  | 941,884                     | 3,671,218    |
| Restricted  |                            |                             |              |
| Debt Service  | 17,193                     | 5,466                       | 22,659       |
| Transportation and Preserve Privilege Tax Activities            | 39,711                     | -                           | 39,711       |
| Capital Projects  | 31,586                     | -                           | 31,586       |
| Grants  | 396                        | -                           | 396          |
| Special Programs  | 8,684                      | -                           | 8,684        |
| Streetlight and Service District                                | 380                        | -                           | 380          |
| Water and Sewer System Replacement                              | -                          | 26,778                      | 26,778       |
| Unrestricted  | 87,698                     | 307,279                     | 394,977      |
| Total Net Assets  | \$ 2,914,982               | \$ 1,281,407                | \$ 4,196,389 |

The notes to the financial statements are an integral part of this statement.

# Statement of Activities

For the Year Ended June 30, 2010 (in thousands of dollars)

| Function/Programs                           | Expenses          | Program Revenues     |                                    |                                  | Governmental Activities | Business-type Activities | Total               |
|---|-------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------------|
|   |                   | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |                         |                          |                     |
| <b>Governmental Activities</b>              |                   |                      |                                    |                                  |                         |                          |                     |
| General Government                          | \$ 24,351         | \$ 13,982            | \$ 1,026                           | \$ -                             | \$ (9,343)              | \$ -                     | \$ (9,343)          |
| Finance & Accounting                        | 5,848             | -                    | -                                  | -                                | (5,848)                 | -                        | (5,848)             |
| Economic Vitality                           | 20,676            | 2,552                | 20                                 | 47                               | (18,057)                | -                        | (18,057)            |
| Public Works & Water Resources              | 37,143            | -                    | 496                                | -                                | (36,647)                | -                        | (36,647)            |
| Planning, Neighborhood & Transportation     | 114,530           | 6,837                | 15,719                             | 186,880                          | 94,906                  | -                        | 94,906              |
| Public Safety                               | 116,155           | 12,655               | 3,233                              | -                                | (100,267)               | -                        | (100,267)           |
| Human Resources                             | 3,717             | -                    | -                                  | -                                | (3,717)                 | -                        | (3,717)             |
| Community Services                          | 53,596            | 5,773                | 8,825                              | 3,352                            | (35,646)                | -                        | (35,646)            |
| Information Technology                      | 14,876            | -                    | -                                  | -                                | (14,876)                | -                        | (14,876)            |
| Administrative Services                     | 1,917             | -                    | -                                  | -                                | (1,917)                 | -                        | (1,917)             |
| Streetlight and Services Districts          | 538               | 289                  | -                                  | -                                | (249)                   | -                        | (249)               |
| Interest on Long-term Debt                  | 39,405            | -                    | -                                  | -                                | (39,405)                | -                        | (39,405)            |
| <b>Total Governmental Activities</b>        | <b>432,752</b>    | <b>42,088</b>        | <b>29,319</b>                      | <b>190,279</b>                   | <b>(171,066)</b>        | <b>-</b>                 | <b>(171,066)</b>    |
| <b>Business-Type Activities</b>             |                   |                      |                                    |                                  |                         |                          |                     |
| Water Utility                               | 76,178            | 94,199               | -                                  | 3,905                            | -                       | 21,926                   | 21,926              |
| Sewer Utility                               | 33,274            | 35,027               | -                                  | 4,408                            | -                       | 6,161                    | 6,161               |
| Airport                                     | 3,120             | 2,879                | -                                  | 955                              | -                       | 714                      | 714                 |
| Solid Waste                                 | 18,889            | 20,269               | -                                  | -                                | -                       | 1,380                    | 1,380               |
| <b>Total Business-Type Activities</b>       | <b>131,461</b>    | <b>152,374</b>       | <b>-</b>                           | <b>9,268</b>                     | <b>-</b>                | <b>30,181</b>            | <b>30,181</b>       |
| <b>Total Government</b>                     | <b>\$ 564,213</b> | <b>\$ 194,462</b>    | <b>\$ 29,319</b>                   | <b>\$ 199,547</b>                | <b>(171,066)</b>        | <b>30,181</b>            | <b>(140,885)</b>    |
| <b>General Revenues</b>                     |                   |                      |                                    |                                  |                         |                          |                     |
| <b>Taxes</b>                                |                   |                      |                                    |                                  |                         |                          |                     |
| Property Taxes                              |                   |                      |                                    |                                  | 60,914                  | -                        | 60,914              |
| Sales and Use Taxes                         |                   |                      |                                    |                                  | 135,875                 | 130                      | 136,005             |
| Franchise Taxes                             |                   |                      |                                    |                                  | 11,294                  | -                        | 11,294              |
| <b>Intergovernmental</b>                    |                   |                      |                                    |                                  |                         |                          |                     |
| State Shared Sales                          |                   |                      |                                    |                                  | 17,227                  | -                        | 17,227              |
| State Revenue Sharing                       |                   |                      |                                    |                                  | 30,309                  | -                        | 30,309              |
| Other                                       |                   |                      |                                    |                                  | 9,294                   | -                        | 9,294               |
| <b>Interest and Investment Income</b>       |                   |                      |                                    |                                  |                         |                          |                     |
| Other Revenue                               |                   |                      |                                    |                                  | 1,368                   | 4,295                    | 5,663               |
| Other Revenue                               |                   |                      |                                    |                                  | 6,730                   | 430                      | 7,160               |
| <b>Transfers</b>                            |                   |                      |                                    |                                  |                         |                          |                     |
|   |                   |                      |                                    |                                  | 10,690                  | (10,690)                 | -                   |
| <b>Total General Revenues and Transfers</b> |                   |                      |                                    |                                  | <b>283,701</b>          | <b>(5,835)</b>           | <b>277,866</b>      |
| Change in Net Assets                        |                   |                      |                                    |                                  | 112,635                 | 24,346                   | 136,981             |
| Net Assets - Beginning                      |                   |                      |                                    |                                  | 2,802,347               | 1,257,061                | 4,059,408           |
| Net Assets - Ending                         |                   |                      |                                    |                                  | <b>\$ 2,914,982</b>     | <b>\$ 1,281,407</b>      | <b>\$ 4,196,389</b> |

The notes to the financial statements are an integral part of this statement.



## Balance Sheet

### Governmental Funds

June 30, 2010 (in thousands of dollars)

|   | General          | General<br>Obligation Bond<br>Debt Service | General CIP<br>Construction<br>Capital Projects | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------|--|---|--|--------------------------------|
| <b>ASSETS</b>                                     |                  |  |   |  |                                |
| Cash and Investments                              | \$ 59,083        | \$ 4,459                                   | \$ 36,451                                       | \$ 122,549                                 | \$ 222,542                     |
| Cash with Fiscal Agent                            | 459              | 37,066                                     | 257   | 15,009                                     | 52,791                         |
| Receivables (net of allowance for uncollectibles) |                  |  |   |  |                                |
| Interest  | 902              | -  | 70  | 167  | 1,139                          |
| Privilege Tax                                     | 8,581            | -  | -   | 3,299                                      | 11,880                         |
| Transient Occupancy Tax                           | 508              | -  | -   | 315  | 823                            |
| Property Tax                                      | 1,150            | 1,688                                      | -   | 232  | 3,070                          |
| State Shared Sales Tax                            | 1,473            | -  | -   | -  | 1,473                          |
| Franchise Fee                                     | 2,550            | -  | -   | -  | 2,550                          |
| Court Receivable                                  | 10,397           | -  | -   | -  | 10,397                         |
| Library Receivable                                | 871              | -  | -   | -  | 871                            |
| Tax Audit Receivable                              | 4,440            | -  | -   | -  | 4,440                          |
| Highway User Tax                                  | -                | -  | -   | 1,230                                      | 1,230                          |
| Auto Lieu Tax                                     | 742              | -  | -   | -  | 742                            |
| Intergovernmental                                 | -                | -  | -   | 25,284                                     | 25,284                         |
| Grants  | -                | -  | 1   | 2,872                                      | 2,873                          |
| Special Assessments                               | -                | -  | -   | 1,897                                      | 1,897                          |
| Miscellaneous                                     | 1,638            | -  | 3,004   | 217  | 4,859                          |
| Due from Other Funds                              | 80               | -  | -   | -  | 80                             |
| Supplies Inventory                                | 206              | -  | -   | -  | 206                            |
| <b>Total Assets</b>                               | <b>\$ 93,080</b> | <b>\$ 43,213</b>                           | <b>\$ 39,783</b>                                | <b>\$ 173,071</b>                          | <b>\$ 349,147</b>              |

(continued)

## Balance Sheet

### Governmental Funds

June 30, 2010 (in thousands of dollars)

|   | General   | General<br>Obligation Bond<br>Debt Service | General CIP<br>Construction<br>Capital Projects | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------|--|---|--|--------------------------------|
| <b>LIABILITIES AND FUND BALANCES</b>        |           |  |   |  |                                |
| Liabilities                                 |           |  |   |  |                                |
| Accounts Payable                            | \$ 8,222  | \$ -                                       | \$ 7,163  | \$ 8,444                                   | \$ 23,829                      |
| Accrued Payroll and Benefits                | 10,557    | -  | 23  | 751  | 11,331                         |
| Due to Other Funds                          | -         | -  | -   | 80   | 80                             |
| Matured Bond Interest Payable               | 75        | 13,001                                     | -   | 5,883                                      | 18,959                         |
| Matured Bonds Payable                       | 383       | 24,065                                     | -   | 6,973                                      | 31,421                         |
| Deferred Revenue                            |           |  |   |  |                                |
| Property Tax                                | 945       | 1,215                                      | -   | 158  | 2,318                          |
| Tax Audit                                   | 4,440     | -  | -   | -  | 4,440                          |
| Court                                       | 4,270     | -  | -   | -  | 4,270                          |
| Library                                     | 871       | -  | -   | -  | 871                            |
| Privilege Tax                               | 1,739     | -  | -   | -  | 1,739                          |
| Transient Occupancy Tax                     | 430       | -  | -   | -  | 430                            |
| Special Assessments                         | -         | -  | -   | 1,897                                      | 1,897                          |
| Intergovernmental                           | -         | -  | 1   | 31,721                                     | 31,722                         |
| Other                                       | 834       | -  | 3   | -  | 837                            |
| Due to Other Governments                    | 4,388     | -  | 5   | -  | 4,393                          |
| Guaranty and Other Deposits                 | 862       | -  | 1,002   | 36   | 1,900                          |
| Other                                       | 2,960     | -  | -   | -  | 2,960                          |
| Total Liabilities                           | 40,976    | 38,281                                     | 8,197   | 55,943                                     | 143,397                        |
| Fund Balances                               |           |  |   |  |                                |
| Reserved for                                |           |  |   |  |                                |
| Inventory                                   | 206       | -  | -   | -  | 206                            |
| Streetlight and Services Districts          | 380       | -  | -   | -  | 380                            |
| Debt Service                                | -         | 4,932                                      | -   | 12,261                                     | 17,193                         |
| Miscellaneous Receivable                    | -         | -  | 3,000   | -  | 3,000                          |
| Unreserved, Reported in                     |           |  |   |  |                                |
| General Fund - Designated Operating Reserve | 26,126    | -  | -   | -  | 26,126                         |
| General Fund - Undesignated                 | 25,392    | -  | -   | -  | 25,392                         |
| Capital Projects Funds                      | -         | -  | 28,586  | 73,904                                     | 102,490                        |
| Special Revenue Funds                       | -         | -  | -   | 30,963                                     | 30,963                         |
| Total Fund Balances                         | 52,104    | 4,932                                      | 31,586  | 117,128                                    | 205,750                        |
| Total Liabilities and Fund Balances         | \$ 93,080 | \$ 43,213                                  | \$ 39,783                                       | \$ 173,071                                 | \$ 349,147                     |

The notes to the financial statements are an integral part of this statement.

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2010 (in thousands of dollars)

---

|  |                            |
|--|----------------------------|
| Fund Balances - Total Governmental Funds   | \$ 205,750                 |
| Amounts reported for governmental activities in the statement of net assets<br>are different because (see Note II A):  |                            |
| Capital assets used in governmental activities are not financial resources;<br>therefore, are not reported in the funds.   | 3,496,964                  |
| Bond issuance costs are not financial resources; therefore, are not<br>reported in the funds.  | 3,611                      |
| Long-term liabilities, including bonds payable, are not due and payable<br>in the current period; therefore, are not reported in the funds.  | (891,370)                  |
| Because the focus of governmental funds is on short-term financing,<br>some assets will not be available to pay for current period expenditures.<br>Those assets are offset by deferred revenue in the funds.  | 39,539                     |
| Internal Service Funds are used by management to charge the costs of<br>certain activities, such as insurance and vehicles to individual funds.<br>The assets and liabilities of the Internal Service Funds are included in<br>governmental activities in the statement of net assets. | <u>60,488</u>              |
| Net Assets of Governmental Activities  | <u><u>\$ 2,914,982</u></u> |

The notes to the financial statements are an integral part of this statement.

# Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|                                      | General   | General<br>Obligation Bond<br>Debt Service | General CIP<br>Construction<br>Capital Projects | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|-----------|--|---|--|--------------------------------|
| <b>REVENUES</b>                      |           |  |   |  |                                |
| Taxes - Local                        |           |  |   |  |                                |
| Property                             | \$ 23,251 | \$ 31,620                                  | \$ -  | \$ 3,483                                   | \$ 58,354                      |
| Transaction Privilege                | 85,419    | -  | -   | 41,024                                     | 126,443                        |
| Transient Occupancy                  | 7,113     | -  | -   | -  | 7,113                          |
| Light and Power Franchise            | 7,834     | -  | -   | -  | 7,834                          |
| Cable TV Franchise                   | 3,317     | -  | -   | -  | 3,317                          |
| Salt River Project In-Lieu           | 143       | -  | -   | -  | 143                            |
| Other Taxes                          | 836       | -  | -   | -  | 836                            |
| Taxes - Intergovernmental            |           |  |   |  |                                |
| State-Shared Sales                   | 17,227    | -  | -   | -  | 17,227                         |
| State Revenue Sharing                | 30,309    | -  | -   | -  | 30,309                         |
| Auto Lieu Tax                        | 7,873     | -  | -   | -  | 7,873                          |
| Highway User Tax                     | -         | -  | -   | 13,342                                     | 13,342                         |
| Local Transportation Assistance Fund | -         | -  | -   | 585  | 585                            |
| Business and Liquor Licenses         | 1,787     | -  | -   | -  | 1,787                          |
| Charges for Current Services         |           |  |   |  |                                |
| Building and Related Permits         | 6,907     | -  | -   | -  | 6,907                          |
| Recreation Fees                      | 3,386     | -  | -   | 1,165                                      | 4,551                          |
| WestWorld Equestrian Facility Fees   | 2,552     | -  | -   | -  | 2,552                          |
| Fire Fees                            | 1,312     | -  | -   | -  | 1,312                          |
| Fines, Fees and Forfeitures          |           |  |   |  |                                |
| Court                                | 7,511     | -  | -   | 3  | 7,514                          |
| Parking                              | 316       | -  | -   | -  | 316                            |
| Photo Radar                          | 1,767     | -  | -   | -  | 1,767                          |
| Court Enhancement                    | -         | -  | -   | 1,067                                      | 1,067                          |
| Library                              | 351       | -  | -   | -  | 351                            |
| Police Fees                          | -         | -  | -   | 622  | 622                            |
| Special Assessments                  | -         | -  | -   | 765  | 765                            |
| Property Rental                      | 3,060     | -  | -   | 293  | 3,353                          |
| Interest Earnings                    | 2,328     | -  | 960   | 1,726                                      | 5,014                          |
| Investment Loss                      | (5,165)   | -  | 224   | 245  | (4,696)                        |
| Intergovernmental                    |           |  |   |  |                                |
| Federal Grants                       | -         | -  | -   | 7,915                                      | 7,915                          |
| State Grants                         | -         | -  | 3,352   | 4,069                                      | 7,421                          |
| Miscellaneous                        | 1,038     | -  | -   | 1,382                                      | 2,420                          |
| Developer Contributions              | 10        | -  | 82  | 2,426                                      | 2,518                          |
| Streetlight and Services Districts   | 289       | -  | -   | -  | 289                            |
| Contributions and Donations          | 9         | -  | 5   | 1,261                                      | 1,275                          |
| Reimbursements from Outside Sources  | 2,095     | -  | 90  | 667  | 2,852                          |
| Indirect Costs                       | 13,288    | -  | -   | 871  | 14,159                         |
| Other                                | 438       | -  | 45  | 161  | 644                            |
| Total Revenues                       | 226,601   | 31,620                                     | 4,758   | 83,072                                     | 346,051                        |

(continued)

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|   | General   | General<br>Obligation Bond<br>Debt Service | General CIP<br>Construction<br>Capital Projects | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------|--|---|--|--------------------------------|
| <b>EXPENDITURES</b>                               |           |  |   |  |                                |
| Current   |           |  |   |  |                                |
| General Government                                | 15,627    | -  | -   | 1,403                                      | 17,030                         |
| Finance & Accounting                              | 6,059     | -  | -   | -  | 6,059                          |
| Economic Vitality                                 | 10,700    | -  | -   | 6,410                                      | 17,110                         |
| Public Works & Water Resources                    | 16,937    | -  | -   | 14,454                                     | 31,391                         |
| Planning, Neighborhood & Transportation           | 14,155    | -  | -   | 13,292                                     | 27,447                         |
| Public Safety                                     | 109,546   | -  | -   | 1,913                                      | 111,459                        |
| Human Resources                                   | 3,654     | -  | -   | 3  | 3,657                          |
| Community Services                                | 36,400    | -  | -   | 9,255                                      | 45,655                         |
| Information Technology                            | 9,469     | -  | -   | -  | 9,469                          |
| Administrative Services                           | 1,859     | -  | -   | -  | 1,859                          |
| Streetlight and Services Districts                | 538       | -  | -   | -  | 538                            |
| Debt Service                                      |           |  |   |  |                                |
| Principal   | 1,064     | 24,065                                     | -   | 8,572                                      | 33,701                         |
| Interest and Fiscal Charges                       | 1,306     | 25,585                                     | -   | 11,891                                     | 38,782                         |
| Bond Issuance Costs                               | -         | 497  | -   | -  | 497                            |
| Capital Improvements                              | -         | -  | 43,972  | 33,957                                     | 77,929                         |
| Total Expenditures                                | 227,314   | 50,147                                     | 43,972  | 101,150                                    | 422,583                        |
| Excess (Deficiency) of Revenues Over Expenditures | (713)     | (18,527)                                   | (39,214)  | (18,078)                                   | (76,532)                       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |           |  |   |  |                                |
| Transfers In                                      | 19,232    | 13,956                                     | 21,677  | 53,201                                     | 108,066                        |
| Transfers Out                                     | (26,837)  | (2,181)                                    | (10,516)  | (59,159)                                   | (98,693)                       |
| Premium on Long Term Debt                         | -         | 843  | -   | -  | 843                            |
| Proceeds of Long Term Debt                        | -         | -  | -   | 50,800                                     | 50,800                         |
| Total Other Financing Sources and (Uses)          | (7,605)   | 12,618                                     | 11,161  | 44,842                                     | 61,016                         |
| Net Change in Fund Balances                       | (8,318)   | (5,909)                                    | (28,053)  | 26,764                                     | (15,516)                       |
| Fund Balances - Beginning                         | 60,422    | 10,841                                     | 59,639  | 90,364                                     | 221,266                        |
| Fund Balances - Ending                            | \$ 52,104 | \$ 4,932                                   | \$ 31,586                                       | \$ 117,128                                 | \$ 205,750                     |

The notes to the financial statements are an integral part of this statement.

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2010 (in thousands of dollars)

|   |             |
|---|-------------|
| Net Change in Fund Balances - Total Governmental Funds  | \$ (15,516) |
| Amounts reported for governmental activities in the statement of activities are different because (see Note II B):  |             |
| 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 outlay exceeded depreciation in the current period.  | (42,658)    |
| Donations of capital assets are not capitalized on the governmental fund statements but are shown in the statement of activities.   | 179,690     |
| Transfer of capital asset to the Internal Service Fund.   | (1,148)     |
| Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.   | (3,003)     |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  | 7,796       |
| Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year bond issuance costs exceed amortization expense in the current period.   | 240         |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any affect on net assets. This is the amount by which debt proceeds exceeded principal retirement in the current period. | (17,942)    |
| Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refunding.   | (366)       |
| The net revenues of certain activities of internal service funds is reported with governmental activities.  | 5,542       |
| Changes in Net Assets of Governmental Activities  | \$ 112,635  |

The notes to the financial statements are an integral part of this statement.

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Year Ended June 30, 2010 (in thousands of dollars)

|  | Budgeted Amounts |                  | Actual Amounts<br>Budgetary Basis | Budget to GAAP<br>Differences | Actual Amounts<br>GAAP Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|------------------|-----------------------------------|-------------------------------|------------------------------|---|
|  | Original         | Final            |                                   |                               |                              |   |
| <b>REVENUES</b>                                      |                  |                  |                                   |                               |                              |   |
| Taxes - Local  |                  |                  |                                   |                               |                              |   |
| Property   | \$ 23,655        | \$ 23,655        | \$ 23,342                         | \$ (91)                       | \$ 23,251                    | \$ (313)  |
| Transaction Privilege                                | 83,262           | 83,262           | 85,830                            | (411)                         | 85,419                       | 2,568   |
| Transient Occupancy Tax                              | 8,231            | 8,231            | 7,108                             | 5                             | 7,113                        | (1,123)   |
| Light and Power Franchise                            | 8,400            | 8,400            | 7,963                             | (129)                         | 7,834                        | (437)   |
| Cable TV Franchise                                   | 3,600            | 3,600            | 3,425                             | (108)                         | 3,317                        | (175)   |
| Salt River Project In-Lieu                           | 139              | 139              | 72                                | 71                            | 143                          | (67)  |
| Other Taxes  | 863              | 863              | 789                               | 47                            | 836                          | (74)  |
| Taxes - Intergovernmental                            |                  |                  |                                   |                               |                              |   |
| State-Shared Sales                                   | 18,048           | 17,855           | 17,275                            | (48)                          | 17,227                       | (580)   |
| State Revenue Sharing                                | 30,308           | 30,309           | 30,309                            | -                             | 30,309                       | -   |
| Auto Lieu Tax  | 8,000            | 8,000            | 7,948                             | (75)                          | 7,873                        | (52)  |
| Business and Liquor Licenses                         | 1,680            | 1,680            | 1,787                             | -                             | 1,787                        | 107   |
| Charges for Current Services                         |                  |                  |                                   |                               |                              |   |
| Building and Related Permits                         | 8,149            | 8,149            | 6,865                             | 42                            | 6,907                        | (1,284)   |
| Recreation Fees                                      | 3,022            | 3,022            | 3,343                             | 43                            | 3,386                        | 321   |
| Westworld Equestrian Facility Fees                   | 2,888            | 2,873            | 2,523                             | 29                            | 2,552                        | (350)   |
| Fire Fees  | 2,350            | 1,347            | 1,753                             | (441)                         | 1,312                        | 406   |
| Police Fees  | 400              | -                | -                                 | -                             | -                            | -   |
| Fines, Fees and Forfeitures                          |                  |                  |                                   |                               |                              |   |
| Court  | 7,166            | 7,156            | 7,476                             | 35                            | 7,511                        | 320   |
| Parking  | 495              | 505              | 316                               | -                             | 316                          | (189)   |
| Photo Radar  | 1,656            | 1,656            | 1,767                             | -                             | 1,767                        | 111   |
| Library  | 390              | 300              | 351                               | -                             | 351                          | 51  |
| Property Rental                                      | 3,194            | 3,194            | 2,868                             | 192                           | 3,060                        | (326)   |
| Interest Earnings                                    | 1,657            | 1,657            | 2,051                             | 277                           | 2,328                        | 394   |
| Investment Income                                    | -                | -                | -                                 | (5,165)                       | (5,165)                      | -   |
| Intergovernmental                                    |                  |                  |                                   |                               |                              |   |
| Miscellaneous  | 1,050            | 932              | 1,115                             | (77)                          | 1,038                        | 183   |
| Developer Contributions                              | -                | -                | 10                                | -                             | 10                           | 10  |
| Streetlight and Services Districts                   | 621              | 279              | 292                               | (3)                           | 289                          | 13  |
| Contributions and Donations                          | -                | 14               | 9                                 | -                             | 9                            | (5)   |
| Reimbursements from Outside Sources                  | 350              | 365              | 2,095                             | -                             | 2,095                        | 1,730   |
| Indirect Costs                                       | 15,635           | 16,035           | 13,288                            | -                             | 13,288                       | (2,747)   |
| Other  | 1,000            | 6,002            | 545                               | (107)                         | 438                          | (5,457)   |
| Total Revenues                                       | <u>236,209</u>   | <u>239,480</u>   | <u>232,515</u>                    | <u>(5,914)</u>                | <u>226,601</u>               | <u>(6,965)</u>  |
| <b>EXPENDITURES</b>                                  |                  |                  |                                   |                               |                              |   |
| Current  |                  |                  |                                   |                               |                              |   |
| General Government                                   | 15,361           | 15,803           | 15,704                            | (77)                          | 15,627                       | 99  |
| Finance & Accounting                                 | 5,062            | 6,087            | 6,264                             | (205)                         | 6,059                        | (177)   |
| Economic Vitality                                    | 9,631            | 10,865           | 10,693                            | 7                             | 10,700                       | 172   |
| Public Works & Water Resources                       | 18,983           | 18,244           | 16,914                            | 23                            | 16,937                       | 1,330   |
| Planning, Neighborhood & Transportation              | 17,164           | 15,187           | 14,309                            | (154)                         | 14,155                       | 878   |
| Public Safety  | 116,256          | 113,074          | 109,439                           | 107                           | 109,546                      | 3,635   |
| Human Resources                                      | 4,086            | 3,866            | 3,670                             | (16)                          | 3,654                        | 196   |
| Community Services                                   | 38,499           | 37,828           | 36,669                            | (269)                         | 36,400                       | 1,159   |
| Information Technology                               | 10,334           | 9,777            | 9,467                             | 2                             | 9,469                        | 310   |
| Administrative Services                              | 3,213            | 1,804            | 1,785                             | 74                            | 1,859                        | 19  |
| Streetlight and Services Districts                   | 732              | 732              | 538                               | -                             | 538                          | 194   |
| Inventory  | -                | -                | (44)                              | 44                            | -                            | -   |
| Leave Accrual Payments                               | 1,790            | -                | -                                 | -                             | -                            | -   |
| Estimated Personnel Savings from Vacant Positions    | (5,000)          | -                | -                                 | -                             | -                            | -   |
| Future Budget Reductions                             | (12,537)         | -                | -                                 | -                             | -                            | -   |
| Debt Service   |                  |                  |                                   |                               |                              |   |
| Principal  | 2,085            | 1,064            | 1,064                             | -                             | 1,064                        | -   |
| Interest and Fiscal Charges                          | 2,580            | 1,492            | 1,306                             | -                             | 1,306                        | 186   |
| Total Expenditures                                   | <u>228,239</u>   | <u>235,823</u>   | <u>227,778</u>                    | <u>(464)</u>                  | <u>227,314</u>               | <u>8,001</u>  |
| Excess (Deficiency) of Revenues Over<br>Expenditures | <u>7,970</u>     | <u>3,657</u>     | <u>4,737</u>                      | <u>(5,450)</u>                | <u>(713)</u>                 | <u>1,036</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |                  |                                   |                               |                              |   |
| Transfers In   | 18,790           | 19,244           | 19,232                            | -                             | 19,232                       | (12)  |
| Transfers Out  | (29,461)         | (24,596)         | (26,837)                          | -                             | (26,837)                     | (2,241)   |
| Total Other Financing Sources and (Uses)             | <u>(10,671)</u>  | <u>(5,352)</u>   | <u>(7,605)</u>                    | <u>-</u>                      | <u>(7,605)</u>               | <u>(2,253)</u>  |
| Net Change in Fund Balance                           | (2,701)          | (1,695)          | (2,868)                           | (5,450)                       | (8,318)                      | (1,217)   |
| Fund Balance - Beginning                             | <u>35,184</u>    | <u>42,254</u>    | <u>42,254</u>                     | <u>18,168</u>                 | <u>60,422</u>                | <u>-</u>  |
| Fund Balance - Ending                                | <u>\$ 32,483</u> | <u>\$ 40,559</u> | <u>\$ 39,386</u>                  | <u>\$ 12,718</u>              | <u>\$ 52,104</u>             | <u>\$ (1,217)</u>   |

The notes to the financial statements are an integral part of this statement.

# General Fund

## Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Year Ended June 30, 2010 (in thousands of dollars)

---

### Explanation of Differences:

Items recorded as revenues for GAAP purposes that are not recorded  
for budget purposes:

|                                     |    |       |
|-------------------------------------|----|-------|
| Change in Fair Value of Investments | \$ | 5,165 |
|-------------------------------------|----|-------|

The City budgets revenues on the cash basis, rather than on the modified accrual basis:

|                       |  |            |
|-----------------------|--|------------|
| Change in Receivables |  | <u>749</u> |
|-----------------------|--|------------|

|                                  |  |              |
|----------------------------------|--|--------------|
| Total Revenue Reconciling Items: |  | <u>5,914</u> |
|----------------------------------|--|--------------|

The City budgets for certain expenditures on the cash basis, rather than  
on the modified accrual basis:

|                                 |  |      |
|---------------------------------|--|------|
| Claims and Compensated Absences |  | 479  |
| Bad Debt Expense                |  | 29   |
| Inventory/Other Expenses        |  | (44) |

|                                      |  |            |
|--------------------------------------|--|------------|
| Total Expenditure Reconciling Items: |  | <u>464</u> |
|--------------------------------------|--|------------|

|   |    |                     |
|---|----|---------------------|
| Net Increase in Fund Balance - Budget to GAAP | \$ | <u><u>5,450</u></u> |
|---|----|---------------------|

The notes to the financial statements are an integral part of this statement.



## Statement of Net Assets

### Proprietary Funds

June 30, 2010 (in thousands of dollars)

|   | Water and<br>Sewer<br>Utility | Airport          | Solid Waste      | Total               | Governmental<br>Activities -<br>Internal<br>Service Funds |
|---|-------------------------------|------------------|------------------|---------------------|---|
| <b>ASSETS</b>   |                               |                  |                  |                     |   |
| Current Assets  |                               |                  |                  |                     |   |
| Cash and Investments  | \$ 114,137                    | \$ 5,904         | \$ 7,902         | \$ 127,943          | \$ 41,942   |
| Cash with Fiscal Agent  | 61,280                        | -                | -                | 61,280              | -   |
| Receivables   |                               |                  |                  |                     |   |
| Privilege Tax   | -                             | 16               | -                | 16                  | -   |
| Charges for Services  | 13,808                        | -                | 1,810            | 15,618              | -   |
| Intergovernmental   | 13                            | 410              | -                | 423                 | -   |
| Interest  | 315                           | 12               | 15               | 342                 | 91  |
| Miscellaneous   | 1,855                         | 129              | 62               | 2,046               | 3   |
| Supplies Inventory  | -                             | -                | -                | -                   | 728   |
| Restricted Cash, Cash Equivalents, and Investments:               |                               |                  |                  |                     |   |
| Customer Advances and Deposits                                    | 1,752                         | 68               | -                | 1,820               | -   |
| Other Restricted Assets   |                               |                  |                  |                     |   |
| Joint Venture Construction Deposits                               | 4,605                         | -                | -                | 4,605               | -   |
| <b>Total Current Assets</b>                                       | <b>197,765</b>                | <b>6,539</b>     | <b>9,789</b>     | <b>214,093</b>      | <b>42,764</b>   |
| Noncurrent Assets   |                               |                  |                  |                     |   |
| Equity in Joint Venture   | 126,646                       | -                | -                | 126,646             | -   |
| Deferred Charges  | 1,735                         | -                | -                | 1,735               | -   |
| Pollution Remediation Recoveries                                  | 27,605                        | -                | -                | 27,605              | -   |
| Restricted Cash, Cash Equivalents, and Investments:               |                               |                  |                  |                     |   |
| Deferred Revenue  | 9,311                         | 41               | -                | 9,352               | -   |
| Water and Sewer System Replacement                                | 26,778                        | -                | -                | 26,778              | -   |
| Revenue Bond Reserve  | 5,466                         | -                | -                | 5,466               | -   |
| Capital Assets  |                               |                  |                  |                     |   |
| Land  | 27,294                        | 9,564            | 1,111            | 37,969              | -   |
| Water Rights  | 89,701                        | -                | -                | 89,701              | -   |
| Water System  | 917,289                       | -                | -                | 917,289             | -   |
| Sewer System  | 421,633                       | -                | -                | 421,633             | -   |
| Buildings and Improvements  | -                             | 19,295           | 3,362            | 22,657              | 1,920   |
| Motor Vehicles  | -                             | -                | -                | -                   | 66,960  |
| Machinery and Equipment   | 14,915                        | 956              | 1,933            | 17,804              | 768   |
| Furniture and Fixtures  | 621                           | -                | -                | 621                 | -   |
| Construction in Progress  | 199,762                       | 1,782            | 730              | 202,274             | 6,796   |
| Less Accumulated Depreciation                                     | (375,821)                     | (8,918)          | (2,852)          | (387,591)           | (45,366)  |
| <b>Total Capital Assets (net of<br/>accumulated depreciation)</b> | <b>1,295,394</b>              | <b>22,679</b>    | <b>4,284</b>     | <b>1,322,357</b>    | <b>31,078</b>   |
| <b>Total Noncurrent Assets</b>                                    | <b>1,492,935</b>              | <b>22,720</b>    | <b>4,284</b>     | <b>1,519,939</b>    | <b>31,078</b>   |
| <b>Total Assets</b>   | <b>\$ 1,690,700</b>           | <b>\$ 29,259</b> | <b>\$ 14,073</b> | <b>\$ 1,734,032</b> | <b>\$ 73,842</b>  |

(continued)

## Statement of Net Assets

### Proprietary Funds

June 30, 2010 (in thousands of dollars)

|  | Water and<br>Sewer<br>Utility | Airport   | Solid Waste | Total        | Governmental<br>Activities -<br>Internal<br>Service Funds |
|--|-------------------------------|-----------|-------------|--------------|---|
| <b>LIABILITIES</b>   |                               |           |             |              |   |
| Current Liabilities  |                               |           |             |              |   |
| Accounts Payable   | \$ 9,720                      | \$ 146    | \$ 606      | \$ 10,472    | \$ 1,499  |
| Accrued Payroll and Benefits                                 | 847                           | 77        | 180         | 1,104        | 231   |
| Accrued Compensated Absences - Due Within One Year           | 951                           | 50        | 328         | 1,329        | 221   |
| Claims Payable - Due Within One Year                         | -                             | -         | -           | -            | 5,525   |
| Customer Advances and Deposits                               | 1,752                         | 68        | -           | 1,820        | -   |
| Matured Bonds Payable  | 11,070                        | -         | -           | 11,070       | -   |
| Matured Bond Interest Payable                                | 7,325                         | -         | -           | 7,325        | -   |
| Bonds Payable and Other Payables - Due Within One Year       | 11,482                        | -         | -           | 11,482       | -   |
| Total Current Liabilities                                    | 43,147                        | 341       | 1,114       | 44,602       | 7,476   |
| Noncurrent Liabilities                                       |                               |           |             |              |   |
| Accrued Compensated Absences - Due in More Than One Year     | 1,147                         | 83        | 664         | 1,894        | 219   |
| Deferred Revenue   | 9,311                         | 41        | -           | 9,352        | -   |
| Bonds Payable and Other Payables - Due in More Than One Year | 369,113                       | 9         | 50          | 369,172      | 5,659   |
| Pollution Remediation Obligation                             | 27,605                        | -         | -           | 27,605       | -   |
| Total Noncurrent Liabilities                                 | 407,176                       | 133       | 714         | 408,023      | 5,878   |
| Total Liabilities  | 450,323                       | 474       | 1,828       | 452,625      | 13,354  |
| <b>NET ASSETS</b>  |                               |           |             |              |   |
| Invested in Capital Assets, Net of Related Debt              | 914,921                       | 22,679    | 4,284       | 941,884      | 31,078  |
| Restricted for Water and Sewer System Replacement            | 26,778                        | -         | -           | 26,778       | -   |
| Restricted for Debt Service                                  | 5,466                         | -         | -           | 5,466        | -   |
| Unrestricted   | 293,212                       | 6,106     | 7,961       | 307,279      | 29,410  |
| Total Net Assets   | \$ 1,240,377                  | \$ 28,785 | \$ 12,245   | \$ 1,281,407 | \$ 60,488   |

The notes to the financial statements are an integral part of this statement.

## Statement of Revenues, Expenses, and Changes in Fund Net Assets

### Proprietary Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Water and<br>Sewer<br>Utility | Airport   | Solid Waste | Total        | Governmental<br>Activities -<br>Internal<br>Service Funds |
|---|-------------------------------|-----------|-------------|--------------|---|
| Operating Revenues                        |                               |           |             |              |   |
| Charges for Sales and Services            |                               |           |             |              |   |
| Water Service Fees                        | \$ 86,766                     | \$ -      | \$ -        | \$ 86,766    | \$ -  |
| Sewer Service Fees                        | 35,027                        | -         | -           | 35,027       | -   |
| Proprietary - Non-Potable Water Fees      | 7,433                         | -         | -           | 7,433        | -   |
| Solid Waste Fees                          | -                             | -         | 20,269      | 20,269       | -   |
| Airport Fees                              | -                             | 2,879     | -           | 2,879        | -   |
| Other Services                            | -                             | -         | -           | -            | 44,302  |
| Other                                     | 427                           | 2         | 1           | 430          | 1,144   |
| Total Operating Revenues                  | 129,653                       | 2,881     | 20,270      | 152,804      | 45,446  |
| Operating Expenses                        |                               |           |             |              |   |
| Costs for Sales and Services              |                               |           |             |              |   |
| Water Operations                          | 43,987                        | -         | -           | 43,987       | -   |
| Sewer Operations                          | 17,074                        | -         | -           | 17,074       | -   |
| Solid Waste Operations                    | -                             | -         | 16,190      | 16,190       | -   |
| Airport Operations                        | -                             | 1,517     | -           | 1,517        | -   |
| Other Services                            | -                             | -         | -           | -            | 40,296  |
| Indirect Costs                            | 9,104                         | 508       | 2,500       | 12,112       | -   |
| Depreciation                              | 34,090                        | 1,095     | 199         | 35,384       | 5,349   |
| Total Operating Expenses                  | 104,255                       | 3,120     | 18,889      | 126,264      | 45,645  |
| Operating Income                          | 25,398                        | (239)     | 1,381       | 26,540       | (199)   |
| Non-Operating Revenues (Expenses)         |                               |           |             |              |   |
| Property Tax                              | -                             | -         | -           | -            | 1,930   |
| Transaction Privilege Tax                 | -                             | 130       | -           | 130          | -   |
| Investment Income                         | 3,971                         | 145       | 179         | 4,295        | 1,050   |
| Interest Expense                          | (5,197)                       | -         | -           | (5,197)      | -   |
| Gain on Sale of Capital Assets            | -                             | -         | -           | -            | 296   |
| Net Non-Operating Revenues (Expenses)     | (1,226)                       | 275       | 179         | (772)        | 3,276   |
| Income Before Contributions and Transfers | 24,172                        | 36        | 1,560       | 25,768       | 3,077   |
| Capital Contributions                     | 8,313                         | 955       | -           | 9,268        | 1,148   |
| Transfers In                              | -                             | -         | -           | -            | 1,353   |
| Transfers Out                             | (10,228)                      | (61)      | (401)       | (10,690)     | (36)  |
| Change in Net Assets                      | 22,257                        | 930       | 1,159       | 24,346       | 5,542   |
| Total Net Assets - Beginning              | 1,218,120                     | 27,855    | 11,086      | 1,257,061    | 54,946  |
| Total Net Assets - Ending                 | \$ 1,240,377                  | \$ 28,785 | \$ 12,245   | \$ 1,281,407 | \$ 60,488   |

The notes to the financial statements are an integral part of this statement.

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Water and<br>Sewer<br>Utility | Airport         | Solid Waste     | Total             | Governmental<br>Activities -<br>Internal<br>Service Funds |
|---|-------------------------------|-----------------|-----------------|-------------------|---|
| <b>Cash Flows from Operating Activities</b>                         |                               |                 |                 |                   |   |
| Cash Received from Customers  | \$ 131,903                    | \$ 2,881        | \$ 20,358       | \$ 155,142        | \$ 44,305   |
| Cash Paid to Suppliers  | (52,329)                      | (1,030)         | (12,549)        | (65,908)          | (36,076)  |
| Cash Paid to Employees  | (17,027)                      | (1,009)         | (5,814)         | (23,850)          | (4,405)   |
| Other Operating   | (299)                         | 2               | 1               | (296)             | 1,144   |
| Net Cash Provided by Operating Activities                           | <u>62,248</u>                 | <u>844</u>      | <u>1,996</u>    | <u>65,088</u>     | <u>4,968</u>  |
| <b>Cash Flows from Non-Capital<br/>Financing Activities</b>         |                               |                 |                 |                   |   |
| Property Tax  | -                             | -               | -               | -                 | 1,930   |
| Transaction Privilege Tax   | -                             | 128             | -               | 128               | -   |
| Transfers In  | -                             | -               | -               | -                 | 1,353   |
| Transfers Out   | (10,228)                      | (61)            | (401)           | (10,690)          | (36)  |
| Net Cash Provided by (Used for)<br>Non-Capital Financing Activities | <u>(10,228)</u>               | <u>67</u>       | <u>(401)</u>    | <u>(10,562)</u>   | <u>3,247</u>  |
| <b>Cash Flows from Capital and Related<br/>Financing Activities</b> |                               |                 |                 |                   |   |
| Bonds Proceeds  | 78,161                        | -               | -               | 78,161            | -   |
| Capital Contributions from Other                                    | -                             | -               | -               | -                 | -   |
| Water and Sewer Development Fees                                    | 3,126                         | -               | -               | 3,126             | -   |
| Capital Grants  | 94                            | 720             | -               | 814               | -   |
| Acquisition and Construction of Property and Equipment              | (33,648)                      | (1,061)         | (353)           | (35,062)          | (6,449)   |
| Water and Sewer Development Fee Credit Agreements                   | (5,062)                       | -               | -               | (5,062)           | -   |
| Principal Payments on Capital Debt                                  | (12,299)                      | -               | -               | (12,299)          | -   |
| Interest Paid on Capital Debt                                       | (14,912)                      | -               | -               | (14,912)          | -   |
| Investment in Joint Venture & CIP Deposit                           | 111                           | -               | -               | 111               | -   |
| Sale of Capital Assets  | -                             | -               | -               | -                 | 360   |
| Net Cash Used for Capital and<br>Related Financing Activities       | <u>15,571</u>                 | <u>(341)</u>    | <u>(353)</u>    | <u>14,877</u>     | <u>(6,089)</u>  |
| <b>Cash Flows from Investing Activities</b>                         |                               |                 |                 |                   |   |
| Income Received on Investments                                      | 4,532                         | 163             | 202             | 4,897             | 1,179   |
| Net Cash Provided by Investing Activities                           | <u>4,532</u>                  | <u>163</u>      | <u>202</u>      | <u>4,897</u>      | <u>1,179</u>  |
| Net Increase (Decrease) in Cash and Cash Equivalents                | 72,123                        | 733             | 1,444           | 74,300            | 3,305   |
| Cash and Cash Equivalents at Beginning of Year                      | <u>146,601</u>                | <u>5,280</u>    | <u>6,458</u>    | <u>158,339</u>    | <u>38,637</u>   |
| Cash and Cash Equivalents at End of Year                            | <u>\$ 218,724</u>             | <u>\$ 6,013</u> | <u>\$ 7,902</u> | <u>\$ 232,639</u> | <u>\$ 41,942</u>  |

(continued)

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|  | Water and<br>Sewer<br>Utility | Airport         | Solid Waste     | Total             | Governmental<br>Activities -<br>Internal<br>Service Funds |
|--|-------------------------------|-----------------|-----------------|-------------------|---|
| Cash and Cash Equivalents<br>at End of Year Includes   |                               |                 |                 |                   |   |
| Cash and Investments   | \$ 114,137                    | \$ 5,904        | \$ 7,902        | \$ 127,943        | \$ 41,942   |
| Cash with Fiscal Agent   | 61,280                        | -               | -               | 61,280            | -   |
| Restricted Cash and Investments  | 43,307                        | 109             | -               | 43,416            | -   |
| Total Cash and Cash Equivalents  | <u>\$ 218,724</u>             | <u>\$ 6,013</u> | <u>\$ 7,902</u> | <u>\$ 232,639</u> | <u>\$ 41,942</u>  |
| Reconciliation of Operating Income to Net Cash<br>Provided by Operating Activities           |                               |                 |                 |                   |   |
| Operating Income   | \$ 25,398                     | \$ (239)        | \$ 1,381        | \$ 26,540         | \$ (199)  |
| Adjustments to Reconcile Operating<br>Income to Net Cash Provided<br>by Operating Activities |                               |                 |                 |                   |   |
| Depreciation and Amortization  | 34,090                        | 1,095           | 199             | 35,384            | 5,349   |
| Changes In Assets and Liabilities  |                               |                 |                 |                   |   |
| Sources (Uses) of Cash   |                               |                 |                 |                   |   |
| Accounts Receivable  | 1,813                         | -               | 112             | 1,925             | -   |
| Miscellaneous Receivables  | (727)                         | 18              | (21)            | (730)             | 3   |
| Prepaid Expenses   | -                             | -               | -               | -                 | 748   |
| Supplies Inventory   | -                             | -               | -               | -                 | (154)   |
| Accounts Payable   | 423                           | 22              | 168             | 613               | (286)   |
| Accrued Payroll and Benefits   | 101                           | (50)            | 160             | 211               | (101)   |
| Claims Payable   | -                             | -               | -               | -                 | (388)   |
| Deferred Revenue   | 864                           | (2)             | -               | 862               | -   |
| Other Liabilities  | 286                           | -               | (3)             | 283               | (4)   |
| Total Adjustments  | <u>36,850</u>                 | <u>1,083</u>    | <u>615</u>      | <u>38,548</u>     | <u>5,167</u>  |
| Net Cash Provided by Operating Activities  | <u>\$ 62,248</u>              | <u>\$ 844</u>   | <u>\$ 1,996</u> | <u>\$ 65,088</u>  | <u>\$ 4,968</u>   |
| Supplemental Disclosure of Non-Cash<br>Financing Activities                                  |                               |                 |                 |                   |   |
| Additions to Property, Plant, and Equipment  |                               |                 |                 |                   |   |
| Contributions from Developers  | \$ 10,224                     | \$ -            | \$ -            | \$ 10,224         | \$ -  |
| Contributions from Other Government Units  | -                             | -               | -               | -                 | 1,148   |
| Amortization of Deferred Charges   | (160)                         | -               | -               | (160)             | -   |
| Total Non-Cash Financing Activities  | <u>\$ 10,064</u>              | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ 10,064</u>  | <u>\$ 1,148</u>   |

The notes to the financial statements are an integral part of this statement.

# Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2010 (in thousands of dollars)

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|                                  | <u>Private Purpose<br/>Trust Funds</u> | <u>Agency Funds</u> |
|----------------------------------|--|---------------------|
| <b>ASSETS</b>                    |  |                     |
| Cash and Cash Equivalents        | \$ 4                                   | \$ 4,846            |
| Total Assets                     | <u>4</u>                               | <u>4,846</u>        |
| <b>LIABILITIES</b>               |  |                     |
| Accounts Payable                 | -                                      | \$ 126              |
| Designated Escrow Payable        | -                                      | 4,720               |
| Total Liabilities                | <u>-</u>                               | <u>4,846</u>        |
| <b>NET ASSETS</b>                |  |                     |
| Held in Trust for Other Purposes | <u>\$ 4</u>                            |                     |

The notes to the financial statements are an integral part of this statement.

# Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

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|                        | <u>Private Purpose<br/>Trust Funds</u> |
|------------------------|--|
| <b>ADDITIONS</b>       |  |
| Contributions:         |  |
| Private Donations      | <u>\$          6</u>                   |
| Total Additions        | <u>6</u>                               |
| <b>DEDUCTIONS</b>      |  |
| Scholarships           | <u>5</u>                               |
| Total Deductions       | <u>5</u>                               |
| Change in Net Assets   | 1                                      |
| Net Assets - Beginning | <u>3</u>                               |
| Net Assets - Ending    | <u><u>\$          4</u></u>            |

The notes to the financial statements are an integral part of this statement.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

The City of Scottsdale, Arizona (City) was incorporated in 1951. The current City Charter was adopted in 1961, which established the Council/Manager form of government. The City provides basic government services to its citizens including roads, water, sewer, solid waste management, public transit, parks and recreation facilities, police and fire.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies.

The financial reporting entity presented in these financial statements consists of the City of Scottsdale, Arizona (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

| Component Unit  | Description and Criteria for Inclusion  | Reporting Method | For Separate Financial Statements   |
|---|---|------------------|---|
| City of Scottsdale Municipal Property Corporation (MPC) | <ul style="list-style-type: none"> <li>• Non-profit corporation created in 1967.</li> <li>• Sole purpose is to construct, acquire, and equip buildings, structures or land improvements for the City.</li> <li>• Governed by Board of Directors confirmed by City Council.</li> <li>• For financial reporting purposes, transactions are included as a governmental and proprietary fund type, as if part of the City's operation.</li> </ul>   | Blended          | City of Scottsdale<br>Finance and Accounting<br>7447 E. Indian School Rd.<br>Ste. 210<br>Scottsdale, AZ 85251 |
| Scottsdale Preserve Authority (SPA)                     | <ul style="list-style-type: none"> <li>• Non-profit corporation created in 1997.</li> <li>• Sole purpose is to finance land acquisitions for McDowell Sonoran Preserve.</li> <li>• Governed by a Board of Directors confirmed by City Council.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul>   | Blended          | City of Scottsdale<br>Finance and Accounting<br>7447 E. Indian School Rd.<br>Ste. 210<br>Scottsdale, AZ 85251 |
| Scottsdale Mountain Community Facilities District (CFD) | <ul style="list-style-type: none"> <li>• Formed by 1992 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul> | Blended          | City of Scottsdale<br>Finance and Accounting<br>7447 E. Indian School Rd.<br>Ste. 210<br>Scottsdale, AZ 85251 |



|  |   |                |  |
|--|---|----------------|--|
| <p>McDowell Mountain Ranch Community Facilities District (CFD)</p> | <ul style="list-style-type: none"> <li>• Formed by 1994 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul> | <p>Blended</p> | <p>City of Scottsdale<br/>Finance and Accounting<br/>7447 E. Indian School Rd.<br/>Ste. 210<br/>Scottsdale, AZ 85251</p> |
| <p>DC Ranch Community Facilities District (CFD)</p>                | <ul style="list-style-type: none"> <li>• Formed by 1997 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul> | <p>Blended</p> | <p>City of Scottsdale<br/>Finance and Accounting<br/>7447 E. Indian School Rd.<br/>Ste. 210<br/>Scottsdale, AZ 85251</p> |
| <p>Via Linda Road Community Facilities District (CFD)</p>          | <ul style="list-style-type: none"> <li>• Formed by 1998 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul> | <p>Blended</p> | <p>City of Scottsdale<br/>Finance and Accounting<br/>7447 E. Indian School Rd.<br/>Ste. 210<br/>Scottsdale, AZ 85251</p> |
| <p>Waterfront Commercial Community Facilities District (CFD)</p>   | <ul style="list-style-type: none"> <li>• Formed by 2005 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul> | <p>Blended</p> | <p>City of Scottsdale<br/>Finance and Accounting<br/>7447 E. Indian School Rd.<br/>Ste. 210<br/>Scottsdale, AZ 85251</p> |

## B. 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 nonfiduciary 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses for a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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 statements.

## C. 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 trust fund financial statements. Agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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. The City considers revenues to be available if they are collected within 31 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 vacation, sick leave, claims, and judgments, are recorded only when payment is due.

Property taxes, other local 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. All other revenue items are considered to be measurable and available only when the City receives cash.

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 *General Obligation Bond Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, long-term obligation debt principal, interest, and related costs.

The *General CIP Construction Capital Projects Fund* accounts for the resources used to acquire, construct and improve major capital facilities, other than those financed by proprietary funds. Capital Projects Funds allow the City to compile project cost data and demonstrate that legal or contractual requirements regarding the use of the resources are fully satisfied.

The government reports the following major proprietary funds:

The *Water and Sewer Utility, Airport and Solid Waste Funds* account for the operating revenues and expenses of the City's water and sewer utility systems, airport and sanitation services (solid waste, brush removal, container maintenance, etc.), respectively.

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for fleet management and self-insurance services provided to other departments or units of the City, on a cost-reimbursement basis.

The *Agency Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds are used to record the Family Self-Sufficiency activity and Retainage Escrow activity.

The *Private-Purpose Trust Funds* are used to account for assets held in a trustee capacity for scholarships and other purposes as designated by the donors or by legal restrictions. Both the principal and earnings of these expendable trust funds can be expended for the trusts' intended purposes.

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

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes, indirect costs and franchise fees and other charges between the City's Water and Sewer Utility Fund, Airport Fund, and Solid Waste Fund, because elimination of these charges would distort the direct costs and program revenues reported in the statement of activities.

Amounts reported as 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 included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer, airport, solid waste fees, vehicle purchase/maintenance amounts and risk management charges. Operating expenses for enterprise funds and internal service funds include the cost of 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 use, it is the City's policy to use restricted resources first; then unrestricted resources as they are needed.

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Deposits and Investments**

Cash equivalents for purposes of the statements of cash flows are investments (including restricted assets) in mutual funds, demand deposits, repurchase agreements, and U.S. Treasury bills and notes with maturities of three months or less at acquisition date.

GASB Statement No. 31 provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The City has elected to report all investments at fair value. The City's policy is to invest in certificates of deposit, repurchase agreements, commercial paper, direct U.S. Treasury debt, securities guaranteed by the United States Government or any of its agencies, and the State of Arizona Local Government Investment Pool (LGIP). The LGIP is overseen by the State of Arizona. The fair value of each share in the LGIP is \$1.

##### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are classified as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts receivables are shown net of an allowance for uncollectibles.

The City's property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Maricopa County Assessor. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent after November 1 and after May 1, respectively. If a taxpayer owes \$100 or less, the tax must be paid in full by November 1. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16 percent. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February.

Property taxes levied for current operation and maintenance expenses on residential property are limited to 1.0 percent of the limited property value of such property. In addition, taxes levied for current operation and maintenance expenses on all types of property are limited to a maximum increase of 2.0 percent over the prior year's levy, adjusted for new construction and annexations. Property taxes levied to pay principal and interest on bonded indebtedness are not limited.

### **3. Inventories**

Inventories of the governmental funds are recorded under the consumption method. Inventories are recorded as expenditures when consumed rather than when purchased. Inventories are valued at year-end based on cost, with cost determined using an average cost method.

### **4. Restricted Assets**

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The revenue bond reserve and replacement account is used to report resources set aside to meet unexpected contingencies or to fund asset replacements.

Assets are also restricted for enterprise funds for deposits received from water, sewer and airport customers. Additionally, the City has received a good faith deposit for the future planned sale of Planet Ranch.

### **5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks and similar items), 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 two years. Assets contributed (donated) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation and amortization of all assets are recorded and calculated using the straight-line method over the following estimated useful lives:

|  |                |
|--|----------------|
| Water System .....                             | 10 to 75 Years |
| Sewer System .....                             | 25 to 50 Years |
| Buildings and Improvements .....               | 25 to 50 Years |
| Streets and Storm Drains.....                  | 30 Years       |
| Land Improvements.....                         | 25 Years       |
| Machinery and Equipment.....                   | 5 to 20 Years  |
| Motor Vehicles.....                            | 3 to 15 Years  |
| Furniture, Fixtures, and Office Equipment..... | 5 to 10 Years  |

The excess purchase price over fair market value of assets acquired in the Water and Sewer Utility Enterprise Fund is amortized on the straight-line method over 20 to 60 years.

When capital assets are disposed of, the cost and accumulated depreciation or amortization is removed from the accounts, and any resultant gain or loss is recognized in the government-wide and proprietary fund financial statements.

## 6. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to a maximum number of hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount unused at year-end are forfeited. The City’s policy is to pay employees for unused accumulated vacation hours at termination or retirement. Sick leave time can be accumulated without limit. The City’s policy, however, is that only those employees hired full-time before July 1, 1982 are paid for unused sick leave at death or retirement. Prior to July 1, 2009, employees who retire and have accumulated 300 or more hours of sick leave, could elect to apply the value of the sick leave toward their City medical plan premiums. Effective July 1, 2009, the City funds the value of medical leave balances in a Retiree Health Savings Account for the participant immediately upon retirement. Taxable portions for employees hired before July 1, 1982 will be retained by the City until age 65 or the account balance is exhausted.

Vacation pay is calculated based on vacation taken and the medical leave conversion is based on an actuarial valuation dated January 1, 2010. The medical leave conversion and vacation pay amounts are accrued in the government-wide and proprietary fund financial statements. A liability for the current amount of compensated absences is recorded as a current liability at June 30, 2010 in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2010 that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. There is no long-term liability for compensated absences in the governmental funds.

## **7. Long-term Obligations**

In the government-wide financial statements and the proprietary 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

## **8. Development Impact Fee Revenue**

The City has entered into several agreements whereby it will provide a development fee credit to developers for construction of certain public infrastructure improvements. The funding source for the reimbursements will come from Water and Sewer development fees, which are paid when units of the development are hooked up to the utility system. The City does not become liable under the agreements until the City has accepted the cost, a development fee has been paid and a water meter has been set.

## **9. Fund Equity**

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

## **10. Net Assets**

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

*Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Assets* – This category represents net assets that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Assets* – The category represents net assets of the City, not restricted for any project or other purpose.

## **E. Implementation of New Accounting Principles**

### **1. Governmental Accounting Standards Board (GASB) Statement No. 51**

The City adopted the provisions of GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets. Examples of intangible assets include easements, water rights, patents, trademarks, and computer software. This Statement provides authoritative guidance on the nature of these intangible assets, determining the useful life, and amortization methods. It establishes a specified-conditions approach to recognizing intangible assets that are internally generated, which can be applied to the development cycle of computer software. The requirements of this Statement improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. It fosters greater comparability among state and local government financial statements and results in a more faithful representation of the service capacity of intangible assets – and therefore the financial position of governments – and of the periodic cost associated with the usage of such service capacity in governmental financial statements.



## II. Reconciliation of Government-wide and Fund Financial Statements

### A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of nets assets

The City's total governmental fund balances, \$205,750, differs from net assets of governmental activities, \$2,914,982, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

#### Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets (in thousands of dollars)

|  | Total<br>Governmental<br>Funds | Long-Term<br>Assets/<br>Liabilities (1) | Internal<br>Service<br>Funds (2) | Reclassifications<br>and<br>Eliminations | Statement of<br>Net Assets<br>Totals |
|--|--------------------------------|---|----------------------------------|--|--------------------------------------|
| <b>ASSETS</b>  |                                |   |                                  |  |                                      |
| Cash and Investments                                     | \$ 222,542                     | \$ -                                    | \$ 41,942                        | \$ -                                     | \$ 264,484                           |
| Cash with Fiscal Agent                                   | 52,791                         | -                                       | -                                | -  | 52,791                               |
| Receivables (net of allowance for uncollectibles)        |                                |   |                                  |  |                                      |
| Interest   | 1,139                          | -                                       | 91                               | -  | 1,230                                |
| Privilege Tax  | 11,880                         | -                                       | -                                | -  | 11,880                               |
| Transient Occupancy Tax                                  | 823                            | -                                       | -                                | -  | 823                                  |
| Property Tax   | 3,070                          | -                                       | -                                | -  | 3,070                                |
| State Shared Sales Tax                                   | 1,473                          | -                                       | -                                | -  | 1,473                                |
| Franchise Fee  | 2,550                          | -                                       | -                                | -  | 2,550                                |
| Court Receivable   | 10,397                         | -                                       | -                                | -  | 10,397                               |
| Library Receivable                                       | 871                            | -                                       | -                                | -  | 871                                  |
| Tax Audit Receivable                                     | 4,440                          | -                                       | -                                | -  | 4,440                                |
| Highway User Tax   | 1,230                          | -                                       | -                                | -  | 1,230                                |
| Auto Lieu Tax  | 742                            | -                                       | -                                | -  | 742                                  |
| Intergovernmental  | 25,284                         | -                                       | -                                | -  | 25,284                               |
| Grants   | 2,873                          | -                                       | -                                | -  | 2,873                                |
| Special Assessments                                      | 1,897                          | -                                       | -                                | -  | 1,897                                |
| Miscellaneous  | 4,859                          | -                                       | 3                                | -  | 4,862                                |
| Due from Other Funds/Internal Balances                   | 80                             | -                                       | -                                | (80)                                     | -                                    |
| Supplies Inventory                                       | 206                            | -                                       | 728                              | -  | 934                                  |
| Capital Assets (net of accumulated depreciation)         | -                              | 3,496,964                               | 31,078                           | -  | 3,528,042                            |
| Deferred charges and other assets                        | -                              | 3,611                                   | -                                | -  | 3,611                                |
| Total Assets   | <u>\$ 349,147</u>              | <u>\$ 3,500,575</u>                     | <u>\$ 73,842</u>                 | <u>\$ (80)</u>                           | <u>\$ 3,923,484</u>                  |
| <b>LIABILITIES</b>                                       |                                |   |                                  |  |                                      |
| Accounts Payable   | \$ 23,829                      | \$ -                                    | \$ 1,499                         | \$ -                                     | \$ 25,328                            |
| Accrued Payroll and Benefits                             | 11,331                         | (126)                                   | 231                              | -  | 11,436                               |
| Accrued Compensated Absences - Current                   | -                              | 126                                     | -                                | -  | 126                                  |
| Accrued Compensated Absences - Due Within One Year       | -                              | 11,150                                  | 221                              | -  | 11,371                               |
| Accrued Compensated Absences - Due in More Than One Year | -                              | 14,027                                  | 219                              | -  | 14,246                               |
| Claims Payable   | -                              | -                                       | 5,525                            | -  | 5,525                                |
| Due to Other Funds                                       | 80                             | -                                       | -                                | (80)                                     | -                                    |
| Matured Bonds Interest Payable                           | 18,959                         | -                                       | -                                | -  | 18,959                               |
| Matured Bonds Payable                                    | 31,421                         | -                                       | -                                | -  | 31,421                               |
| Deferred Revenue   |                                |   |                                  |  |                                      |
| Property Tax   | 2,318                          | (2,318)                                 | -                                | -  | -                                    |
| Tax Audit  | 4,440                          | (4,440)                                 | -                                | -  | -                                    |
| Court  | 4,270                          | (4,270)                                 | -                                | -  | -                                    |
| Library  | 871                            | (871)                                   | -                                | -  | -                                    |
| Privilege Tax  | 1,739                          | (1,739)                                 | -                                | -  | -                                    |
| Transient Occupancy Tax                                  | 430                            | (430)                                   | -                                | -  | -                                    |
| Special Assessments                                      | 1,897                          | (1,897)                                 | -                                | -  | -                                    |
| Intergovernmental  | 31,722                         | (23,224)                                | -                                | -  | 8,498                                |
| Other  | 837                            | (350)                                   | -                                | -  | 487                                  |
| Due to Other Governments                                 | 4,393                          | -                                       | -                                | -  | 4,393                                |
| Guaranty and Other Deposits                              | 1,900                          | -                                       | -                                | -  | 1,900                                |
| Other  | 2,960                          | -                                       | -                                | -  | 2,960                                |
| Bonds, Loans, Capital Leases, and Other Payables         | -                              | 866,193                                 | 5,659                            | -  | 871,852                              |
| Total Liabilities  | <u>143,397</u>                 | <u>851,831</u>                          | <u>13,354</u>                    | <u>(80)</u>                              | <u>1,008,502</u>                     |
| Fund Balances/Net Assets                                 |                                |   |                                  |  |                                      |
| Total Fund Balances/Net Assets                           | 205,750                        | 2,648,744                               | 60,488                           | -  | 2,914,982                            |
| Total Liabilities and Fund Balances/Net Assets           | <u>\$ 349,147</u>              | <u>\$ 3,500,575</u>                     | <u>\$ 73,842</u>                 | <u>\$ (80)</u>                           | <u>\$ 3,923,484</u>                  |

**Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets**  
(in thousands of dollars)

(1) When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds; however, the statement of net assets includes those capital assets among the assets of the City as a whole.

|                          |                     |
|--------------------------|---------------------|
| Cost of capital assets   | \$ 4,930,446        |
| Accumulated depreciation | (1,433,482)         |
|                          | <u>\$ 3,496,964</u> |

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purpose of the statement of net assets.

|   |                 |
|---|-----------------|
| Bond issuance costs @ 7/1/09            | \$ 3,371        |
| Bond issuance cost for fiscal year 2010 | 497             |
| Amortization of bond issuance costs     | (257)           |
|   | <u>\$ 3,611</u> |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at June 30, 2010 were:

|                                     |                     |
|-------------------------------------|---------------------|
| Contract and capital lease payables | \$ (15,732)         |
| Bonds payable                       | (839,476)           |
| Deferred amount on refunding        | 7,223               |
| Deferred issuance premium           | (17,136)            |
| Accrued vacation and sick leave pay | (25,177)            |
| Post Employment - Implied Subsidy   | (1,072)             |
|                                     | <u>\$ (891,370)</u> |

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance. Deferred revenue for the long-term special assessment receivables shown on the governmental fund statements is not deferred on the statement of net assets. Certain tax and other revenues deferred under modified accrual for governmental fund statements, is recognized as revenue under accrual accounting for the government-wide statements.

|                                     |                  |
|-------------------------------------|------------------|
| Deferred special assessment revenue | \$ 1,897         |
| Deferred library revenue            | 871              |
| Deferred court revenue              | 4,270            |
| Deferred tax revenue                | 8,927            |
| Deferred intergovernmental revenue  | 23,224           |
| Deferred other                      | 350              |
|                                     | <u>\$ 39,539</u> |

(2) Internal Service Funds are used by management to charge the costs of certain activities, such as fleet management and self insurance, to individual funds. The assets and liabilities of certain Internal Service Funds are included in governmental activities in the statement of net assets.

|  |                  |
|--|------------------|
|  | <u>\$ 60,488</u> |
|--|------------------|

**B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The net change in fund balances for governmental funds, a deficit of \$15,516, differs from the change in net assets for the governmental activities, \$112,635, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities (in thousands of dollars)**

|                                      | Total<br>Governmental<br>Funds | Long-Term<br>Revenue/<br>Expenses (3) | Capital<br>Related<br>Items (4) | Internal<br>Service<br>Funds (5) | Reclassifications<br>and<br>Eliminations (6) | Long-Term<br>Debt<br>Transactions (7) | Statement of<br>of<br>Activities |
|--------------------------------------|--------------------------------|---------------------------------------|---------------------------------|----------------------------------|--|---------------------------------------|----------------------------------|
| <b>REVENUES:</b>                     |                                |                                       |                                 |                                  |  |                                       |                                  |
| Taxes - Local:                       |                                |                                       |                                 |                                  |  |                                       |                                  |
| Property                             | \$ 58,354                      | \$ 630                                | \$ -                            | \$ 1,930                         | \$ -   | \$ -                                  | \$ 60,914                        |
| Transaction Privilege                | 126,443                        | 1,889                                 | -                               | -                                | -  | -                                     | 128,332                          |
| Transient Occupancy Tax              | 7,113                          | 430                                   | -                               | -                                | -  | -                                     | 7,543                            |
| Light and Power Franchise            | 7,834                          | -                                     | -                               | -                                | -  | -                                     | 7,834                            |
| Cable TV Franchise                   | 3,317                          | -                                     | -                               | -                                | -  | -                                     | 3,317                            |
| Salt River Project In-Lieu           | 143                            | -                                     | -                               | -                                | -  | -                                     | 143                              |
| Other Taxes                          | 836                            | -                                     | -                               | -                                | -  | -                                     | 836                              |
| Taxes - Intergovernmental:           |                                |                                       |                                 |                                  |  |                                       |                                  |
| State-Shared Sales                   | 17,227                         | -                                     | -                               | -                                | -  | -                                     | 17,227                           |
| State Revenue Sharing                | 30,309                         | -                                     | -                               | -                                | -  | -                                     | 30,309                           |
| Auto Lieu Tax                        | 7,873                          | -                                     | -                               | -                                | -  | -                                     | 7,873                            |
| Highway User Tax                     | 13,342                         | -                                     | -                               | -                                | -  | -                                     | 13,342                           |
| Local Transportation Assistance Fund | 585                            | -                                     | -                               | -                                | -  | -                                     | 585                              |
| Business and Liquor Licenses         | 1,787                          | 82                                    | -                               | -                                | -  | -                                     | 1,869                            |
| Charges for Current Services:        |                                |                                       |                                 |                                  |  |                                       |                                  |
| Building and Related Permits         | 6,907                          | -                                     | -                               | -                                | (70)   | -                                     | 6,837                            |
| Recreation Fees                      | 4,551                          | -                                     | -                               | -                                | -  | -                                     | 4,551                            |
| Westworld Equestrian Facility Fees   | 2,552                          | -                                     | -                               | -                                | -  | -                                     | 2,552                            |
| Fire Fees                            | 1,312                          | -                                     | -                               | -                                | -  | -                                     | 1,312                            |
| Fines and Forfeitures:               |                                |                                       |                                 |                                  |  |                                       |                                  |
| Court                                | 7,514                          | 57                                    | -                               | -                                | -  | -                                     | 7,571                            |
| Parking                              | 316                            | (2)                                   | -                               | -                                | -  | -                                     | 314                              |
| Photo Radar                          | 1,767                          | 2                                     | -                               | -                                | -  | -                                     | 1,769                            |
| Court Enhancement                    | 1,067                          | -                                     | -                               | -                                | -  | -                                     | 1,067                            |
| Library                              | 351                            | 871                                   | -                               | -                                | -  | -                                     | 1,222                            |
| Police Fees                          | 622                            | -                                     | -                               | -                                | -  | -                                     | 622                              |
| Special Assessments                  | 765                            | (645)                                 | -                               | -                                | -  | -                                     | 120                              |
| Property Rental                      | 3,353                          | -                                     | -                               | -                                | -  | -                                     | 3,353                            |
| Interest Earnings                    | 5,014                          | -                                     | -                               | 1,050                            | -  | -                                     | 6,064                            |
| Investment Loss                      | (4,696)                        | -                                     | -                               | -                                | -  | -                                     | (4,696)                          |
| Intergovernmental:                   |                                |                                       |                                 |                                  |  |                                       |                                  |
| Federal Grants                       | 7,915                          | -                                     | -                               | -                                | -  | -                                     | 7,915                            |
| State Grants                         | 7,421                          | -                                     | -                               | -                                | -  | -                                     | 7,421                            |
| Miscellaneous                        | 2,420                          | 4,897                                 | -                               | -                                | -  | -                                     | 7,317                            |
| Developer Contributions              | 2,518                          | -                                     | -                               | -                                | -  | -                                     | 2,518                            |
| Streetlight and Services Districts   | 289                            | -                                     | -                               | -                                | -  | -                                     | 289                              |
| Contributions and Donations          | 1,275                          | -                                     | -                               | -                                | -  | -                                     | 1,275                            |
| Reimbursements from Outside Sources  | 2,852                          | 8                                     | -                               | -                                | -  | -                                     | 2,860                            |
| Indirect Costs                       | 14,159                         | -                                     | -                               | -                                | (2,046)                                      | -                                     | 12,113                           |
| Other                                | 644                            | (423)                                 | -                               | 296                              | -  | -                                     | 517                              |
| <b>Total</b>                         | <b>346,051</b>                 | <b>7,796</b>                          | <b>-</b>                        | <b>3,276</b>                     | <b>(2,116)</b>                               | <b>-</b>                              | <b>355,007</b>                   |

(continued)

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Government-wide Statement of Activities (in thousands of dollars)

|   | Total<br>Governmental<br>Funds | Long-Term<br>Revenue/<br>Expenses (3) | Capital<br>Related<br>Items (4) | Internal<br>Service<br>Funds (5) | Reclassifications<br>and<br>Eliminations (6) | Long-Term<br>Debt<br>Transactions (7) | Statement of<br>of<br>Activities |
|---|--------------------------------|---------------------------------------|---------------------------------|----------------------------------|--|---------------------------------------|----------------------------------|
| <b>EXPENDITURES/EXPENSES</b>            |                                |                                       |                                 |                                  |  |                                       |                                  |
| Current:                                |                                |                                       |                                 |                                  |  |                                       |                                  |
| General Government                      | \$ 17,030                      | \$ 282                                | \$ 7,121                        | \$ (82)                          | \$ -   | \$ -                                  | 24,351                           |
| Finance & Accounting                    | 6,059                          | (118)                                 | 158                             | (23)                             | (228)  | -                                     | 5,848                            |
| Economic Vitality                       | 17,110                         | 148                                   | 3,404                           | 14                               | -  | -                                     | 20,676                           |
| Public Works & Water Resources          | 31,391                         | 408                                   | 4,940                           | 807                              | (403)  | -                                     | 37,143                           |
| Planning, Neighborhood & Transportation | 27,447                         | 6                                     | 88,102                          | (210)                            | (815)  | -                                     | 114,530                          |
| Public Safety                           | 111,459                        | 1,605                                 | 3,702                           | (152)                            | (459)  | -                                     | 116,155                          |
| Human Resources                         | 3,657                          | 41                                    | 36                              | (17)                             | -  | -                                     | 3,717                            |
| Community Services                      | 45,655                         | 479                                   | 7,638                           | (105)                            | (71)   | -                                     | 53,596                           |
| Information Technology                  | 9,469                          | 90                                    | 5,482                           | (25)                             | (140)  | -                                     | 14,876                           |
| Administrative Services                 | 1,859                          | 62                                    | 4                               | (8)                              | -  | -                                     | 1,917                            |
| Streetlight and Services Districts      | 538                            | -                                     | -                               | -                                | -  | -                                     | 538                              |
| Debt Service:                           |                                |                                       |                                 |                                  |  |                                       |                                  |
| Principal                               | 33,701                         | -                                     | -                               | -                                | -  | (33,701)                              | -                                |
| Interest and Fiscal Charges             | 38,782                         | -                                     | -                               | -                                | -  | 623                                   | 39,405                           |
| Bond Issuance Costs                     | 497                            | -                                     | -                               | -                                | -  | (497)                                 | -                                |
| Capital Improvements                    | 77,929                         | -                                     | (77,929)                        | -                                | -  | -                                     | -                                |
| Total Expenditures/Expenses             | 422,583                        | 3,003                                 | 42,658                          | 199                              | (2,116)                                      | (33,575)                              | 432,752                          |
| <b>OTHER FINANCING USES/CHANGES</b>     |                                |                                       |                                 |                                  |  |                                       |                                  |
| <b>IN NET ASSETS</b>                    |                                |                                       |                                 |                                  |  |                                       |                                  |
| Net Transfers (to) From Other Funds     | 9,373                          | -                                     | (1,148)                         | 2,465                            | -  | -                                     | 10,690                           |
| Bonds Issued                            | -                              | -                                     | -                               | -                                | -  | -                                     | -                                |
| Capital Contributions                   | -                              | -                                     | 179,690                         | -                                | -  | -                                     | 179,690                          |
| Long-term Capital-Related Debt Issued   | 50,800                         | -                                     | -                               | -                                | -  | (50,800)                              | -                                |
| Premium on Bonds Issued                 | 843                            | -                                     | -                               | -                                | -  | (843)                                 | -                                |
| Total                                   | 61,016                         | -                                     | 178,542                         | 2,465                            | -  | (51,643)                              | 190,380                          |
| Net Change for the Year                 | \$ (15,516)                    | \$ 4,793                              | \$ 135,884                      | \$ 5,542                         | \$ -   | \$ (18,068)                           | \$ 112,635                       |

(continued)

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Government-wide Statement of Activities (in thousands of dollars)

Reconciling Items Description:

- (3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.

|                                 |                 |
|---------------------------------|-----------------|
| Property taxes                  | \$ 630          |
| Court revenue                   | 57              |
| Library revenue                 | 871             |
| Tax audit revenue               | (85)            |
| Privilege tax revenue           | 1,974           |
| Transient Occupancy tax revenue | 430             |
| Special Assessment revenue      | (645)           |
| Intergovernmental revenue       | 4,897           |
| Other Receivable revenue        | (333)           |
|                                 | <u>\$ 7,796</u> |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|   |                 |
|---|-----------------|
| Accrual for long-term compensated absences            | \$ 3,042        |
| Accrual for long-term post employment implied subsidy | (39)            |
|   | <u>\$ 3,003</u> |

- (4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

|  |                    |
|--|--------------------|
| Capital expenditures                   | \$ 77,929          |
| Miscellaneous net capital expenditures | (15,065)           |
| Depreciation Expenses                  | (105,450)          |
| Loss on disposal of capital assets     | (72)               |
| Difference                             | <u>\$ (42,658)</u> |

Transfer of capital assets to Internal Service Fund \$ (1,148)

Donations of capital assets are not capitalized on the governmental fund statements, but are included in the assets of the City. On the statement of activities, these donations are shown as capital contributions.

|                       |                   |
|-----------------------|-------------------|
| Capital Contributions | <u>\$ 179,690</u> |
|-----------------------|-------------------|

- (5) Internal Service funds are used by management to charge the costs of certain activities, such as insurance and motor pool, to the individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

|                      |                 |
|----------------------|-----------------|
| Change in Net Assets | <u>\$ 5,542</u> |
|----------------------|-----------------|

- (6) Interfund transactions between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of revenues and expenditures to eliminate the doubling up effect of these transactions within the governmental activities.

|   |             |
|---|-------------|
| Reduction in Revenues - Governmental Funds              | \$ (2,116)  |
| Reduction in Expenditures/Expenses - Governmental Funds | (2,116)     |
|   | <u>\$ -</u> |

(continued)

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Government-wide Statement of Activities** (in thousands of dollars)

(7) Bond issuance costs are reported as an expenditure in governmental funds in the year of bond issuance and thus, have the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the bond issuance costs are deferred and amortized (expensed) over the life of the bonds.

|  |               |
|--|---------------|
| Bond issuance costs for fiscal year 2010 | \$ 497        |
| Amortization of bond issuance costs      | (257)         |
| Difference                               | <u>\$ 240</u> |

Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

|                         |                  |
|-------------------------|------------------|
| Principal payments made | <u>\$ 33,701</u> |
|-------------------------|------------------|

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued and accreted interest was calculated for bonds and notes payable, and additional interest expense was recognized on the amortization of bond discount and premiums which are expended within the fund statements.

|  |                 |
|--|-----------------|
| Amortization of deferred charges on refundings | \$ (889)        |
| Interest accretion and amortization            | (756)           |
| Amortization of bond premium and discounts     | 1,279           |
|  | <u>\$ (366)</u> |

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:

|                          |                    |
|--------------------------|--------------------|
| General Obligation Bonds | (50,800)           |
| Premium on Bonds         | (843)              |
|                          | <u>\$ (51,643)</u> |

### **III. Stewardship, Compliance, and Accountability**

#### **A. Budget And Budgetary Accounting**

The City prepared an annual budget that covered FY 2009/10. The 2009/10 budget appropriation is established and reflected in the financial statements as follows:

The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Special Revenue Funds (Highway User Fuel Tax and Preserve Privilege Tax), and Debt Service Funds (except for the Community Facilities Districts Debt Service Funds); therefore, these funds have appropriated budgets, and budget to actual information is presented.

The Community Development Block Grant, Home, Grants, Section 8, and Special Programs Special Revenue Funds, Community Facilities Districts Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, and Trust and Agency Funds have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds. Budgets for the Community Development Block Grant, Grants, and Section 8 Funds are established pursuant to the terms of the related grant awards. Budgets for the Community Facilities Districts are established in accordance with Arizona Revised Statutes, which do not require their inclusion in the City budget or adoption by the City Council. Budgets for Capital Projects Funds are established for individual projects and unexpended funds are re-appropriated each year until the project is completed and capitalized. Budgets for Enterprise Funds are established in order to help departments control operational costs. Budgets for Internal Service Funds are established in order to help departments control operational costs. Budgets for Trust and Agency Funds are established in accordance with the trust/agency agreements.

On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments.

In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During 2009/10, there were no supplemental budgetary appropriations to the original budget.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year.

Upon the recommendation of the City Manager, and with the approval of the City Council: 1) transfers may be made from the appropriations for contingencies to departments; and 2) unexpended appropriations may be transferred from one department to another.

Management control of budgets is further maintained at a line item level within the department.

All expenditure appropriations that have not been expended lapse at year-end. The City discontinued the use of encumbrance accounting, as such, fund balance amounts are not reserved for purchase orders, contract or other commitments.

**B. Excess of Expenditures over Appropriations**

The Preserve Privilege Tax Special Revenue Fund exceeded its Special Revenue Expenditures appropriation by \$2,100. Administrative costs incurred which were not included in the expenditures appropriation were funded by available fund balance.

The Municipal Bond Corporation Debt Service Fund exceeded its Debt Service Expenditure appropriation by \$5,846. The additional expenditures incurred were funded by available fund balance.

**C. Deficit Fund Equity**

The Community Development Block Grant, Home and Grants Special Revenue Funds had a deficit balance of \$153,000, \$2,000 and \$257,000 respectively, caused by certain grant reimbursements not being available. Revenue accruals were deferred in the current fiscal year due to the unavailability of the funds. These reimbursements due will be recognized as revenue when actually received.

**D. Fund Balance/Net Assets Reservations and Designations**

Only restrictions imposed by external sources are shown as restricted net assets on the government-wide financial statements. Reservations or designations of fund balances are shown in aggregate on the governmental fund financial statements, but not on the proprietary fund financial statements. The City does, however, reserve or designate portions of net assets in other funds to demonstrate the government's intended use of those net assets. Designations are created by administrative policy. Designations for operating reserves have been set in accordance with the City's financial policy. Unrestricted fund balances for the City's internal service funds have been designated in accordance with the purpose of the funds. The following are the reservations and designations of fund balance/net assets at June 30, 2010:



**Fund Balance Reservations and Designations (in thousands of dollars)**

| <b>General Fund</b>                                       | Major     | Nonmajor  |
|---|-----------|-----------|
| Reserved for Inventory                                    | \$ 206    |           |
| Reserved\Restricted for Streetlight and Service Districts | 380       |           |
| Designated for Operating Reserve                          | 26,126    |           |
| Total   | \$ 26,712 |           |
| <br>  |           |           |
| <b>Debt Service Fund</b>                                  |           |           |
| Reserved for Debt Service                                 | \$ 4,932  | \$ 12,261 |
| <br>  |           |           |
| <b>Capital Projects Fund</b>                              |           |           |
| Reserved for Miscellaneous Receivable                     | \$ 3,000  |           |
| <br>  |           |           |
| <b>Water and Sewer</b>                                    |           |           |
| Restricted for Repair and Replacement                     | \$ 26,778 |           |
| Restricted for Debt Service                               | \$ 5,466  |           |

The amounts presented below detail the City's planned use of the following Unrestricted Net Asset amounts:

|  |           |  |
|--|-----------|--|
| <b>Water and Sewer</b>                                 |           |  |
| Designated for Operating Reserve                       | \$ 20,238 |  |
| <br>   |           |  |
| <b>Airport</b>   |           |  |
| Designated for Repair and Replacement                  | \$ 3,235  |  |
| Designated for Operating Reserve                       | \$ 571    |  |
| <br>   |           |  |
| <b>Solid Waste</b>                                     |           |  |
| Designated for Operating Reserve                       | \$ 3,278  |  |
| <br>   |           |  |
| <b>Fleet Management</b>                                |           |  |
| Designated for Acquisition and Maintenance of Vehicles | \$ 14,666 |  |
| <br>   |           |  |
| <b>Self-Insurance</b>                                  |           |  |
| Designated for General Liability Claims                | \$ 7,102  |  |
| Designated for Health Care Benefits                    | 7,642     |  |
|  | \$ 14,744 |  |

#### **IV. Detailed Notes on All Funds**

##### **A. Cash and Investments**

The City maintains a cash and investment pool for use by all funds except the Community Facilities Districts Funds, which have investments held separately by a trustee.

City Charter, Ordinance, and Trust Agreements authorize the City to invest in obligations of the U.S. Treasury, U.S. Government agencies, certificates of deposit, bankers' acceptances, commercial paper (A-1, P-1), repurchase agreements, mutual funds consisting of the foregoing, and the State of Arizona Local Government Investment Pool (LGIP).

##### **Deposits**

At June 30, 2010, the carrying amount of the City's deposits was \$218,863,444, and the bank balance was \$217,678,828. The \$1,184,616 difference represents deposits in transit and other reconciling items.

##### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2010, in accordance with the City's policy, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus had no deposits that were exposed to custodial credit risk.

The custodial credit risk for investments is the risk that, in the event of the failures of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

## Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than three years unless matched to a specific cash flow. The following table summarizes the City's interest rate risk, based on maturity dates of various investments:

(in thousands of dollars)

| Investment Type                 | Fair Value        | Investment Maturities (in Years) |                   |                  |              |
|---------------------------------|-------------------|----------------------------------|-------------------|------------------|--------------|
|                                 |                   | Less Than 1                      | 1 - 2             | 2 - 3            | 3+           |
| U.S. Government Securities      | \$ 50,333         | \$ 22,578                        | \$ 27,745         | \$ -             | \$ 10        |
| Federal Agency Securities       | 256,706           | 128,686 *                        | 84,255            | 43,765           | -            |
| Corporate Notes                 | 28,565            | 8,154                            | 20,411            | -                | -            |
| Guaranteed Investment Contracts | 275               | 275                              | -                 | -                | -            |
| <b>Total Investments</b>        | <b>\$ 335,879</b> | <b>\$ 159,693</b>                | <b>\$ 132,411</b> | <b>\$ 43,765</b> | <b>\$ 10</b> |

\* \$25,063 of these bonds are callable on September 25, 2010

\* \$12,782 of these bonds are callable on November 11, 2010

\* \$10,000 of these bonds are callable on December 30, 2010

## Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to invest in securities with the highest rating issued by NRSROs. Presented below is the rating as of June 30, 2010 for each investment type:

(in thousands of dollars)

| Investment Type                 | Total             | A-1+        | AAA               | Exempt from Disclosure | Not Rated     |
|---------------------------------|-------------------|-------------|-------------------|------------------------|---------------|
| U.S. Government Securities      | \$ 50,333         | \$ -        | \$ -              | \$ 50,333              | \$ -          |
| Federal Agency Securities       | 256,706           |             | 246,706           | 10,000                 |               |
| Corporate Notes                 | 28,565            |             | 28,565            |                        |               |
| Guaranteed Investment Contracts | 275               |             |                   |                        | 275           |
| <b>Total Investments</b>        | <b>\$ 335,879</b> | <b>\$ -</b> | <b>\$ 275,271</b> | <b>\$ 60,333</b>       | <b>\$ 275</b> |

## Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

The following is a listing by issuer of the City's investments at June 30, 2010:

(in thousands of dollars)

| Issuer                                       | Investment Type                | Market Value      | Percent of Holdings |
|--|--------------------------------|-------------------|---------------------|
| U.S. Government                              | U.S. Government Securities     | \$ 50,333         | 14.99%              |
| Federal Home Loan Bank (FHLB)                | Federal Agency Securities      | 62,224            | 18.53%              |
| Federal Home Loan Mortgage Corp. (FHLMC)     | Federal Agency Securities      | 78,668            | 23.42%              |
| Federal National Mortgage Association (FNMA) | Federal Agency Securities      | 115,814           | 34.48%              |
| Key Corp.                                    | Corporate Note                 | 5,048             | 1.50%               |
| General Electric Capital Corp.               | Corporate Note                 | 5,048             | 1.50%               |
| Goldman Sachs                                | Corporate Note                 | 8,163             | 2.43%               |
| PNC Bank                                     | Corporate Note                 | 5,148             | 1.53%               |
| SunTrust Bank                                | Corporate Note                 | 5,158             | 1.54%               |
| Pacific Life Insurance Company               | Guaranteed Investment Contract | 275               | 0.08%               |
|  | <b>Total Investments</b>       | <b>\$ 335,879</b> | <b>100.00%</b>      |

## Investments

Total City cash and investments at fair value are as follows (in thousands of dollars):

|                                  |                   |
|----------------------------------|-------------------|
| Cash on Hand                     | \$ 22             |
| Carrying Amount of City Deposits | 218,863           |
| Investments                      | 335,879           |
| Total Cash and Investments       | <u>\$ 554,764</u> |

Total City cash and investments are reported as follows (in thousands of dollars):

|   |                   |
|---|-------------------|
| Primary Government                              |                   |
| Cash and Investments                            | \$ 392,427        |
| Cash with Fiscal Agent                          | 114,071           |
| Restricted Cash                                 | 43,416            |
| Handicap Scholarship Private Purpose Trust Fund | 4                 |
| Family Self-Sufficiency Agency Fund             | 126               |
| Retainage Escrow Agency Fund                    | 4,720             |
| Total Cash and Investments                      | <u>\$ 554,764</u> |

Investment income comprises the following for the year ended June 30, 2010 (in thousands of dollars):

|   |    |                |
|---|----|----------------|
| Net Interest and Dividends                    | \$ | 9,710          |
| Net Decrease in the Fair Value of Investments |    | <u>(4,047)</u> |
| Total Net Investment Income                   | \$ | <u>5,663</u>   |

The net decrease in the fair value of investments during FY 2009/10 was \$4,047,000. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

In a previous year, the City reported a decrease in fair value of \$7,864,309 consisting of the City's share of a loss on an investment within the Local Government Investment Pool. The State and numerous other bondholders filed suit against the principals, underwriters, trustees, accountants and others in May 2003. The case is presently pending in federal court in Ohio. No reliable assessment of the litigation outcome is available; however, the City has received \$4,146,406 plus interest of \$39,182 as a partial recovery.

