



COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF SCOTTSDALE
ARIZONA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012



City of Scottsdale, Arizona



**Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2012**

Prepared by:

Finance and Accounting Division
David N. Smith
City Treasurer/Chief Financial Officer
Joyce L. Gilbride, CPA
Accounting Director



City of Scottsdale, Arizona

Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2012

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October 31, 2012

To the 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, 2012, is submitted in accordance with Article 6, Section 14, of the City Charter. Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen, LLP have issued an unqualified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2012. The independent auditors’ report is located at the front of the financial section of this report.

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

City of Scottsdale Profile

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.

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. The City has experienced significant increases in population, with the 1950 census reporting 2,032 residents, and the 2010 census reporting 217,385. The City’s population is currently estimated at 217,965 residents making it the sixth largest city in Arizona and the 92nd largest city in the United States.



Letter of Transmittal

For the Fiscal Year
Ended June 30, 2012

City of Scottsdale
Scottsdale, Arizona

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 and serve overlapping four-year terms. The City Council directly hires six officers (City Attorney, City Auditor, City Clerk, City Manager, City