**B. Receivables**

Receivables as of year end for the government's individual major governmental funds, nonmajor governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows (in thousand of dollars):

**Governmental and Governmental Activities Internal Service Funds:**

|                                       | General Fund | General Obligation Bond Debt Service | General CIP Construction Capital Projects | Nonmajor and Other Funds | Total Governmental and Internal Service Funds |
|---------------------------------------|--------------|--------------------------------------|---|--------------------------|---|
| <b>Receivables</b>                    |              |                                      |   |                          |   |
| Property Taxes and Penalties:         |              |                                      |   |                          |   |
| Property                              | \$ 1,150     | \$ 1,688                             | \$ -                                      | \$ 232                   | \$ 3,070                                      |
| Court                                 | 36,289       | -                                    | -   | -                        | 36,289  |
| Subtotal Property Taxes and Penalties | 37,439       | 1,688                                | -   | 232                      | 39,359  |
| Other local taxes:                    |              |                                      |   |                          |   |
| Privilege                             | 13,021       | -                                    | -   | 3,299                    | 16,320  |
| Transient Occupancy                   | 508          | -                                    | -   | 315                      | 823   |
| State Shared Sales                    | 1,473        | -                                    | -   | -                        | 1,473   |
| Franchise Fee                         | 2,550        | -                                    | -   | -                        | 2,550   |
| Auto Lieu                             | 742          | -                                    | -   | -                        | 742   |
| Highway User                          | -            | -                                    | -   | 1,230                    | 1,230   |
| Subtotal Other Local Taxes            | 18,294       | -                                    | -   | 4,844                    | 23,138  |
| Intergovernmental/Grants              | -            | -                                    | 1   | 28,156                   | 28,157  |
| Interest and Other:                   |              |                                      |   |                          |   |
| Interest                              | 902          | -                                    | 70  | 258                      | 1,230   |
| Library                               | 1,421        | -                                    | -   | -                        | 1,421   |
| Special Assessments                   | -            | -                                    | -   | 1,897                    | 1,897   |
| Miscellaneous                         | 1,638        | -                                    | 3,004                                     | 220                      | 4,862   |
| Subtotal Interest and Other           | 3,961        | -                                    | 3,074                                     | 2,375                    | 9,410   |
| Gross Receivable                      | 59,694       | 1,688                                | 3,075                                     | 35,607                   | 100,064                                       |
| Less: Allowance for Uncollectibles    | (26,442)     | -                                    | -   | -                        | (26,442)                                      |
| Net Total Receivables                 | \$ 33,252    | \$ 1,688                             | \$ 3,075                                  | \$ 35,607                | \$ 73,622                                     |

|                          | Water and Sewer Utility | Airport | Solid Waste | Total Enterprise Fund |
|--------------------------|-------------------------|---------|-------------|-----------------------|
| <b>Receivables</b>       |                         |         |             |                       |
| Privilege Tax            | \$ -                    | \$ 16   | \$ -        | \$ 16                 |
| Charges for services     | 13,808                  | -       | 1,810       | 15,618                |
| Intergovernmental/Grants | 13                      | 410     | -           | 423                   |
| Interest                 | 315                     | 12      | 15          | 342                   |
| Miscellaneous            | 1,855                   | 129     | 62          | 2,046                 |
| Gross Receivable         | 15,991                  | 567     | 1,887       | 18,445                |
| Net Total Receivables    | \$ 15,991               | \$ 567  | \$ 1,887    | \$ 18,445             |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows (in thousand of dollars):

|                         | Unavailable      | Unearned        |
|-------------------------|------------------|-----------------|
| Property Tax            | \$ 2,318         | \$ -            |
| Tax Audit               | 4,440            | -               |
| Court                   | 4,270            | -               |
| Library                 | 871              | -               |
| Privilege Tax           | 1,739            | -               |
| Transient Occupancy Tax | 430              | -               |
| Special Assessments     | 1,897            | -               |
| Intergovernmental       | 23,224           | 8,498           |
| Other                   | 350              | 487             |
| <b>Total</b>            | <b>\$ 39,539</b> | <b>\$ 8,985</b> |

### C. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows (in thousands of dollars):

| Governmental Activities                       | Beginning<br>Balance | Increases         | Decreases           | Ending<br>Balance   |
|---|----------------------|-------------------|---------------------|---------------------|
| <b>Capital Assets, not being depreciated:</b> |                      |                   |                     |                     |
| Land  | \$ 1,380,255         | \$ 132,688        | \$ -                | \$ 1,512,943        |
| Construction In Progress                      | 258,373              | 82,388            | (215,144)           | 125,617             |
| Total Capital Assets, not being depreciated:  | 1,638,628            | 215,076           | (215,144)           | 1,638,560           |
| <b>Capital Assets, being depreciated:</b>     |                      |                   |                     |                     |
| Buildings and Land Improvements               | 459,208              | 110,846           | -                   | 570,054             |
| Streets and Storm Drains                      | 2,516,968            | 129,405           | -                   | 2,646,373           |
| Vehicles                                      | 63,216               | 4,628             | (4,457)             | 63,387              |
| Maintenance by Fleet                          | 3,622                | -                 | (49)                | 3,573               |
| Machinery and Equipment                       | 82,330               | 4,192             | (1,579)             | 84,943              |
| Total Capital Assets, being depreciated:      | 3,125,344            | 249,071           | (6,085)             | 3,368,330           |
| <b>Less Accumulated depreciation for:</b>     |                      |                   |                     |                     |
| Buildings and Land Improvements               | 186,887              | 17,391            | -                   | 204,278             |
| Streets and Storm Drains                      | 1,089,515            | 81,517            | -                   | 1,171,032           |
| Vehicles                                      | 39,594               | 5,077             | (4,394)             | 40,277              |
| Maintenance by Fleet                          | 3,124                | 137               | (49)                | 3,212               |
| Machinery and Equipment                       | 54,878               | 6,677             | (1,506)             | 60,049              |
| Total Accumulated depreciation:               | 1,373,998            | 110,799           | (5,949)             | 1,478,848           |
| Total Capital Assets, being depreciated, net: | 1,751,346            | 138,272           | (136)               | 1,889,482           |
| Governmental activities Capital Assets, net:  | <b>\$ 3,389,974</b>  | <b>\$ 353,348</b> | <b>\$ (215,280)</b> | <b>\$ 3,528,042</b> |

| Business-type Activities                      | Beginning<br>Balance | Increases        | Decreases         | Ending<br>Balance   |
|---|----------------------|------------------|-------------------|---------------------|
| <b>Capital Assets, not being depreciated:</b> |                      |                  |                   |                     |
| Land  | \$ 37,969            | \$ -             | \$ -              | \$ 37,969           |
| Water Rights                                  | 89,701               | -                | -                 | 89,701              |
| Construction In Progress                      | 160,895              | 45,680           | (4,301)           | 202,274             |
| Total Capital Assets, not being depreciated:  | <u>288,565</u>       | <u>45,680</u>    | <u>(4,301)</u>    | <u>329,944</u>      |
| <b>Capital Assets, being depreciated:</b>     |                      |                  |                   |                     |
| Water System                                  | 911,050              | 6,239            | -                 | 917,289             |
| Sewer System                                  | 417,352              | 4,281            | -                 | 421,633             |
| Buildings and Land Improvements               | 22,300               | 357              | -                 | 22,657              |
| Machinery and Equipment                       | 17,825               | 22               | (43)              | 17,804              |
| Furniture, Fixtures and Office Equipment      | 621                  | -                | -                 | 621                 |
| Total Capital Assets, being depreciated:      | <u>1,369,148</u>     | <u>10,899</u>    | <u>(43)</u>       | <u>1,380,004</u>    |
| <b>Less Accumulated depreciation for:</b>     |                      |                  |                   |                     |
| Water System                                  | 228,490              | 22,921           | -                 | 251,411             |
| Sewer System                                  | 109,122              | 10,614           | -                 | 119,736             |
| Buildings and Land Improvements               | 9,122                | 1,122            | -                 | 10,244              |
| Machinery and Equipment                       | 4,895                | 727              | (43)              | 5,579               |
| Furniture, Fixtures and Office Equipment      | 621                  | -                | -                 | 621                 |
| Total Accumulated depreciation:               | <u>352,250</u>       | <u>35,384</u>    | <u>(43)</u>       | <u>387,591</u>      |
| Total Capital Assets, being depreciated, net: | <u>1,016,898</u>     | <u>(24,485)</u>  | <u>-</u>          | <u>992,413</u>      |
| Business-type activities capital assets, net: | <u>\$ 1,305,463</u>  | <u>\$ 21,195</u> | <u>\$ (4,301)</u> | <u>\$ 1,322,357</u> |

During FY 2009/10, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$8,611,658. Total interest expense in this fund before capitalization was \$13,810,088.

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands of dollars):

| <b>Governmental Activities</b>  |                   |
|---|-------------------|
| General Government  | \$ 7,117          |
| Economic Vitality   | 2,128             |
| Public Works & Water Resources  | 162               |
| Planning/Neighborhood/Transportation  | 82,434            |
| Public Safety   | 3,085             |
| Finance & Accounting  | 158               |
| Human Resources   | 36                |
| Community Services  | 6,440             |
| Information Technology  | 3,879             |
| Administrative Services   | 11                |
| Capital Assets Held by the Government's Internal Service Funds<br>are Charged to the Various Functions Based on their Usage of the Assets | <u>5,349</u>      |
| Total Depreciation Expense - Government Activities  | <u>\$ 110,799</u> |



| <b>Business-type Activities</b>                       |                  |
|---|------------------|
| Water and Sewer System                                | \$ 34,090        |
| Airport   | 1,095            |
| Solid Waste   | 199              |
|   | <hr/>            |
| Total Depreciation Expense - Business-type Activities | <u>\$ 35,384</u> |

**Construction Commitments**

The City has active construction projects as of June 30, 2010. At year-end the government's commitments with contractors for specific projects are as follows (in thousands of dollars):

| Construction Commitments       | Spent to Date     | Remaining<br>Commitment |
|--------------------------------|-------------------|-------------------------|
| Streets                        | \$ 102,484        | \$ 17,174               |
| Traffic                        | 9,211             | 1,154                   |
| Fire                           | 4,869             | 4,563                   |
| Police                         | 46,349            | 32                      |
| Drain/Flood Control            | 13,336            | 622                     |
| Community/Preserve             | 184,974           | 4,834                   |
| Parks/Recreation               | 6,757             | 1,843                   |
| Municipal Facilities           | 13,598            | 2,779                   |
| Technology                     | 25,992            | 11,134                  |
| Libraries                      | 11,826            | 421                     |
| Airport                        | 5,326             | 2,261                   |
| Transit                        | 5,963             | 3,361                   |
| Water System                   | 328,986           | 3,789                   |
| Sewer System                   | 136,299           | 5,194                   |
|                                | <hr/>             |                         |
| Total Construction Commitments | <u>\$ 895,970</u> | <u>\$ 59,161</u>        |

The traffic commitments are being financed by the 0.2 percent transportation sales tax, which is reported in the special revenue fund financial statements. All water and sewer system improvement projects are being financed through the use of water or sewer development fees and water or sewer rates.

**D. Interfund Balances and Interfund Transfers**

**Due To and Due From Other Funds**

“Due to” and “Due from” balances have been recorded to address temporary cash flow needs. The composition of interfund balances as of June 30, 2010, is as follows:

| <b>Receivable Fund</b>    |              | <b>Payable Fund</b>         |              |
|---------------------------|--------------|-----------------------------|--------------|
| (in thousands of dollars) | Amount       | (in thousands of dollars)   | Amount       |
| General                   | \$ 80        | Nonmajor Governmental Funds | \$ 80        |
|                           | <hr/>        |                             | <hr/>        |
| Total                     | <u>\$ 80</u> | Total                       | <u>\$ 80</u> |

The Community Develop Block Grant Special Revenue Fund had a deficit cash balance of \$73,000, due to grants being received on a reimbursement basis. The HOME Special Revenue Fund had a deficit cash balance of \$7,000, due to grants being received on a reimbursement basis.

**Interfund Transfers**

Transfers are used to fund capital projects and debt service, reallocate special revenue funds to operating centers or other operations and for indirect administrative cost allocations (including in-lieu property tax and franchise fees) charged to Enterprise Funds.

**Net transfers (in thousands of dollars):**

| <b>Transfers Out</b>                  |           | <b>Transfers In</b>                |          |
|---------------------------------------|-----------|------------------------------------|----------|
| <b>From:</b>                          |           | <b>To:</b>                         |          |
| <b>Major Governmental Funds</b>       |           | <b>Major Governmental Funds</b>    |          |
| General                               | \$ 26,837 | General                            | \$ 9,000 |
| Debt Service, General Obligation Bond | 2,181     | Capital Projects                   |          |
| Capital Projects                      |           | General CIP Construction           | 10,417   |
| General CIP Construction              | 10,516    |                                    |          |
|                                       |           | <b>Nonmajor Governmental Funds</b> | 18,764   |
|                                       |           | <b>Internal Service</b>            | 1,353    |
|                                       |           | Total Major Governmental Funds     | 39,534   |
| Total Major Governmental Funds        | 39,534    |                                    |          |
| <b>Major Enterprise Funds</b>         |           | <b>Major Governmental Funds</b>    |          |
| Water and Sewer                       | \$ 10,228 | General                            | \$ 9,603 |
|                                       |           | Capital Projects                   |          |
|                                       |           | General CIP Construction           | 625      |
| Airport                               | 61        | <b>Major Governmental Funds</b>    |          |
|                                       |           | General                            | 48       |
|                                       |           | Capital Projects                   |          |
|                                       |           | General CIP Construction           | 13       |
| Solid Waste                           | 401       | <b>Major Governmental Funds</b>    |          |
|                                       |           | General                            | 11       |
|                                       |           | Capital Projects                   |          |
|                                       |           | General CIP Construction           | 32       |
|                                       |           | <b>Nonmajor Governmental Funds</b> | 358      |
|                                       |           | Total Major Enterprise Funds       | 10,690   |
| Total Major Enterprise Funds          | 10,690    |                                    |          |

(continued)

| <b>Transfers Out</b>                     |                   | <b>Transfers In</b>                      |                   |
|--|-------------------|--|-------------------|
| <b>From:</b>                             |                   | <b>To:</b>                               |                   |
| <b>Nonmajor Governmental Funds</b>       | 59,159            | <b>Major Governmental Funds</b>          |                   |
|  |                   | General                                  | 570               |
|  |                   | Debt Service                             |                   |
|  |                   | General Obligation Bond                  | 13,956            |
|  |                   | Capital Projects                         |                   |
|  |                   | General CIP Construction                 | 10,554            |
|  |                   | <b>Nonmajor Governmental funds</b>       | 34,079            |
| <b>Total Nonmajor Governmental Funds</b> | <u>59,159</u>     | <b>Total Nonmajor Governmental Funds</b> | <u>59,159</u>     |
| <b>Internal Service</b>                  | 36                | <b>Major Governmental Funds</b>          |                   |
|  |                   | Capital Projects                         |                   |
|  |                   | General CIP Construction                 | 36                |
| <b>Total Internal Service Funds</b>      | <u>36</u>         | <b>Total Internal Service Funds</b>      | <u>36</u>         |
| <b>Total</b>                             | <u>\$ 109,419</u> | <b>Total</b>                             | <u>\$ 109,419</u> |

**E. Leases**

**Operating Leases**

The City has entered into rental agreements of retail and parking facilities. Rental payments on these facilities during FY 2009/10 were \$997,979. Payments are contingent upon sales tax revenues received on the properties; thus, future payments cannot be determined.

**Capital Leases**

The City has entered into a lease agreement as lessee for financing the acquisition of a modular office building for its water operations. The lease agreement qualifies as a capital lease for accounting purposes; therefore, has been recorded in the Water and Sewer Fund at the present value of the future minimum lease payments as of the inception date. The building acquired by this lease agreement is recorded in the Water System at a value of \$212,654, less accumulated depreciation of \$17,367.

**F. Bonds, Loans, and Other Payables**

The following are brief descriptions of bonds outstanding at June 30, 2010. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2010.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

**General Obligation Bonds**

General obligation (GO) bonds are issued, after approval by City of Scottsdale voters at an authorized bond election, to finance the construction of water and sewer systems, artificial lighting, parks and open spaces, recreational facilities, and general purpose improvements. At June 30, 2010, the City had \$6,400,000 of unissued various purpose GO bonds, which were authorized in September 2000. The City had no unissued Preservation GO bonds from the September 1999 authorization. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as, an additional 0.15 percent sales tax increase to be used to finance Preserve land acquisitions. At June 30, 2010, the City had \$460,000,000 of unissued Preservation GO bonds from the May 2004 authorization. GO bonds are backed by the full faith and credit of the City, and are repaid through the City’s levying of property (ad valorem) taxes. However, the Preservation GO bonds are repaid through the two-tenths of 1 percent City sales tax approved by voters in May 1995 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve.

**Municipal Property Corporation Bonds**

The City of Scottsdale Municipal Property Corporation (MPC) is a nonprofit corporation created by the City in 1967 to finance the construction or acquisition of certain capital improvement projects. The MPC issues its own bonds, which are repaid through the City’s excise tax collections and other unrestricted revenues. The use of property taxes to repay these bonds is specifically prohibited by law. Most of these bonds are recorded as governmental activities long-term debt. The 2004 MPC bonds, the 2005E MPC bonds, the 2010 MPC bonds, a portion of the 2006 MPC Refunding bonds and the 2008A MPC bonds are recorded in and paid out of the revenues of the Water and Sewer Enterprise Fund.

The City has pledged to repay \$659,900,322 in MPC bonds issued in 2001 through 2010. The bonds are payable through 2024, 2030, and 2036. The coverage ratio (revenues to debt service) for 2010 is 6.16. The total principal and interest remaining to be paid on the bonds is \$767,715,591. Principal and interest paid for the current year and total excise tax were \$28,204,901 and \$173,352,000, respectively.

**Scottsdale Preserve Authority Bonds**

The Scottsdale Preserve Authority (SPA) is a nonprofit corporation created by the City in 1997 to finance land acquisitions for the McDowell Sonoran Preserve. The SPA issues its own bonds, which are repaid through the two-tenths of one percent City sales tax approved by voters in May 1995 to be used specifically for this purpose. In May 2004, voters approved an additional 0.15 percent sales tax increase. SPA bonds are recorded as governmental activities long-term debt and are paid out of the SPA Debt Service Fund.

The City has pledged to repay \$117,420,000 in SPA bonds issued in 1998, 2001, and 2004. The bonds are payable through 2024, 2022, and 2016. The coverage ratio (revenues to debt service) for 2010 is 3.94. The total principal and interest remaining to be paid on the bonds is \$94,237,298. Principal and interest paid for the current year and total sales tax were \$6,731,751 and \$26,416,000, respectively.

## **Water and Sewer Revenue Bonds**

Water and sewer revenue bonds are issued as authorized by the voters for the construction, acquisition, furnishing and equipping of water and sewer facilities and related systems. The water and sewer revenue bonds are collateralized by revenue in excess of operating and maintenance expenses of the City's water and sewer utility system, and are repaid via user charges or fees for service. Property taxes cannot be used to pay the debt service on these bonds.

Water and sewer revenue bond covenants require that the City accumulate sufficient reserves to cover the eventual replacement of the water and sewer system. The City has continued to meet this reserve requirement. At June 30, 2010, the funds reserved for this purpose were \$26,778,447.

The City has pledged to repay \$54,170,000 in water and sewer revenue bonds issued in 2004 and 2008. The bonds are payable through 2016 and 2023. The coverage ratio (revenues to debt service) for 2010 is 12.18. The total principal and interest remaining to be paid on the bonds is \$61,955,137. Principal and interest for the current year and total customer net revenues were \$5,466,237 and \$66,585,000, respectively.

## **Special Assessment Bonds**

Special assessment bonds are issued by the City on behalf of improvement districts created by property owners for a specific purpose, such as to finance local street, water or sewer improvements, or to acquire an existing water or sewer operation. Property owners in the designated districts agree to be assessed for the principal and interest costs of repaying the bonds. As trustee for improvement districts, the City is responsible for collecting the assessments levied against the owners of property within the improvement districts and for disbursing these amounts to retire the bonds issued to finance the improvements. The receivables, revenues, and debt service expenses related to these bonds are recorded in the Special Assessments Debt Service Fund. At June 30, 2010, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, were adequate for the scheduled maturities of the bonds payable and the related interest.

These bonds are secured by a lien on the property and improvements of all parcels within each district. In the event of default by the property owner, the City may enforce auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

The City Council's adopted policy is that special assessment improvement debt is permitted only when the ratio of the full cash value of the property (prior to improvements being installed) when compared to debt is a minimum of 3 to 1 prior to issuance of debt, and 5 to 1 or higher after construction of improvements. In addition, cumulative improvement district debt is not permitted to exceed 5 percent of the City's secondary assessed valuation.

At June 30, 2010, there were two separate series of special assessment improvement bonds outstanding, each series issued as serial bonds to be repaid over 10 years. Bonds issued September 1998 through December 2001 totaling \$8,350,000 mature January 2009 through January 2013. The coverage ratio (revenues to debt service) for 2010 is 0.87 due to prepayment of amounts that are currently in fund balance. The total principal and interest remaining to be paid on the bonds is \$2,401,875. Principal and interest paid for the current year and total collections were \$878,000 and \$765,000 respectively.

**Certificates of Participation**

Certificates of Participation are issued to finance acquisition and improvements of real property that is leased to the City. The City’s obligation to make lease payments are subject to, and dependent upon, annual appropriations made by the City Council. In the event any such appropriation is not made, the lease will terminate and the lessor will have legal right to take possession of the property. The City’s obligation to make lease payments does not constitute a debt or liability of the City within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the City is pledged to make payments of principal or interest due with respect to the Certificates of Participation. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

**Community Facilities Districts General Obligation Bonds**

Community Facilities District General Obligation Bonds are issued by community facilities districts (CFDs), which are special purpose districts created specifically to acquire and improve public infrastructure in specified land areas. CFD bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. The City has no liability for community facilities district bonds.

CFDs are created only by petition to the City Council by property owners within the district areas. As board of directors for the CFDs, the City Council has adopted a formal policy that CFD debt will be permitted only when the ratio of the full cash value of the unimproved district property to the proposed district debt, is a minimum of 3 to 1, and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the CFD and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City’s secondary assessed valuation.

**CFD Advance Refundings**

There were no refundings during FY 2009/10. In prior years, the McDowell Mountain Ranch CFD and the Scottsdale Mountain CFD refinanced other bond issues through the issuance of refunding bonds. The proceeds from the refunding bonds were deposited in irrevocable trusts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, provided amounts sufficient for future redemption or payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of all of these trust accounts and the liability for refunded (defeased) bonds are not reflected in the financial statements of the City. There was no CFD refunded debt outstanding at June 30, 2010.

Bonds payable at June 30, 2010, are comprised of the following:

**Classified in Governmental Activities on the Government-wide Financial Statements:**

|  | <u>Bonds<br/>Outstanding<br/>(in thousands of<br/>dollars)</u> |
|--|--|
| <b>General Obligation Bonds</b>  |  |
| 1989 Capital Improvement Project Serial Bonds (Series B issued 1991) due in annual installments of \$740,000 to \$1,175,000 through July 1, 2011; interest at 6.0 percent to 8.5 percent. Original issue amount \$19,000,000.  | \$ -   |
| 1997 Refunding Bonds (issued September 3, 1997) due in annual installments of \$50,000 to \$3,510,000 through July 1, 2014, interest at 4.45 percent to 5.5 percent. Original issue amount \$19,900,000.   | 5,890  |
| 1989 Capital Improvement Project Serial Bonds (issued April 6, 1998) due in annual installments of \$445,000 to \$1,340,000 through July 1, 2018, interest at 4.3 percent to 6.5 percent. On September 26, 2002, \$8,180,000 due 2009 through 2015 were refunded. Original issue amount \$20,500,000.  | 4,445  |
| 2001 Refunding Bonds (issued July 18, 2001) due in annual installments of \$70,000 to \$5,030,000 through July 1, 2022; interest at 3.875 percent to 5.375 percent. On April 15, 2004, \$5,490,000 due 2010 and 2014 through 2018 were defeased. Original issue amount \$51,155,000.   | 35,555   |
| 2002 Various Purpose Bonds (issued May 16, 2002) due in annual installments of \$1,740,000 to \$5,000,000 through July 1, 2024; interest at 4 percent to 5 percent. On June 15, 2004, \$3,000,000 due 2010 through 2011 were defeased, and on March 29, 2005 an additional \$42,665,000 due 2012 through 2019 and 2021 through 2024 were refunded. Original issue amount \$68,000,000. | 7,315  |
| 2002 Refunding Bonds (issued September 26, 2002) due in annual installments of \$1,625,000 to \$8,795,000 through July 1, 2019; interest at 2 percent to 5 percent. On April 15, 2004, \$1,510,000 due 2010 were defeased. Original issue amount \$72,000,000.   | 41,125   |
| 2003 Refunding Bonds (issued September 24, 2003) due in annual installments of \$45,000 to \$5,515,000 through July 1, 2013; interest at 2 percent to 4.5 percent. Original issue amount \$16,265,000.   | 4,505  |
| 2004 Various Purpose Bonds (issued May 13, 2004) due in annual installments of \$1,600,000 to \$30,300,000 through July 1, 2025; interest at 3 percent to 5 percent. Original issue amount \$113,400,000.  | 104,800  |
| 2005 Refunding Bonds (issued March 29, 2005) due in annual installments of \$2,715,000 to \$11,075,000 through July 1, 2024; interest at 3.85 percent to 5 percent. Original issue amount \$74,630,000.  | 74,630   |
| 2005A Various Purpose Bonds (issued December 1, 2005) due in annual installments of \$2,500,000 to \$10,750,000 through July 1, 2024; interest at 3.5 percent to 5 percent. Original issue amount \$125,000,000.   | 113,250  |
| 2005B Preservation Bonds (issued December 1, 2005) due in annual installments of \$775,000 to \$1,575,000 through July 1, 2024; interest at 3.5 percent to 5 percent. Original issue amount \$20,000,000.  | 16,700   |
| 2008A Various Purpose Bonds (issued May 13, 2008) due in annual installments of \$3,075,000 to \$9,800,000 through July 1, 2028; interest at 3.25 percent to 5 percent. Original issue amount \$100,000,000.   | 100,000  |
| 2008B Preservation Bonds (issued May 13, 2008) due in annual installments of \$325,000 to \$1,250,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$20,000,000.  | 19,175   |
| 2010 Various Purpose Bonds (issued April 7, 2010) due in annual installments of \$950,000 to \$4,800,000 through July 1, 2030; interest at 2 percent to 4 percent. Original issue amount of \$50,800,000.  | 50,800   |
| Total General Obligation Bonds Outstanding   | <u>\$ 578,190</u>  |

**Bonds  
Outstanding  
(in thousands of  
dollars)**

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Portions of the 2001 Refunding Bonds, 2002 Various Purpose Bonds, 2002 Refunding Bonds, 2004 Various Purpose Bonds and 2005 Refunding Bonds of \$28,715,000, \$5,755,000, \$8,100,000, \$55,900,000 and \$66,090,000, respectively, are paid from the .2 percent Preservation Sales Tax. The 2005B Preservation Bonds and the 2008B Preservation Bonds of \$17,575,000 and \$19,675,000, respectively, are paid from the .15 percent Preservation Sales Tax.

**Municipal Property Corporation Bonds**

|   |                   |
|---|-------------------|
| 2004A Municipal Property Corporation Excise Tax Revenue Bonds (issued September 15, 2004) due in annual installments of \$920,000 to \$2,715,000 through July 1, 2034; interest at 3.25 percent to 5.25 percent. On November 29, 2006, \$30,975,000 due 2017 and 2020 through 2034 were refunded. Original issue amount \$40,760,000. | \$ 8,865          |
| 2005 Municipal Property Corporation Excise Tax Revenue Bonds (issued June 15, 2005) due in annual installments of \$35,026 to \$4,925,019 through July 1, 2021; interest at 3.22 percent to 5 percent. Original issue amount \$19,945,322.  | 22,842            |
| 2005D Municipal Property Corporation Excise Tax Revenue Bonds (issued December 1, 2005) due in annual installments of \$200,000 to \$3,625,000 through July 1, 2035; interest at 3.25 percent to 5 percent. On November 29, 2006, \$25,925,000 due 2017 through 2030 were refunded. Original issue amount \$46,500,000.               | 19,700            |
| 2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,105,000 to \$2,730,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.   | 55,450            |
| 2006A Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$240,000 to \$625,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount \$10,000,000.   | 8,855             |
| 2006B Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$950,000 to \$2,475,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount \$32,500,000.   | <u>32,500</u>     |
| Total MPC Bonds Outstanding   | <u>\$ 148,212</u> |

**Scottsdale Preserve Authority Bonds**

|  |                  |
|--|------------------|
| 1998 Scottsdale Preserve Authority Excise Tax Revenue Bonds due in annual installments of \$1,015,000 to \$6,585,000 beginning July 1, 1999, through July 1, 2024; interest at 6.0 percent to 4.75 percent. On March 30, 2004, \$22,770,000 due 2009 through 2016 were refunded. Original issue amount \$77,000,000. | \$ 36,725        |
| 2001 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued July 18, 2001, due in annual installments of \$60,000 to \$1,465,000 beginning July 1, 2002, through July 1, 2022; interest at 4.375 percent to 5.25 percent. Original issue amount \$17,495,000.                                       | 13,475           |
| 2004 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued March 30, 2004, due in annual installments of \$75,000 to \$3,315,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$22,925,000.   | <u>17,670</u>    |
| Total Scottsdale Preserve Authority Bonds  | <u>\$ 67,870</u> |



|  | <u>Bonds<br/>Outstanding<br/>(in thousands of<br/>dollars)</u> |
|--|--|
| <b>Special Assessment Bonds</b>  |  |
| Special Assessment Bonds issued September 28, 1998, through December 20, 2001, maturing January 1, 2009, through January 1, 2013; due in annual installments of \$85,000 to \$750,000; interest at 4.5 percent to 4.625 percent. Total original issue amount \$8,350,000.                      | \$ <u>2,250</u>  |
| <b>Certificates of Participation</b>   |  |
| 2005 Certificates of Participation issued January 26, 2005, due in annual installments of \$223,832 to \$450,965 beginning January 1, 2006, through July 1, 2015. Original issue amount \$7,650,000.   | \$ <u>4,194</u>  |
| <b>Community Facilities Districts General Obligation Bonds</b>   |  |
| 1998 DC Ranch Community Facilities District General Obligation Bonds due in annual installments of \$155,000 to \$385,000 beginning July 15, 2005 through July 15, 2023; interest at 4.75 percent to 5.5 percent. Original issue amount \$4,750,000.   | \$ 3,710   |
| 1999 Via Linda Road Community Facilities District General Obligation Bonds due in annual installments of \$95,000 to \$255,000 beginning July 15, 2004 through July 15, 2023; interest at 5.0 percent to 5.75 percent. Original issue amount \$3,225,000.                                      | 2,455  |
| 1999 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds due in annual installments of \$320,000 to \$1,455,000 beginning July 15, 1999 through July 15, 2022; interest at 4.0 percent to 6.0 percent. Original issue amount \$20,245,000.                | 13,265   |
| 1999 DC Ranch Community Facilities District General Obligation Bonds (issued November 1, 1999) due in annual installments of \$85,000 to \$260,000 beginning July 15, 2005 through July 15, 2011. Interest at 5.45 percent to 6.50 percent. Original issue amount \$3,085,000.                 | 2,500  |
| 2002 Scottsdale Mountain Community Facilities District General Obligation Refunding Bonds (issued May 15, 2002) due in annual installments of \$160,000 to \$455,000 beginning July 15, 2003 through July 15, 2018; interest at 3.0 percent to 4.7 percent. Original issue amount \$5,375,000. | 3,005  |
| 2002 DC Ranch Community Facilities District General Obligation Bonds (issued December 17, 2002) due in annual installments of \$245,000 to \$1,395,000 beginning July 15, 2004 through July 15, 2027. Interest at 3 percent to 5 percent. Original issue amount \$12,165,000.                  | 10,080   |
| 2007 Waterfront Commercial Community Facilities District General Obligation Bonds (issued December 11, 2007) due in annual installments of \$25,000 to \$300,000 beginning July 15, 2009 through July 15, 2032. Interest at 4.85 percent to 6.05 percent. Original issue amount \$3,805,000.   | <u>3,745</u>   |
| Total Community Facilities Districts General Obligation Bonds Outstanding  | <u>\$ 38,760</u>   |
| Total Bonds Payable Recorded in Governmental Activities  | <u><u>\$ 839,476</u></u>                                       |

**Classified in Business-type Activities on the Government-wide Financial Statements:**

|   | <u>Bonds<br/>Outstanding<br/>(in thousands of<br/>dollars)</u> |
|---|--|
| <b>Water and Sewer Revenue Bonds</b>  |  |
| 2004 Water and Sewer Revenue Refunding Bonds (Series 2004 issued March 30, 2004) due in annual installments of \$80,000 to \$3,175,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$18,880,000.  | \$ 11,975  |
| 2008 Water and Sewer Revenue Refunding Bonds (Series 2008 issued February 6, 2008) due in annual installments of \$190,000 to \$4,375,000 through July 1, 2023; interest at 3.25 percent to 5.25 percent. Original issue amount \$35,290,000.   | <u>33,255</u>  |
| Total Water and Sewer Revenue Bonds Outstanding   | <u>\$ 45,230</u>   |
| <b>Municipal Property Corporation Bonds</b>   |  |
| 2004 Municipal Property Corporation Excise Tax Revenue Bonds (Series 2004 issued May 13, 2004) due in annual installments of \$2,190,000 to \$5,435,000 through July 1, 2024; interest at 3.25 percent to 5.25 percent. These bonds are recorded and paid out of the Water and Sewer Enterprise Fund. On November 29, 2006, \$44,835,000 due 2015 through 2024 were refunded. Original issue amount \$75,000,000. | \$ 13,440  |
| 2005E Municipal Property Corporation Excise Tax Revenue Bonds (issued December 1, 2005) due in annual installments of \$2,275,000 to \$6,305,000 through July 1, 2030; interest at 5 percent. These bonds are recorded in and paid out of the Water and Sewer Enterprise Fund. On November 29, 2006 \$67,455,000 due 2015 through 2030 were refunded. Original issue amount \$88,360,000.                         | 16,330   |
| 2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.   | 110,510  |
| 2008A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 13, 2008) due in annual installments of \$1,800,000 to \$7,250,000 through July 1, 2032; interest at 4 percent to 5 percent. Original issue amount \$105,875,000.   | 101,500  |
| 2010 Municipal Property Corporation Excise Tax Revenue Bonds (issued April 7, 2010) due in annual installments of \$180,000 to \$7,800,000 through July 1, 2036; interest at 3 percent to 5 percent. Original issue amount \$75,000,000.  | <u>75,000</u>  |
| Total Municipal Property Corporation Bonds Outstanding  | <u>\$ 316,780</u>  |
| Total Bonds Payable Recorded in Business-type Activities  | <u>\$ 362,010</u>  |
| Total Long-term Bonds Payable   | <u><u>\$ 1,201,486</u></u>                                     |

### Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt issued for water, sewer, light, parks, and open space purposes may not exceed 20 percent of a city's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a city's net secondary assessed valuation. Accretion on capital appreciation bonds, which is included for GAAP purposes as outstanding debt, is excluded for this calculation. General obligation bonds of community facilities districts also are not subject to or included in this calculation. The following summarizes the City of Scottsdale, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2010 (in thousands of dollars):

| <b>General Obligation Bonds Issued<br/>to Provide Water, Sewer, Light,</b> |              | <b>General Obligation Bonds Issued for<br/>All Other Purposes</b> |            |
|--|--------------|---|------------|
| 20% Constitutional Limit   | \$ 1,681,200 | 6% Constitutional Limit   | \$ 504,360 |
| Less General Obligation<br>20% Bonds Outstanding                           | (499,945)    | Less General Obligation<br>6% Bonds Outstanding                   | (78,245)   |
| Available 20% Limitation<br>Borrowing Capacity                             | \$ 1,181,255 | Available 6% Limitation<br>Borrowing Capacity                     | \$ 426,115 |

### Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City's outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2010.

### Advance Refundings and Defeasances

In prior years, the City refinanced other bond issues through the issuance of refunding bonds. The proceeds from the refunding bonds have been deposited in irrevocable trusts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded.

The assets, liabilities, and financial transactions of all of these trust accounts and the liability for refunded (defeased) bonds are not reflected in the financial statements of the City.

The following table reflects refunded debt outstanding at June 30, 2010, net of any amounts to be paid or retired by the trustee on July 1, 2010.

| <b>Refunded in Prior Years<br/>(in thousands of dollars)</b> |                   |
|--|-------------------|
| 2002 General Obligation Bonds                                | 42,665            |
| 2004 MPC Excise Tax Revenue Bonds                            | 44,835            |
| 2004A MPC Excise Tax Revenue Bonds                           | 30,975            |
| 2005D MPC Excise Tax Revenue Bonds                           | 25,925            |
| 2005E MPC Excise Tax Revenue Bonds                           | 67,455            |
|  | <u>\$ 211,855</u> |

**Contracts Payable**

The City has entered into various purchase contracts related to economic development, acquisition of water system facilities, acquisition of recreational facilities and patents. The contract for the acquisition of water system facilities is payable only from the operating revenue of the water and sewer utility system. The following is a summary of debt service to maturity for all long-term contracts payable at June 30, 2010.

**Classified in Governmental Activities on the Government-wide Financial Statements:**

|  | <b>Contracts<br/>Payable<br/>(in thousands of<br/>dollars)</b> |
|--|--|
| Contract payable to the U.S. Army Corps of Engineers for the construction of flood control and recreation facilities; due in annual installments through 2032; interest at 5.1 percent.  | \$ 2,795   |
| Contract payable for the maintenance of a federal patent; due in three year installments beginning January 1, 2001 through January 1, 2011; non-interest bearing.  | 3  |
| Contract payable for the oversight and management of the Tournament Players Club Recreational Land Use Agreement; due in annual installments beginning March 1999 through June 2035; non-interest bearing.                     | 5,525  |
| Contract payable for the oversight and management of the Westworld Cost-share and Land Use Agreement; due in annual installments beginning December 2000 through December 2032; non-interest bearing.                          | 4,796  |
| Contract payable for the undergrounding of 69kv power lines; due in annual installments beginning January 1999 through January 2010; interest at 10.0 percent.   | 13   |
| Contract payable for the purchase of a portion of 2,685 acres of land for the McDowell Sonoran Preserve; due in 15 annual installments beginning July 1, 1999 through July 1, 2013; interest from 3.75 percent to 6.0 percent. | <u>2,600</u>   |
| Total Contracts Payable Recorded in Governmental Activities  | <u>\$ 15,732</u>   |

## Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2010 (in thousands of dollars).

|  | Beginning<br>Balance | Additional<br>Obligations,<br>Interest<br>Accretion<br>and Net<br>Increases | Current<br>Maturities,<br>Retirements,<br>and Net<br>Decreases | Ending<br>Balance | Amounts<br>Due Within<br>One Year |
|--|----------------------|---|--|-------------------|-----------------------------------|
| <b>Governmental Activities:</b>                            |                      |   |  |                   |                                   |
| Bonds payable:   |                      |   |  |                   |                                   |
| General Obligation Bonds                                   | \$ 551,455           | \$ 50,800   | \$ (24,065)  | \$ 578,190        | \$ 27,335                         |
| Municipal Property Corporation Bonds                       | 149,216              | 756   | (1,760)  | 148,212           | 1,513                             |
| Scottsdale Preserve Authority Bonds                        | 71,235               | -   | (3,365)  | 67,870            | 3,470                             |
| Special Assessments Bonds                                  | 3,000                | -   | (750)  | 2,250             | 750                               |
| Certificates of Participation                              | 4,954                | -   | (760)  | 4,194             | 785                               |
| Community Facilities Districts General<br>Obligation Bonds | 40,665               | -   | (1,905)  | 38,760            | 2,015                             |
| Add Deferred Issuance Premiums                             | 17,572               | 843   | (1,279)  | 17,136            | -                                 |
| Less Deferred Amounts on Refunding                         | (8,112)              | -   | 889  | (7,223)           | -                                 |
| Total Bonds Payable  | 829,985              | 52,399  | (32,995)   | 849,389           | 35,868                            |
| Contracts Payable  | 16,828               | -   | (1,096)  | 15,732            | 1,161                             |
| Risk Management Claims                                     | 11,530               | 24,292  | (24,680)   | 11,142            | 5,525                             |
| Compensated Absences                                       | 22,553               | 13,392  | (10,328)   | 25,617            | 11,371                            |
| Post Employment Benefit - Implied Subsidy                  | 1,157                | -   | (43)   | 1,114             | -                                 |
| Governmental Activity Long-term Liabilities                | <u>\$ 882,053</u>    | <u>\$ 90,083</u>  | <u>\$ (69,142)</u>   | <u>\$ 902,994</u> | <u>\$ 53,925</u>                  |

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities. For the year ended June 30, 2010, \$439,723 of accrued compensated absences is included in the above amount. For the governmental activities, the General Fund, Special Revenue Funds and Capital Projects Funds generally liquidate accrued compensated absences. The compensated absences presented in this note are net of the current liability of \$125,563 in the governmental funds and \$0 in the Internal Service funds.

|  | Beginning<br>Balance | Additional<br>Obligations,<br>Interest<br>Accretion<br>and Net<br>Increases | Current<br>Maturities,<br>Retirements,<br>and Net<br>Decreases | Ending<br>Balance | Amounts<br>Due Within<br>One Year |
|--|----------------------|---|--|-------------------|-----------------------------------|
| <b>Business-type Activities:</b>             |                      |   |  |                   |                                   |
| Bonds Payable:                               |                      |   |  |                   |                                   |
| Water and Sewer Revenue Bonds                | \$ 48,345            | \$ -  | \$ (3,115)   | \$ 45,230         | \$ 3,220                          |
| Municipal Property Corporation Bonds         | 249,735              | 75,000  | (7,955)  | 316,780           | 8,255                             |
| Add Deferred Issuance Premiums               | 21,532               | 3,532   | (1,502)  | 23,562            | -                                 |
| Less Deferred Amounts on Refunding           | (5,592)              | -   | 486  | (5,106)           | -                                 |
| Total Bonds Payable                          | 314,020              | 78,532  | (12,086)   | 380,466           | 11,475                            |
| Capital Lease                                | 53                   | -   | (46)   | 7                 | 7                                 |
| Compensated Absences                         | 2,797                | 1,575   | (1,149)  | 3,223             | 1,329                             |
| Post Employment Benefit - Implied Subsidy    | 185                  | -   | (4)  | 181               | -                                 |
| Business-type Activity Long-term Liabilities | <u>\$ 317,055</u>    | <u>\$ 80,107</u>  | <u>\$ (13,285)</u>   | <u>\$ 383,877</u> | <u>\$ 12,811</u>                  |

## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2010. Deferred issuance costs and deferred amounts on refunding are not included.

**Governmental Activities**  
(in thousands of dollars)

| Fiscal Year | General Obligation Bonds Issued To Provide Water, Sewer, Light Parks, and Open Spaces 20% Limitation |            |            | General Obligation Bonds Issued For All Other Purposes 6% Limitation |           |           | Total General Obligation Bonds |            |            |
|-------------|--|------------|------------|--|-----------|-----------|--------------------------------|------------|------------|
|             | Principal  | Interest   | Total      | Principal  | Interest  | Total     | Principal                      | Interest   | Total      |
| 2011        | \$ 23,340  | \$ 22,239  | \$ 45,579  | \$ 3,995   | \$ 3,606  | \$ 7,601  | \$ 27,335                      | \$ 25,845  | \$ 53,180  |
| 2012        | 22,780   | 21,185     | 43,965     | 4,500  | 3,445     | 7,945     | 27,280                         | 24,630     | 51,910     |
| 2013        | 23,700   | 20,096     | 43,796     | 5,500  | 3,221     | 8,721     | 29,200                         | 23,317     | 52,517     |
| 2014        | 22,995   | 19,008     | 42,003     | 10,000   | 2,946     | 12,946    | 32,995                         | 21,954     | 54,949     |
| 2015        | 19,185   | 17,932     | 37,117     | 11,975   | 2,446     | 14,421    | 31,160                         | 20,378     | 51,538     |
| 2016-2020   | 136,735  | 74,964     | 211,699    | 42,275   | 4,220     | 46,495    | 179,010                        | 79,184     | 258,194    |
| 2021-2025   | 192,960  | 39,374     | 232,334    | -  | -         | -         | 192,960                        | 39,374     | 232,334    |
| 2026-2030   | 53,550   | 7,146      | 60,696     | -  | -         | -         | 53,550                         | 7,146      | 60,696     |
| 2031-2035   | 4,700  | 540        | 5,240      | -  | -         | -         | 4,700                          | 540        | 5,240      |
| Total       | \$ 499,945   | \$ 222,484 | \$ 722,429 | \$ 78,245  | \$ 19,884 | \$ 98,129 | \$ 578,190                     | \$ 242,368 | \$ 820,558 |

| Fiscal Year             | Municipal Property Corporation Bonds |           |            | Scottsdale Preserve Authority Excise Tax Revenue Bonds |           |           | Special Assessment Bonds |          |          |
|-------------------------|--------------------------------------|-----------|------------|--|-----------|-----------|--------------------------|----------|----------|
|                         | Principal                            | Interest  | Total      | Principal  | Interest  | Total     | Principal                | Interest | Total    |
| 2011                    | \$ 1,513                             | \$ 6,100  | \$ 7,613   | \$ 3,470   | \$ 3,229  | \$ 6,699  | \$ 750                   | \$ 84    | \$ 834   |
| 2012                    | 3,091                                | 6,229     | 9,320      | 3,625  | 3,061     | 6,686     | 750                      | 51       | 801      |
| 2013                    | 3,135                                | 5,938     | 9,073      | 3,790  | 2,884     | 6,674     | 750                      | 17       | 767      |
| 2014                    | 3,745                                | 6,653     | 10,398     | 3,965  | 2,697     | 6,662     | -                        | -        | -        |
| 2015                    | 3,710                                | 6,487     | 10,197     | 4,165  | 2,502     | 6,667     | -                        | -        | -        |
| 2016-2020               | 36,676                               | 33,464    | 70,140     | 24,400   | 9,166     | 33,566    | -                        | -        | -        |
| 2021-2025               | 28,533                               | 19,770    | 48,303     | 24,455   | 2,828     | 27,283    | -                        | -        | -        |
| 2026-2030               | 35,835                               | 11,868    | 47,703     | -  | -         | -         | -                        | -        | -        |
| 2031-2035               | 28,535                               | 3,579     | 32,114     | -  | -         | -         | -                        | -        | -        |
| Capital Appreciation ** | 3,439                                | (3,439)   | -          | -  | -         | -         | -                        | -        | -        |
| Total                   | \$ 148,212                           | \$ 96,649 | \$ 244,861 | \$ 67,870  | \$ 26,367 | \$ 94,237 | \$ 2,250                 | \$ 152   | \$ 2,402 |

\*\* For GAAP financial statement reporting, accretion of capital appreciation bonds is added to the principal balance outstanding.

| Fiscal Year | Certificates of Participation |          |          | Community Facilities Districts General Obligation Bonds |           |           | Contracts Payable |          |           |
|-------------|-------------------------------|----------|----------|---|-----------|-----------|-------------------|----------|-----------|
|             | Principal                     | Interest | Total    | Principal   | Interest  | Total     | Principal         | Interest | Total     |
| 2011        | \$ 785                        | \$ 132   | \$ 917   | \$ 2,015  | \$ 1,966  | \$ 3,981  | \$ 1,161          | \$ 273   | \$ 1,434  |
| 2012        | 811                           | 105      | 916      | 2,105   | 1,874     | 3,979     | 1,201             | 227      | 1,428     |
| 2013        | 838                           | 79       | 917      | 2,230   | 1,776     | 4,006     | 1,263             | 179      | 1,442     |
| 2014        | 866                           | 51       | 917      | 2,335   | 1,671     | 4,006     | 370               | 129      | 499       |
| 2015        | 894                           | 22       | 916      | 2,460   | 1,558     | 4,018     | 389               | 124      | 513       |
| 2016-2020   | -                             | -        | -        | 12,965  | 5,890     | 18,855    | 2,259             | 529      | 2,788     |
| 2021-2025   | -                             | -        | -        | 10,150  | 2,605     | 12,755    | 2,888             | 352      | 3,240     |
| 2026-2030   | -                             | -        | -        | 3,915   | 607       | 4,522     | 3,482             | 127      | 3,609     |
| 2031-2035   | -                             | -        | -        | 585   | 54        | 639       | 2,719             | 3        | 2,722     |
| Total       | \$ 4,194                      | \$ 389   | \$ 4,583 | \$ 38,760   | \$ 18,001 | \$ 56,761 | \$ 15,732         | \$ 1,943 | \$ 17,675 |

(continued)

Governmental Activities (concluded)

(in thousands of dollars)

| Fiscal<br>Year          | Total      |            |              |
|-------------------------|------------|------------|--------------|
|                         | Principal  | Interest   | Total        |
| 2011                    | 37,029     | 37,629     | 74,658       |
| 2012                    | 38,863     | 36,177     | 75,040       |
| 2013                    | 41,206     | 34,190     | 75,396       |
| 2014                    | 44,276     | 33,155     | 77,431       |
| 2015                    | 42,779     | 31,071     | 73,850       |
| 2016-2020               | 255,310    | 128,233    | 383,543      |
| 2021-2025               | 258,986    | 64,929     | 323,915      |
| 2026-2030               | 96,782     | 19,748     | 116,530      |
| 2031-2035               | 36,539     | 4,176      | 40,715       |
| Capital<br>Appreciation | 3,439      | (3,439)    | -            |
| Total                   | \$ 855,209 | \$ 385,869 | \$ 1,241,078 |

Business-type Activities  
(in thousands of dollars)

| Fiscal<br>Year | Water and Sewer<br>Revenue Bonds |           |           | Municipal Property<br>Corporation Bonds |            |            |
|----------------|----------------------------------|-----------|-----------|---|------------|------------|
|                | Principal                        | Interest  | Total     | Principal                               | Interest   | Total      |
| 2011           | \$ 3,220                         | \$ 2,199  | \$ 5,419  | \$ 8,255                                | \$ 16,085  | \$ 24,340  |
| 2012           | 3,380                            | 2,056     | 5,436     | 8,750                                   | 14,912     | 23,662     |
| 2013           | 3,115                            | 1,891     | 5,006     | 9,220                                   | 14,478     | 23,698     |
| 2014           | 3,240                            | 1,738     | 4,978     | 9,760                                   | 14,024     | 23,784     |
| 2015           | 2,940                            | 1,599     | 4,539     | 10,240                                  | 13,540     | 23,780     |
| 2016-2020      | 16,885                           | 5,911     | 22,796    | 63,270                                  | 59,305     | 122,575    |
| 2021-2025      | 12,450                           | 1,331     | 13,781    | 77,990                                  | 41,918     | 119,908    |
| 2026-2030      | -                                | -         | -         | 77,450                                  | 23,776     | 101,226    |
| 2031-2035      | -                                | -         | -         | 44,045                                  | 7,646      | 51,691     |
| 2036-2039      | -                                | -         | -         | 7,800                                   | 390        | 8,190      |
| Total          | \$ 45,230                        | \$ 16,725 | \$ 61,955 | \$ 316,780                              | \$ 206,074 | \$ 522,854 |

| Fiscal<br>Year | Capital Lease |          |       | Total      |            |            |
|----------------|---------------|----------|-------|------------|------------|------------|
|                | Principal     | Interest | Total | Principal  | Interest   | Total      |
| 2011           | \$ 7          | \$ -     | \$ 7  | \$ 11,482  | \$ 18,284  | \$ 29,766  |
| 2012           | -             | -        | -     | 12,130     | 16,968     | 29,098     |
| 2013           | -             | -        | -     | 12,335     | 16,369     | 28,704     |
| 2014           | -             | -        | -     | 13,000     | 15,762     | 28,762     |
| 2015           | -             | -        | -     | 13,180     | 15,139     | 28,319     |
| 2016-2020      | -             | -        | -     | 80,155     | 65,216     | 145,371    |
| 2021-2025      | -             | -        | -     | 90,440     | 43,249     | 133,689    |
| 2026-2030      | -             | -        | -     | 77,450     | 23,776     | 101,226    |
| 2031-2035      | -             | -        | -     | 44,045     | 7,646      | 51,691     |
| 2036-2039      | -             | -        | -     | 7,800      | 390        | 8,190      |
| Total          | \$ 7          | \$ -     | \$ 7  | \$ 362,017 | \$ 222,799 | \$ 584,816 |

## V. OTHER INFORMATION

### A. Risk Management

The City is exposed to various risks of loss related to public, property, and aviation premises liability, self-insured benefits and workers compensation. Public liability includes public officials' errors and omissions, automobile and general liability. The City is self-insured for the first \$2,000,000 of public liability, the first \$100,000 of property coverage, the first \$325,000 of health benefits claims for an individual in a fiscal year and the first \$750,000 of workers compensation. Coverage in excess of these respective amounts is provided through the purchase of commercial insurance. As for claim expenditures, settlements for each of the past seven fiscal years have not exceeded the City's excess insurance coverage amounts for any claims.

The City reports its self-insurance activity in its Self-Insurance Internal Service Fund. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The claims liabilities amount recorded in the accompanying financial statements is based on reported pending claims; and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. At June 30, 2010, the general liability claims payable totaled \$9,600,340 and the self-insured benefits claims payable totaled \$1,542,000. The City began to administer all self-insured health and dental plans in January of 2004.

|                              | Years Ended June 30 |           |
|------------------------------|---------------------|-----------|
|                              | 2010                | 2009      |
| (in thousands of dollars)    |                     |           |
| Claims Payable, July 1       | \$ 11,530           | \$ 10,519 |
| Current Year Claims Incurred | 24,292              | 22,031    |
| Current Year Claim Payments  | (24,680)            | (21,020)  |
| Claims Payable, June 30      | \$ 11,142           | \$ 11,530 |

### B. Contingent Liabilities

The City is a party to several lawsuits incidental to its normal operations. Of those lawsuits, management, with the concurrence of the City Attorney, is of the opinion that, collectively, estimated potential losses ranging from \$15,000 up to \$75,000 are probable, and \$15,000 up to \$7,000,000 are reasonably possible. Reasonably possible is defined that the chance of the loss occurring is more than remote but less than probable. The City is self-insured for the first \$2,000,000 of public liability, coverage in excess of these amounts is provided through the purchase of commercial insurance. For more information on the City's self-insurance, please see the Note V.A. on page 89.



### **C. Commitments and Subsequent Events**

On July 11, 2006, the City agreed to the sale of Planet Ranch, including all related water rights, farm infrastructure and equipment to Phelps Dodge Corporation. Phelps Dodge Corporation has since been acquired by Freeport McMoRan Copper and Gold, Inc. (Freeport). Planet Ranch was purchased by the City in 1984 to secure future water supplies. It is located along the Bill Williams River in western Arizona, east of Parker. It consists of 8,300 acres of land and has 14,400 acre-feet of surface water rights to the Bill Williams River. When all conditions are satisfied and the sale of the property closes, the City is expected to receive a total value of \$24.65 million, consisting of \$12 million cash and water rights valued at \$12.65 million.

The major conditions for closure are:

- Deposit of remaining cash balance into the City's Water and Sewer Fund,
- Arizona Department of Water Resources approval of sever and transfer and change of use of a portion of Planet Ranch water rights for habitat restoration,
- Arizona Department of Water Resources approval of sever and transfer and change of use of a portion of Planet Ranch water rights to serve Freeport's Bagdad mining property,
- Arizona Department of Water Resources approval of sever and transfer and change of use of Horseshoe Dam water credits to the City of Scottsdale water service area,
- Completion of assignment agreement for Horseshoe Dam water credits between Freeport, the City and Salt River Project, and
- Completion of a Lease Agreement between Freeport and the Bureau of Reclamation, and a Donation Agreement between Freeport and the Arizona Game and Fish Department, thus insuring use of Planet Ranch property for habitat restoration purposes.

On November 19, 2002, the City Council approved a development agreement with John Lund relating to a new automotive complex at the southeast corner of Scottsdale Road and Loop 101 Freeway. The terms of this agreement require the City to reimburse Lund for up to \$5.5 million in public benefits relating to the project including the acquisition of public lands, reimbursement of the City's water and sewer development fees, and reimbursement of the City's stormwater retention payment in lieu. The actual amount will be dependent on actual costs; however, the reimbursement amount may not exceed \$5.5 million even if actual costs are higher. The City has also agreed to pay interest costs on Lund's cost of borrowing on the unpaid balance beginning at 8.5 percent in the first year and dropping by 0.5 percent per year. The reimbursement of the costs listed above, will be accomplished by paying Lund quarterly payments equal to 67 percent of the City's General Fund sales tax receipts received from the new dealership in that quarter, for a maximum of 10 years. The first payment is not due until the calendar quarter after the calendar quarter in which the first certificate of occupancy is issued.

The City has a Service Agreement with the Scottsdale Cultural Council (Council) that provides that the Council will manage the arts and cultural affairs within the Scottsdale community for a 10-year period, automatically renewable for two five-year periods. In return, the City will pay service fees to the Council based on the Service Agreement between the City and the Council. Payments to Scottsdale Cultural Council amounted to \$3,349,255 for the year ended June 30, 2010. Contractual payments due in FY 2010/11 are budgeted for \$4,206,735.

The City has a Service Agreement with the Scottsdale Convention and Visitors' Bureau (SCVB) that provides that SCVB will manage the tourism promotion within the Scottsdale community for a 10-year period. In return, the City will pay service fees to SCVB based on the Service Agreement with the City. Payments to SCVB amounted to \$5,252,070 for the year ended June 30, 2010. Contractual payments due in FY 2010/11 are budgeted for \$4,995,833.

The City has entered into several agreements whereby it will reimburse developers a portion of the sales tax collected on their site for a time period up to a maximum dollar amount. The funding source for the reimbursements will come from sales tax collected on the site over the life of the agreement. The City does not become liable under the agreements until the developer has collected and remitted the tax to the City. The City's probable contingent liability at June 30, 2010 is \$61,114,738.

The City of Scottsdale is analyzing the issuing of Preserve Authority Excise Tax Revenue Refunding Bonds Series 2010. The approximate issue amount is \$35,565,000 to refund \$36,725,000 of Preserve Series 1998 Bonds with a call date of July 2021. These bonds will have the same structure for principal payments to be from July 2017 through July 2024 as the current Preserve Series 1998 Bonds have.

The City of Scottsdale entered into a lease agreement, Series 2010, (Public Safety Communications Project), on August 24, 2010 to finance the purchase of Public Safety equipment. The total amount of the lease is \$20,000,000 and the first principal payment is July 2012 with a coupon rate of 2.970 percent.

#### **D. Joint Venture**

The City participates with the cities of Phoenix, Glendale, Mesa, and Tempe in the multi-city Sub-Regional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) in order to govern the construction, operation, and maintenance of jointly used sewage treatment and transportation facilities. The facilities include the 91<sup>st</sup> Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor, and related transportation facilities. The City of Phoenix acts as lead agency and is responsible for the planning, budgeting, construction, operation, and maintenance of the facilities. In addition, the City of Phoenix provides all management, personnel, and financing arrangements and accepts federal grants on behalf of the participants. The JEPA requires each city to pay for its share of the actual cash costs of operating and maintaining the facilities based on relative sewage flows and strengths.

The City records its share of SROG's cash operating expenses, and its equity in the joint venture in the City's Water and Sewer Fund. For the year ended June 30, 2009, (the latest audited information available from SROG), the City's net investment in SROG was \$124,288,000. SROG's net cash operating expenses for the year ended June 30, 2009, were \$38,334,627, of which the City's share was \$3,298,038, or 8.6 percent. For the year ended June 30, 2010, the City paid \$2,738,373 for SROG capital contributions, and \$6,320,531 for SROG operating expenses, including adjustments to the operating and replacement reserves.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009 for the multi-city Sub-Regional Operating Group (the latest SROG CAFR available) may be obtained from the Arizona Municipal Water Users Association, 4041 N. Central Avenue, Suite 900, Phoenix, AZ 85012.

## **E. Pollution Remediation**

In the proprietary funds financial statements, a long-term pollution remediation obligation is recognized for the remaining remediation period. In 1981, groundwater contamination was discovered when elevated levels of trichloroethylene (TCE) and other volatile organic chemicals were detected in two City wells. The City immediately shut down the affected wells. Following an investigation by the Environmental Protection Agency (EPA), the Indian Bend Wash Site was placed on the federal Superfund list in 1983.

The Superfund law was enacted in order to provide funding and regulatory authority for the study and cleanup of contaminated sites. The EPA directs the cleanup of the North Indian Bend Wash (NIBW) Site that encompasses groundwater contamination plumes in Scottsdale.

Following its investigation, the EPA identified three companies, Motorola, Inc., Siemens Corporation, and SmithKline Beecham Corporation, as the primary parties potentially responsible for causing the contamination and directed the companies to pay the costs associated with the cleanup. In 1991, EPA, the State of Arizona, the City, Salt River Project and these three participating companies entered into a Consent Decree in order to begin the containment and remediation of the contaminated groundwater plume and provide Scottsdale citizens with a potable water source. The companies agreed to pay for the construction and operation of the Central Groundwater Treatment Facility (CGTF), an air stripping plant that removes contaminants from the groundwater. As the CGTF operator and drinking water provider, the City ensures the water produced by the plant meets all federal and state water quality standards before water is delivered into the City's distribution system.

The measurement of the City's pollution remediation obligation liability includes all remediation work that the City expects to perform; including work expected to be performed for the participating companies. In order to estimate the liability, six projected cash flows, based on the prior six years of historical costs and weighted equally, were used to calculate an average annual cost. This average cost was then projected over the remaining remediation period of 41 years; remediation began in 2001 and is estimated to be required for approximately 50 years.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. FY 2009/10 outlays for operating and monitoring the CGTF were \$570,233. The total liability is expected to be fully recovered by the participating companies and therefore a corresponding Pollution Remediation Recoveries receivable has been accrued.

## **F. Related Organization**

The Industrial Development Authority (Authority) is a nonprofit corporation established by the City in 1984 to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate and remain in Scottsdale. The Board of Directors of the Authority is appointed by the City Council; however, the City's accountability for the authority does not extend beyond making the appointments.

**G. Retirement and Pension Plans**

All benefitted employees of the City, the Mayor, and City Council are covered by one of three pension plans. All full-time City employees, except public safety personnel, participate in the Arizona State Retirement System, a multiple-employer cost sharing pension plan. All public safety personnel participate in the Public Safety Personnel Retirement System, which is an agent multiple-employer pension plan. The Mayor and Council participate in the Elected Officials’ Retirement Plan, a multiple-employer cost sharing pension plan. All three pension plans are administered by the State of Arizona.

**Arizona State Retirement System**

**Plan Description**

All benefitted City employees, except public safety personnel, participate in the Arizona State Retirement System (System), a multiple-employer cost sharing defined benefit pension plan. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The System provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, P. O. Box 33910, Phoenix, AZ 85067-3910, or by calling 1-800-621-3778.

**Funding Policy**

The Arizona Revised Statutes (ARS) provide statutory authority for determining the employees’ and employers’ contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The actuarially determined contribution rate for the years ended June 30, 2010, 2009, and 2008, were 9.40 percent (9.0 percent retirement and .40 percent long-term disability), 9.45 percent (8.95 percent retirement and .50 percent long-term disability), and 9.60 percent (9.10 percent retirement and .50 percent long-term disability), respectively, for both employers and employees. The City’s contributions to the System for the years ending June 30, 2010, 2009, and 2008 were \$9,859,954, \$10,860,822, and \$10,731,440, respectively, equal to the required contributions for each year.

**Public Safety Personnel Retirement System**

**Plan Description**

All of the City’s public safety personnel (police officers and firefighters) participate in the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan. PSPRS was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes to provide pension benefits for public safety employees of certain state and local governments. The PSPRS is jointly administered by the fund manager and 233 local boards. PSPRS provides retirement benefits, as well as death and disability benefits. The Public Safety Personnel Retirement System of the State of Arizona issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

## Funding Policy

The System for both police and fire is funded through a member contribution of 7.65 percent of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's contribution rate for police for the fiscal year ended June 30, 2010 was 19.64 percent of annual covered payroll. Contribution rates for police were 20.46 percent and 15.16 percent in 2009 and 2008, respectively. The City's contribution rate for fire for the fiscal year ended June 30, 2010 was 8.68 percent of annual covered payroll. The City's contribution rate for fire was 9.41 percent and 8.24 percent in 2009 and 2008, respectively.

## Annual Pension Cost

For 2010, the City's annual pension costs of \$6,295,211 for police and \$1,528,963 for fire were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the projected unit credit cost method.

**Three-Year Trend Information for PSPRS (Police)**  
(in thousands of dollars)

| Fiscal Year<br>Ending | Annual Pension<br>Cost (APC) | Percentage of<br>APC<br>Contributed | Net Pension<br>Obligation |
|-----------------------|------------------------------|-------------------------------------|---------------------------|
| 2007                  | \$ 3,468                     | 100%                                | -                         |
| 2008                  | 4,855                        | 100%                                | -                         |
| 2009                  | 7,237                        | 100%                                | -                         |

**Three-Year Trend Information for PSPRS (Fire)**  
(in thousands of dollars)

| Fiscal Year<br>Ending | Annual Pension<br>Cost (APC) | Percentage of<br>APC<br>Contributed | Net Pension<br>Obligation |
|-----------------------|------------------------------|-------------------------------------|---------------------------|
| 2007                  | \$ 1,870                     | 100%                                | -                         |
| 2008                  | 1,497                        | 100%                                | -                         |
| 2009                  | 1,817                        | 100%                                | -                         |

## Actuarial Methods and Assumptions

The actuarial assumptions for both police and fire include (a) a rate of return on the investment of present and future assets of 8.50 percent per year compounded annually, (b) projected salary increases of 5.50 percent per year compounded annually, attributable to inflation and other across-the-board factors, and (c) additional projected salary increases ranging from 0 percent to 3.00 percent per year, attributable to seniority/merit. Included in (b) is an inflation component of 5.50 percent. The maximum amount of post retirement benefits is 4 percent of the average normal benefit. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over time. PSPRS' unfunded accrued liability is being amortized as a level percent of projected payroll over a closed period of 30 years, 27 years remaining as of June 30, 2009 (20 year open period for any excess of valuation assets over actuarial accrued liability).

**Funded Status**

The funded status of each plan (Police and Fire) as of June 30, 2009, the most recent actuarial valuation dates, is as follows:

| <b>Public Safety Personnel Retirement System<br/>(Police)<br/>Funded Status</b> |               |
|---|---------------|
| <b>(in thousands of dollars)</b>  |               |
|   | June 30, 2009 |
| Actuarial Accrued Liability   |               |
| Retired members and survivors   | \$ 72,295     |
| Former members with vested benefits   | 541           |
| Active members  | 75,292        |
| DROP members  | 16,652        |
| Total   | 164,780       |
| Valuation Assets  | 120,870       |
| Unfunded Actuarial Accrued Liability  | 43,910        |
| Stabilization Reserve   | -             |
| Net Unfunded Actuarial Liability  | \$ 43,910     |

| <b>Public Safety Personnel Retirement System<br/>(Fire)<br/>Funded Status</b> |               |
|---|---------------|
| <b>(in thousands of dollars)</b>  |               |
|   | June 30, 2009 |
| Actuarial Accrued Liability   |               |
| Retired members and survivors   | \$ -          |
| Former members with vested benefits   | 40            |
| Active members  | 17,331        |
| DROP members  | -             |
| Total   | 17,371        |
| Valuation Assets  | 21,436        |
| Unfunded Actuarial Accrued Liability  | (4,065)       |
| Stabilization Reserve   | 2,801         |
| Net Unfunded Actuarial Liability  | \$ (1,264)    |

## **Elected Officials' Retirement Plan**

### **Plan Description**

The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP), a multiple-employer cost sharing defined benefit pension plan. The EORP was established and is administered by the State of Arizona to provide pension benefits for state and county elected officials, judges, and certain City-elected officials. The fund manager of the PSPRS is also the administrator for the EORP. EORP provides retirement benefits, as well as death and disability benefits. The Elected Officials' Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for EORP. The report may be obtained by writing to Elected Officials' Retirement Plan, 3010 E. Camelback Road, Suite 200, Phoenix, Arizona 85016 or by calling (602) 255-5575.

### **Funding Policy**

Covered employees are required by state statute to contribute an amount equal to 7.00 percent of gross salary. Incorporated city or town employers are required to contribute an amount sufficient to meet both the normal cost of a level-cost method attributable to the EORP, plus the amount required to amortize the unfunded accrued liability for the employer. Such amount is to be determined each year by actuarial valuation and paid as a level percent of compensation. The contribution requirements for plan members are established and may be amended by the Fund Manager, a five-member board. The City's rates for fiscal years ended June 30, 2010, 2009, and 2008, were 26.25 percent, 28 percent, and 20.21 percent, respectively. The City's contributions to EORP for the years ending June 30, 2010, 2009, and 2008, were \$37,800, \$40,902, and \$29,103, respectively, equal to the required contributions for each year.

### **H. Other Postemployment Benefits**

In addition to the pension benefits described in the previous section (G) the City provides an option of post-retirement health care benefits, in accordance with Chapter 14 of the City Code. At retirement, employees with medical leave accumulated prior to September 6, 1976 are eligible for payment of medical leave at 100 percent cash value at current rate of pay. Employees hired before July 1, 1982 can elect to receive cash equal to 50 percent of the first 520 hours of unused medical leave plus 25 percent of all hours in excess of 520. The conversion rate is the employee's average hourly base pay rate for the five years immediately preceding retirement. Any retiring employee with 300 or more hours of accumulated medical leave, who chooses to remain on the City medical plan, may elect to apply the value of the sick leave to the employee's portion of the health care premiums, up until age 65. The value of the accumulated medical leave is calculated at the employee's hourly rate of pay at the time of retirement. Effective July 1, 2009, the City funds the value of the medical leave balances in a Retiree Health Savings account for the participant immediately upon retirement. The taxable portion of the accounts for participants hired before July 1, 1982 will be retained by the City and used to pay participant health premiums.

The taxable portion of the medical leave conversion program retained by the City included nineteen participants added and ten removed during FY 2009/10 for a total number of participants of 146 at June 30, 2010. The actual liability for retirees, as of June 30, 2010, for medical conversion was \$950,580. The projected liability for active employees, as of June 30, 2010, was \$15,137,959. Of this liability, \$102,968 was considered current and reflected in the governmental fund financial statements. The remaining \$15,034,991 was considered payable within one year or greater and was considered non-current and

included in the proprietary and government-wide financial statements. Significant actuarial assumptions of the January 1, 2010 actuarial valuation include a) mortality rates based on the RP 2000 male and female rates, b) interest compounded 4.0 percent annually, c) salaries increase at a rate of 3 percent to 5 percent based on years of service, d) traditional unit credit cost method based on participant data as of January 1, 2010.

**I. Postemployment Benefits Other Than Pensions**

The cost of postemployment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In early implementing the requirements of GASB Statement No. 45 during the fiscal year ended June 30, 2007, the City recognized the cost of postemployment healthcare in the year the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City’s future cash flows. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period began with the fiscal year ending June 30, 2007.

**Plan Description**

The City provides postemployment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City’s group health insurance plans, which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually by the City’s Employee Benefit Coordination Team and approved by the Scottsdale City Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

**Benefits Provided**

The City provides postemployment medical care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the City’s medical plan during their active status. Retirees can enroll in a City plan up to 60 days after they retire, after that their eligibility for this benefit ceases. Effective July 1, 2009 this benefit will only apply to employees hired before July 1, 2009 and for employees who retire before July 1, 2012.

All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree reaching 65 years of age, the retiree and related dependents are no longer eligible for City coverage.

|  |              |
|--|--------------|
| As of June 30, 2010, Membership Consisted of:                    |              |
| Retirees and Beneficiaries Receiving Benefits                    | 276          |
| Terminated Employees Eligible for Benefits, But Not Yet Enrolled | -            |
| Active Employees   | 2,370        |
| Total  | <u>2,646</u> |
| Participating Employers  | <u>1</u>     |



**Funding Policy**

The plan premium rates are determined annually in collaboration with an outside employee benefits actuarial and consulting firm, and approved by the Scottsdale City Council. City code requires the City Council to authorize the contribution rates for employee health benefits. The retiree's contribution is 100 percent of the actuarially determined blended premium rate. The City makes no contribution to the retirees' premiums other than allowing them to participate through the City's pooled benefits. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because on average retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. For fiscal year ending June 30, 2010, retirees contributed \$964,000 and the City contributed \$227,000 (implied subsidy).

**Annual OPEB costs and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information for each plan are as follows at June 30, 2010 (dollar amounts in thousands):

|  |                        |
|--|------------------------|
| Annual Required Contribution             | \$ 179                 |
| Interest on Net OPEB Obligation          | 54                     |
| Adjusted to Annual Required Contribution | <u>(53)</u>            |
| Annual OPEB Cost                         | 180                    |
| Contributions Made                       | <u>(227)</u>           |
| Change in Net OPEB Obligation            | (47)                   |
| Net OPEB Obligation - Beginning of year  | <u>1,342</u>           |
| Net OPEB Obligation - End of year        | <u><u>\$ 1,295</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows (dollar amounts in thousands):

| Fiscal Year Ended | Annual OPEB<br>Cost | Employer<br>Contributions | Percentage of<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------------|---------------------|---------------------------|---|------------------------|
| 2010              | 180                 | 227                       | 126.1%                                    | 1,295                  |
| 2009              | 208                 | 191                       | 91.8%                                     | 1,342                  |
| 2008              | 881                 | 163                       | 18.5%                                     | 1,325                  |

City of Scottsdale, Arizona  
Other Post-Employment Benefit Plan  
Schedule of Employer Contribution

(in thousands of dollars)

| Actuarial<br>Valuation<br>June 30 | (1)<br>Employer<br>Contributions | (2)<br>Annual<br>Required<br>Contribution<br>(ARC) | (3)<br>Percent<br>Contributed<br>(1)/(2) |
|-----------------------------------|----------------------------------|--|--|
| 2008                              | \$ 163                           | \$ 880   | 18.5%                                    |
| 2009                              | 191                              | 208  | 91.8%                                    |
| 2010                              | 227                              | 180  | 126.1%                                   |

**Funded Status**

The funded status of the plan as of June 30, 2010 was as follows (dollar amounts in thousands):

|  |                 |
|--|-----------------|
| Actuarial Accrued Liability  | \$ 3,602        |
| Actuarial Value of Plan Assets   | -               |
| Unfunded actuarial accrued liability                                       | <u>\$ 3,602</u> |
| Funded ratio   | 0%              |
| Covered payroll  | \$ 48,285       |
| Unfunded actuarial accrued liability<br>as a percentage of covered payroll | 7.5%            |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation were as follows:

|                               |                                   |
|-------------------------------|-----------------------------------|
| Actuarial Valuation Date      | June 30, 2010                     |
| Actuarial Cost Method         | Projected Unit Credit             |
| Amortization Method           | Closed                            |
| Remaining Amortization Period | 26                                |
| Asset Valuation Method        | N/A                               |
| Actuarial Assumptions:        |                                   |
| Investment Rate of Return     | 4%*                               |
| Projected Salary Increases    | 3-5% <sup>+</sup>                 |
| Healthcare Inflation Rate     | 9% initial rate, 5% ultimate rate |

\* Investment rate of return based on City's own investments.

<sup>+</sup> Projected salary increases based on City's past salary increases.

**Medical Reimbursements**

The federal government may provide the City subsidies per the Medicare Part D Prescription Drug Subsidy Program for providing healthcare for Medicare eligible employees. Any current and future year subsidies are recorded as revenue in the year received and is not recognized as a reduction to the actuarial accrued liability.

## Funding Progress

The following schedules of funding progress, presented as required supplementary information (RSI), present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

### Required Supplementary Information

#### Public Safety Personnel Retirement System (Police) Schedule of Funding Progress Pension

(in thousands of dollars)

| Actuarial<br>Valuation<br>June 30 | (1)<br>Actuarial<br>Value of<br>Assets | (2)<br>Projected<br>Unit Credit<br>Cost<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (3)<br>Percent<br>Funded<br>(1)/(2) | (4)<br>Unfunded<br>AAL<br>(2) - (1) | (5)<br>Annual<br>Covered<br>Payroll | (6)<br>Unfunded<br>AAL as a<br>Percentage<br>of Covered<br>Payroll<br>(4)/(5) |
|-----------------------------------|--|---|-------------------------------------|-------------------------------------|-------------------------------------|---|
| 2007                              | \$ 104,800                             | \$ 149,605  | 70.0%                               | \$ 44,805                           | \$ 28,232                           | 158.7%  |
| 2008                              | 111,692                                | 153,785   | 72.6%                               | 42,092                              | 33,143                              | 127.0%  |
| 2009                              | 120,870                                | 160,131   | 75.5%                               | 39,261                              | 33,650                              | 116.7%  |

#### Public Safety Personnel Retirement System (Fire) Schedule of Funding Progress Pension

(in thousands of dollars)

| Actuarial<br>Valuation<br>June 30 | (1)<br>Actuarial<br>Value of<br>Assets | (2)<br>Projected<br>Unit Credit<br>Cost<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (3)<br>Percent<br>Funded<br>(1)/(2) | (4)<br>Unfunded<br>AAL<br>(2) - (1) | (5)<br>Annual<br>Covered<br>Payroll | (6)<br>Unfunded<br>AAL as a<br>Percentage<br>of Covered<br>Payroll<br>(4)/(5) |
|-----------------------------------|--|---|-------------------------------------|-------------------------------------|-------------------------------------|---|
| 2007                              | \$ 11,565                              | \$ 10,360   | 111.6%                              | \$ 1,205                            | \$ 17,327                           | 7.0%  |
| 2008                              | 15,509                                 | 12,207  | 127.1%                              | (3,302)                             | 18,162                              | 0.0%  |
| 2009                              | 21,436                                 | 16,998  | 126.1%                              | (4,438)                             | 18,850                              | 0.0%  |

**Required Supplementary Information**

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

**Schedule of Funding Progress Health Insurance**

(in thousands of dollars)

|                             | (1)                       | (2)   | (3)                       | (4)                       | (5)                    | (6)  |
|-----------------------------|---------------------------|---|---------------------------|---------------------------|------------------------|--|
| Actuarial Valuation June 30 | Actuarial Value of Assets | Projected Unit Credit Cost<br>Actuarial Accrued Liability (AAL) | Percent Funded<br>(1)/(2) | Unfunded AAL<br>(2) - (1) | Annual Covered Payroll | Unfunded AAL as a Percentage of Covered Payroll<br>(4)/(5) |
| 2007                        | \$ -                      | \$ 5,384  | 0.0%                      | \$ 5,384                  | \$ 28,232              | 19.1%  |
| 2008                        | -                         | 5,361   | 0.0%                      | 5,361                     | 33,143                 | 16.2%  |
| 2009                        | -                         | 4,649   | 0.0%                      | 4,649                     | 33,650                 | 13.8%  |

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

**Schedule of Funding Progress Health Insurance**

(in thousands of dollars)

|                             | (1)                       | (2)   | (3)                       | (4)                       | (5)                    | (6)  |
|-----------------------------|---------------------------|---|---------------------------|---------------------------|------------------------|--|
| Actuarial Valuation June 30 | Actuarial Value of Assets | Projected Unit Credit Cost<br>Actuarial Accrued Liability (AAL) | Percent Funded<br>(1)/(2) | Unfunded AAL<br>(2) - (1) | Annual Covered Payroll | Unfunded AAL as a Percentage of Covered Payroll<br>(4)/(5) |
| 2007                        | \$ -                      | \$ 218  | 0.0%                      | \$ 218                    | \$ 17,327              | 1.3%   |
| 2008                        | -                         | 206   | 0.0%                      | 206                       | 18,162                 | 1.1%   |
| 2009                        | -                         | 373   | 0.0%                      | 373                       | 18,850                 | 2.0%   |

Required Supplementary Information

City of Scottsdale, Arizona  
Other Post-Employment Benefit Plan  
Schedule of Funding Progress

(in thousands of dollars)

| Actuarial<br>Valuation<br>June 30 | (1)<br>Actuarial Value<br>of Assets | (2) Projected<br>Unit<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (3)<br>Percent<br>Funded<br>(1)/(2) | (4)<br>Unfunded<br>AAL<br>(2) - (1) | (5)<br>Annual<br>Covered<br>Payroll | (6)<br>Unfunded<br>AAL as a<br>Percentage<br>of Covered<br>Payroll<br>(4)/(5) |
|-----------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|-------------------------------------|---|
| 2008                              | \$ -                                | \$ 6,822  | 0.0%                                | \$ 6,822                            | \$ 143,209                          | 4.8%  |
| 2009                              | -                                   | 3,664   | 0.0%                                | 3,664                               | 52,675                              | 7.0%  |
| 2010                              | -                                   | 3,602   | 0.0%                                | 3,602                               | 48,285                              | 7.5%  |

Required Supplementary Information  
For the Fiscal Year Ended June 30, 2010

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are established to finance particular activities and are created out of receipts of specific taxes or other earmarked revenue. Such funds are authorized by statutory or charter provisions to pay for certain activities with some form of continuing revenue.

#### **Highway User Fuel Tax Fund**

This fund receives and expends the City's allocation of the Arizona Highway User Revenue tax and other transportation related revenue. The amount available to each city is allocated on a population basis, which is determined by the latest federal census. These monies must be used for street construction, reconstruction, maintenance, or transit.

#### **Community Development Block Grant Fund**

This fund receives and expends the City's Community Development Block Grant revenues. The amount of the grant is awarded annually by the U.S. Department of Housing and Urban Development (HUD) upon application for funding by the City. Community Development Block Grant revenues may be used only for those projects approved in the grant budget and are subject to agency expenditure guidelines.

#### **HOME Fund**

This fund receives and expends monies from the Maricopa County Home Consortium. Expenditures are made to provide affordable housing, expand the capacity of nonprofit housing providers, strengthen the ability of local governments to provide housing, and leverage private-sector participation in housing.

#### **Grants Fund**

This fund receives and expends the City's grant revenues. The amount of grants received is generally based on application to granting agencies by the City and on availability of funding by the grantors. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines.

#### **Section 8 Fund**

This fund receives and expends the City's Section 8 Housing revenues. Assistance contracts are awarded by the U.S. Department of Housing and Urban Development (HUD) upon application by the City, and covers a five-year period. Budgets are approved annually by HUD. Section 8 revenues may be used only for assistance approved by HUD and are subject to agency expenditure guidelines.

#### **Preserve Privilege Tax Fund**

This fund receives a 0.35 percent Preservation Privilege (Sales) Tax revenue approved by the voters in 1995 (.2 percent) and 2004 (.15 percent). Revenues are transferred to Capital Projects Funds for land purchases and improvements in the McDowell Sonoran Preserve or are used for related debt service payments.

#### **Special Programs Fund**

This fund receives monies from a variety of sources. The monies are required to be expended for specific purposes related to the source of the revenue.

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### **DEBT SERVICE FUNDS**

These funds record the accumulation of resources for, and the payment of, long-term debt principal and interest not serviced by the proprietary funds.

#### **Municipal Property Corporation Fund**

This fund accounts for the principal and interest requirements of the City's Municipal Property Corporation (MPC) bonds. Financing is provided primarily by transaction privilege tax.

### **Special Assessments Fund**

This fund accounts for the principal and interest requirements of special assessment bonds. Financing is provided by special assessment levies against the benefited property holders.

### **Community Facilities Districts Funds**

Scottsdale Mountain Community Facilities District Fund

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

Via Linda Road Community Facilities District Fund

Waterfront Commercial Community Facilities District Fund

These funds account for the principal and interest of general obligation bonds issued by community facilities districts. Although these bonds are *not* obligations of the City, generally accepted accounting principles indicate that the bonds should be disclosed herein.

### **Scottsdale Preserve Authority Fund**

This fund accounts for the principal and interest requirements of excise tax revenue bonds issued by the Scottsdale Preserve Authority. Financing is provided by a 0.2 percent Preservation Privilege (Sales) Tax.

### **Preserve Privilege Tax Fund**

Accounts for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Resources are provided by the proceeds from the sale of bonds and the .15% 2004-approved Preserve Privilege Tax. Capital Projects Funds allow the City to compile project cost data and demonstrate that legal or contractual requirements regarding the use of the resources are fully satisfied.

### **Transportation Privilege Tax Fund**

Accounts for the authorized 0.2 percent Transportation Privilege (Sales) Tax dedicated to transportation capital improvements. Voters approved the tax on November 7, 1989.

### **Community Facilities Districts Funds**

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

Accounts for the proceeds issued by community facilities districts to acquire and improve public infrastructure in specified areas.

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## **CAPITAL PROJECTS FUNDS**

Capital Projects Funds account for the resources used to acquire, construct and improve major capital assets, other than those financed by proprietary funds. Capital Projects Funds allow the City to compile project cost data and demonstrate that legal or contractual requirements regarding the use of the resources are fully satisfied.

### **General Obligation Bond Fund**

Accounts for proceeds of the sale of 1989, 1992 and 2000 voter-approved general obligation bonds that are used for authorized capital improvements.



## Combining Balance Sheet

### Nonmajor Governmental Funds

June 30, 2010 (in thousands of dollars)

|   | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------|--------------------------|------------------------------|--|
| <b>ASSETS</b>                                     |                             |                          |                              |  |
| Cash and Investments                              | \$ 34,283                   | \$ 10,230                | \$ 78,036                    | \$ 122,549                                 |
| Cash with Fiscal Agent                            | -                           | 14,812                   | 197                          | 15,009                                     |
| Receivables (net of allowance for uncollectibles) |                             |                          |                              |  |
| Interest  | 90                          | -                        | 77                           | 167  |
| Privilege Tax                                     | 3,299                       | -                        | -                            | 3,299                                      |
| Transient Occupancy Tax                           | 315                         | -                        | -                            | 315  |
| Property Tax                                      | -                           | 232                      | -                            | 232  |
| Highway User Tax                                  | 1,230                       | -                        | -                            | 1,230                                      |
| Intergovernmental                                 | 6,042                       | 19,242                   | -                            | 25,284                                     |
| Grants  | 1,986                       | -                        | 886                          | 2,872                                      |
| Special Assessments                               | -                           | 1,897                    | -                            | 1,897                                      |
| Miscellaneous                                     | 214                         | 3                        | -                            | 217  |
| Total Assets                                      | <u>\$ 47,459</u>            | <u>\$ 46,416</u>         | <u>\$ 79,196</u>             | <u>\$ 173,071</u>                          |
| <b>LIABILITIES AND FUND BALANCES</b>              |                             |                          |                              |  |
| Liabilities                                       |                             |                          |                              |  |
| Accounts Payable                                  | \$ 4,060                    | \$ 2                     | \$ 4,382                     | \$ 8,444                                   |
| Accrued Payroll and Benefits                      | 727                         | -                        | 24                           | 751  |
| Due to Other Funds                                | 80                          | -                        | -                            | 80   |
| Matured Bonds Interest Payable                    | -                           | 5,883                    | -                            | 5,883                                      |
| Matured Bonds Payable                             | -                           | 6,973                    | -                            | 6,973                                      |
| Deferred Revenue                                  |                             |                          |                              |  |
| Property Tax                                      | -                           | 158                      | -                            | 158  |
| Special Assessments                               | -                           | 1,897                    | -                            | 1,897                                      |
| Intergovernmental                                 | 11,593                      | 19,242                   | 886                          | 31,721                                     |
| Guaranty and Other Deposits                       | 36                          | -                        | -                            | 36   |
| Total Liabilities                                 | <u>16,496</u>               | <u>34,155</u>            | <u>5,292</u>                 | <u>55,943</u>                              |
| Fund Balances                                     |                             |                          |                              |  |
| Reserved for                                      |                             |                          |                              |  |
| Debt Service                                      | -                           | 12,261                   | -                            | 12,261                                     |
| Unreserved  | <u>30,963</u>               | <u>-</u>                 | <u>73,904</u>                | <u>104,867</u>                             |
| Total Fund Balances                               | <u>30,963</u>               | <u>12,261</u>            | <u>73,904</u>                | <u>117,128</u>                             |
| Total Liabilities and Fund Balances               | <u>\$ 47,459</u>            | <u>\$ 46,416</u>         | <u>\$ 79,196</u>             | <u>\$ 173,071</u>                          |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|                                      | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--------------------------------------|-----------------------------|--------------------------|------------------------------|--|
| <b>REVENUES</b>                      |                             |                          |                              |  |
| Taxes - Local                        |                             |                          |                              |  |
| Property                             | \$ -                        | \$ 3,483                 | \$ -                         | \$ 3,483                                   |
| Transaction Privilege                | 41,024                      | -                        | -                            | 41,024                                     |
| Taxes - Intergovernmental            |                             |                          |                              |  |
| Highway User Tax                     | 13,342                      | -                        | -                            | 13,342                                     |
| Local Transportation Assistance Fund | 585                         | -                        | -                            | 585  |
| Charges for Current Services         |                             |                          |                              |  |
| Recreation Fees                      | 1,165                       | -                        | -                            | 1,165                                      |
| Fines, Fees and Forfeitures          |                             |                          |                              |  |
| Court                                | 3                           | -                        | -                            | 3  |
| Court Enhancement                    | 1,067                       | -                        | -                            | 1,067                                      |
| Police Fees                          | 622                         | -                        | -                            | 622  |
| Special Assessments                  | -                           | 765                      | -                            | 765  |
| Property Rental                      | 148                         | 145                      | -                            | 293  |
| Interest Earnings                    | 767                         | 15                       | 944                          | 1,726                                      |
| Investment Income                    | 56                          | -                        | 189                          | 245  |
| Intergovernmental                    |                             |                          |                              |  |
| Federal Grants                       | 7,793                       | -                        | 122                          | 7,915                                      |
| State Grants                         | 520                         | -                        | 3,549                        | 4,069                                      |
| Miscellaneous                        | 1,289                       | 93                       | -                            | 1,382                                      |
| Developer Contributions              | 20                          | -                        | 2,406                        | 2,426                                      |
| Contributions and Donations          | 1,261                       | -                        | -                            | 1,261                                      |
| Reimbursements From Outside Sources  | 437                         | -                        | 230                          | 667  |
| Indirect Costs                       | 871                         | -                        | -                            | 871  |
| Other                                | 161                         | -                        | -                            | 161  |
| Total Revenues                       | <u>71,131</u>               | <u>4,501</u>             | <u>7,440</u>                 | <u>83,072</u>                              |

(continued)

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------|--------------------------|------------------------------|--|
| <b>EXPENDITURES</b>                               |                             |                          |                              |  |
| Current   |                             |                          |                              |  |
| General Government                                | 1,252                       | 151                      | -                            | 1,403                                      |
| Economic Vitality                                 | 6,410                       | -                        | -                            | 6,410                                      |
| Public Works & Water Resources                    | 14,454                      | -                        | -                            | 14,454                                     |
| Planning, Neighborhood & Transportation           | 13,292                      | -                        | -                            | 13,292                                     |
| Public Safety                                     | 1,913                       | -                        | -                            | 1,913                                      |
| Human Resources                                   | 3                           | -                        | -                            | 3  |
| Community Services                                | 9,255                       | -                        | -                            | 9,255                                      |
| Debt Service                                      |                             |                          |                              |  |
| Principal   | 785                         | 7,787                    | -                            | 8,572                                      |
| Interest and Fiscal Charges                       | 167                         | 11,724                   | -                            | 11,891                                     |
| Capital Improvements                              | -                           | -                        | 33,957                       | 33,957                                     |
| Total Expenditures                                | <u>47,531</u>               | <u>19,662</u>            | <u>33,957</u>                | <u>101,150</u>                             |
| Excess (Deficiency) of Revenues Over Expenditures |                             |                          |                              |  |
|   | <u>23,600</u>               | <u>(15,161)</u>          | <u>(26,517)</u>              | <u>(18,078)</u>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                             |                          |                              |  |
| Transfers In                                      | 12,937                      | 14,027                   | 26,237                       | 53,201                                     |
| Transfers Out                                     | (36,284)                    | -                        | (22,875)                     | (59,159)                                   |
| Proceeds of Long-Term Debt                        | -                           | -                        | 50,800                       | 50,800                                     |
| Total Other Financing Sources and (Uses)          | <u>(23,347)</u>             | <u>14,027</u>            | <u>54,162</u>                | <u>44,842</u>                              |
| Net Change in Fund Balances                       |                             |                          |                              |  |
|   | 253                         | (1,134)                  | 27,645                       | 26,764                                     |
| Fund Balances - Beginning                         | <u>30,710</u>               | <u>13,395</u>            | <u>46,259</u>                | <u>90,364</u>                              |
| Fund Balances - Ending                            | <u>\$ 30,963</u>            | <u>\$ 12,261</u>         | <u>\$ 73,904</u>             | <u>\$ 117,128</u>                          |

## Combining Balance Sheet

### Nonmajor Special Revenue Governmental Funds

June 30, 2010 (in thousands of dollars)

|   | Highway<br>User Fuel<br>Tax | Community<br>Development<br>Block Grant | HOME        | Grants          | Section 8     | Preserve<br>Privilege<br>Tax | Special<br>Programs | Total            |
|---|-----------------------------|---|-------------|-----------------|---------------|------------------------------|---------------------|------------------|
| <b>ASSETS</b>                                     |                             |   |             |                 |               |                              |                     |                  |
| Cash and Investments                              | \$ 3,580                    | \$ -                                    | \$ -        | \$ 467          | \$ 818        | \$ 17,610                    | \$ 11,808           | \$ 34,283        |
| Receivables (net of allowance for uncollectibles) |                             |   |             |                 |               |                              |                     |                  |
| Interest  | -                           | -                                       | -           | -               | -             | 69                           | 21                  | 90               |
| Privilege Tax                                     | 1,177                       | -                                       | -           | -               | -             | 2,122                        | -                   | 3,299            |
| Transient Occupany Tax                            | -                           | -                                       | -           | -               | -             | -                            | 315                 | 315              |
| Highway User Tax                                  | 1,230                       | -                                       | -           | -               | -             | -                            | -                   | 1,230            |
| Intergovernmental                                 | -                           | -                                       | -           | -               | -             | -                            | 6,042               | 6,042            |
| Grants  | 1,265                       | 152                                     | 8           | 561             | -             | -                            | -                   | 1,986            |
| Miscellaneous                                     | -                           | -                                       | -           | 41              | -             | -                            | 173                 | 214              |
| Total Assets                                      | <u>\$ 7,252</u>             | <u>\$ 152</u>                           | <u>\$ 8</u> | <u>\$ 1,069</u> | <u>\$ 818</u> | <u>\$ 19,801</u>             | <u>\$ 18,359</u>    | <u>\$ 47,459</u> |
| <b>LIABILITIES AND FUND BALANCES</b>              |                             |   |             |                 |               |                              |                     |                  |
| <b>Liabilities</b>                                |                             |   |             |                 |               |                              |                     |                  |
| Accounts Payable                                  | \$ 2,948                    | \$ 72                                   | \$ -        | \$ 521          | \$ 2          | \$ 324                       | \$ 193              | \$ 4,060         |
| Accrued Payroll and Benefits                      | 597                         | 7                                       | 1           | 11              | 8             | -                            | 103                 | 727              |
| Due to Other Funds                                | -                           | 73                                      | 7           | -               | -             | -                            | -                   | 80               |
| Deferred Revenue                                  |                             |   |             |                 |               |                              |                     |                  |
| Intergovernmental                                 | 1,265                       | 153                                     | 2           | 794             | -             | -                            | 9,379               | 11,593           |
| Guaranty and Other Deposits                       | 36                          | -                                       | -           | -               | -             | -                            | -                   | 36               |
| Total Liabilities                                 | <u>4,846</u>                | <u>305</u>                              | <u>10</u>   | <u>1,326</u>    | <u>10</u>     | <u>324</u>                   | <u>9,675</u>        | <u>16,496</u>    |
| <b>Fund Balances</b>                              |                             |   |             |                 |               |                              |                     |                  |
| Unreserved  | 2,406                       | (153)                                   | (2)         | (257)           | 808           | 19,477                       | 8,684               | 30,963           |
| Total Fund Balances                               | <u>2,406</u>                | <u>(153)</u>                            | <u>(2)</u>  | <u>(257)</u>    | <u>808</u>    | <u>19,477</u>                | <u>8,684</u>        | <u>30,963</u>    |
| Total Liabilities and Fund Balances               | <u>\$ 7,252</u>             | <u>\$ 152</u>                           | <u>\$ 8</u> | <u>\$ 1,069</u> | <u>\$ 818</u> | <u>\$ 19,801</u>             | <u>\$ 18,359</u>    | <u>\$ 47,459</u> |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Special Revenue Governmental Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Highway<br>User Fuel<br>Tax | Community<br>Development<br>Block Grant | HOME   | Grants   | Section 8 | Preserve<br>Privilege<br>Tax | Special<br>Programs | Total     |
|---|-----------------------------|---|--------|----------|-----------|------------------------------|---------------------|-----------|
| <b>REVENUES</b>                                   |                             |   |        |          |           |                              |                     |           |
| Taxes - Local                                     |                             |   |        |          |           |                              |                     |           |
| Transaction Privilege                             | \$ 14,608                   | \$ -                                    | \$ -   | \$ -     | \$ -      | \$ 26,416                    | \$ -                | \$ 41,024 |
| Taxes - Intergovernmental                         |                             |   |        |          |           |                              |                     |           |
| Highway User Tax                                  | 13,342                      | -                                       | -      | -        | -         | -                            | -                   | 13,342    |
| Local Transportation Assistance Fund              | 585                         | -                                       | -      | -        | -         | -                            | -                   | 585       |
| Charges for Current Services                      |                             |   |        |          |           |                              |                     |           |
| Recreation Fees                                   | -                           | -                                       | -      | -        | -         | -                            | 1,165               | 1,165     |
| Fines, Fees and Forfeitures                       |                             |   |        |          |           |                              |                     |           |
| Court   | -                           | -                                       | -      | -        | -         | -                            | 3                   | 3         |
| Court Enhancement Fee                             | -                           | -                                       | -      | -        | -         | -                            | 1,067               | 1,067     |
| Police Fees                                       | -                           | -                                       | -      | -        | -         | -                            | 622                 | 622       |
| Property Rental                                   | -                           | -                                       | -      | -        | -         | -                            | 148                 | 148       |
| Interest Earnings                                 | -                           | -                                       | -      | -        | 1         | 619                          | 147                 | 767       |
| Investment Income                                 | -                           | -                                       | -      | -        | -         | 56                           | -                   | 56        |
| Intergovernmental                                 |                             |   |        |          |           |                              |                     |           |
| Federal Grants                                    | -                           | 794                                     | 21     | 681      | 6,297     | -                            | -                   | 7,793     |
| State Grants                                      | 336                         | -                                       | -      | 184      | -         | -                            | -                   | 520       |
| Miscellaneous                                     | 776                         | -                                       | -      | 121      | -         | -                            | 392                 | 1,289     |
| Developer Contributions                           | -                           | -                                       | -      | -        | -         | -                            | 20                  | 20        |
| Contributions and Donations                       | -                           | -                                       | -      | 745      | -         | -                            | 516                 | 1,261     |
| Reimbursements From Outside Sources               | 370                         | -                                       | -      | -        | 2         | -                            | 65                  | 437       |
| Indirect Costs                                    | 871                         | -                                       | -      | -        | -         | -                            | -                   | 871       |
| Other   | 56                          | -                                       | -      | -        | 22        | -                            | 83                  | 161       |
| Total Revenues                                    | 30,944                      | 794                                     | 21     | 1,731    | 6,322     | 27,091                       | 4,228               | 71,131    |
| <b>EXPENDITURES</b>                               |                             |   |        |          |           |                              |                     |           |
| Current   |                             |   |        |          |           |                              |                     |           |
| General Government                                | -                           | -                                       | -      | 5        | -         | 2                            | 1,245               | 1,252     |
| Economic Vitality                                 | -                           | -                                       | -      | 509      | -         | -                            | 5,901               | 6,410     |
| Public Works & Water Resources                    | 13,958                      | -                                       | -      | 496      | -         | -                            | -                   | 14,454    |
| Planning, Neighborhood & Transportation           | 13,195                      | -                                       | -      | 56       | -         | -                            | 41                  | 13,292    |
| Public Safety                                     | -                           | -                                       | -      | 889      | -         | -                            | 1,024               | 1,913     |
| Human Resources                                   | -                           | -                                       | -      | -        | -         | -                            | 3                   | 3         |
| Community Services                                | -                           | 947                                     | 23     | 291      | 6,039     | -                            | 1,955               | 9,255     |
| Debt Service                                      |                             |   |        |          |           |                              |                     |           |
| Principal   | -                           | -                                       | -      | -        | -         | 785                          | -                   | 785       |
| Interest and Fiscal Charges                       | -                           | -                                       | -      | -        | -         | 167                          | -                   | 167       |
| Total Expenditures                                | 27,153                      | 947                                     | 23     | 2,246    | 6,039     | 954                          | 10,169              | 47,531    |
| Excess (Deficiency) of Revenues Over Expenditures | 3,791                       | (153)                                   | (2)    | (515)    | 283       | 26,137                       | (5,941)             | 23,600    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                             |   |        |          |           |                              |                     |           |
| Transfers In                                      | 3,618                       | -                                       | -      | 15       | -         | 2,837                        | 6,467               | 12,937    |
| Transfers Out                                     | (7,470)                     | -                                       | -      | -        | -         | (26,621)                     | (2,193)             | (36,284)  |
| Total Other Financing Sources and (Uses)          | (3,852)                     | -                                       | -      | 15       | -         | (23,784)                     | 4,274               | (23,347)  |
| Net Change in Fund Balances                       | (61)                        | (153)                                   | (2)    | (500)    | 283       | 2,353                        | (1,667)             | 253       |
| Fund Balances - Beginning                         | 2,467                       | -                                       | -      | 243      | 525       | 17,124                       | 10,351              | 30,710    |
| Fund Balances - Ending                            | \$ 2,406                    | \$ (153)                                | \$ (2) | \$ (257) | \$ 808    | \$ 19,477                    | \$ 8,684            | \$ 30,963 |

## Highway User Fuel Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Budgeted Amounts |                 | Actual Amounts<br>Budgetary Basis | Budget to GAAP<br>Differences | Actual Amounts<br>GAAP Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|---|------------------|-----------------|-----------------------------------|-------------------------------|------------------------------|---|
|   | Original         | Final           |                                   |                               |                              |   |
| <b>REVENUES</b>   |                  |                 |                                   |                               |                              |   |
| Taxes - Local   |                  |                 |                                   |                               |                              |   |
| Transaction Privilege   | \$ 14,345        | \$ 14,345       | \$ 14,626                         | \$ (18)                       | \$ 14,608                    | \$ 281  |
| Taxes - Intergovernmental   |                  |                 |                                   |                               |                              |   |
| Highway User Tax  | 14,187           | 14,187          | 13,385                            | (43)                          | 13,342                       | (802)   |
| Local Transportation Assistance Fund  | 1,057            | 1,057           | 585                               | -                             | 585                          | (472)   |
| Intergovernmental   |                  |                 |                                   |                               |                              |   |
| Federal Grants  | 1,568            | 6,168           | -                                 | -                             | -                            | (6,168)   |
| State Grants  | -                | -               | 336                               | -                             | 336                          | 336   |
| Miscellaneous   | 312              | 312             | 776                               | -                             | 776                          | 464   |
| Reimbursement From Outside Sources  | -                | -               | 370                               | -                             | 370                          | 370   |
| Indirect Costs  | 820              | 820             | 871                               | -                             | 871                          | 51  |
| Other   | 120              | 120             | 56                                | -                             | 56                           | (64)  |
| Total Revenues  | <u>32,409</u>    | <u>37,009</u>   | <u>31,005</u>                     | <u>(61)</u>                   | <u>30,944</u>                | <u>(6,004)</u>  |
| <b>EXPENDITURES</b>   |                  |                 |                                   |                               |                              |   |
| Current   |                  |                 |                                   |                               |                              |   |
| Planning, Neighborhood & Transportation   | 13,631           | 13,540          | 13,215                            | (20)                          | 13,195                       | 325   |
| Public Works & Water Resources  | 17,649           | 17,643          | 13,970                            | (12)                          | 13,958                       | 3,673   |
| Leave Accrual Payments  | 86               | -               | -                                 | -                             | -                            | -   |
| Estimated Personnel Savings from Vacant Positions   | (270)            | -               | -                                 | -                             | -                            | -   |
| Total Expenditures  | <u>31,096</u>    | <u>31,183</u>   | <u>27,185</u>                     | <u>(32)</u>                   | <u>27,153</u>                | <u>3,998</u>  |
| Excess (Deficiency) of Revenues Over Expenditures   | <u>1,313</u>     | <u>5,826</u>    | <u>3,820</u>                      | <u>(29)</u>                   | <u>3,791</u>                 | <u>(2,006)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                  |                 |                                   |                               |                              |   |
| Transfers In  | 5,929            | 1,264           | 3,618                             | -                             | 3,618                        | 2,354   |
| Transfers Out   | (7,242)          | (7,242)         | (7,470)                           | -                             | (7,470)                      | (228)   |
| Total Other Financing Sources and Uses  | <u>(1,313)</u>   | <u>(5,978)</u>  | <u>(3,852)</u>                    | <u>-</u>                      | <u>(3,852)</u>               | <u>2,126</u>  |
| Net Change in Fund Balance  | -                | (152)           | (32)                              | (29)                          | (61)                         | 120   |
| Fund Balance - Beginning  | -                | 32              | 32                                | 2,435                         | 2,467                        | -   |
| Fund Balance - Ending   | <u>\$ -</u>      | <u>\$ (120)</u> | <u>\$ -</u>                       | <u>\$ 2,406</u>               | <u>\$ 2,406</u>              | <u>\$ 120</u>   |
| <b>Explanation of Differences:</b>  |                  |                 |                                   |                               |                              |   |
| The City budgets revenues on the cash basis, rather than on the modified accrual basis:                 |                  |                 |                                   |                               |                              |   |
| Change in Receivables   |                  |                 | \$ (61)                           |                               |                              |   |
| The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis: |                  |                 |                                   |                               |                              |   |
| Compensated Absences  |                  |                 | (32)                              |                               |                              |   |
| Net Decrease in Fund Balance - Budget to GAAP   |                  |                 | <u>\$ (29)</u>                    |                               |                              |   |

## Preserve Privilege Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2010 (in thousands of dollars)

|  | Budgeted Amounts |                 | Actual Amounts<br>Budgetary Basis | Budget to GAAP<br>Differences | Actual Amounts<br>GAAP Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|-----------------|-----------------------------------|-------------------------------|------------------------------|---|
|  | Original         | Final           |                                   |                               |                              |   |
| <b>REVENUES</b>  |                  |                 |                                   |                               |                              |   |
| Taxes - Local  |                  |                 |                                   |                               |                              |   |
| Transaction Privilege  | \$ 26,110        | \$ 26,110       | \$ 26,532                         | \$ (116)                      | \$ 26,416                    | \$ 422  |
| Interest Earnings  | 302              | 302             | 754                               | (135)                         | 619                          | 452   |
| Investment Income  |                  |                 | -                                 | 56                            | 56                           | -   |
| Total Revenues   | <u>26,412</u>    | <u>26,412</u>   | <u>27,286</u>                     | <u>(195)</u>                  | <u>27,091</u>                | <u>874</u>  |
| <b>EXPENDITURES</b>  |                  |                 |                                   |                               |                              |   |
| Current  |                  |                 |                                   |                               |                              |   |
| General Government   | 2                | -               | 2                                 | -                             | 2                            | (2)   |
| Debt Service   |                  |                 |                                   |                               |                              |   |
| Principal  | 952              | 785             | 785                               | -                             | 785                          | -   |
| Interest and Fiscal Charges  | -                | 167             | 167                               | -                             | 167                          | -   |
| Total Expenditures   | <u>954</u>       | <u>952</u>      | <u>954</u>                        | <u>-</u>                      | <u>954</u>                   | <u>(2)</u>  |
| Excess (Deficiency) of Revenues Over<br>Expenditures                                       | <u>25,458</u>    | <u>25,460</u>   | <u>26,332</u>                     | <u>(195)</u>                  | <u>26,137</u>                | <u>872</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                  |                 |                                   |                               |                              |   |
| Transfers In   | -                | -               | 2,837                             | -                             | 2,837                        | 2,837   |
| Transfers Out  | (31,311)         | (31,811)        | (26,621)                          | -                             | (26,621)                     | 5,190   |
| Total Other Financing Sources and Uses   | <u>(31,311)</u>  | <u>(31,811)</u> | <u>(23,784)</u>                   | <u>-</u>                      | <u>(23,784)</u>              | <u>8,027</u>  |
| Net Change in Fund Balance   | (5,853)          | (6,351)         | 2,548                             | (195)                         | 2,353                        | 8,899   |
| Fund Balance - Beginning   | <u>20,138</u>    | <u>14,738</u>   | <u>14,738</u>                     | <u>2,386</u>                  | <u>17,124</u>                | <u>-</u>  |
| Fund Balance - Ending  | <u>\$ 14,285</u> | <u>\$ 8,387</u> | <u>\$ 17,286</u>                  | <u>\$ 2,191</u>               | <u>\$ 19,477</u>             | <u>\$ 8,899</u>   |
| <b>Explanation of Differences:</b>   |                  |                 |                                   |                               |                              |   |
| Items recorded as revenues for GAAP purposes that are not recorded<br>for budget purposes: |                  |                 |                                   |                               |                              |   |
| Change in Fair Value of Investments  |                  |                 | \$ 56                             |                               |                              |   |
| The City budgets revenues on the cash basis, rather than on the modified accrual basis:    |                  |                 |                                   |                               |                              |   |
| Change in Receivables  |                  |                 | (251)                             |                               |                              |   |
| Net Decrease in Fund Balance - Budget to GAAP  |                  |                 | <u>\$ (195)</u>                   |                               |                              |   |

## Combining Balance Sheet

Nonmajor Debt Service Governmental Funds  
June 30, 2010 (in thousands of dollars)

|   | Municipal<br>Property<br>Corporation | Special<br>Assessments | Scottsdale<br>Mountain<br>CFD | McDowell<br>Mountain<br>CFD | DC Ranch<br>CFD | Via Linda<br>Road<br>CFD | Waterfront<br>Commercial<br>CFD | Scottsdale<br>Preserve<br>Authority | Total            |
|---|--------------------------------------|------------------------|-------------------------------|-----------------------------|-----------------|--------------------------|---------------------------------|-------------------------------------|------------------|
| <b>ASSETS</b>                                     |                                      |                        |                               |                             |                 |                          |                                 |                                     |                  |
| Cash and Investments                              | \$ 9,280                             | \$ 629                 | \$ -                          | \$ -                        | \$ -            | \$ -                     | \$ 321                          | \$ -                                | \$ 10,230        |
| Cash with Fiscal Agent                            | 4,827                                | 51                     | 651                           | 1,416                       | 1,604           | 642                      | 573                             | 5,048                               | 14,812           |
| Receivables (net of allowance for uncollectibles) |                                      |                        |                               |                             |                 |                          |                                 |                                     |                  |
| Property Tax                                      | -                                    | -                      | 13                            | 24                          | 137             | 12                       | 46                              | -                                   | 232              |
| Intergovernmental                                 | 19,242                               | -                      | -                             | -                           | -               | -                        | -                               | -                                   | 19,242           |
| Special Assessments                               | -                                    | 1,897                  | -                             | -                           | -               | -                        | -                               | -                                   | 1,897            |
| Miscellaneous                                     | -                                    | -                      | 1                             | -                           | 2               | -                        | -                               | -                                   | 3                |
| Total Assets                                      | <u>\$ 33,349</u>                     | <u>\$ 2,577</u>        | <u>\$ 665</u>                 | <u>\$ 1,440</u>             | <u>\$ 1,743</u> | <u>\$ 654</u>            | <u>\$ 940</u>                   | <u>\$ 5,048</u>                     | <u>\$ 46,416</u> |
| <b>LIABILITIES AND FUND BALANCES</b>              |                                      |                        |                               |                             |                 |                          |                                 |                                     |                  |
| Liabilities                                       |                                      |                        |                               |                             |                 |                          |                                 |                                     |                  |
| Accounts Payable                                  | \$ -                                 | \$ 2                   | \$ -                          | \$ -                        | \$ -            | \$ -                     | \$ -                            | \$ -                                | \$ 2             |
| Matured Bonds Interest Payable                    | 3,124                                | 51                     | 73                            | 336                         | 433             | 73                       | 110                             | 1,683                               | 5,883            |
| Matured Bonds Payable                             | 1,703                                | -                      | 345                           | 800                         | 600             | 125                      | 35                              | 3,365                               | 6,973            |
| Deferred Revenue                                  |                                      |                        |                               |                             |                 |                          |                                 |                                     |                  |
| Property Tax                                      | -                                    | -                      | 7                             | 12                          | 87              | 7                        | 45                              | -                                   | 158              |
| Special Assessments                               | -                                    | 1,897                  | -                             | -                           | -               | -                        | -                               | -                                   | 1,897            |
| Intergovernmental                                 | 19,242                               | -                      | -                             | -                           | -               | -                        | -                               | -                                   | 19,242           |
| Total Liabilities                                 | <u>24,069</u>                        | <u>1,950</u>           | <u>425</u>                    | <u>1,148</u>                | <u>1,120</u>    | <u>205</u>               | <u>190</u>                      | <u>5,048</u>                        | <u>34,155</u>    |
| Fund Balances                                     |                                      |                        |                               |                             |                 |                          |                                 |                                     |                  |
| Reserved for                                      |                                      |                        |                               |                             |                 |                          |                                 |                                     |                  |
| Debt Service                                      | 9,280                                | 627                    | 240                           | 292                         | 623             | 449                      | 750                             | -                                   | 12,261           |
| Total Fund Balances                               | <u>9,280</u>                         | <u>627</u>             | <u>240</u>                    | <u>292</u>                  | <u>623</u>      | <u>449</u>               | <u>750</u>                      | <u>-</u>                            | <u>12,261</u>    |
| Total Liabilities and Fund Balances               | <u>\$ 33,349</u>                     | <u>\$ 2,577</u>        | <u>\$ 665</u>                 | <u>\$ 1,440</u>             | <u>\$ 1,743</u> | <u>\$ 654</u>            | <u>\$ 940</u>                   | <u>\$ 5,048</u>                     | <u>\$ 46,416</u> |



## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Governmental Funds  
For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Municipal<br>Property<br>Corporation | Special<br>Assessments | Scottsdale<br>Mountain<br>CFD | McDowell<br>Mountain<br>CFD | DC Ranch<br>CFD | Via Linda<br>Road<br>CFD | Waterfront<br>Commercial<br>CFD | Scottsdale<br>Preserve<br>Authority | Total     |
|---|--------------------------------------|------------------------|-------------------------------|-----------------------------|-----------------|--------------------------|---------------------------------|-------------------------------------|-----------|
| <b>REVENUES</b>                                   |                                      |                        |                               |                             |                 |                          |                                 |                                     |           |
| Taxes - Local                                     |                                      |                        |                               |                             |                 |                          |                                 |                                     |           |
| Property  | \$ -                                 | \$ -                   | \$ 382                        | \$ 1,187                    | \$ 1,445        | \$ 178                   | \$ 291                          | \$ -                                | \$ 3,483  |
| Special Assessments                               | -                                    | 765                    | -                             | -                           | -               | -                        | -                               | -                                   | 765       |
| Property Rental                                   | 145                                  | -                      | -                             | -                           | -               | -                        | -                               | -                                   | 145       |
| Interest Earnings                                 | -                                    | -                      | -                             | -                           | -               | 15                       | -                               | -                                   | 15        |
| Intergovernmental                                 |                                      |                        |                               |                             |                 |                          |                                 |                                     |           |
| Miscellaneous                                     | 93                                   | -                      | -                             | -                           | -               | -                        | -                               | -                                   | 93        |
| Total Revenues                                    | 238                                  | 765                    | 382                           | 1,187                       | 1,445           | 193                      | 291                             | -                                   | 4,501     |
| <b>EXPENDITURES</b>                               |                                      |                        |                               |                             |                 |                          |                                 |                                     |           |
| Current   |                                      |                        |                               |                             |                 |                          |                                 |                                     |           |
| General Government                                | -                                    | 3                      | 9                             | 10                          | 70              | 9                        | 50                              | -                                   | 151       |
| Debt Service                                      |                                      |                        |                               |                             |                 |                          |                                 |                                     |           |
| Principal   | 1,760                                | 757                    | 345                           | 800                         | 600             | 125                      | 35                              | 3,365                               | 7,787     |
| Interest and Fiscal Charges                       | 6,150                                | 121                    | 151                           | 673                         | 881             | 150                      | 224                             | 3,374                               | 11,724    |
| Total Expenditures                                | 7,910                                | 881                    | 505                           | 1,483                       | 1,551           | 284                      | 309                             | 6,739                               | 19,662    |
| Excess (Deficiency) of Revenues Over Expenditures | (7,672)                              | (116)                  | (123)                         | (296)                       | (106)           | (91)                     | (18)                            | (6,739)                             | (15,161)  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                                      |                        |                               |                             |                 |                          |                                 |                                     |           |
| Transfers In                                      | 7,288                                | -                      | -                             | -                           | -               | -                        | -                               | 6,739                               | 14,027    |
| Total Other Financing Sources and (Uses)          | 7,288                                | -                      | -                             | -                           | -               | -                        | -                               | 6,739                               | 14,027    |
| Net change in Fund Balances                       | (384)                                | (116)                  | (123)                         | (296)                       | (106)           | (91)                     | (18)                            | -                                   | (1,134)   |
| Fund Balances - Beginning                         | 9,664                                | 743                    | 363                           | 588                         | 729             | 540                      | 768                             | -                                   | 13,395    |
| Fund Balances - Ending                            | \$ 9,280                             | \$ 627                 | \$ 240                        | \$ 292                      | \$ 623          | \$ 449                   | \$ 750                          | \$ -                                | \$ 12,261 |

## General Obligation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2010 (in thousands of dollars)

|  | Budgeted Amounts |                 | Actual Amounts<br>Budgetary Basis | Budget to GAAP<br>Differences | Actual Amounts<br>GAAP Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|-----------------|-----------------------------------|-------------------------------|------------------------------|---|
|  | Original         | Final           |                                   |                               |                              |   |
| <b>REVENUES</b>                                      |                  |                 |                                   |                               |                              |   |
| Taxes - Local  |                  |                 |                                   |                               |                              |   |
| Property   | \$ 31,796        | \$ 31,796       | \$ 31,624                         | \$ (4)                        | \$ 31,620                    | \$ (172)  |
| Total Revenues                                       | <u>31,796</u>    | <u>31,796</u>   | <u>31,624</u>                     | <u>(4)</u>                    | <u>31,620</u>                | <u>(172)</u>  |
| <b>EXPENDITURES</b>                                  |                  |                 |                                   |                               |                              |   |
| Debt Service   |                  |                 |                                   |                               |                              |   |
| Principal  | 24,853           | 24,853          | 24,065                            | -                             | 24,065                       | 788   |
| Interest and Fiscal Charges                          | 26,419           | 26,419          | 25,585                            | -                             | 25,585                       | 834   |
| Bond Issuance Costs                                  | -                | -               | 497                               | -                             | 497                          | (497)   |
| Total Expenditures                                   | <u>51,272</u>    | <u>51,272</u>   | <u>50,147</u>                     | <u>-</u>                      | <u>50,147</u>                | <u>1,125</u>  |
| Excess (Deficiency) of Revenues Over<br>Expenditures | <u>(19,476)</u>  | <u>(19,476)</u> | <u>(18,523)</u>                   | <u>(4)</u>                    | <u>(18,527)</u>              | <u>953</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |                 |                                   |                               |                              |   |
| Transfers In   | 13,961           | 13,961          | 13,956                            | -                             | 13,956                       | (5)   |
| Transfers Out  | -                | -               | (2,181)                           | -                             | (2,181)                      |   |
| Premium on Long Term Debt                            | -                | -               | 843                               | -                             | 843                          | 843   |
| Total Other Financing Sources and Uses               | <u>13,961</u>    | <u>13,961</u>   | <u>12,618</u>                     | <u>-</u>                      | <u>12,618</u>                | <u>838</u>  |
| Net Change in Fund Balance                           | (5,515)          | (5,515)         | (5,905)                           | (4)                           | (5,909)                      | 1,791   |
| Fund Balance - Beginning                             | <u>9,098</u>     | <u>10,364</u>   | <u>10,364</u>                     | <u>477</u>                    | <u>10,841</u>                | <u>-</u>  |
| Fund Balance - Ending                                | <u>\$ 3,583</u>  | <u>\$ 4,849</u> | <u>\$ 4,459</u>                   | <u>\$ 473</u>                 | <u>\$ 4,932</u>              | <u>\$ 1,791</u>   |

### Explanation of Differences:

The City budgets for certain revenues on the cash basis, rather than on the modified accrual basis.  
Change in Receivables

\$ (4)

## Municipal Property Corporation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2010 (in thousands of dollars)

|  | Budgeted Amounts |                 | Actual Amounts<br>Budgetary Basis | Budget to GAAP<br>Differences | Actual Amounts<br>GAAP Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|-----------------|-----------------------------------|-------------------------------|------------------------------|---|
|  | Original         | Final           |                                   |                               |                              |   |
| <b>REVENUES</b>                                      |                  |                 |                                   |                               |                              |   |
| Property Rental                                      | \$ 145           | \$ 145          | \$ 145                            | \$ -                          | \$ 145                       | \$ -  |
| Intergovernmental                                    | 612              | 612             | 93                                | -                             | 93                           | (519)   |
| Total Revenues                                       | <u>757</u>       | <u>757</u>      | <u>238</u>                        | <u>-</u>                      | <u>238</u>                   | <u>(519)</u>  |
| <b>EXPENDITURES</b>                                  |                  |                 |                                   |                               |                              |   |
| Debt Service   |                  |                 |                                   |                               |                              |   |
| Principal  | 1,703            | 1,703           | 1,760                             | -                             | 1,760                        | (57)  |
| Interest and Fiscal Charges                          | <u>6,201</u>     | <u>6,201</u>    | <u>6,150</u>                      | <u>-</u>                      | <u>6,150</u>                 | <u>51</u>   |
| Total Expenditures                                   | <u>7,904</u>     | <u>7,904</u>    | <u>7,910</u>                      | <u>-</u>                      | <u>7,910</u>                 | <u>(6)</u>  |
| Excess (Deficiency) of Revenues Over<br>Expenditures | <u>(7,147)</u>   | <u>(7,147)</u>  | <u>(7,672)</u>                    | <u>-</u>                      | <u>(7,672)</u>               | <u>(525)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |                 |                                   |                               |                              |   |
| Transfers In   | <u>7,295</u>     | <u>7,295</u>    | <u>7,288</u>                      | <u>-</u>                      | <u>7,288</u>                 | <u>(7)</u>  |
| Total Other Financing Sources and Uses               | <u>7,295</u>     | <u>7,295</u>    | <u>7,288</u>                      | <u>-</u>                      | <u>7,288</u>                 | <u>(7)</u>  |
| Net Change in Fund Balance                           | 148              | 148             | (384)                             | -                             | (384)                        | (532)   |
| Fund Balance - Beginning                             | <u>9,009</u>     | <u>9,664</u>    | <u>9,664</u>                      | <u>-</u>                      | <u>9,664</u>                 | <u>-</u>  |
| Fund Balance - Ending                                | <u>\$ 9,157</u>  | <u>\$ 9,812</u> | <u>\$ 9,280</u>                   | <u>\$ -</u>                   | <u>\$ 9,280</u>              | <u>\$ (532)</u>   |

## Special Assessments Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2010 (in thousands of dollars)

|  | Budgeted Amounts |               | Actual Amounts<br>Budgetary Basis | Budget to GAAP<br>Differences | Actual Amounts<br>GAAP Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|---------------|-----------------------------------|-------------------------------|------------------------------|---|
|  | Original         | Final         |                                   |                               |                              |   |
| <b>REVENUES</b>                                      |                  |               |                                   |                               |                              |   |
| Special Assessments                                  | \$ 888           | \$ 888        | \$ 749                            | \$ 16                         | \$ 765                       | \$ (139)  |
| Total Revenues                                       | <u>888</u>       | <u>888</u>    | <u>749</u>                        | <u>16</u>                     | <u>765</u>                   | <u>(139)</u>  |
| <b>EXPENDITURES</b>                                  |                  |               |                                   |                               |                              |   |
| Current:   |                  |               |                                   |                               |                              |   |
| General Government                                   | -                | -             | 3                                 | -                             | 3                            | (3)   |
| Debt Service   |                  |               |                                   |                               |                              |   |
| Principal  | 746              | 758           | 757                               | -                             | 757                          | 1   |
| Interest and Fiscal Charges                          | 131              | 137           | 121                               | -                             | 121                          | 16  |
| Total Expenditures                                   | <u>877</u>       | <u>895</u>    | <u>881</u>                        | <u>-</u>                      | <u>881</u>                   | <u>14</u>   |
| Excess (Deficiency) of Revenues Over<br>Expenditures | 11               | (7)           | (132)                             | 16                            | (116)                        | (125)   |
| Fund Balance - Beginning                             | <u>941</u>       | <u>759</u>    | <u>759</u>                        | <u>(16)</u>                   | <u>743</u>                   | <u>-</u>  |
| Fund Balance - Ending                                | <u>\$ 952</u>    | <u>\$ 752</u> | <u>\$ 627</u>                     | <u>\$ -</u>                   | <u>\$ 627</u>                | <u>\$ (125)</u>   |

### Explanation of Differences:

The City budgets for certain revenues on the cash basis, rather than on the modified accrual basis.  
Change in Receivables

\$ (16)

## Scottsdale Preserve Authority Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2010 (in thousands of dollars)

|  | Budgeted Amounts |         | Actual Amounts<br>Budgetary Basis | Budget to GAAP<br>Differences | Actual Amounts<br>GAAP Basis | Variance Between<br>Final Budget and<br>Actual Amounts<br>Budgetary Basis |
|--|------------------|---------|-----------------------------------|-------------------------------|------------------------------|---|
|  | Original         | Final   |                                   |                               |                              |   |
| <b>REVENUES</b>                                      |                  |         |                                   |                               |                              |   |
| Interest Earnings                                    | \$ -             | \$ -    | \$ -                              | \$ -                          | \$ -                         | \$ -  |
| Total Revenues                                       | -                | -       | -                                 | -                             | -                            | -   |
| <b>EXPENDITURES</b>                                  |                  |         |                                   |                               |                              |   |
| Debt Service   |                  |         |                                   |                               |                              |   |
| Principal  | 3,365            | 3,365   | 3,365                             | -                             | 3,365                        | -   |
| Interest and Fiscal Charges                          | 3,374            | 3,374   | 3,374                             | -                             | 3,374                        | -   |
| Total Expenditures                                   | 6,739            | 6,739   | 6,739                             | -                             | 6,739                        | -   |
| Excess (Deficiency) of Revenues Over<br>Expenditures | (6,739)          | (6,739) | (6,739)                           | -                             | (6,739)                      | -   |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |         |                                   |                               |                              |   |
| Transfers In   | 6,740            | 6,740   | 6,739                             | -                             | 6,739                        | (1)   |
| Total Other Financing Sources and Uses               | 6,740            | 6,740   | 6,739                             | -                             | 6,739                        | (1)   |
| Net Change in Fund Balance                           | 1                | 1       | -                                 | -                             | -                            | (1)   |
| Fund Balance - Beginning                             | -                | -       | -                                 | -                             | -                            | -   |
| Fund Balance - Ending                                | \$ 1             | \$ 1    | \$ -                              | \$ -                          | \$ -                         | \$ (1)  |

## Combining Balance Sheet

Nonmajor Capital Projects Governmental Funds  
June 30, 2010 (in thousands of dollars)

|  | General<br>Obligation<br>Bond | Preserve<br>Privilege Tax | Transportation<br>Privilege Tax | McDowell<br>Mountain<br>CFD | DC Ranch<br>CFD | Total            |
|--|-------------------------------|---------------------------|---------------------------------|-----------------------------|-----------------|------------------|
| <b>ASSETS</b>  |                               |                           |                                 |                             |                 |                  |
| Cash and Investments                                 | \$ 55,827                     | \$ 1,333                  | \$ 20,876                       | \$ -                        | \$ -            | \$ 78,036        |
| Cash with Fiscal Agent                               | -                             | -                         | -                               | 110                         | 87              | 197              |
| Receivables (net of allowance for<br>uncollectibles) |                               |                           |                                 |                             |                 |                  |
| Interest   | 52                            | -                         | 25                              | -                           | -               | 77               |
| Grants   | -                             | -                         | 886                             | -                           | -               | 886              |
| Total Assets   | <u>\$ 55,879</u>              | <u>\$ 1,333</u>           | <u>\$ 21,787</u>                | <u>\$ 110</u>               | <u>\$ 87</u>    | <u>\$ 79,196</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                 |                               |                           |                                 |                             |                 |                  |
| Liabilities  |                               |                           |                                 |                             |                 |                  |
| Accounts Payable                                     | \$ -                          | \$ 152                    | \$ 4,230                        | \$ -                        | \$ -            | \$ 4,382         |
| Accrued Payroll and Benefits                         | -                             | 2                         | 22                              | -                           | -               | 24               |
| Deferred Revenue                                     |                               |                           |                                 |                             |                 |                  |
| Intergovernmental                                    |                               |                           | 886                             | -                           | -               | 886              |
| Total Liabilities                                    | <u>-</u>                      | <u>154</u>                | <u>5,138</u>                    | <u>-</u>                    | <u>-</u>        | <u>5,292</u>     |
| Fund Balances  |                               |                           |                                 |                             |                 |                  |
| Unreserved   | 55,879                        | 1,179                     | 16,649                          | 110                         | 87              | 73,904           |
| Total Fund Balances                                  | <u>55,879</u>                 | <u>1,179</u>              | <u>16,649</u>                   | <u>110</u>                  | <u>87</u>       | <u>73,904</u>    |
| Total Liabilities and Fund Balances                  | <u>\$ 55,879</u>              | <u>\$ 1,333</u>           | <u>\$ 21,787</u>                | <u>\$ 110</u>               | <u>\$ 87</u>    | <u>\$ 79,196</u> |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Capital Projects Governmental Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|  | General<br>Obligation<br>Bond | Preserve<br>Privilege Tax | Transportation<br>Privilege Tax | McDowell<br>Mountain<br>CFD | DC Ranch<br>CFD | Total     |
|--|-------------------------------|---------------------------|---------------------------------|-----------------------------|-----------------|-----------|
| <b>REVENUES</b>                                      |                               |                           |                                 |                             |                 |           |
| Interest Earnings                                    | \$ 608                        | \$ -                      | \$ 336                          | \$ -                        | \$ -            | \$ 944    |
| Investment Income                                    | 97                            | -                         | 92                              | -                           | -               | 189       |
| Intergovernmental                                    |                               |                           |                                 |                             |                 |           |
| Federal Grants                                       | -                             | -                         | 122                             | -                           | -               | 122       |
| State Grants   | -                             | -                         | 3,549                           | -                           | -               | 3,549     |
| Developer Contributions                              | -                             | -                         | 2,406                           | -                           | -               | 2,406     |
| Reimbursements from Outside Sources                  | -                             | -                         | 230                             | -                           | -               | 230       |
| Total Revenues                                       | 705                           | -                         | 6,735                           | -                           | -               | 7,440     |
| <b>EXPENDITURES</b>                                  |                               |                           |                                 |                             |                 |           |
| Capital Improvements                                 | -                             | 4,447                     | 29,510                          | -                           | -               | 33,957    |
| Total Expenditures                                   | -                             | 4,447                     | 29,510                          | -                           | -               | 33,957    |
| Excess (Deficiency) of Revenues Over<br>Expenditures | 705                           | (4,447)                   | (22,775)                        | -                           | -               | (26,517)  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                               |                           |                                 |                             |                 |           |
| Transfers In   | -                             | 5,925                     | 20,312                          | -                           | -               | 26,237    |
| Transfers Out  | (22,171)                      | (656)                     | (48)                            | -                           | -               | (22,875)  |
| Proceeds of Long-Term Debt                           | 50,800                        | -                         | -                               | -                           | -               | 50,800    |
| Total Other Financing Sources and (Uses)             | 28,629                        | 5,269                     | 20,264                          | -                           | -               | 54,162    |
| Net Change in Fund Balances                          | 29,334                        | 822                       | (2,511)                         | -                           | -               | 27,645    |
| Fund Balances - Beginning                            | 26,545                        | 357                       | 19,160                          | 110                         | 87              | 46,259    |
| Fund Balances - Ending                               | \$ 55,879                     | \$ 1,179                  | \$ 16,649                       | \$ 110                      | \$ 87           | \$ 73,904 |

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## INTERNAL SERVICE FUNDS

Internal Services Funds are established to finance and account for services and/or commodities furnished by one department or unit to other departments or units within the City.

### **Fleet Management Fund**

The Fleet Management Fund is responsible for the maintenance and operations of various automobiles and other equipment of the City. Revenue to this fund is derived from charges to user programs.

### **Self-Insurance Fund**

The Self-Insurance Fund is responsible for the administration of the City's self-insurance program. Revenue to this fund is derived from charges to user programs and employee contributions for health and dental coverage. This fund provides coverage of unemployment, self-insured benefits, workmen's compensation, property, and liability claims.



## Combining Statement of Net Assets

### Internal Service Funds

June 30, 2010 (in thousands of dollars)

|   | <u>Fleet<br/>Management</u> | <u>Self-<br/>Insurance</u> | <u>Total</u>     |
|---|-----------------------------|----------------------------|------------------|
| <b>ASSETS</b>   |                             |                            |                  |
| Current Assets  |                             |                            |                  |
| Cash and Investments                                      | \$ 15,727                   | \$ 26,215                  | \$ 41,942        |
| Receivables (net of allowance for uncollectibles)         |                             |                            |                  |
| Interest  | 33                          | 58                         | 91               |
| Miscellaneous   | -                           | 3                          | 3                |
| Supplies Inventory  | 728                         | -                          | 728              |
| Total Current Assets                                      | <u>16,488</u>               | <u>26,276</u>              | <u>42,764</u>    |
| Noncurrent Assets   |                             |                            |                  |
| Capital Assets  |                             |                            |                  |
| Buildings and Improvements                                | 1,920                       | -                          | 1,920            |
| Motor Vehicles  | 66,960                      | -                          | 66,960           |
| Machinery and Equipment                                   | 768                         | -                          | 768              |
| Construction in Progress                                  | 6,796                       | -                          | 6,796            |
| Less Accumulated Depreciation                             | <u>(45,366)</u>             | <u>-</u>                   | <u>(45,366)</u>  |
| Total Capital Assets (net of<br>accumulated depreciation) | <u>31,078</u>               | <u>-</u>                   | <u>31,078</u>    |
| Total Noncurrent Assets                                   | <u>31,078</u>               | <u>-</u>                   | <u>31,078</u>    |
| Total Assets  | <u>47,566</u>               | <u>26,276</u>              | <u>73,842</u>    |
| <b>LIABILITIES</b>  |                             |                            |                  |
| Current Liabilities                                       |                             |                            |                  |
| Accounts Payable  | 1,259                       | 240                        | 1,499            |
| Accrued Payroll and Benefits                              | 152                         | 79                         | 231              |
| Accrued Compensated Absences - Due Within One Year        | 185                         | 36                         | 221              |
| Claims Payable - Due Within One Year                      | -                           | 5,525                      | 5,525            |
| Total Current Liabilities                                 | <u>1,596</u>                | <u>5,880</u>               | <u>7,476</u>     |
| Noncurrent Liabilities                                    |                             |                            |                  |
| Accrued Compensated Absences - Due in More Than One Year  | 190                         | 29                         | 219              |
| Other Post Employment Benefit - Implied Subsidy           | 36                          | 6                          | 42               |
| Other Payables - Due in More Than One Year                | -                           | 5,617                      | 5,617            |
| Total Noncurrent Liabilities                              | <u>226</u>                  | <u>5,652</u>               | <u>5,878</u>     |
| Total Liabilities   | <u>1,822</u>                | <u>11,532</u>              | <u>13,354</u>    |
| <b>NET ASSETS</b>   |                             |                            |                  |
| Invested in Capital Assets, Net of Related Debt           | 31,078                      | -                          | 31,078           |
| Unrestricted  | <u>14,666</u>               | <u>14,744</u>              | <u>29,410</u>    |
| Total Net Assets  | <u>\$ 45,744</u>            | <u>\$ 14,744</u>           | <u>\$ 60,488</u> |

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

### Internal Service Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Fleet<br>Management | Self-<br>Insurance | Total            |
|---|---------------------|--------------------|------------------|
| Operating Revenues                        |                     |                    |                  |
| Charges for Sales and Services            |                     |                    |                  |
| Billings To User Programs                 | \$ 13,222           | \$ 25,791          | \$ 39,013        |
| Self Insurance Contributions-Employee     | -                   | 4,190              | 4,190            |
| State Contributions                       | -                   | 1,099              | 1,099            |
| Other                                     | 90                  | 1,054              | 1,144            |
| Total Operating Revenues                  | <u>13,312</u>       | <u>32,134</u>      | <u>45,446</u>    |
| Operating Expenses                        |                     |                    |                  |
| Costs of Sales and Services               |                     |                    |                  |
| Fleet Management Operations               | 10,212              | -                  | 10,212           |
| Self-Insurance Administration             | -                   | 3,251              | 3,251            |
| Self-Insurance Claims                     | -                   | 3,221              | 3,221            |
| Self-Insurance Benefits                   | -                   | 21,847             | 21,847           |
| Insurance and Bond Premiums               | -                   | 1,765              | 1,765            |
| Depreciation                              | 5,349               | -                  | 5,349            |
| Total Operating Expenses                  | <u>15,561</u>       | <u>30,084</u>      | <u>45,645</u>    |
| Operating Income (Loss)                   | <u>(2,249)</u>      | <u>2,050</u>       | <u>(199)</u>     |
| Non-Operating Revenues                    |                     |                    |                  |
| Property Tax                              | -                   | 1,930              | 1,930            |
| Investment Income                         | 415                 | 635                | 1,050            |
| Gain on Sale of Capital Assets            | 296                 | -                  | 296              |
| Total Non-Operating Revenues              | <u>711</u>          | <u>2,565</u>       | <u>3,276</u>     |
| Income Before Contributions and Transfers | (1,538)             | 4,615              | 3,077            |
| Capital Contributions                     | 1,148               | -                  | 1,148            |
| Transfers In                              | 1,353               | -                  | 1,353            |
| Transfers Out                             | (27)                | (9)                | (36)             |
| Change in Net Assets                      | <u>936</u>          | <u>4,606</u>       | <u>5,542</u>     |
| Total Net Assets - Beginning              | <u>44,808</u>       | <u>10,138</u>      | <u>54,946</u>    |
| Total Net Assets - Ending                 | <u>\$ 45,744</u>    | <u>\$ 14,744</u>   | <u>\$ 60,488</u> |

## Combining Statement of Cash Flows

### Internal Service Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|   | Fleet<br>Management | Self-<br>Insurance | Total            |
|---|---------------------|--------------------|------------------|
| <b>Cash Flows from Operating Activities</b>   |                     |                    |                  |
| Cash Received from Customers  | \$ 13,222           | \$ 31,083          | \$ 44,305        |
| Cash Paid to Suppliers  | (6,540)             | (29,536)           | (36,076)         |
| Cash Paid to Employees  | (3,347)             | (1,058)            | (4,405)          |
| Other Operating   | 90                  | 1,054              | 1,144            |
| Net Cash Provided (Used) by Operating Activities  | <u>3,425</u>        | <u>1,543</u>       | <u>4,968</u>     |
| <b>Cash Flows from Non-Capital Financing Activities</b>   |                     |                    |                  |
| Property Tax  | -                   | 1,930              | 1,930            |
| Transfers In  | 1,353               | -                  | 1,353            |
| Transfers Out   | (27)                | (9)                | (36)             |
| Net Cash Used by Non-Capital Financing Activities   | <u>1,326</u>        | <u>1,921</u>       | <u>3,247</u>     |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                   |                     |                    |                  |
| Acquisition and Construction of Property and Equipment  | (6,449)             | -                  | (6,449)          |
| Sale of Capital Assets  | 360                 | -                  | 360              |
| Net Cash Used for Capital and Related Financing Activities  | <u>(6,089)</u>      | <u>-</u>           | <u>(6,089)</u>   |
| <b>Cash Flows from Investing Activities</b>   |                     |                    |                  |
| Income Received on Investments  | 476                 | 703                | 1,179            |
| Net Increase in Cash and Cash Equivalents   | (862)               | 4,167              | 3,305            |
| Cash and Cash Equivalents at Beginning of Year  | 16,589              | 22,048             | 38,637           |
| Cash and Cash Equivalents at End of Year  | <u>\$ 15,727</u>    | <u>\$ 26,215</u>   | <u>\$ 41,942</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>     |                     |                    |                  |
| Operating Income (Loss)   | \$ (2,249)          | \$ 2,050           | \$ (199)         |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities |                     |                    |                  |
| Depreciation  | 5,349               | -                  | 5,349            |
| Changes in Assets and Liabilities   |                     |                    |                  |
| Sources (Uses) of Cash  |                     |                    |                  |
| Miscellaneous Receivables   | -                   | 3                  | 3                |
| Prepaid Expenses  | 748                 | -                  | 748              |
| Supplies Inventory  | (154)               | -                  | (154)            |
| Accounts Payable  | (264)               | (22)               | (286)            |
| Accrued Payroll and Benefits  | (3)                 | (98)               | (101)            |
| Other Payables  | (2)                 | (2)                | (4)              |
| Claims Payable  | -                   | (388)              | (388)            |
| Total Adjustments   | <u>5,674</u>        | <u>(507)</u>       | <u>5,167</u>     |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 3,425</u>     | <u>\$ 1,543</u>    | <u>\$ 4,968</u>  |
| <b>Supplemental Disclosure of Noncash Financing Activities</b>                                    |                     |                    |                  |
| Additions to Property, Plant, and Equipment   | \$ 1,148            | \$ -               | \$ 1,148         |
| Contributions from Other Government Units   | \$ 1,148            | \$ -               | \$ 1,148         |
| Total Non-Cash Financing Activities   | <u>\$ 1,148</u>     | <u>\$ -</u>        | <u>\$ 1,148</u>  |

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## FIDUCIARY FUNDS

Private Purpose Trust Funds and Agency Funds administer resources received and held by the City as the trustee or as the agent for others. Use of these funds facilitates the discharge responsibilities placed on the governmental unit by virtue of law or other similar authority.

### **Handicap Scholarship Private Purpose Trust Fund**

This fund accounts for monies received and expended for college scholarships for individuals with handicaps.

### **Family Self-Sufficiency Agency Fund**

This fund accounts for monies in escrow for Section 8 Housing Program participants.

### **Retainage Escrow Agency Fund**

This fund accounts for monies held in escrow for construction contract retainage payable.

## Combining Statement of Fiduciary Net Assets

### Fiduciary Funds

June 30, 2010 (in thousands of dollars)

|                                  | Private Purpose Trust Funds                           |       | Agency Funds                              |                                    |          |
|----------------------------------|---|-------|---|------------------------------------|----------|
|                                  | Handicap Scholarship<br>Private Purpose<br>Trust Fund | Total | Family<br>Self-Sufficiency<br>Agency Fund | Retainage<br>Escrow<br>Agency Fund | Total    |
| <b>ASSETS</b>                    |   |       |   |                                    |          |
| Cash and Cash Equivalents        | \$ 4  | \$ 4  | \$ 126                                    | \$ 4,720                           | \$ 4,846 |
| Total Assets                     | 4   | 4     | 126                                       | 4,720                              | 4,846    |
| <b>LIABILITIES</b>               |   |       |   |                                    |          |
| Accounts Payable                 | -   | -     | 126                                       | -                                  | 126      |
| Designated Escrow Payable        | -   | -     | -   | 4,720                              | 4,720    |
| Total Liabilities                | -   | -     | 126                                       | 4,720                              | 4,846    |
| <b>NET ASSETS</b>                |   |       |   |                                    |          |
| Held in Trust for Other Purposes | \$ 4  | \$ 4  | \$ -                                      | \$ -                               | \$ -     |

## Combining Statement of Changes in Assets and Liabilities

### Fiduciary Funds

For the Year Ended June 30, 2010 (in thousands of dollars)

|                           | Family Self-Sufficiency |           |            |                          | Retainage Escrow        |           |            |                          |
|---------------------------|-------------------------|-----------|------------|--------------------------|-------------------------|-----------|------------|--------------------------|
|                           | Balance<br>July 1, 2009 | Additions | Deductions | Balance<br>June 30, 2010 | Balance<br>July 1, 2009 | Additions | Deductions | Balance<br>June 30, 2010 |
| <b>ASSETS</b>             |                         |           |            |                          |                         |           |            |                          |
| Cash and Cash Equivalents | \$ 127                  | \$ 52     | \$ 53      | \$ 126                   | \$ 9,340                | \$ 4,720  | \$ 9,340   | \$ 4,720                 |
| Total Assets              | \$ 127                  | \$ 52     | \$ 53      | \$ 126                   | \$ 9,340                | \$ 4,720  | \$ 9,340   | \$ 4,720                 |
| <b>LIABILITIES</b>        |                         |           |            |                          |                         |           |            |                          |
| Accounts Payable          | \$ 127                  | \$ 51     | \$ 52      | \$ 126                   | \$ -                    | \$ -      | \$ -       | \$ -                     |
| Designated Escrow Payable | -                       | -         | -          | -                        | 9,340                   | 4,720     | 9,340      | 4,720                    |
| Total Liabilities         | \$ 127                  | \$ 51     | \$ 52      | \$ 126                   | \$ 9,340                | \$ 4,720  | \$ 9,340   | \$ 4,720                 |

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## OTHER SUPPLEMENTARY INFORMATION

### Debt Requirements

The supplemental debt service schedule provides a comprehensive overview of the City's total debt. The Schedule of Changes in Long-Term Debt for the current fiscal year presents the City's debt by debt type without regard to fund classification.

Debt issued by community facilities districts is included for full disclosure although such debt is not legally an obligation of the City.

## Schedule of Changes in Long-Term Debt\*

For the Year Ended June 30, 2010 (in thousands of dollars)

|  | July 1, 2009 | Issued    | Retired   | Refunding<br>Bonds<br>Issued | Bonds<br>Defeased | Accretions,<br>Amortizations<br>& Contract<br>Adjustments | June 30, 2010 | Governmental<br>Activities | Business-type<br>Activities | Final<br>Payment Date |
|--|--------------|-----------|-----------|------------------------------|-------------------|---|---------------|----------------------------|-----------------------------|-----------------------|
| <b>GENERAL OBLIGATION BONDS</b>                    |              |           |           |                              |                   |   |               |                            |                             |                       |
| Governmental Fund Type:                            |              |           |           |                              |                   |   |               |                            |                             |                       |
| 1997 GO Refunding                                  | 9,400        | -         | 3,510     | -                            | -                 | -   | 5,890         | 5,890                      | -                           | 07/01/14              |
| 1989 Series I (1998)                               | 4,445        | -         | -         | -                            | -                 | -   | 4,445         | 4,445                      | -                           | 07/01/18              |
| 2001 GO Refunding Various Purpose                  | 6,840        | -         | -         | -                            | -                 | -   | 6,840         | 6,840                      | -                           | 07/01/22              |
| 2001 GO Refunding Preservation                     | 28,715       | -         | -         | -                            | -                 | -   | 28,715        | 28,715                     | -                           | 07/01/22              |
| 2002 GO Various Purpose                            | 2,010        | -         | 450       | -                            | -                 | -   | 1,560         | 1,560                      | -                           | 07/01/24              |
| 2002 GO Preservation                               | 5,755        | -         | -         | -                            | -                 | -   | 5,755         | 5,755                      | -                           | 07/01/24              |
| 2002 GO Refunding Various Purpose                  | 39,890       | -         | 6,865     | -                            | -                 | -   | 33,025        | 33,025                     | -                           | 07/01/19              |
| 2002 GO Refunding Preservation                     | 8,100        | -         | -         | -                            | -                 | -   | 8,100         | 8,100                      | -                           | 07/01/19              |
| 2003 GO Refunding Various Purpose                  | 10,020       | -         | 5,515     | -                            | -                 | -   | 4,505         | 4,505                      | -                           | 07/01/13              |
| 2004 GO Various Purpose                            | 48,000       | -         | -         | -                            | -                 | -   | 48,000        | 48,000                     | -                           | 07/01/25              |
| 2004 GO Preservation                               | 59,900       | -         | 3,100     | -                            | -                 | -   | 56,800        | 56,800                     | -                           | 07/01/25              |
| 2005 GO Refunding Various Purpose                  | 8,540        | -         | -         | -                            | -                 | -   | 8,540         | 8,540                      | -                           | 07/01/24              |
| 2005 GO Refunding Preservation                     | 66,090       | -         | -         | -                            | -                 | -   | 66,090        | 66,090                     | -                           | 07/01/24              |
| 2005A GO Various Purpose                           | 116,500      | -         | 3,250     | -                            | -                 | -   | 113,250       | 113,250                    | -                           | 07/01/24              |
| 2005B GO Preservation                              | 17,575       | -         | 875       | -                            | -                 | -   | 16,700        | 16,700                     | -                           | 07/01/24              |
| 2008A GO Various Purpose                           | 100,000      | -         | -         | -                            | -                 | -   | 100,000       | 100,000                    | -                           | 07/01/28              |
| 2008B GO Preservation                              | 19,675       | -         | 500       | -                            | -                 | -   | 19,175        | 19,175                     | -                           | 07/01/34              |
| 2010 GO Various Purpose Bonds                      | -            | 50,800    | -         | -                            | -                 | -   | 50,800        | 50,800                     | -                           | 07/01/30              |
| 2001 GO Refunding Series Deferred Issuance Premium | 605          | -         | -         | -                            | -                 | (115)   | 490           | 490                        | -                           | -                     |
| 2001 GO Series Deferred Amount on Refunding        | (990)        | -         | -         | -                            | -                 | 187   | (803)         | (803)                      | -                           | -                     |
| 2003 GO Series Deferred Amount on Refunding**      | (18)         | -         | -         | -                            | -                 | 18  | -             | -                          | -                           | -                     |
| 2003 GO Refunding Series Deferred Issuance Premium | 26           | -         | -         | -                            | -                 | (26)  | -             | -                          | -                           | -                     |
| 2004 GO Series Deferred Issuance Premium           | 771          | -         | -         | -                            | -                 | (51)  | 720           | 720                        | -                           | -                     |
| 2005 GO Series Deferred Amount on Refunding        | (2,830)      | -         | -         | -                            | -                 | 278   | (2,552)       | (2,552)                    | -                           | -                     |
| 2005 GO Refunding Series Deferred Issuance Premium | 2,173        | -         | -         | -                            | -                 | (213)   | 1,960         | 1,960                      | -                           | -                     |
| 2005A GO Series Deferred Issuance Premium          | 1,956        | -         | -         | -                            | -                 | (136)   | 1,820         | 1,820                      | -                           | -                     |
| 2005B GO Series Deferred Issuance Premium          | 312          | -         | -         | -                            | -                 | (22)  | 290           | 290                        | -                           | -                     |
| 2008A GO Series Deferred Issuance Premium          | 2,107        | -         | -         | -                            | -                 | (112)   | 1,995         | 1,995                      | -                           | -                     |
| 2008B GO Series Deferred Issuance Premium          | 134          | -         | -         | -                            | -                 | (5)   | 129           | 129                        | -                           | -                     |
| 2010 GO Bonds Deferred Issuance Premium            | -            | 843       | -         | -                            | -                 | (11)  | 832           | 832                        | -                           | -                     |
| Total General Obligation Bonds                     | \$ 555,701   | \$ 51,643 | \$ 24,065 | \$ -                         | \$ -              | \$ (208)  | \$ 583,071    | \$ 583,071                 | \$ -                        | -                     |
| <b>REVENUE BONDS</b>                               |              |           |           |                              |                   |   |               |                            |                             |                       |
| Business Type - Revenue Bonds                      |              |           |           |                              |                   |   |               |                            |                             |                       |
| 2004 Utility Revenue Series Refunding              | 14,885       | -         | 2,910     | -                            | -                 | -   | 11,975        | -                          | 11,975                      | 07/01/16              |
| 2008 Utility Revenue Series Refunding              | 33,460       | -         | 205       | -                            | -                 | -   | 33,255        | -                          | 33,255                      | 07/01/23              |
| 2004 Revenue Series Deferred Amount on Refunding   | (382)        | -         | -         | -                            | -                 | 248   | (134)         | -                          | (134)                       | -                     |
| 2004 Refunding Series Deferred Issuance Premium    | 422          | -         | -         | -                            | -                 | (273)   | 149           | -                          | 149                         | -                     |
| 2008 Revenue Series Deferred Amount on Refunding   | (670)        | -         | -         | -                            | -                 | 49  | (621)         | -                          | (621)                       | -                     |
| 2008 Refunding Series Deferred Issuance Premium    | 3,914        | -         | -         | -                            | -                 | (288)   | 3,626         | -                          | 3,626                       | -                     |
| Total Revenue Bonds                                | \$ 51,629    | \$ -      | \$ 3,115  | \$ -                         | \$ -              | \$ (264)  | \$ 48,250     | \$ -                       | \$ 48,250                   | -                     |

\*This exhibit includes both Governmental Activities and Business-Type Activities debt (paid out of Enterprise Funds).

\*\*The July 1, 2009 balance was (18). It was brought over higher due to rounding differences.



## Schedule of Changes in Long-Term Debt\*

For the Year Ended June 30, 2010 (in thousands of dollars)

(continued here and on following page)

|  | July 1, 2009 | Issued    | Retired  | Refunding<br>Bonds<br>Issued | Bonds<br>Defeased | Accretions,<br>Amortizations<br>& Contract<br>Adjustments | June 30, 2010 | Governmental<br>Activities | Business-type<br>Activities | Final<br>Payment Date |
|--|--------------|-----------|----------|------------------------------|-------------------|---|---------------|----------------------------|-----------------------------|-----------------------|
| <b>MUNICIPAL PROPERTY CORPORATION BONDS</b>          |              |           |          |                              |                   |   |               |                            |                             |                       |
| Governmental Fund Type:                              |              |           |          |                              |                   |   |               |                            |                             |                       |
| 2004A MPC  | 9,785        | -         | 920      | -                            | -                 | -   | 8,865         | 8,865                      | -                           | 07/01/19              |
| 2005 MPC   | 22,446       | -         | 360      | -                            | -                 | 756   | 22,842        | 22,842                     | -                           | 07/01/21              |
| 2005D MPC  | 19,925       | -         | 225      | -                            | -                 | -   | 19,700        | 19,700                     | -                           | 07/01/35              |
| 2006 MPC Refunding                                   | 55,450       | -         | -        | -                            | -                 | -   | 55,450        | 55,450                     | -                           | 07/01/34              |
| 2006A MPC  | 9,110        | -         | 255      | -                            | -                 | -   | 8,855         | 8,855                      | -                           | 07/01/30              |
| 2006B MPC  | 32,500       | -         | -        | -                            | -                 | -   | 32,500        | 32,500                     | -                           | 07/01/31              |
| 2004A Series Deferred Issuance Premium               | 173          | -         | -        | -                            | -                 | (17)  | 156           | 156                        | -                           | -                     |
| 2005 Series Deferred Issuance Premium                | 287          | -         | -        | -                            | -                 | (24)  | 263           | 263                        | -                           | -                     |
| 2005D Series Deferred Issuance Premium               | 988          | -         | -        | -                            | -                 | (38)  | 950           | 950                        | -                           | -                     |
| 2006 Series Deferred Amount on Refunding             | (2,303)      | -         | -        | -                            | -                 | 89  | (2,214)       | (2,214)                    | -                           | -                     |
| 2006 Refunding Series Deferred Issuance Premium      | 6,177        | -         | -        | -                            | -                 | (247)   | 5,930         | 5,930                      | -                           | -                     |
| 2006A Series Deferred Issuance Premium               | 106          | -         | -        | -                            | -                 | (5)   | 101           | 101                        | -                           | -                     |
| 2006B Series Deferred Issuance Premium               | 193          | -         | -        | -                            | -                 | (9)   | 184           | 184                        | -                           | -                     |
| Subtotal   | 154,837      | -         | 1,760    | -                            | -                 | 505   | 153,582       | 153,582                    | -                           | -                     |
| Business Type - Municipal Property Corporation Bonds |              |           |          |                              |                   |   |               |                            |                             |                       |
| 2004 Water/Sewer                                     | 16,520       | -         | 3,080    | -                            | -                 | -   | 13,440        | -                          | 13,440                      | 07/01/14              |
| 2005E Water/Sewer                                    | 18,630       | -         | 2,300    | -                            | -                 | -   | 16,330        | -                          | 16,330                      | 07/01/16              |
| 2006 MPC Refunding                                   | 110,510      | -         | -        | -                            | -                 | -   | 110,510       | -                          | 110,510                     | 07/01/30              |
| 2008A Water/Sewer                                    | 104,075      | -         | 2,575    | -                            | -                 | -   | 101,500       | -                          | 101,500                     | 07/01/32              |
| 2010 MPC Bonds Water/Sewer                           | -            | 75,000    | -        | -                            | -                 | -   | 75,000        | -                          | 75,000                      | 07/01/36              |
| 2004 Water/Sewer Deferred Issuance Premium           | 898          | -         | -        | -                            | -                 | (181)   | 717           | -                          | 717                         | -                     |
| 2005E Water Deferred Issuance Premium                | 554          | -         | -        | -                            | -                 | (79)  | 475           | -                          | 475                         | -                     |
| 2006 Refunding Series Deferred Issuance Premium      | 11,270       | -         | -        | -                            | -                 | (451)   | 10,819        | -                          | 10,819                      | -                     |
| 2006 Series Deferred Amount on Refunding             | (4,540)      | -         | -        | -                            | -                 | 189   | (4,351)       | -                          | (4,351)                     | -                     |
| 2008A Series Deferred Issuance Premium               | 4,474        | -         | -        | -                            | -                 | (196)   | 4,278         | -                          | 4,278                       | -                     |
| 2010 Water/Sewer Deferred Issuance Premium           | -            | 3,532     | -        | -                            | -                 | (34)  | 3,498         | -                          | 3,498                       | -                     |
| Subtotal   | 262,391      | 78,532    | 7,955    | -                            | -                 | (752)   | 332,216       | -                          | 332,216                     | -                     |
| Total Municipal Property Corporation Bonds           | \$ 417,228   | \$ 78,532 | \$ 9,715 | \$ -                         | \$ -              | \$ (247)  | \$ 485,798    | \$ 153,582                 | \$ 332,216                  |                       |
| <b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>           |              |           |          |                              |                   |   |               |                            |                             |                       |
| Governmental Fund Type:                              |              |           |          |                              |                   |   |               |                            |                             |                       |
| 1998 Excise Tax Revenue                              | \$ 36,725    | \$ -      | \$ -     | \$ -                         | \$ -              | \$ -  | \$ 36,725     | \$ 36,725                  | \$ -                        | 07/01/24              |
| 2001 Excise Tax Refunding                            | 14,290       | -         | 815      | -                            | -                 | -   | 13,475        | 13,475                     | -                           | 07/01/22              |
| 2004 Excise Tax Refunding                            | 20,220       | -         | 2,550    | -                            | -                 | -   | 17,670        | 17,670                     | -                           | 07/01/16              |
| 2001 Excise Tax Revenue Deferred Issuance Premium    | 80           | -         | -        | -                            | -                 | (6)   | 74            | 74                         | -                           | -                     |
| 2001 Excise Tax Revenue Deferred Amount on Refunding | (481)        | -         | -        | -                            | -                 | 37  | (444)         | (444)                      | -                           | -                     |
| 2004 Excise Tax Revenue Deferred Issuance Premium    | 1,424        | -         | -        | -                            | -                 | (237)   | 1,187         | 1,187                      | -                           | -                     |
| 2004 Excise Tax Revenue Deferred Amount on Refunding | (1,343)      | -         | -        | -                            | -                 | 223   | (1,120)       | (1,120)                    | -                           | -                     |
| Total Scottsdale Preserve Authority Bonds            | \$ 70,915    | \$ -      | \$ 3,365 | \$ -                         | \$ -              | \$ 17   | \$ 67,567     | \$ 67,567                  | \$ -                        |                       |
| <b>SPECIAL ASSESSMENT BONDS</b>                      |              |           |          |                              |                   |   |               |                            |                             |                       |
| Governmental Fund Type:                              |              |           |          |                              |                   |   |               |                            |                             |                       |
| Bell Road II Series 106                              | \$ 3,000     | \$ -      | \$ 750   | \$ -                         | \$ -              | \$ -  | \$ 2,250      | \$ 2,250                   | \$ -                        | 01/01/13              |
| Total Special Assessment Bonds                       | \$ 3,000     | \$ -      | \$ 750   | \$ -                         | \$ -              | \$ -  | \$ 2,250      | \$ 2,250                   | \$ -                        |                       |
| <b>CERTIFICATES OF PARTICIPATION</b>                 |              |           |          |                              |                   |   |               |                            |                             |                       |
| Governmental Fund Type:                              |              |           |          |                              |                   |   |               |                            |                             |                       |
| 2005 Certificates of Participation                   | \$ 4,954     | \$ -      | \$ 760   | \$ -                         | \$ -              | \$ -  | \$ 4,194      | \$ 4,194                   | \$ -                        | 01/01/15              |
| Total Certificates of Participation                  | \$ 4,954     | \$ -      | \$ 760   | \$ -                         | \$ -              | \$ -  | \$ 4,194      | \$ 4,194                   | \$ -                        |                       |

\*This exhibit includes both Governmental Activities and Business-Type Activities debt (paid out of Enterprise Funds).

## Schedule of Changes in Long-Term Debt\*

For the Year Ended June 30, 2010 (in thousands of dollars)

(continued)

|   | July 1, 2009 | Issued     | Retired   | Refunding<br>Bonds<br>Issued | Bonds<br>Defaced | Accretions,<br>Amortizations<br>& Contract<br>Adjustments | June 30, 2010 | Governmental<br>Activities | Business-type<br>Activities | Final<br>Payment Date |
|---|--------------|------------|-----------|------------------------------|------------------|---|---------------|----------------------------|-----------------------------|-----------------------|
| <b>COMMUNITY FACILITIES DISTRICT BONDS</b>            |              |            |           |                              |                  |   |               |                            |                             |                       |
| Governmental Fund Type:                               |              |            |           |                              |                  |   |               |                            |                             |                       |
| McDowell Mtn Ranch Refunding Series 1999              | \$ 14,065    | \$ -       | \$ 800    | \$ -                         | \$ -             | \$ -  | \$ 13,265     | \$ 13,265                  | \$ -                        | 07/15/22              |
| DC Ranch Series 1998                                  | 3,905        | -          | 195       | -                            | -                | -   | 3,710         | 3,710                      | -                           | 07/15/23              |
| Via Linda Road Series 1999                            | 2,580        | -          | 125       | -                            | -                | -   | 2,455         | 2,455                      | -                           | 07/15/23              |
| DC Ranch Series 1999                                  | 2,610        | -          | 110       | -                            | -                | -   | 2,500         | 2,500                      | -                           | 07/15/24              |
| Scottsdale Mountain Refunding Series 2002             | 3,350        | -          | 345       | -                            | -                | -   | 3,005         | 3,005                      | -                           | 07/15/18              |
| DC Ranch Series 2002                                  | 10,375       | -          | 295       | -                            | -                | -   | 10,080        | 10,080                     | -                           | 07/15/27              |
| Waterfront Commercial Series 2007                     | 3,780        | -          | 35        | -                            | -                | -   | 3,745         | 3,745                      | -                           | 07/15/32              |
| Scottsdale Mountain 2002 Deferred Issuance Premium    | 12           | -          | -         | -                            | -                | (2)   | 10            | 10                         | -                           | -                     |
| Scottsdale Mountain 2002 Deferred Amount on Refunding | (147)        | -          | -         | -                            | -                | 57  | (90)          | (90)                       | -                           | -                     |
| DC Ranch 2002 Deferred Issuance Premium               | 48           | -          | -         | -                            | -                | (3)   | 45            | 45                         | -                           | -                     |
| Total Community Facilities District Bonds             | 40,578       | -          | 1,905     | -                            | -                | 52  | 38,725        | 38,725                     | -                           | -                     |
| Total Bonds   | \$ 1,144,005 | \$ 130,175 | \$ 43,675 | \$ -                         | \$ -             | \$ (650)  | \$ 1,229,855  | \$ 849,389                 | \$ 380,466                  | -                     |
| <b>CONTRACTS PAYABLE</b>                              |              |            |           |                              |                  |   |               |                            |                             |                       |
| Governmental Fund Type:                               |              |            |           |                              |                  |   |               |                            |                             |                       |
| US Corps of Engineers                                 | \$ 2,879     | \$ -       | \$ 84     | \$ -                         | \$ -             | \$ -  | \$ 2,795      | \$ 2,795                   | \$ -                        | 2032                  |
| US Patent Office                                      | 3            | -          | -         | -                            | -                | -   | 3             | 3                          | -                           | 2009                  |
| McDowell Sonoran Preserve                             | 3,385        | -          | 785       | -                            | -                | -   | 2,600         | 2,600                      | -                           | 2013                  |
| Bureau of Reclamation\Westworld                       | 4,906        | -          | 110       | -                            | -                | -   | 4,796         | 4,796                      | -                           | 2033                  |
| Bureau of Reclamation\TPC                             | 5,635        | -          | 110       | -                            | -                | -   | 5,525         | 5,525                      | -                           | 2035                  |
| Underground Improvement District Series 104           | 20           | -          | 7         | -                            | -                | -   | 13            | 13                         | -                           | 2010                  |
| Total Contracts                                       | \$ 16,828    | \$ -       | \$ 1,096  | \$ -                         | \$ -             | \$ -  | \$ 15,732     | \$ 15,732                  | \$ -                        | -                     |
| <b>CAPITAL LEASES</b>                                 |              |            |           |                              |                  |   |               |                            |                             |                       |
| Business Type:  |              |            |           |                              |                  |   |               |                            |                             |                       |
| Modular Building - Water Operations                   | \$ 53        | \$ -       | \$ 46     | \$ -                         | \$ -             | \$ -  | \$ 7          | \$ -                       | \$ 7                        | 2010                  |
|   | \$ 53        | \$ -       | \$ 46     | \$ -                         | \$ -             | \$ -  | \$ 7          | \$ -                       | \$ 7                        | -                     |
| TOTAL BONDS, CONTRACTS AND CAPITAL LEASES             | \$ 1,160,886 | \$ 130,175 | \$ 44,817 | \$ -                         | \$ -             | \$ (650)  | \$ 1,245,594  | \$ 865,121                 | \$ 380,473                  | -                     |
| Compensated Absences                                  |              |            |           |                              |                  |   |               | 25,617                     | 3,223                       |                       |
| Other Post Employment Benefit - Implied Subsidy       |              |            |           |                              |                  |   |               | 1,114                      | 181                         |                       |
| Risk Management Claims                                |              |            |           |                              |                  |   |               | 11,142                     | -                           |                       |
| Total Long-Term Debt                                  |              |            |           |                              |                  |   | \$ 902,994    | \$ 383,877                 |                             |                       |

\*This exhibit includes both Governmental Activities and Business-Type Activities debt (paid out of Enterprise Funds).



## Statistical Section

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| <b>Financial Trends</b>   | 134         |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.   |             |
| <b>Revenue Capacity</b>   | 144         |
| These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.   |             |
| <b>Debt Capacity</b>  | 151         |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.   |             |
| <b>Economic and Demographic Information</b>   | 157         |
| These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.  |             |
| <b>Operating Information</b>  | 159         |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.  |             |
| <b>Sources:</b> Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year and consistently present information beginning with fiscal year 2002, when the City implemented Statement 34. |             |

**City of Scottsdale, Arizona**  
**Net Assets by Component**  
**Last Nine Fiscal Years**  
(accrual basis of accounting)  
(in thousands)

Table I

|   | Fiscal Year         |                     |                     |                     |                     |                     |                     |                     |                     |  |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
|   | 2002                | 2003                | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                |  |
| <b>Governmental Activities</b>                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Invested in Capital Assets, Net of Related Debt | \$ 1,429,495        | \$ 1,497,575        | \$ 1,548,486        | \$ 1,877,955        | \$ 2,029,375        | \$ 2,198,130        | \$ 2,353,573        | \$ 2,586,731        | \$ 2,729,334        |  |
| Restricted                                      | 133,460             | 117,801             | 199,767             | 78,794              | 102,293 (2)         | 108,686             | 189,540             | 131,732             | 97,950              |  |
| Unrestricted                                    | 152,731             | 165,209             | 127,017             | 195,887             | 172,530 (2)         | 206,386             | 90,632              | 83,884              | 87,698              |  |
| Total Governmental Activities Net Assets        | <u>\$ 1,715,686</u> | <u>\$ 1,780,585</u> | <u>\$ 1,875,270</u> | <u>\$ 2,152,636</u> | <u>\$ 2,304,198</u> | <u>\$ 2,513,202</u> | <u>\$ 2,633,745</u> | <u>\$ 2,802,347</u> | <u>\$ 2,914,982</u> |  |
| <b>Business-type Activities</b>                 |                     |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Invested in Capital Assets, Net of Related Debt | \$ 629,106          | \$ 659,130          | \$ 653,351          | \$ 756,433          | \$ 806,749          | \$ 895,636          | \$ 909,632          | \$ 991,390          | \$ 941,884          |  |
| Restricted                                      | 16,399              | 16,721              | 20,842              | 23,472              | 27,000              | 33,649              | 26,147              | 26,568              | 32,244              |  |
| Unrestricted                                    | 175,624             | 186,147             | 272,431 (1)         | 212,957             | 239,535             | 224,607             | 293,090             | 239,103             | 307,279             |  |
| Total Business-type Activities Net Assets       | <u>\$ 821,129</u>   | <u>\$ 861,998</u>   | <u>\$ 946,624</u>   | <u>\$ 992,862</u>   | <u>\$ 1,073,284</u> | <u>\$ 1,153,892</u> | <u>\$ 1,228,869</u> | <u>\$ 1,257,061</u> | <u>\$ 1,281,407</u> |  |
| <b>Primary Government</b>                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |  |
| Invested in Capital Assets, Net of Related Debt | \$ 2,058,601        | \$ 2,156,705        | \$ 2,201,837        | \$ 2,634,388        | \$ 2,836,124        | \$ 3,093,766        | \$ 3,263,205        | \$ 3,578,121        | \$ 3,671,218        |  |
| Restricted                                      | 149,859             | 134,522             | 220,609             | 102,266             | 129,293             | 142,335             | 215,687             | 158,300             | 130,194             |  |
| Unrestricted                                    | 328,355             | 351,356             | 399,448             | 408,844             | 412,065             | 430,993             | 383,722             | 322,987             | 394,977             |  |
| Total Primary Government Net Assets             | <u>\$ 2,536,815</u> | <u>\$ 2,642,583</u> | <u>\$ 2,821,894</u> | <u>\$ 3,145,498</u> | <u>\$ 3,377,482</u> | <u>\$ 3,667,094</u> | <u>\$ 3,862,614</u> | <u>\$ 4,059,408</u> | <u>\$ 4,196,389</u> |  |

(1) The increase from the prior period was caused by a substantial increase in capital asset contributions.

(2) Restated Restricted and Unrestricted Net Assets related to the classification of unspent bond proceeds.

**City of Scottsdale, Arizona**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
 (accrual basis of accounting)  
 (in thousands)

Table IIa

|   | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   | (2)            |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
|   | 2002              | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              |                |
| <b>Expenses</b>                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                |
| Governmental Activities:                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                |
| General Government                        | \$ 26,982         | \$ 22,776         | \$ 23,839         | \$ 30,943         | \$ 42,729         | \$ 45,682         | \$ 40,698         | \$ 20,646         | \$ 24,351         |                |
| Police                                    | 52,719            | 54,469            | 60,027            | 63,076            | 74,408            | 81,375            | 91,102            | 92,530            | -                 |                |
| Financial Services                        | 7,464             | 7,883             | 7,655             | 8,315             | 8,343             | 9,843             | 10,930            | 9,913             | -                 |                |
| Transportation                            | 72,159            | 71,837            | 78,373            | 85,835            | 82,047            | 95,214            | 90,039            | 87,552            | -                 |                |
| Community Services                        | 53,325            | 52,222            | 55,087            | 57,519            | 57,931            | 70,527            | 78,285            | 78,523            | 53,596            |                |
| Information Services                      | 10,821            | 11,901            | 11,135            | 7,941             | 14,589            | 13,329            | 13,704            | 13,723            | -                 |                |
| The Downtown Group                        | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 4,595             | -                 |                |
| Fire                                      | 16,494            | 18,127            | 19,570            | 28,620 (1)        | 26,943            | 28,054            | 31,943            | 31,174            | -                 |                |
| Municipal Services                        | 11,482            | 12,290            | 13,024            | 16,520            | 14,746            | 17,698            | 20,153            | 22,887            | -                 |                |
| Citizen and Neighborhood Resources        | 2,484             | 2,433             | 2,812             | 3,496             | 3,419             | 3,727             | 3,663             | 3,802             | -                 |                |
| Human Resources                           | -                 | 3,601             | 3,462             | 3,333             | 3,615             | 3,800             | 4,790             | 3,545             | 3,717             |                |
| Economic Vitality                         | -                 | 6,421             | 6,130             | 8,026             | 7,549             | 9,475             | 9,711             | 8,553             | 20,676            |                |
| Planning and Development                  | 18,269            | 11,908            | 11,697            | 12,522            | 12,883            | 15,133            | 31,933            | 29,029            | -                 |                |
| WestWorld                                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 595               | -                 |                |
| Streetlight and Service Districts         | 1,044             | 1,099             | 1,024             | 1,094             | 617               | 597               | 712               | 631               | 538               |                |
| Finance and Accounting                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 5,848             |                |
| Public Works and Water Resources          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 37,143            |                |
| Planning, Neighborhood and Transportation | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 114,530           |                |
| Public Safety                             | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 116,155           |                |
| Information Technology                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 14,876            |                |
| Administrative Services                   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 1,917             |                |
| Interest on Long-term Debt                | 28,063            | 27,786            | 28,028            | 32,466            | 37,192            | 38,981            | 39,457            | 42,242            | 39,405            |                |
| Total Governmental Activities Expenses    | <u>301,306</u>    | <u>304,753</u>    | <u>321,863</u>    | <u>359,706</u>    | <u>-</u>          | <u>387,011</u>    | <u>433,435</u>    | <u>467,120</u>    | <u>449,940</u>    | <u>432,752</u> |
| Business-type Activities:                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |                |
| Water Utility                             | 51,125            | 50,406            | 51,095            | 59,723            | 53,961            | 64,915            | 71,140            | 81,391            | 76,178            |                |
| Sewer Utility                             | 24,007            | 22,862            | 24,678            | 28,324            | 27,854            | 26,089            | 26,947            | 33,509            | 33,274            |                |
| Airport                                   | 2,648             | 2,476             | 2,622             | 3,346             | 2,922             | 2,958             | 3,343             | 3,482             | 3,120             |                |
| Solid Waste                               | 14,071            | 13,783            | 15,153            | 15,508            | 16,412            | 17,895            | 18,772            | 19,650            | 18,889            |                |
| Total Business-type Activities Expenses   | <u>91,851</u>     | <u>89,527</u>     | <u>93,548</u>     | <u>106,901</u>    | <u>101,149</u>    | <u>111,857</u>    | <u>120,202</u>    | <u>138,032</u>    | <u>131,461</u>    |                |
| Total Primary Government Expenses         | <u>\$ 393,157</u> | <u>\$ 394,280</u> | <u>\$ 415,411</u> | <u>\$ 466,607</u> | <u>\$ 488,160</u> | <u>\$ 545,292</u> | <u>\$ 587,322</u> | <u>\$ 587,972</u> | <u>\$ 564,213</u> |                |

(1) Increase from prior year was caused by the purchase of equipment, furnishing and clothing needed to start the City's Fire Department on July 1, 2005.

(2) In FY2010, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated expenses.

**City of Scottsdale, Arizona**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
 (accrual basis of accounting)  
 (in thousands)

Table IIb

|   | Fiscal Year         |                     |                    |                     |                    |                    |                     |                     |                     |
|---|---------------------|---------------------|--------------------|---------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
|   | 2002                | 2003                | 2004               | 2005                | 2006               | 2007               | 2008                | 2009                | 2010                |
| <b>Program Revenue</b>                                |                     |                     |                    |                     |                    |                    |                     |                     |                     |
| Governmental Activities:                              |                     |                     |                    |                     |                    |                    |                     |                     |                     |
| Charges for Services:                                 |                     |                     |                    |                     |                    |                    |                     |                     |                     |
| General Government                                    | \$ 11,243           | \$ 11,402           | \$ 12,742          | \$ 12,106           | \$ 13,783          | \$ 14,102          | \$ 15,581           | \$ 14,670           | \$ 13,982           |
| Police  | 5,706               | 4,227               | 6,760              | 11,514              | 9,938              | 15,071             | 16,664              | 5,703               | -                   |
| Transportation  | -                   | -                   | -                  | -                   | 277                | 326                | -                   | -                   | -                   |
| Community Services                                    | 3,229               | 3,405               | 3,759              | 3,914               | 4,028              | 4,388              | 4,637               | 4,619               | 5,773               |
| Fire  | -                   | -                   | -                  | -                   | 1,010 (1)          | 1,155              | 1,095               | 2,275               | -                   |
| Citizen and Neighborhood Resources                    | -                   | -                   | -                  | -                   | 163                | 228                | 21                  | -                   | -                   |
| Economic Vitality                                     | -                   | -                   | -                  | -                   | -                  | -                  | -                   | -                   | 2,552               |
| Planning and Development                              | 15,764              | 15,449              | 17,314             | 18,188              | 20,515             | 16,128             | 12,800              | 6,393               | -                   |
| WestWorld   | -                   | -                   | -                  | -                   | -                  | -                  | -                   | 2,682               | -                   |
| Streetlight and Service Districts                     | 1,012               | 1,018               | 1,000              | 998                 | 511                | 546                | 595                 | 599                 | 289                 |
| Planning, Neighborhood and Transportation             | -                   | -                   | -                  | -                   | -                  | -                  | -                   | -                   | 6,837               |
| Public Safety   | -                   | -                   | -                  | -                   | -                  | -                  | -                   | -                   | 12,655              |
| Operating Grants and Contributions                    | 22,200              | 21,219              | 24,508             | 26,865              | 26,355             | 29,293             | 28,409              | 26,272              | 29,319              |
| Capital Grants and Contributions                      | 77,412              | 70,369              | 105,794            | 73,092              | 136,745 (2)        | 211,707 (3)        | 157,808             | 240,289             | 190,279             |
| <b>Total Governmental Activities Program Revenues</b> | <b>136,566</b>      | <b>127,089</b>      | <b>171,877</b>     | <b>146,677</b>      | <b>213,325</b>     | <b>292,944</b>     | <b>237,610</b>      | <b>303,502</b>      | <b>261,686</b>      |
| Business-type Activities:                             |                     |                     |                    |                     |                    |                    |                     |                     |                     |
| Charges for Services:                                 |                     |                     |                    |                     |                    |                    |                     |                     |                     |
| Water Utility   | 68,064              | 66,626              | 70,613             | 72,612              | 81,517             | 84,381             | 90,741              | 91,546              | 94,199              |
| Sewer Utility   | 24,017              | 25,316              | 25,587             | 27,503              | 27,119             | 32,250             | 33,930              | 34,198              | 35,027              |
| Airport   | 1,689               | 2,424               | 2,936              | 3,162               | 3,342              | 3,451              | 3,380               | 2,813               | 2,879               |
| Solid Waste   | 15,796              | 16,250              | 16,488             | 16,984              | 17,163             | 18,490             | 19,824              | 20,049              | 20,269              |
| Capital Grants and Contributions                      | 38,733              | 28,487              | 71,709             | 38,313              | 55,580             | 55,111             | 50,679              | 22,067              | 9,268               |
| <b>Total Business-type Activities Revenues</b>        | <b>148,299</b>      | <b>139,103</b>      | <b>187,333</b>     | <b>158,574</b>      | <b>184,721</b>     | <b>193,683</b>     | <b>198,554</b>      | <b>170,673</b>      | <b>161,642</b>      |
| <b>Total Primary Government Revenues</b>              | <b>\$ 284,865</b>   | <b>\$ 266,192</b>   | <b>\$ 359,210</b>  | <b>\$ 305,251</b>   | <b>\$ 398,046</b>  | <b>\$ 486,627</b>  | <b>\$ 436,164</b>   | <b>\$ 474,175</b>   | <b>\$ 423,328</b>   |
| Net (Expense)/Revenue                                 |                     |                     |                    |                     |                    |                    |                     |                     |                     |
| Governmental Activities                               | \$ (164,740)        | \$ (177,664)        | \$ (149,986)       | \$ (213,029)        | \$ (173,686)       | \$ (140,491)       | \$ (229,510)        | \$ (146,438)        | \$ (171,066)        |
| Business-type Activities                              | 56,448              | 49,576              | 93,785             | 51,673              | 83,572             | 81,826             | 78,352              | 32,641              | 30,181              |
| <b>Total Primary Government Net Expense</b>           | <b>\$ (108,292)</b> | <b>\$ (128,088)</b> | <b>\$ (56,201)</b> | <b>\$ (161,356)</b> | <b>\$ (90,114)</b> | <b>\$ (58,665)</b> | <b>\$ (151,158)</b> | <b>\$ (113,797)</b> | <b>\$ (140,885)</b> |

(1) The City's Fire Department was formed on July 1, 2005. Prior to this time the City contracted with an external fire service provider.

(2) Developer contributions increased significantly due to the increase in the assets donated and their valuation (increase in construction costs and land values).

(3) Developer contributions increased significantly due to the increase in the assets donated and their valuation (increase in construction costs).

**City of Scottsdale, Arizona**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
(accrual basis of accounting)  
(in thousands)

Table IIc

|  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |  |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
|  | 2002              | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              |  |
| <b>Governmental Revenues and Other Changes in Net Assets</b> |                   |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Governmental Activities:                                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Taxes  | \$ 167,105        | \$ 167,153        | \$ 183,039        | \$ 217,325 (1)    | \$ 240,731        | \$ 249,411        | \$ 246,330        | \$ 221,272        | \$ 208,083        |  |
| Intergovernmental  | 44,918            | 46,971            | 45,163            | 48,346            | 54,481            | 60,520            | 65,933            | 64,145            | 56,830            |  |
| Interest and Investment Income                               | 11,485            | 4,108             | 2,655             | 6,765             | 13,714            | 23,013            | 19,187            | 14,653            | 1,368             |  |
| Miscellaneous and Special Items                              | 5,382             | 4,760             | 2,777             | 4,100             | 5,786             | 5,377             | 7,606             | 5,038             | 6,730             |  |
| Transfers  | 6,288             | 10,955            | 11,037            | 9,567             | 10,536            | 11,174            | 10,997            | 9,932             | 10,690            |  |
| Total Governmental Activities                                | <u>235,178</u>    | <u>233,947</u>    | <u>244,671</u>    | <u>286,103</u>    | <u>325,248</u>    | <u>349,495</u>    | <u>350,053</u>    | <u>315,040</u>    | <u>283,701</u>    |  |
| Business-type Activities:                                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Taxes  | -                 | -                 | -                 | -                 | 119               | 195               | 195               | 117               | 130               |  |
| Interest and Investment Income                               | 5,820             | 1,493             | 973               | 4,288             | 6,581             | 9,265             | 6,910             | 4,958             | 4,295             |  |
| Miscellaneous  | 874               | 755               | 905               | (156)             | 686               | 496               | 517               | 408               | 430               |  |
| Transfers  | (6,289)           | (10,955)          | (11,037)          | (9,567)           | (10,536)          | (11,174)          | (10,997)          | (9,932)           | (10,690)          |  |
| Total Business-type Activities:                              | <u>405</u>        | <u>(8,707)</u>    | <u>(9,159)</u>    | <u>(5,435)</u>    | <u>(3,150)</u>    | <u>(1,218)</u>    | <u>(3,375)</u>    | <u>(4,449)</u>    | <u>(5,835)</u>    |  |
| Total Primary Government                                     | <u>\$ 235,583</u> | <u>\$ 225,240</u> | <u>\$ 235,512</u> | <u>\$ 280,668</u> | <u>\$ 322,098</u> | <u>\$ 348,277</u> | <u>\$ 346,678</u> | <u>\$ 310,591</u> | <u>\$ 277,866</u> |  |
| <b>Change in Net Assets</b>                                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |  |
| Governmental Activities                                      | \$ 70,438         | \$ 56,283         | \$ 94,685         | \$ 73,074         | \$ 151,562        | \$ 209,004        | \$ 120,543        | \$ 168,602        | \$ 112,635        |  |
| Business-type Activities                                     | 56,853            | 40,869            | 84,626            | 46,238            | 80,422            | 80,608            | 74,977            | 28,192            | 24,346            |  |
| Total Primary Government                                     | <u>\$ 127,291</u> | <u>\$ 97,152</u>  | <u>\$ 179,311</u> | <u>\$ 119,312</u> | <u>\$ 231,984</u> | <u>\$ 289,612</u> | <u>\$ 195,520</u> | <u>\$ 196,794</u> | <u>\$ 136,981</u> |  |

(1) In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.



**City of Scottsdale, Arizona**  
**Governmental Activities Tax Revenues By Source**  
**Last Nine Fiscal Years**  
(accrual basis of accounting)  
(in thousands)

Table III

| Fiscal Year | Sales and Use Taxes |                           |                                    |                                  |                                     |                     |
|-------------|---------------------|---------------------------|------------------------------------|----------------------------------|-------------------------------------|---------------------|
|             | Property            | Privilege & Use - General | Privilege & Use - McDowell Mtn (1) | Privilege & Use - Transportation | Privilege & Use - Public Safety (1) | Transient Occupancy |
| 2002        | \$ 39,485           | \$ 81,871                 | \$ 15,814                          | \$ 15,587                        | \$ -                                | \$ 6,691            |
| 2003        | 42,218              | 79,483                    | 15,645                             | 15,335                           | -                                   | 6,688               |
| 2004        | 46,371              | 87,422                    | 16,981                             | 16,628                           | -                                   | 7,227               |
| 2005        | 48,416              | 94,407                    | 31,301                             | 18,115                           | 8,491                               | 7,939               |
| 2006        | 50,610              | 106,019                   | 35,483                             | 20,020                           | 9,978                               | 8,970               |
| 2007        | 50,961              | 109,143                   | 37,281                             | 20,910                           | 10,578                              | 9,723               |
| 2008        | 54,139              | 105,277                   | 35,604                             | 19,823                           | 10,145                              | 9,621               |
| 2009        | 61,138              | 87,430                    | 29,121                             | 16,141                           | 8,289                               | 7,577               |
| 2010        | 60,914              | 79,767                    | 26,416                             | 14,608                           | 7,541                               | 7,543               |

| Fiscal Year | Franchise Taxes    |                         | Intergovernmental  |                       |        |
|-------------|--------------------|-------------------------|--------------------|-----------------------|--------|
|             | Cable TV Franchise | Light & Power Franchise | State Shared Sales | State Revenue Sharing | Other  |
| 2002        | \$ 2,223           | \$ 5,238                | \$ 15,621          | \$ 21,142             | \$ 512 |
| 2003        | 2,440              | 5,147                   | 15,853             | 21,574                | 611    |
| 2004        | 2,740              | 5,488                   | 17,054             | 18,278                | 663    |
| 2005        | 2,859              | 5,596                   | 18,779             | 18,634                | 1,337  |
| 2006        | 3,157              | 6,308                   | 21,664             | 21,223                | 962    |
| 2007        | 3,355              | 7,284                   | 22,312             | 26,653                | 929    |
| 2008        | 3,544              | 8,030                   | 21,575             | 33,037                | 957    |
| 2009        | 3,606              | 7,831                   | 18,677             | 35,103                | 959    |
| 2010        | 3,317              | 7,834                   | 17,227             | 30,309                | 979    |

(1) In May 2004, the City of Scottsdale citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

**City of Scottsdale, Arizona**  
**Fund Balances of Governmental Funds**  
**Last Nine Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table IV

|                                    | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2002              | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              |
| General Fund                       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 2,006          | \$ 1,992          | \$ 2,153          | \$ 872            | \$ 805            | \$ 754            | \$ 924            | \$ 835            | \$ 586            |
| Unreserved                         | 74,363            | 71,236            | 59,707 (1)        | 72,772            | 93,243            | 89,534            | 61,379            | 59,587            | 51,518            |
| Total General Fund                 | <u>\$ 76,369</u>  | <u>\$ 73,228</u>  | <u>\$ 61,860</u>  | <u>\$ 73,644</u>  | <u>\$ 94,048</u>  | <u>\$ 90,288</u>  | <u>\$ 62,303</u>  | <u>\$ 60,422</u>  | <u>\$ 52,104</u>  |
| All Other Governmental Funds       |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 12,880         | \$ 13,670         | \$ 9,122          | \$ 10,613         | \$ 23,142         | \$ 21,249         | \$ 25,600         | \$ 27,236         | \$ 20,193         |
| Unreserved, Reported in:           |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Special Revenue Funds              | 25,775            | 24,553            | 22,122            | 31,873            | 40,952            | 52,484            | 35,179            | 30,710            | 30,963            |
| Capital Project Funds              | 168,550           | 159,421           | 224,422 (2)       | 148,626           | 189,905           | 179,477           | 212,676           | 102,898           | 102,490           |
| Total All Other Governmental Funds | <u>\$ 207,205</u> | <u>\$ 197,644</u> | <u>\$ 255,666</u> | <u>\$ 191,112</u> | <u>\$ 253,999</u> | <u>\$ 253,210</u> | <u>\$ 273,455</u> | <u>\$ 160,844</u> | <u>\$ 153,646</u> |

(1) The decrease from prior period was caused by a defeasance of debt.

(2) The increase from prior period was caused by unspent bond proceeds that were received in the last quarter of the fiscal year.

**City of Scottsdale, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Nine Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table Va

|                                     | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2002              | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              |
| <b>Revenues</b>                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Taxes - Local                       | \$ 164,775        | \$ 167,153        | \$ 182,362        | \$ 218,189        | \$ 239,478        | \$ 251,017        | \$ 246,175        | \$ 219,846        | \$ 204,040        |
| Taxes - Intergovernmental           | 57,176            | 59,694            | 58,716            | 61,948            | 69,413            | 76,545            | 81,246            | 77,408            | 69,336            |
| Business and Liquor Licenses        | 1,815             | 1,816             | 1,813             | 1,633             | 1,572             | 1,626             | 1,761             | 1,733             | 1,787             |
| Charges for Current Services        | 20,038            | 19,990            | 22,401            | 23,300            | 27,260            | 23,291            | 20,376            | 15,719            | 15,322            |
| Fines, Fees and Forfeitures         | 5,234             | 6,047             | 6,921             | 9,649             | 10,260            | 14,779            | 15,210            | 11,459            | 11,637            |
| Special Assessments                 | 2,339             | 1,970             | 2,558             | 2,029             | 1,106             | 1,825             | 895               | 821               | 765               |
| Property Rental                     | 2,835             | 2,836             | 3,212             | 3,617             | 4,173             | 3,868             | 3,733             | 3,527             | 3,353             |
| Interest Earnings                   | 10,300            | 3,830             | 2,385             | 6,053             | 12,518            | 21,083            | 17,298            | 13,491            | 5,014             |
| Investment Income                   | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | (4,696)           |
| Intergovernmental                   | 12,892            | 9,609             | 11,810            | 11,771            | 13,129            | 15,763            | 15,552            | 31,813            | 17,756            |
| Developer Contributions             | 799               | 762               | 762               | 4,708             | 392               | 2,024             | 7,775             | 9,425             | 2,518             |
| Streetlight and Services Districts  | 1,012             | 1,018             | 1,000             | 998               | 511               | 546               | 595               | 599               | 289               |
| Contributions and Donations         | 367               | 439               | 647               | 917               | 835               | 1,878             | 1,673             | 1,519             | 1,275             |
| Reimbursements from Outside Sources | 118               | 1,032             | 1,659             | 461               | 969               | 568               | 1,824             | 1,210             | 2,852             |
| Indirect Costs                      | 7,960             | 8,045             | 8,729             | 8,635             | 9,898             | 10,208            | 11,577            | 14,917            | 14,159            |
| Other                               | 2,260             | 850               | 2,110             | 9,079             | 644               | 700               | 934               | 991               | 644               |
| <b>Total Revenues</b>               | <b>\$ 289,920</b> | <b>\$ 285,091</b> | <b>\$ 307,085</b> | <b>\$ 362,987</b> | <b>\$ 392,158</b> | <b>\$ 425,721</b> | <b>\$ 426,624</b> | <b>\$ 404,478</b> | <b>\$ 346,051</b> |

**City of Scottsdale, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Nine Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table Vb

|  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                   | (2) |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----|
|  | 2002              | 2003              | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010              |     |
| <b>Expenditures</b>                          |                   |                   |                   |                   |                   |                   |                   |                   |                   |     |
| General Government                           | \$ 19,528         | \$ 16,010         | \$ 16,121         | \$ 21,793         | \$ 23,516         | \$ 24,938         | \$ 26,633         | \$ 19,216         | \$ 17,030         |     |
| Police                                       | 49,362            | 52,371            | 55,510            | 59,874            | 66,278            | 78,261            | 89,725            | 89,802            | -                 |     |
| Financial Services                           | 7,135             | 7,752             | 7,222             | 7,631             | 7,769             | 9,080             | 9,433             | 9,701             | -                 |     |
| Transportation                               | 10,016            | 10,869            | 9,399             | 8,760             | 10,099            | 13,439            | 14,301            | 15,580            | -                 |     |
| Community Services                           | 49,276            | 48,950            | 50,494            | 49,941            | 53,535            | 61,778            | 69,200            | 70,807            | 45,655            |     |
| Information Systems                          | 7,380             | 7,386             | 7,328             | 7,674             | 8,253             | 8,931             | 10,149            | 9,904             | -                 |     |
| The Downtown Group                           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 4,627             | -                 |     |
| Fire   | 16,281            | 17,745            | 19,265            | 21,320            | 24,296            | 26,614            | 29,785            | 30,767            | -                 |     |
| Municipal Services                           | 11,214            | 11,553            | 8,774             | 11,813            | 8,850             | 9,692             | 19,140            | 18,800            | -                 |     |
| Citizen and Neighborhood Resources           | 2,235             | 2,446             | 2,754             | 2,831             | 3,070             | 3,254             | 3,621             | 3,732             | -                 |     |
| Human Resources                              | -                 | 3,375             | 3,290             | 3,261             | 3,507             | 3,855             | 3,854             | 3,465             | 3,657             |     |
| Economic Vitality                            | -                 | 6,268             | 6,199             | 6,506             | 7,510             | 9,016             | 9,373             | 8,246             | 17,110            |     |
| Planning and Development                     | 18,040            | 11,746            | 11,218            | 12,111            | 12,436            | 14,331            | 15,012            | 16,671            | -                 |     |
| WestWorld                                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 3,704             | -                 |     |
| Streetlight and Services Districts           | 1,044             | 1,099             | 1,024             | 1,094             | 617               | 597               | 712               | 632               | 538               |     |
| Finance and Accounting                       | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 6,059             |     |
| Public Works and Water Resources             | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 31,391            |     |
| Planning, Neighborhood and Transportation    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 27,447            |     |
| Public Safety                                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 111,459           |     |
| Information Technology                       | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 9,469             |     |
| Administrative Services                      | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 1,859             |     |
| Debt Service:                                |                   |                   |                   |                   |                   |                   |                   |                   |                   |     |
| Principal                                    | 26,216            | 30,305            | 31,905            | 33,173            | 27,632            | 34,252            | 33,043            | 31,308            | 33,701            |     |
| Interest and Fiscal Charges                  | 29,062            | 29,759            | 25,452            | 31,948            | 36,382            | 38,279            | 38,651            | 41,612            | 38,782            |     |
| Bond Issuance Costs                          | 597               | 1,046             | 586               | 878               | 351               | 735               | 1,028             | -                 | 497               |     |
| Advance Refunding Escrow                     | 339               | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |     |
| Capital Improvements                         | 68,638            | 68,338            | 81,149            | 213,585 (1)       | 218,897           | 147,367           | 196,976           | 155,358           | 77,929            |     |
| <b>Total Expenditures</b>                    | <b>\$ 316,363</b> | <b>\$ 327,018</b> | <b>\$ 337,690</b> | <b>\$ 494,193</b> | <b>\$ 512,998</b> | <b>\$ 484,419</b> | <b>\$ 570,636</b> | <b>\$ 533,932</b> | <b>\$ 422,583</b> |     |
| Excess of Revenues over (under) Expenditures | \$ (26,443)       | \$ (41,927)       | \$ (30,605)       | \$ (131,206)      | \$ (120,840)      | \$ (58,698)       | \$ (144,012)      | \$ (129,454)      | \$ (76,532)       |     |

(1) The increase from prior period was caused by land purchases related to capital improvement projects.

(2) In FY2010, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated expenses.

**City of Scottsdale, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Nine Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table Vc

|  | Fiscal Year      |                    |                  |                    |                  |                   |                   |                     |                    |  |
|--|------------------|--------------------|------------------|--------------------|------------------|-------------------|-------------------|---------------------|--------------------|--|
|  | 2002             | 2003               | 2004             | 2005               | 2006             | 2007              | 2008              | 2009                | 2010               |  |
| <b>Other Financing Sources (Uses)</b>                          |                  |                    |                  |                    |                  |                   |                   |                     |                    |  |
| Transfers in   | \$ 71,095        | \$ 107,441         | \$ 137,043       | \$ 141,783         | \$ 147,643       | \$ 162,965        | \$ 195,170        | \$ 160,319          | \$ 108,066         |  |
| Transfers out  | (60,408)         | (91,582)           | (126,269)        | (133,284)          | (140,513)        | (155,295)         | (185,082)         | (145,357)           | (98,693)           |  |
| Refunding Bonds Issued   | 74,025           | 102,570            | 39,190           | 74,630             | -                | 55,450            | -                 | -                   | -                  |  |
| Long-term Capital-Related Debt Issued                          | 75,500           | 12,165             | 113,400          | 68,355             | 191,500          | 42,500            | 123,805           | -                   | -                  |  |
| Premium on Bonds Issued  | 2,390            | 6,284              | 4,429            | 4,536              | 5,501            | 7,199             | 2,379             | -                   | 843                |  |
| Payment to Bond Refunding Escrow Agent                         | (75,025)         | (108,077)          | (90,534)         | (77,584)           | -                | (61,845)          | -                 | -                   | -                  |  |
| Proceeds from Capital Lease                                    | -                | -                  | -                | -                  | -                | 175               | -                 | -                   | -                  |  |
| Proceeds of Long Term Debt                                     | -                | -                  | -                | -                  | -                | -                 | -                 | -                   | 50,800             |  |
| Proceeds from Notes Payable                                    | -                | -                  | -                | -                  | -                | 3,000             | -                 | -                   | -                  |  |
| Sale of Capital Assets   | -                | 424                | -                | -                  | -                | -                 | -                 | -                   | -                  |  |
| <b>Total Other Financing Sources and (Uses)</b>                | <b>87,577</b>    | <b>29,225</b>      | <b>77,259</b>    | <b>78,436</b>      | <b>204,131</b>   | <b>54,149</b>     | <b>136,272</b>    | <b>14,962</b>       | <b>61,016</b>      |  |
| <b>Net Change in Fund Balances</b>                             | <b>\$ 61,134</b> | <b>\$ (12,702)</b> | <b>\$ 46,654</b> | <b>\$ (52,770)</b> | <b>\$ 83,291</b> | <b>\$ (4,549)</b> | <b>\$ (7,740)</b> | <b>\$ (114,492)</b> | <b>\$ (15,516)</b> |  |
| <b>Debt Service as a Percentage of Noncapital Expenditures</b> | <b>22.7%</b>     | <b>23.6%</b>       | <b>22.6%</b>     | <b>23.5%</b>       | <b>21.9%</b>     | <b>21.7%</b>      | <b>19.5%</b>      | <b>19.3%</b>        | <b>21.2%</b>       |  |

(1) The change from the prior period was caused by the increase in spending for capital improvement projects.

**City of Scottsdale, Arizona**  
**Governmental Activities Tax Revenues By Source**  
**Last Nine Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table VI

| Fiscal Year | Sales and Use Taxes |                           |                                    |                                  |                                     |                     |
|-------------|---------------------|---------------------------|------------------------------------|----------------------------------|-------------------------------------|---------------------|
|             | Property            | Privilege & Use - General | Privilege & Use - McDowell Mtn (1) | Privilege & Use - Transportation | Privilege & Use - Public Safety (1) | Transient Occupancy |
| 2002        | \$ 38,413           | \$ 80,297                 | \$ 15,814                          | \$ 15,587                        | \$ -                                | \$ 6,691            |
| 2003        | 41,583              | 79,704                    | 15,645                             | 15,335                           | -                                   | 6,688               |
| 2004        | 46,088              | 86,547                    | 16,981                             | 16,628                           | -                                   | 7,227               |
| 2005        | 48,249              | 94,302                    | 31,301                             | 18,115                           | 8,491                               | 7,939               |
| 2006        | 49,651              | 104,949                   | 35,483                             | 20,020                           | 9,978                               | 8,970               |
| 2007        | 50,732              | 110,225                   | 37,281                             | 20,910                           | 10,578                              | 9,723               |
| 2008        | 53,778              | 104,673                   | 35,604                             | 19,823                           | 10,145                              | 9,621               |
| 2009        | 60,493              | 85,829                    | 29,121                             | 16,141                           | 8,289                               | 7,577               |
| 2010        | 58,354              | 77,878                    | 26,416                             | 14,608                           | 7,541                               | 7,113               |

| Fiscal Year | Franchise Taxes    |                         | Intergovernmental  |                       |        |
|-------------|--------------------|-------------------------|--------------------|-----------------------|--------|
|             | Cable TV Franchise | Light & Power Franchise | State Shared Sales | State Revenue Sharing | Other  |
| 2002        | \$ 2,223           | \$ 5,238                | \$ 15,621          | \$ 21,142             | \$ 512 |
| 2003        | 2,440              | 5,147                   | 15,853             | 21,574                | 611    |
| 2004        | 2,740              | 5,488                   | 17,054             | 18,278                | 663    |
| 2005        | 2,859              | 5,596                   | 18,779             | 18,634                | 1,337  |
| 2006        | 3,157              | 6,308                   | 21,664             | 21,223                | 962    |
| 2007        | 3,355              | 7,284                   | 22,312             | 26,653                | 929    |
| 2008        | 3,544              | 8,030                   | 21,575             | 33,037                | 957    |
| 2009        | 3,606              | 7,831                   | 18,677             | 35,103                | 959    |
| 2010        | 3,317              | 7,834                   | 17,227             | 30,309                | 979    |

- (1) In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

**City of Scottsdale, Arizona**  
**Taxable Sales Subject to Privilege (Sales) Tax by Category**  
**Last Nine Fiscal Years**

Table VII

|                             | Fiscal Year         |                     |                     |                     |                     |                      |                     |                     |                     |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
|                             | 2002                | 2003                | 2004                | 2005                | 2006                | 2007                 | 2008                | 2009                | 2010                |
| Automotive                  | \$ 1,501,832        | \$ 1,499,864        | \$ 1,525,050        | \$ 1,557,909        | \$ 1,662,604        | \$ 1,622,601         | \$ 1,370,365        | \$ 918,219          | \$ 818,517          |
| Construction                | 1,573,073           | 1,213,352           | 1,432,006           | 1,703,826           | 2,046,791           | 2,208,957            | 1,932,043           | 1,251,432           | 754,583             |
| Food Stores                 | 503,057             | 518,665             | 550,704             | 562,877             | 584,706             | 626,083              | 652,226             | 624,917             | 611,083             |
| Hotel Motel                 | 372,610             | 373,375             | 400,836             | 432,006             | 497,804             | 533,055              | 529,862             | 416,216             | 395,229             |
| Major Department Stores     | 748,732             | 795,091             | 871,244             | 959,361             | 1,012,906           | 1,011,240            | 974,330             | 864,676             | 865,614             |
| Miscellaneous Retail Stores | 1,035,590           | 1,059,857           | 1,138,028           | 1,248,228           | 1,413,445           | 1,478,112            | 1,364,347           | 1,078,674           | 1,107,272           |
| Other Taxable Activity      | 341,314             | 360,991             | 416,514             | 457,819             | 513,553             | 551,095              | 532,751             | 556,842             | 449,455             |
| Rentals                     | 910,184             | 955,494             | 977,379             | 1,054,666           | 1,102,152           | 1,211,551            | 1,308,247           | 1,217,688           | 1,144,939           |
| Restaurants                 | 524,241             | 551,806             | 604,652             | 661,542             | 726,122             | 774,598              | 754,103             | 684,188             | 670,311             |
| Utilities                   | 389,409             | 376,319             | 368,442             | 380,043             | 398,204             | 418,460              | 435,415             | 432,570             | 436,010             |
| <b>Total</b>                | <b>\$ 7,900,042</b> | <b>\$ 7,704,814</b> | <b>\$ 8,284,855</b> | <b>\$ 9,018,277</b> | <b>\$ 9,958,287</b> | <b>\$ 10,435,752</b> | <b>\$ 9,853,689</b> | <b>\$ 8,045,422</b> | <b>\$ 7,253,013</b> |

**Note:** In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

**City of Scottsdale, Arizona**  
**Direct and Overlapping Sales Tax Rates**  
**Last Nine Fiscal Years**

Table VIII

| <b>Privilege (Sales) Tax Rates</b> |             |                    |                   | <b>Use Tax Rates</b> |             |                    |                   |
|------------------------------------|-------------|--------------------|-------------------|----------------------|-------------|--------------------|-------------------|
| <b>City Direct</b>                 |             |                    |                   | <b>City Direct</b>   |             |                    |                   |
| <b>Fiscal Year</b>                 | <b>Rate</b> | <b>County Rate</b> | <b>State Rate</b> | <b>Fiscal Year</b>   | <b>Rate</b> | <b>County Rate</b> | <b>State Rate</b> |
| 2002                               | 1.40%       | 0.70%              | 5.60%             | 2002                 | 1.20%       | 0.00%              | 5.60%             |
| 2003                               | 1.40%       | 0.70%              | 5.60%             | 2003                 | 1.20%       | 0.00%              | 5.60%             |
| 2004                               | 1.40%       | 0.70%              | 5.60%             | 2004                 | 1.20%       | 0.00%              | 5.60%             |
| 2005                               | 1.65%       | 0.70%              | 5.60%             | 2005                 | 1.45%       | 0.00%              | 5.60%             |
| 2006                               | 1.65%       | 0.70%              | 5.60%             | 2006                 | 1.45%       | 0.00%              | 5.60%             |
| 2007                               | 1.65%       | 0.70%              | 5.60%             | 2007                 | 1.45%       | 0.00%              | 5.60%             |
| 2008                               | 1.65%       | 0.70%              | 5.60%             | 2008                 | 1.45%       | 0.00%              | 5.60%             |
| 2009                               | 1.65%       | 0.70%              | 5.60%             | 2009                 | 1.45%       | 0.00%              | 5.60%             |
| 2010 *                             | 1.65%       | 0.70%              | 6.60%             | 2010 *               | 1.45%       | 0.00%              | 6.60%             |

| <b>Transient Occupancy Tax Rates</b> |             |                    |                   | <b>Jet Fuel Tax Rates (cents per gallon)</b> |             |                    |                   |
|--------------------------------------|-------------|--------------------|-------------------|--|-------------|--------------------|-------------------|
| <b>City Direct</b>                   |             |                    |                   | <b>City Direct</b>                           |             |                    |                   |
| <b>Fiscal Year</b>                   | <b>Rate</b> | <b>County Rate</b> | <b>State Rate</b> | <b>Fiscal Year</b>                           | <b>Rate</b> | <b>County Rate</b> | <b>State Rate</b> |
| 2002                                 | 3.00%       | 1.77%              | 5.50%             | 2002   | 1.80%       | 0.46%              | 2.90%             |
| 2003                                 | 3.00%       | 1.77%              | 5.50%             | 2003   | 1.80%       | 0.46%              | 2.90%             |
| 2004                                 | 3.00%       | 1.77%              | 5.50%             | 2004   | 1.80%       | 0.46%              | 2.90%             |
| 2005                                 | 3.00%       | 1.77%              | 5.50%             | 2005   | 1.80%       | 0.46%              | 2.90%             |
| 2006                                 | 3.00%       | 1.77%              | 5.50%             | 2006   | 1.80%       | 0.46%              | 2.90%             |
| 2007                                 | 3.00%       | 1.77%              | 5.50%             | 2007   | 1.80%       | 0.46%              | 2.90%             |
| 2008                                 | 3.00%       | 1.77%              | 5.50%             | 2008   | 1.80%       | 0.46%              | 2.90%             |
| 2009                                 | 3.00%       | 1.77%              | 5.50%             | 2009   | 1.80%       | 0.46%              | 2.90%             |
| 2010 *                               | 3.00%       | 1.77%              | 6.50%             | 2010 *                                       | 1.80%       | 0.46%              | 2.90%             |

Source: City Tax Audit Section

Note: The following gives a general description of each tax. Complete details for each tax can be found in Appendix C of the Scottsdale Revised City Code.

**Privilege (Sales) Tax** applies to the sale, lease, license for use and/or rental transactions.

**Use Tax** applies to the storage or use of items within the City on which no privilege tax has been paid.

**Transient Occupancy Tax** applies to transactions involving transient lodging.

**Jet Fuel Tax** applies to transactions involving the sale of jet fuel.

\* The state tax rate increased, except for jet fuel, on 6/1/2010 due to approval from the voters in the May 2010 election.



**City of Scottsdale, Arizona**  
**Sales Tax Revenue Payers by Industry**  
**Fiscal Years 2010 and 2001**  
(in thousands)

Table IX

|                             | Fiscal Year 2010 |                     |                   |                     | Fiscal Year 2001 |                     |                   |                     |
|-----------------------------|------------------|---------------------|-------------------|---------------------|------------------|---------------------|-------------------|---------------------|
|                             | Number of Filers | Percentage of Total | Tax Revenue       | Percentage of Total | Number of Filers | Percentage of Total | Tax Revenue       | Percentage of Total |
| Automotive                  | 497              | 2.28%               | \$ 13,868         | 11.04%              | 626              | 3.15%               | \$ 20,278         | 18.10%              |
| Construction                | 7,653            | 35.19%              | 13,168            | 10.48%              | 6,325            | 31.86%              | 22,074            | 19.71%              |
| Food Stores                 | 170              | 0.78%               | 10,101            | 8.04%               | 186              | 0.94%               | 7,287             | 6.51%               |
| Hotel Motel                 | 65               | 0.30%               | 6,622             | 5.27%               | 69               | 0.35%               | 6,165             | 5.50%               |
| Major Department Stores     | 30               | 0.14%               | 14,802            | 11.79%              | 22               | 0.11%               | 8,500             | 7.59%               |
| Miscellaneous Retail Stores | 4,740            | 21.80%              | 19,892            | 15.84%              | 6,224            | 31.36%              | 16,722            | 14.93%              |
| Other Taxable Activity      | 3,717            | 17.09%              | 8,948             | 7.12%               | 2,534            | 12.77%              | 6,736             | 6.01%               |
| Rentals                     | 3,765            | 17.31%              | 19,565            | 15.58%              | 2,787            | 14.04%              | 11,605            | 10.36%              |
| Restaurants                 | 843              | 3.88%               | 11,272            | 8.98%               | 816              | 4.11%               | 7,344             | 6.56%               |
| Utilities                   | 267              | 1.23%               | 7,365             | 5.86%               | 260              | 1.31%               | 5,293             | 4.73%               |
| <b>Total</b>                | <b>21,747</b>    | <b>100.00%</b>      | <b>\$ 125,602</b> | <b>100.00%</b>      | <b>19,849</b>    | <b>100.00%</b>      | <b>\$ 112,004</b> | <b>100.00%</b>      |

## Note:

Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories are intended to provide alternative information regarding the sources of the city's revenue.

The industry classifications were based on Standard Industrial Classification (SIC) in 2001 and the North American Industry Classification System (NAICS) classifications in 2010.

**City of Scottsdale, Arizona  
Property Tax Rates  
Direct and Overlapping Governments  
Last Nine Fiscal Years**

Table X

| Fiscal Year | City Direct Rate |                   |                 | Overlapping Rates                  |                   |           |                   |
|-------------|------------------|-------------------|-----------------|------------------------------------|-------------------|-----------|-------------------|
|             | Operating Rate   | Debt Service Rate | Total City Rate | Scottsdale Unified School District |                   |           |                   |
|             |                  |                   |                 | Operating Rate                     | Debt Service Rate | EVIT Rate | Total School Rate |
| 2002        | \$ 0.49          | \$ 0.67           | 1.16            | \$ 4.08                            | \$ 1.36           | \$ 0.11   | \$ 5.55           |
| 2003        | 0.51             | 0.65              | 1.15            | 3.94                               | 1.36              | 0.11      | 5.41              |
| 2004        | 0.48             | 0.64              | 1.12            | 3.89                               | 1.30              | 0.10      | 5.29              |
| 2005        | 0.45             | 0.62              | 1.07            | 3.77                               | 1.26              | 0.10      | 5.13              |
| 2006        | 0.44             | 0.60              | 1.04            | 3.46                               | 1.22              | 0.06      | 4.74              |
| 2007        | 0.42             | 0.55              | 0.97            | 3.45                               | 1.26              | 0.05      | 4.76              |
| 2008        | 0.38             | 0.41              | 0.79            | 3.42                               | 1.26              | 0.05      | 4.73              |
| 2009        | 0.35             | 0.43              | 0.79            | 2.82                               | 1.07              | 0.05      | 3.94              |
| 2010        | 0.36             | 0.38              | 0.74            | 2.44                               | 1.34              | 0.05      | 3.83              |

| Fiscal | Overlapping Rates         |                     |                   |              |                     |                  |                          |                    |                     |                            | Total Direct & Overlapping |          |
|--------|---------------------------|---------------------|-------------------|--------------|---------------------|------------------|--------------------------|--------------------|---------------------|----------------------------|----------------------------|----------|
|        | County-Wide Jurisdictions |                     |                   |              |                     |                  |                          |                    |                     |                            |                            |          |
|        | County Operating          | County Debt Service | Community College | County Flood | County Equalization | County Education | Fire District Assistance | Central AZ Project | County Free Library | County Special Health Care | Total County               |          |
| 2002   | \$ 1.18                   | \$ 0.09             | \$ 1.11           | \$ 0.23      | \$ 0.50             | \$ 0.01          | \$ 0.13                  | \$ 0.04            | \$ -                | \$ -                       | \$ 3.29                    | \$ 10.00 |
| 2003   | 1.21                      | 0.08                | 1.11              | 0.21         | 0.49                | 0.01             | 0.13                     | 0.04               | -                   | -                          | 3.28                       | 9.85     |
| 2004   | 1.21                      | 0.07                | 1.08              | 0.21         | 0.47                | 0.01             | 0.12                     | 0.05               | -                   | -                          | 3.22                       | 9.63     |
| 2005   | 1.21                      | -                   | 1.04              | 0.21         | 0.46                | 0.01             | 0.12                     | 0.05               | -                   | -                          | 3.09                       | 9.30     |
| 2006   | 1.20                      | -                   | 1.03              | 0.21         | 0.44                | 0.01             | 0.12                     | 0.05               | 0.12                | -                          | 3.18                       | 8.96     |
| 2007   | 1.18                      | -                   | 1.06              | 0.20         | -                   | 0.01             | 0.12                     | 0.05               | 0.12                | -                          | 2.74                       | 8.47     |
| 2008   | 1.10                      | -                   | 0.98              | 0.15         | -                   | 0.01             | 0.10                     | 0.04               | 0.09                | -                          | 2.47                       | 7.99     |
| 2009   | 1.03                      | -                   | 0.94              | 0.14         | -                   | 0.01             | 0.10                     | 0.04               | 0.09                | -                          | 2.33                       | 7.06     |
| 2010   | 0.99                      | -                   | 0.88              | 0.14         | 0.33                | 0.01             | 0.10                     | 0.04               | 0.09                | -                          | 2.58                       | 7.15     |

**Source:** Maricopa County Department of Finance Publications On-Line "Tax Levy 2009"

**Note:** The City has Community Facilities Districts (CFD) that levy property taxes independent of the City to property owners within a designated area. For FY 2009/10 the rates were as follows: Scottsdale Mountain CFD - \$0.80, McDowell Mountain CFD - \$.50, DC Ranch CFD - \$0.40, Via Linda Road CFD - \$0.75 and the Waterfront Commercial CFD - \$2.30.

**City of Scottsdale, Arizona**  
**Principal Property Taxpayers**  
**June 30, 2010 and 2001**  
(in thousands)

Table XI

| Taxpayer                            | 2010                   |      |  | 2001                   |      |  |
|-------------------------------------|------------------------|------|--|------------------------|------|--|
|                                     | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Scottsdale Fashion Square LLC*      | \$ 66,131              | 1    | 0.787%                                     | \$ 47,335              | 1    | 1.640%                                     |
| Arizona Public Service Company      | 61,193                 | 2    | 0.728%                                     | 44,413                 | 2    | 1.540%                                     |
| Gainey Drive Associates             | 26,771                 | 3    | 0.318%                                     | 18,195                 | 6    | 0.630%                                     |
| Quest Corporation**                 | 26,730                 | 4    | 0.318%                                     | 26,778                 | 3    | 0.930%                                     |
| Portales Corporate Center LLC/Etal  | 25,786                 | 5    | 0.307%                                     | -                      | -    | -  |
| JEMB Scottsdale LLC                 | 22,213                 | 6    | 0.264%                                     | -                      | -    | -  |
| Blackwell Robert L./Etal            | 22,152                 | 7    | 0.264%                                     | -                      | -    | -  |
| Pacific Promenade LLC               | 17,576                 | 8    | 0.209%                                     | -                      | -    | -  |
| DC Ranch LLC                        | 17,529                 | 9    | 0.209%                                     | -                      | -    | -  |
| Scottsdale Fiesta Retail Center LLC | 16,079                 | 10   | 0.191%                                     | -                      | -    | -  |
| First American Title                | -                      | -    | -  | 26,741                 | 4    | 0.930%                                     |
| Motorola, Inc.                      | -                      | -    | -  | 20,656                 | 5    | 0.720%                                     |
| 92 Mountain View LLC                | -                      | -    | -  | 14,965                 | 7    | 0.520%                                     |
| Massachusetts Mutual Life Ins. Co.  | -                      | -    | -  | 10,832                 | 8    | 0.380%                                     |
| Southwest Gas Corporation           | -                      | -    | -  | 10,179                 | 9    | 0.350%                                     |
| Gainey Ranch Financial Ltd. Ptr.    | -                      | -    | -  | 9,746                  | 10   | 0.340%                                     |

Source: 2010 information - The Maricopa County Assessor's Office.

Source: 2001 information - The City of Scottsdale's Financial Advisor, as obtained from the records of the Arizona Department of Revenue, Division of Utilities and Mines and the tax rolls of the Maricopa County Assessor's office.

The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in lieu of ad valorem taxation. The 2009/10 secondary assessed valuation of the SRP within the City is \$19,333,564 as provided by SRP. The secondary in lieu contribution received by the City of Scottsdale for 2009/10 was \$143,094.

\*Scottsdale Fashion Square LLC was operating under the name Scottsdale Fashion Square Ptr. in 2001.

\*\*Quest Corporation was operating under the name U S West Wireless LLC in 2001.

**City of Scottsdale, Arizona**  
**Assessed Value of Taxable Property**  
**Last Nine Fiscal Years**  
(in thousands)

Table XII

| Fiscal Year Ended June 30th |   | Real Property        |                     |             |                        | Personal Property: |              | Less: Tax Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|-----------------------------|---|----------------------|---------------------|-------------|------------------------|--------------------|--------------|---------------------------|------------------------------|-----------------------|
|                             |   | Residential Property | Commercial Property | Vacant Land | Historic & Special Use | Assessed Value     |              |                           |                              |                       |
| 2002                        | P | \$ 1,699,156         | \$ 815,273          | \$ 355,384  | \$ 675                 | \$ 242,757         | \$ (166,942) | \$ 2,946,303              | \$ 0.49                      |                       |
| 2002                        | S | 1,815,234            | 923,764             | 520,604     | 1,091                  | 242,768            | (225,510)    | 3,277,951                 | 0.67                         |                       |
| 2003                        | P | 1,870,142            | 913,222             | 400,448     | 878                    | 266,959            | (220,195)    | 3,231,454                 | 0.51                         |                       |
| 2003                        | S | 1,921,093            | 1,045,249           | 615,184     | 1,484                  | 266,959            | (323,364)    | 3,526,605                 | 0.65                         |                       |
| 2004                        | P | 2,148,272            | 968,183             | 473,966     | 1,100                  | 277,334            | (269,136)    | 3,599,719                 | 0.48                         |                       |
| 2004                        | S | 2,373,446            | 1,043,487           | 656,600     | 1,575                  | 277,334            | (376,920)    | 3,975,522                 | 0.64                         |                       |
| 2005                        | P | 2,370,252            | 1,071,915           | 572,909     | 1,374                  | 257,783            | (285,524)    | 3,988,709                 | 0.45                         |                       |
| 2005                        | S | 2,460,307            | 1,203,844           | 809,560     | 2,214                  | 277,482            | (409,953)    | 4,343,454                 | 0.62                         |                       |
| 2006                        | P | 2,622,605            | 1,220,872           | 614,301     | 1,507                  | 225,683            | (320,326)    | 4,364,642                 | 0.44                         |                       |
| 2006                        | S | 2,792,337            | 1,309,263           | 784,962     | 2,136                  | 246,619            | (404,264)    | 4,731,053                 | 0.60                         |                       |
| 2007                        | P | 2,846,492            | 1,347,926           | 674,315     | 1,474                  | 238,279            | (322,012)    | 4,786,474                 | 0.42                         |                       |
| 2007                        | S | 2,919,838            | 1,545,559           | 921,888     | 1,797                  | 240,843            | (420,481)    | 5,209,444                 | 0.55                         |                       |
| 2008                        | P | 3,358,045            | 1,406,676           | 787,106     | 1,645                  | 388,502            | (442,551)    | 5,499,423                 | 0.38                         |                       |
| 2008                        | S | 4,583,036            | 1,711,178           | 1,193,455   | 1,888                  | 402,675            | (648,410)    | 7,243,822                 | 0.41                         |                       |
| 2009                        | P | 3,947,876            | 1,584,811           | 950,456     | 1,727                  | 403,064            | (559,516)    | 6,328,418                 | 0.35                         |                       |
| 2009                        | S | 5,237,939            | 1,987,377           | 1,505,737   | 2,073                  | 427,495            | (888,204)    | 8,272,417                 | 0.43                         |                       |
| 2010                        | P | 4,409,444            | 1,879,139           | 1,177,944   | 1,845                  | 259,145            | (717,210)    | 7,010,307                 | 0.36                         |                       |
| 2010                        | S | 4,989,883            | 2,436,470           | 1,765,907   | 2,070                  | 259,145            | (1,047,474)  | 8,406,001                 | 0.38                         |                       |

Source: Arizona Department of Revenue Abstract of the Assessment Roll.

Under Arizona law, there are two property valuation bases: PRIMARY (P) and SECONDARY (S). The primary (limited assessed valuation is used when levying for maintenance and operation of cities, school districts, community college districts, counties, and the state. The secondary (full cash) assessed valuation is used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

**City of Scottsdale, Arizona**  
**Property Tax Levies and Collections**  
**Last Nine Fiscal Years**  
(in thousands)

Table XIII

| Fiscal Year<br>Ended<br>June 30 | Total Tax<br>Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|---------------------------------|--------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                 |                                      | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2002                            | \$ 36,166                            | \$ 34,993                                       | 96.8%                 | \$ 672                                | \$ 35,665                 | 98.6%                 |
| 2003                            | 39,159                               | 37,858  | 96.7%                 | 743                                   | 38,601                    | 98.6%                 |
| 2004                            | 42,756                               | 41,728  | 97.6%                 | 772                                   | 42,500                    | 99.4%                 |
| 2005                            | 44,879                               | 43,688  | 97.3%                 | 658                                   | 44,346                    | 98.8%                 |
| 2006                            | 47,809                               | 46,431  | 97.1%                 | 941                                   | 47,372                    | 99.1%                 |
| 2007                            | 48,778                               | 47,105  | 96.6%                 | 1,071                                 | 48,176                    | 98.8%                 |
| 2008                            | 50,838                               | 49,408  | 97.2%                 | 1,310                                 | 50,718                    | 99.8%                 |
| 2009                            | 58,179                               | 55,876  | 96.0%                 | -                                     | 55,876                    | 96.0%                 |
| 2010                            | 57,380                               | 55,221  | 96.2%                 | -                                     | 55,221                    | 96.2%                 |

Source: "Total Tax Levy Amount for Fiscal Year" = Maricopa County Tax Levy Reports on County Finance Website. Collections Amounts = Maricopa County Finance Office "Secured Tax Levy Report". Amounts represent property taxes recorded in the General, Debt Service and the Self-Insurance Fund.

**City of Scottsdale, Arizona**  
**Ratios of Outstanding Debt by Type**  
**Last Nine Fiscal Years**  
(in thousands)

Table XIV

| <b>Governmental Activities</b>  |                                |                  |   |  |                                |                                     |  |                      |                  |
|---------------------------------|--------------------------------|------------------|---|--|--------------------------------|-------------------------------------|--|----------------------|------------------|
| Fiscal Year<br>Ended<br>June 30 | General<br>Obligation<br>Bonds | Revenue<br>Bonds | Municipal<br>Property<br>Corporation<br>Bonds | Scottsdale<br>Preserve<br>Authority<br>Bonds | Special<br>Assessment<br>Bonds | Certificates<br>of<br>Participation | Community<br>Facilities<br>District<br>Bonds | Contracts<br>Payable | Capital<br>Lease |
| 2002                            | \$ 319,657                     | \$ 13,385        | \$ 49,870                                     | \$ 90,585                                    | \$ 13,061                      | \$ -                                | \$ 34,935                                    | \$ 21,416            | \$ -             |
| 2003                            | 305,003                        | 10,990           | 41,955  | 88,270                                       | 11,140                         | -                                   | 46,355                                       | 19,627               | -                |
| 2004                            | 389,598                        | 8,475            | 4,850   | 85,980                                       | 8,755                          | -                                   | 44,950                                       | 13,702               | -                |
| 2005                            | 372,070                        | 5,815            | 61,253  | 83,385                                       | 6,340                          | 7,650                               | 43,480                                       | 14,324               | -                |
| 2006                            | 499,365                        | 2,990            | 108,225                                       | 80,570                                       | 5,505                          | 7,090                               | 41,945                                       | 13,136               | -                |
| 2007                            | 476,200                        | -                | 149,176                                       | 77,605                                       | 4,670                          | 6,401                               | 40,330                                       | 19,819               | 172              |
| 2008                            | 574,445                        | -                | 149,007                                       | 74,495                                       | 3,835                          | 5,689                               | 42,450                                       | 17,875               | 141              |
| 2009                            | 551,455                        | -                | 149,216                                       | 71,235                                       | 3,000                          | 4,954                               | 40,665                                       | 16,828               | -                |
| 2010                            | 578,190                        | -                | 148,212                                       | 67,870                                       | 2,250                          | 4,194                               | 38,760                                       | 15,732               | -                |

| <b>Business-type Activities</b> |                                |                  |   |                  |                                |                                     |               |  |
|---------------------------------|--------------------------------|------------------|---|------------------|--------------------------------|-------------------------------------|---------------|--|
| Fiscal Year<br>Ended<br>June 30 | General<br>Obligation<br>Bonds | Revenue<br>Bonds | Municipal<br>Property<br>Corporation<br>Bonds | Capital<br>Lease | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per<br>Capita |  |
| 2002                            | \$ 18,315                      | \$ 73,945        | \$ 11,555                                     | \$ -             | \$ 646,724                     | 7.70%                               | \$ 3,080      |  |
| 2003                            | 14,323                         | 71,230           | 10,010  | -                | 618,903                        | 7.04%                               | 2,891         |  |
| 2004                            | 10,651                         | 68,365           | 83,365  | -                | 718,691                        | 7.85%                               | 3,303         |  |
| 2005                            | 6,515                          | 65,735           | 79,430  | -                | 745,997                        | 7.84%                               | 3,374         |  |
| 2006                            | -                              | 62,405           | 161,965                                       | 179              | 983,375                        | 9.94%                               | 4,344         |  |
| 2007                            | -                              | 58,930           | 155,650                                       | 139              | 989,092                        | 9.54%                               | 4,151         |  |
| 2008                            | -                              | 52,005           | 256,790                                       | 97               | 1,176,829                      | 10.39%                              | 4,901         |  |
| 2009                            | -                              | 48,345           | 249,735                                       | 53               | 1,135,486                      | 10.79%                              | 4,686         |  |
| 2010                            | -                              | 45,230           | 316,780                                       | 7                | 1,217,225                      | 10.21%                              | 4,999         |  |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table XIX - Schedule of Demographic and Economic Statistics for personal income and population data.

**City of Scottsdale, Arizona**  
**Ratios of General Bonded Debt Outstanding**  
**Last Nine Fiscal Years**

Table XV

| Fiscal Year<br>Ended<br>June 30 | Governmental<br>Activities<br>General<br>Obligation<br>Bonds | Less: Amounts<br>Available<br>in Debt<br>Service Fund | Total          | Percentage of<br>Total Taxable<br>Assessed<br>Value of<br>Property (1) | Per<br>Capita |
|---------------------------------|--|---|----------------|--|---------------|
| 2002                            | \$ 319,657,000   | \$ 8,448,962  | \$ 311,208,038 | 9.5%   | \$ 1,482.23   |
| 2003                            | 305,003,000  | 9,006,329   | 295,996,671    | 8.4%   | 1,382.58      |
| 2004                            | 389,598,000  | 3,468,780   | 386,129,220    | 9.7%   | 1,774.86      |
| 2005                            | 372,070,000  | 5,601,739   | 366,468,261    | 8.4%   | 1,657.25      |
| 2006                            | 499,365,000  | 12,435,797  | 486,929,203    | 10.3%  | 2,150.84      |
| 2007                            | 476,200,000  | 9,382,702   | 466,817,298    | 9.0%   | 1,959.19      |
| 2008                            | 574,445,000  | 9,520,257   | 564,924,743    | 7.8%   | 2,352.62      |
| 2009                            | 551,455,000  | 10,841,183  | 540,613,817    | 6.5%   | 2,230.83      |
| 2010                            | 578,190,000  | 4,932,433   | 573,257,567    | 6.8%   | 2,354.23      |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Table XII for property value data.

See the Schedule of Demographic and Economic Statistics (Table XIX) for population data.

(1) Percentage of Total Taxable Assessed Value of Property was corrected using the information from table XII for years Fiscal Years 2006-2010.

**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2010**  
(in thousands)

Table XVI

| <u>Governmental Unit</u>                             | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|--|-----------------------------|--|--|
| <b>Debt repaid with property taxes</b>               |                             |  |  |
| Maricopa County                                      | \$ -                        | 14.2650%                                       | \$ -   |
| Maricopa County Community College District           | 653,040                     | 14.2650%                                       | 93,156   |
| Tempe Elementary School District No. 3               | 124,850                     | 0.0002%  | -  |
| Balsz Elementary School District No. 31              | 6,280                       | 4.7528%  | 298  |
| Scottsdale Unified School District No. 48            | 282,860                     | 69.9434%                                       | 197,842  |
| Paradise Valley Unified School District No. 69       | 261,120                     | 32.8795%                                       | 85,855   |
| Cave Creek Unified School District No. 93            | 18,410                      | 62.6405%                                       | 11,532   |
| Fountain Hills Unified School District No. 98        | 16,205                      | 3.1612%  | 512  |
| Phoenix Union High School District No. 210           | 266,380                     | 0.2930%  | 780  |
| Tempe Union High School District No 213              | 85,410                      | 0.0001%  | -  |
| East Valley Institute of Technology District No. 401 | -                           | 19.4538%                                       | -  |
| Scottsdale Mountain Community Facilities District    | 3,005                       | 100.0000%                                      | 3,005  |
| McDowell Mountain Community Facilities District      | 13,265                      | 100.0000%                                      | 13,265   |
| DC Ranch Community Facilities District               | 16,290                      | 100.0000%                                      | 16,290   |
| Via Linda Road Community Facilities District         | 2,455                       | 100.0000%                                      | 2,455  |
| Waterfront Community Facilities District             | 3,745                       | 100.0000%                                      | 3,745  |
| <b>Subtotal, overlapping debt</b>                    |                             |  | 428,736  |
| <b>City direct debt</b>                              | 376,855                     | 100.0000%                                      | 376,855  |
| <b>Total direct and overlapping debt</b>             |                             |  | <u>\$ 805,591</u>                                      |

Source: Maricopa County Assessor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Scottsdale. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

The City direct debt excludes from the general obligation bonds debt outstanding as of June 30, 2010 Preserve general obligation of \$201,335.



City of Scottsdale, Arizona  
 Legal Debt Margin Information  
 Last Nine Fiscal Years  
 (in thousands)

Table XVIIa

|  | Fiscal Year |            |            |            |            |              |              |              |              |
|--|-------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|
|  | 2002        | 2003       | 2004       | 2005       | 2006       | 2007         | 2008         | 2009         | 2010         |
| <b><u>20% Limitation</u></b>   |             |            |            |            |            |              |              |              |              |
| Debt Limit Equal to 20% of Assessed Valuation                                | \$ 655,590  | \$ 705,321 | \$ 795,104 | \$ 868,691 | \$ 947,151 | \$ 1,041,889 | \$ 1,448,765 | \$ 1,654,483 | \$ 1,681,200 |
| Total Net Debt Applicable to 20% Limit                                       | 245,209     | 237,400    | 319,765    | 313,786    | 372,545    | 363,455      | 424,865      | 413,095      | 499,945      |
| Legal 20% Debt Margin (Available Borrowing Capacity)                         | \$ 410,381  | \$ 467,921 | \$ 475,339 | \$ 554,905 | \$ 574,606 | \$ 678,434   | \$ 1,023,900 | \$ 1,241,388 | \$ 1,181,255 |
| Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit | 37.40%      | 33.66%     | 40.22%     | 36.12%     | 39.33%     | 34.88%       | 29.33%       | 24.97%       | 29.74%       |
| <b><u>6% Limitation</u></b>  |             |            |            |            |            |              |              |              |              |
| Debt Limit Equal to 6% of Assessed Valuation                                 | \$ 196,677  | \$ 211,596 | \$ 238,531 | \$ 260,607 | \$ 284,145 | \$ 312,567   | \$ 434,629   | \$ 496,345   | \$ 504,360   |
| Total Net Debt Applicable to 6% Limit  | 81,757      | 71,695     | 74,984     | 64,799     | 126,820    | 112,745      | 149,580      | 138,360      | 78,245       |
| Legal 6% Debt Margin (Available Borrowing Capacity)                          | \$ 114,920  | \$ 139,901 | \$ 163,547 | \$ 195,808 | \$ 157,325 | \$ 199,822   | \$ 285,049   | \$ 357,985   | \$ 426,115   |
| Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit   | 41.57%      | 33.88%     | 31.44%     | 24.86%     | 44.63%     | 36.07%       | 34.42%       | 27.88%       | 15.51%       |

**City of Scottsdale, Arizona**  
**Legal Debt Margin Information**  
**As of June 30, 2010**  
(in thousands)

Table XVIIb

**Legal Debt Margin Calculation for Fiscal Year 2010**

|  |              |
|--|--------------|
| Net Secondary Assessed Valuation as of June 30, 2010 | \$ 8,406,000 |
| <br>   |              |
| <b><u>20% Limitation</u></b>                         |              |
| Debt Limit Equal to 20% of Assessed Valuation        | 1,681,200    |
| Debt applicable to limit:                            |              |
| General Obligation Bonds                             | 499,945      |
| Legal 20% Debt Margin (Available Borrowing Capacity) | \$ 1,181,255 |
| <br>   |              |
| <b><u>6% Limitation</u></b>                          |              |
| Debt Limit Equal to 6% of Assessed Valuation         | \$ 504,360   |
| Debt applicable to limit:                            |              |
| General Obligation Bonds                             | 78,245       |
| Legal 6% Debt Margin (Available Borrowing Capacity)  | \$ 426,115   |

Source: City of Scottsdale Financial Services

Under Arizona law, cities can issue general obligation bonds for purposes of water, sewer, light, parks, and open space purposes, but outstanding bonds issued for such purposes may not exceed 20 percent of the City's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of the City's net secondary assessed valuation.

General obligation bonds of community facilities districts are not subject to or included in this computation since they are not bonds of the City of Scottsdale, Arizona.

**City of Scottsdale, Arizona  
Pledged-Revenue Coverage  
Last Nine Fiscal Years  
(in thousands)**

Table XVIII

| Water and Sewer Revenue Bonds   |                         |                                |                             |                               |                |              |          |          |                                | Highway User Revenue Bonds |          |          |  |
|---------------------------------|-------------------------|--------------------------------|-----------------------------|-------------------------------|----------------|--------------|----------|----------|--------------------------------|----------------------------|----------|----------|--|
| Fiscal Year<br>Ended<br>June 30 | Operating<br>Revenue(1) | Less:<br>Operating<br>Expenses | Net<br>Operating<br>Revenue | Development<br>Fee<br>Revenue | Net<br>Revenue | Debt Service |          |          | Highway<br>User Tax<br>Revenue | Debt Service               |          |          |  |
|                                 |                         |                                |                             |                               |                | Principal    | Interest | Coverage |                                | Principal                  | Interest | Coverage |  |
| 2002                            | \$ 97,802               | \$ 49,840                      | \$ 47,962                   | \$ 15,087                     | \$ 63,049      | \$ 2,595     | \$ 3,937 | 9.65     | \$ 12,574                      | \$ 2,275                   | \$ 828   | 4.05     |  |
| 2003                            | 95,064                  | 46,991                         | 48,073                      | 17,648                        | 65,721         | 2,715        | 3,792    | 10.10    | 13,137                         | 2,395                      | 715      | 4.22     |  |
| 2004                            | 97,813                  | 49,662                         | 48,151                      | 21,574                        | 69,725         | 2,860        | 3,159    | 11.58    | 14,034                         | 2,515                      | 592      | 4.52     |  |
| 2005                            | 105,078                 | 56,413                         | 48,665                      | 20,155                        | 68,820         | 2,630        | 3,570    | 11.10    | 14,738                         | 2,660                      | 460      | 4.72     |  |
| 2006                            | 115,374                 | 56,329                         | 59,045                      | 24,071                        | 83,116         | 3,330        | 3,182    | 12.76    | 15,708                         | 2,825                      | 317      | 5.00     |  |
| 2007                            | 125,880                 | 64,089                         | 61,791                      | 17,878                        | 79,669         | 3,475        | 2,997    | 12.31    | 16,778                         | 2,990                      | 165      | 5.32     |  |
| 2008                            | 131,553                 | 66,077                         | 65,476                      | 15,280                        | 80,756         | 3,640        | 2,582    | 12.98    | 16,123                         | -                          | -        | N/A      |  |
| 2009                            | 130,782                 | 71,236                         | 59,546                      | 3,043                         | 62,589         | 3,660        | 2,507    | 10.15    | 14,083                         | -                          | -        | N/A      |  |
| 2010                            | 133,624                 | 70,165                         | 63,459                      | 3,126                         | 66,585         | 3,115        | 2,351    | 12.18    | 13,342                         | -                          | -        | N/A      |  |

| Special Assessment Bonds        |                                      |              |          |              | Scottsdale Preserve Authority Bonds |              |          |          | Municipal Property Corporation Bonds |                  |          |          |
|---------------------------------|--------------------------------------|--------------|----------|--------------|-------------------------------------|--------------|----------|----------|--------------------------------------|------------------|----------|----------|
| Fiscal Year<br>Ended<br>June 30 | Special<br>Assessment<br>Collections | Debt Service |          | Coverage (2) | 0.2%<br>and 0.15%<br>Sales Tax (3)  | Debt Service |          |          | Excise<br>Tax (5)                    | Debt Service (4) |          |          |
|                                 |                                      | Principal    | Interest |              |                                     | Principal    | Interest | Coverage |                                      | Principal        | Interest | Coverage |
| 2002                            | \$ 2,339                             | \$ 2,208     | \$ 393   | 0.90         | \$ 15,814                           | \$ 2,185     | \$ 4,704 | 2.30     | \$ 156,069                           | \$ 8,325         | \$ 3,775 | 12.90    |
| 2003                            | 1,970                                | 1,990        | 279      | 0.87         | 13,377                              | 2,315        | 4,566    | 1.94     | 157,302                              | 9,145            | 3,045    | 12.90    |
| 2004                            | 2,558                                | 2,425        | 492      | 0.88         | 16,981                              | 2,445        | 3,825    | 2.71     | 165,799                              | 7,170            | 1,108    | 20.03    |
| 2005                            | 2,016                                | 2,448        | 360      | 0.72         | 31,301                              | 2,595        | 4,437    | 4.45     | 180,005                              | 8,265            | 6,413    | 12.26    |
| 2006                            | 1,106                                | 851          | 275      | 0.98         | 35,483                              | 2,815        | 3,997    | 5.21     | 202,081                              | 5,995            | 10,017   | 12.62    |
| 2007                            | 1,825                                | 848          | 235      | 1.69         | 37,281                              | 2,965        | 3,843    | 5.48     | 218,205                              | 5,305            | 10,057   | 14.20    |
| 2008                            | 895                                  | 846          | 197      | 0.86         | 35,604                              | 3,110        | 3,676    | 5.25     | 216,600                              | 5,584            | 13,988   | 11.07    |
| 2009                            | 821                                  | 845          | 158      | 0.82         | 29,121                              | 3,260        | 3,502    | 4.31     | 186,404                              | 7,570            | 19,482   | 6.89     |
| 2010                            | 765                                  | 757          | 121      | 0.87         | 26,416                              | 3,365        | 3,374    | 3.92     | 173,352                              | 9,715            | 18,415   | 6.16     |

- (1) Includes investment income.
- (2) Coverage ratio is less than 1.0 due to prepayment of amounts that are currently in fund balance.
- (3) In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax. This tax was effective July 1, 2004.
- (4) Includes debt service payments paid out of revenue from the Water and Sewer Fund.
- (5) Excise Tax was recalculated for prior years using correct items from Table VI and the Statement of Revenue, Expenditures, and Changes in Fund Balances for the Governmental Funds.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**City of Scottsdale, Arizona  
Demographic and Economic Statistics  
Last Nine Fiscal Years**

**Table XIX**

| <b>Fiscal Year</b> | <b>Population (1)</b> | <b>Personal Income (2)<br/>(in thousands)</b> | <b>Per Capita Personal Income (3)</b> | <b>Median Age (4)</b> | <b>Education Level in Years of Schooling (5)</b> | <b>School Enrollment (6)</b> | <b>Unemployment Rate (7)</b> |
|--------------------|-----------------------|---|---------------------------------------|-----------------------|--|------------------------------|------------------------------|
| 2002               | 209,960               | \$ 8,396,720                                  | \$ 39,992                             | 41.1                  | 13 to 16   | 27,436                       | 4.3%                         |
| 2003               | 214,090               | 8,787,110                                     | 41,044                                | 40.5                  | 13 to 16   | 27,479                       | 4.1%                         |
| 2004               | 217,555               | 9,158,195                                     | 42,096                                | 40.2                  | 13 to 16   | 27,328                       | 3.3%                         |
| 2005               | 221,130               | 9,515,538                                     | 43,148                                | 39.9                  | 13 to 16   | 26,559                       | 3.0%                         |
| 2006               | 226,390               | 9,896,159                                     | 43,713                                | 39.5                  | 13 to 16   | 27,000                       | 2.7%                         |
| 2007               | 238,270               | 10,367,366                                    | 43,511                                | 41.0                  | 13 to 16   | 26,653                       | 2.3%                         |
| 2008               | 240,126               | 11,329,384                                    | 47,181                                | 40.2                  | 13 to 16   | 26,567                       | 3.8%                         |
| 2009               | 242,337               | 10,526,392                                    | 43,437                                | 40.6                  | 13 to 16   | 27,029                       | 6.6%                         |
| 2010               | 243,501               | 11,920,591                                    | 48,955                                | 40.6                  | 13 to 16   | 27,093                       | 6.6%                         |

(8)

Data Sources:

- (1) Arizona Department of Commerce estimate
- (2) Sites USA (estimate)
- (3) Sites USA (estimate)
- (4) Sites USA (estimate)
- (5) Sites USA (estimate)
- (6) Arizona Department of Education
- (7) Arizona Department of Economic Security; Arizona Workforce year-end average unemployment rates

Note:

- (8) Unemployment Rate for FY2009 was restated to actual in FY2010

**City of Scottsdale, Arizona  
Principal Employers  
Current Year and Nine Years Ago**

Table XX

| Employer  | 2010          |      |  | 2001          |      |  |
|---|---------------|------|--|---------------|------|--|
|   | Employees     | Rank | Percentage of Total City Employment <sup>(1)</sup> | Employees     | Rank | Percentage of Total City Employment <sup>(1)</sup> |
| Scottsdale Healthcare                             | 6,650         | 1    | 3.64%  | -             |      |  |
| Mayo Clinic <sup>(2)</sup>                        | 4,900         | 2    | 2.68%  | 3,000         | 3    | 13.43%   |
| General Dynamics <sup>(3)</sup>                   | 3,600         | 3    | 1.97%  | 3,600         | 2    | 16.12%   |
| Scottsdale Unified School District <sup>(4)</sup> | 3,126         | 4    | 1.71%  | 2,700         | 4    | 12.09%   |
| City of Scottsdale <sup>(5)</sup>                 | 2,538         | 5    | 1.39%  | 1,700         | 6    | 7.61%  |
| CVS - CareMark                                    | 2,048         | 6    | 1.12%  | -             |      |  |
| Go Daddy Group                                    | 1,915         | 7    | 1.05%  | -             |      |  |
| The Vanguard Group                                | 1,899         | 8    | 1.04%  | 1,118         | 7    | 5.01%  |
| Troon Golf LLC                                    | 1,539         | 9    | 0.84%  | -             |      |  |
| Scottsdale Insurance Company                      | 1,400         | 10   | 0.77%  | 959           | 10   | 4.29%  |
| Scottsdale Memorial Health Systems                |               | -    |  | 4,473         | 1    | 20.03%   |
| Advanced PCS                                      |               | -    |  | 2,700         | 5    | 12.09%   |
| Scottsdale Princess Resort                        |               | -    |  | 1,080         | 8    | 4.84%  |
| Hickey Mitchell Insurance                         |               | -    |  | 1,000         | 9    | 4.48%  |
| <b>Total</b>                                      | <b>29,615</b> |      | <b>16.20%</b>                                      | <b>22,330</b> |      | <b>100.00%</b>                                     |

Source: City of Scottsdale, Arizona's Economic Vitality Department

(1) 2010 total Scottsdale employment = 182,771 (Source: SitesUSA); 2000 total employment- 126,918

(2) Includes all Mayo Clinic employees in Metro Phoenix

(3) Includes all General Dynamics employees that report to Scottsdale site

(4) Includes all Full-time equivalent (FTE) Scottsdale Unified School District employees as of Jan/Feb 2009

(5) Includes all City of Scottsdale Full-time equivalent (FTE)

**City of Scottsdale, Arizona**  
**Full-time Equivalent City Government Employees by Function**  
**Last Nine Fiscal Years**

Table XXI

| Full-time Equivalent Employees as of June 30 |                |                |                |                |                |                |                |                |                |      |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------|
| Function                                     | 2002           | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | (1)  |
| Administrative Services                      |                |                |                |                |                |                |                | 38.5           | 35.0           |      |
| Aviation                                     | 11.9           | 12.4           | 12.4           | 12.4           | 13.0           | 15.0           | 15.0           | 16.0           | 14.0           |      |
| Citizen and Neighborhood Resources           | 35.0           | 35.0           | 32.0           | 36.0           | 39.0           | 40.0           |                |                |                |      |
| Communications & Public Affairs              |                |                |                |                |                | 14.7           |                |                |                |      |
| Community Services                           | 516.1          | 516.1          | 506.1          | 512.6          | 559.4          | 580.3          | 546.1          | 543.1          | 489.3          |      |
| Economic Vitality                            | 10.0           | 10.0           | 8.0            | 10.0           | 11.0           | 40.0           | 77.0           | 54.0           | 47.0           |      |
| Financial Services                           | 144.5          | 144.5          | 139.5          | 143.0          | 149.0          | 151.0          | 134.0          | 110.5          |                |      |
| Finance & Accounting                         |                |                |                |                |                |                |                |                |                | 92.5 |
| General Government                           | 196.5          | 195.5          | 196.5          | 215.0          | 217.0          | 172.6          | 172.6          | 167.1          | 155.0          |      |
| Human Resources                              | 36.5           | 35.5           | 34.5           | 35.5           | 35.5           | 36.5           | 53.5           | 35.5           | 30.0           |      |
| Information Systems                          | 73.8           | 73.8           | 74.8           | 78.8           | 80.8           | 83.8           | 91.8           | 81.8           | 78.8           |      |
| Municipal Services                           | 132.7          | 132.7          | 135.7          | 139.7          | 151.7          | 170.5          |                |                |                |      |
| Planning and Development                     | 157.0          | 151.0          | 140.0          | 140.0          | 144.0          | 167.0          |                |                |                |      |
| Planning/Neighborhood/Transportation         |                |                |                |                |                |                | 205.2          | 224.0          | 167.5          |      |
| Public Safety                                |                |                |                |                |                |                | 999.6          |                |                |      |
| Public Safety - Fire                         | 2.7            | 2.7            | 3.7            | 260.7          | 259.0          | 268.0          |                | 268.0          | 265.0          |      |
| Public Safety - Police                       | 574.1          | 590.1          | 590.1          | 630.1          | 676.1          | 705.6          |                | 713.6          | 688.6          |      |
| Public Works                                 |                |                |                |                |                |                | 248.5          | 323.0          | 295.0          |      |
| Solid Waste                                  | 77.3           | 80.3           | 79.3           | 79.3           | 83.3           | 85.3           | 85.8           | 89.0           | 89.0           |      |
| Transportation                               | 35.0           | 34.0           | 24.0           | 25.0           | 27.0           | 30.0           |                |                |                |      |
| Water Resources                              | 140.0          | 139.0          | 136.0          | 139.0          | 152.5          | 162.0          | 169.0          | 90.0           | 91.0           |      |
| <b>Total</b>                                 | <b>2,143.0</b> | <b>2,152.5</b> | <b>2,112.5</b> | <b>2,457.0</b> | <b>2,598.3</b> | <b>2,722.2</b> | <b>2,797.9</b> | <b>2,754.1</b> | <b>2,537.7</b> |      |

Source: The City of Scottsdale, Arizona's Budget Department.

(1) In FY2010, the Full-time Equivalent Employees for prior years were restated to actual. In addition, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated Full-time Equivalent Employees.

**City of Scottsdale, Arizona**  
**Operating Indicators by Division (1)**  
**Last Nine Fiscal Years**

Table XXII

| Division  | Fiscal Year      |                 |                   |                   |                   |                   |                   |                   |                   |
|---|------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2002             | 2003            | 2004              | 2005              | 2006              | 2007              | 2008              | 2009              | 2010 (2)          |
| <b>General Government</b>   |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| <i>City Attorney</i>  |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| % of cases resolved at first court appearance (arraignment)                                     | 20%              | 26%             | 30%               | 30%               | 32%               | 34%               | 35%               | 34%               | 32%               |
| <i>City Auditor</i>   |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| # of audits performed   | 3                | 6               | 9                 | 10                | 15                | 10                | 11                | 13                | 16                |
| <i>City Clerk</i>   |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| # of legal postings   | 518              | 466             | 456               | 651               | 1,011             | 1,138             | 1,173             | 1,158             | 1,301             |
| <i>City Court</i>   |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| Charges filed / charges adjudicated (resolved)  | 79,638 / 114,514 | 96,995 / 94,045 | 121,560 / 129,888 | 136,747 / 134,793 | 156,051 / 132,096 | 201,866 / 216,000 | 221,400 / 219,980 | 115,319 / 137,887 | 107,720 / 113,382 |
| <i>Finance &amp; Accounting (3)</i>   |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| # of Accounts Payable checks issued   | 35,636           | 35,344          | 34,547            | 37,954            | 41,194            | 42,000            | 38,000            | 36,442            | 33,620            |
| # of water meters read annually   | 943,212          | 971,508         | 986,080           | 1,000,870         | 1,015,662         | 1,030,368         | 1,044,205         | 1,049,008         | 1,050,067         |
| # of customer contacts (utilities, taxes & licensing)   | 212,787          | 218,185         | 218,185           | 208,037           | 212,888           | 216,764           | 230,143           | 176,680           | 175,918           |
| <i>Strategic Resources Group - City Manager</i>   |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| % of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent | No Survey        | No Survey       | 90%               | 93%               | No Survey         | 90%               | No Survey         | No Survey         | No Survey         |
| News releases, media updates, traffic alerts, construction updates released to news media       | 277              | 267             | 182               | 247               | 205               | 220               | 220               | NA                | 240               |
| Acres of land acquired for inclusion in the McDowell Sonoran Preserve                           | 514              | 660             | 450               | 2,600             | 138               | 251               | 648               | 25                | 399               |
| <b>Administrative Services</b>  |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| # of purchase orders  | 8,531            | 10,212          | 12,254            | 9,611             | 10,778            | 9,460             | 8,224             | 6,234             | 5,748             |
| <b>Community Services</b>   |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| # attending Parks & Recreation facilities, Human Services facilities and Libraries annually     | 6,797,090        | 7,485,295       | 7,565,511         | 7,573,369         | 7,877,216         | 7,838,000         | 7,940,283         | 8,747,495         | 8,634,522         |
| # of square feet of medians and rights of way maintained  | 13,168,516       | 13,229,497      | 13,949,440        | 14,569,062        | 15,188,684        | 15,460,961        | 16,918,438        | 17,000,000        | 17,000,000        |
| <b>Economic Vitality</b>  |                  |                 |                   |                   |                   |                   |                   |                   |                   |
| Targeted job creation - number of companies / number of jobs                                    | 17 / 1,716       | 23 / 2,032      | 23 / 1,800        | 10 / 1,443        | 11 / 1,275        | 7 / 1,800         | 5 / 1,374         | 7 / 394           | 10 / 731          |
| Hotel/Motel average occupancy rate  | 59.5%            | 61.3%           | 57.5%             | 60.0%             | 69.0%             | 69.0%             | 65.0%             | 59.2%             | 58.0%             |
| Bed Tax growth (% annual change)  | - 13%            | 0%              | + 3%              | + 5%              | + 5%              | + 9%              | -2%               | -21%              | -6%               |
| Scottsdale Airport - Takeoffs and Landings  | 181,657          | 197,483         | 195,276           | 208,106           | 210,481           | 185,241           | 201,958           | 169,972           | 156,896           |
| # of new Code Enforcement cases processed per year  | 7,357            | 10,000          | 10,000            | 11,336            | 13,137            | 16,900            | 15,570            | 20,568            | 16,452            |
| # of special events at WestWorld  | 30               | 47              | 53                | 57                | 49                | 43                | 44                | 31                | 28                |
| # of Downtown special events coordinated  | N/A              | N/A             | 41                | 58                | 62                | 71                | 65                | 100               | 110               |

(continued)

**City of Scottsdale, Arizona**  
**Operating Indicators by Division (1)**  
**Last Nine Fiscal Years**

**Table XXII**

| Division  | Fiscal Year |           |           |           |            |           |           |           |           |
|---|-------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|
|   | 2002        | 2003      | 2004      | 2005      | 2006       | 2007      | 2008      | 2009      | 2010 (2)  |
| <b>Human Resources</b>  |             |           |           |           |            |           |           |           |           |
| Citywide turnover   | 6.0%        | 6.7%      | 6.8%      | 7.3%      | 11.1%      | 9.0%      | 12.0%     | 6.0%      | 9.5%      |
| HR operating cost as a % of City payroll  | 3.1%        | 2.6%      | 2.4%      | 2.3%      | 2.3%       | 2.0%      | 2.1%      | 2.1%      | 1.6%      |
| <b>Information Technology</b>   |             |           |           |           |            |           |           |           |           |
| # of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)         | n/a         | 32,244    | 129,000   | 2,319,000 | 25,400,000 | 654,100   | 1,200,000 | 2,200,000 | 2,100,000 |
| Annual Disk Storage size (DAS, NAS, and SAN) (Terabytes)  | 2.5         | 4.0       | 5.0       | 7.0       | 30.0       | 30.0      | 80.0      | 147.8     | 170.0     |
| <b>Planning / Neighborhood / Transportation</b>   |             |           |           |           |            |           |           |           |           |
| Customer wait-time (in minutes) at One Stop Shop  | n/a         | n/a       | 45        | 25        | 15         | 20        | 20        | 7         | 7         |
| Provide applicant with pre-application meeting within 30 days of submitting request.  | n/a         | n/a       | 90%       | 100%      | 100%       | 100%      | 100%      | 100%      | 100%      |
| % of inspections performed within 24 hours of the request   | n/a         | n/a       | 97%       | 98%       | 99%        | 99%       | 99%       | 100%      | 100%      |
| % increase of Neighborhood Watch groups annually (4)  | n/a         | 15%       | 15%       | 37%       | 5%         | 5%        | 5%        | -56%      | 5%        |
| % of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent  | No Survey   | No Survey | 86%       | 89%       | No Survey  | 94%       | No Survey | No Survey | No Survey |
| Total citywide transit ridership  | 1,780,578   | 1,917,011 | 1,917,000 | 1,969,512 | 2,104,382  | 2,365,204 | 2,584,837 | 3,472,828 | 3,103,185 |
| Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) (5)      | 76          | 124       | 150       | 270       | 322        | 375       | 475       | NA        | 8,578     |
| <b>Public Safety</b>  |             |           |           |           |            |           |           |           |           |
| <i>Police</i>   |             |           |           |           |            |           |           |           |           |
| Scottsdale Uniform Crime Report, Part 1 (crimes per thousand)   |             |           |           |           |            |           |           |           |           |
| Scottsdale  | 44.3        | 44.8      | 45.5      | 42.3      | 34.9       | 37.1      | 35.6      | 34.3      | 29.6      |
| Valley Average  | 72.0        | 80.1      | 60.2      | 56.5      | 51.0       | 51.0      | 51.0      | NA        | NA        |
| Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls) | 6:41        | 6:30      | 6:27      | 6:12      | NA         | 6:06      | 5:07      | 5:07      | 5:01      |
| Provide initial contact to 100% of citizen traffic concerns within seven days   | 43%         | 60%       | 96%       | 98%       | 98%        | 100%      | 100%      | 100%      | 100%      |
| <i>Fire</i>   |             |           |           |           |            |           |           |           |           |
| # of responses to calls for emergency services  | 21,877      | 21,162    | 21,756    | 23,102    | 23,952     | 22,894    | 22,936    | 23,953    | 23,996    |
| Responses per capita  | 0.10        | 0.09      | 0.09      | 0.10      | 0.10       | 0.10      | 0.10      | 0.10      | 0.10      |
| Average response time to urban calls for service (minutes)  | 4:02        | 4:01      | 4:20      | 4:23      | 4:20       | 4:15      | 4:21      | 4:23      | 4:28      |

(continued)



**City of Scottsdale, Arizona**  
**Operating Indicators by Division (1)**  
**Last Nine Fiscal Years**

Table XXII

| Division  | Fiscal Year |           |           |           |           |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | 2002        | 2003      | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      | 2010 (2)  |
| <b>Public Works and Water Resources</b>   |             |           |           |           |           |           |           |           |           |
| <i><b>Public Works</b></i>  |             |           |           |           |           |           |           |           |           |
| Facility inventory maintained (square feet)                                     | 1,551,620   | 1,551,780 | 1,807,298 | 1,825,564 | 2,166,650 | 2,221,650 | 2,271,550 | 2,334,310 | 2,929,802 |
| # of active Capital Projects  | 101         | 118       | 116       | 183       | 219       | 202       | 180       | 178       | 168       |
| # of homes serviced by Residential Refuse Collection                            | 70,546      | 72,166    | 73,602    | 74,850    | 76,300    | 77,206    | 78,024    | 78,607    | 79,006    |
| # of citizens serviced annually by Household Hazardous Waste collection program | 1,708       | 1,900     | 1,514     | 1,718     | 2,000     | 2,100     | 2,200     | 1,923     | 1,497     |
| <i><b>Water Resources</b></i>   |             |           |           |           |           |           |           |           |           |
| Water Service Connections   | 79,052      | 80,454    | 81,947    | 83,511    | 86,399    | 86,728    | 87,248    | 87,349    | 87,409    |
| Drinking Water Supplied (million gallons per day)                               | 70.4        | 67.6      | 70.0      | 67.7      | 73.1      | 72.1      | 73.7      | 69.4      | 68.4      |
| Reclaimed Water Supplied (million gallons per day)                              | 11.8        | 14.2      | 11.8      | 11.6      | 11.5      | 11.4      | 11.7      | 9.6       | 11.2      |
| Sewer Service Connections   | 69,121      | 70,732    | 72,034    | 73,232    | 74,143    | 76,092    | 76,849    | 77,363    | 77,605    |
| Sewage Treated (million gallons per day)  | 24.0        | 24.5      | 24.2      | 25.5      | 24.2      | 25.3      | 23.9      | 19.7      | 21.0      |

Source: The City of Scottsdale's Budget Office and applicable City divisions.

(1) This presentation is consistent with the organizational structure approved as part of the FY 2009/10 Budget. It has been noted where changes were approved by the City Council mid-year.

(2) In FY2010, the indicators for prior years were restated to actuals.

(3) Effective December 2009, the City Council approved placing Financial Management under the control of the City Treasurer, renaming the department "Finance & Accounting," moving Payroll and Risk Management from Human

(4) During fiscal year 2008/09, the Neighborhood Watch program was reviewed; participants that were no longer eligible for the program were removed, thus reducing the numbers.

(5) The statistic for 'Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)' has increased due to automation of the process. Prior to FY 2009/10 changing signal timing

**City of Scottsdale, Arizona**  
**Capital Asset Statistics by Function**  
**Last Nine Fiscal Years**

Table XXIII

| Function                       | Fiscal Year |            |            |            |            |            |            |            |            |
|--------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                | 2002        | 2003       | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       |
| Public Safety                  |             |            |            |            |            |            |            |            |            |
| Police:                        |             |            |            |            |            |            |            |            |            |
| Stations                       | 3           | 3          | 3          | 3          | 3          | 3          | 3          | 4          | 4          |
| Police Vehicles                | 261         | 295        | 286        | 290        | 345        | 375        | 383        | 363        | 357        |
| Fire Stations                  | 10          | 12         | 12         | 13         | 13         | 13         | 13         | 14         | 14         |
| Highways and Streets           |             |            |            |            |            |            |            |            |            |
| Square Yards of Pavement       | 19,100,000  | 19,100,000 | 19,231,553 | 19,231,553 | 19,660,273 | 20,393,288 | 20,562,017 | 20,644,388 | 20,873,951 |
| Equivalent 12' Wide Lane Miles | 2,713       | 2,713      | 2,732      | 2,732      | 2,793      | 2,897      | 2,921      | 2,932      | 2,965      |
| Streetlights                   | 9,510       | 10,300     | 10,500     | 10,650     | 10,828     | 11,022     | 11,132     | 9,134      | 8,257      |
| Traffic Signals                | 250         | 253        | 258        | 262        | 276        | 276        | 285        | 295        | 289        |
| Culture and Recreation         |             |            |            |            |            |            |            |            |            |
| Parks                          | 40          | 40         | 40         | 40         | 40         | 40         | 43         | 41         | 41         |
| Parks Acreage                  | 869         | 869        | 849        | 849        | 937        | 937        | 962        | 931        | 941        |
| Swimming Pools                 | 3           | 3          | 3          | 3          | 3          | 4          | 4          | 4          | 4          |
| Tennis Courts                  | 49          | 49         | 49         | 49         | 49         | 51         | 55         | 55         | 55         |
| Community Centers              | 6           | 6          | 6          | 6          | 6          | 5          | 5          | 5          | 5          |
| Water                          |             |            |            |            |            |            |            |            |            |
| Water Mains (miles)            | 1,738       | 1,815      | 1,854      | 1,897      | 1,933      | 1,997      | 2,030      | 2,044      | 2,061      |
| Fire Hydrants                  | 8,659       | 8,928      | 9,193      | 9,541      | 9,839      | 10,147     | 10,367     | 10,365     | 10,664     |
| Sewer                          |             |            |            |            |            |            |            |            |            |
| Sanitary Sewers (miles)        | 1,155.0     | 1,262.0    | 1,280.0    | 1,287.4    | 1,309.0    | 1,350.0    | 1,353      | 1,360      | 1,421      |
| Storm Sewers (miles)           | 68.7        | 68.7       | 137.7      | 142.8      | 148.0      | 153.5      | 157.2      | 166.9      | 164.0      |

Source: City of Scottsdale, Arizona departments.



City of Scottsdale, Arizona  
Finance and Accounting Division  
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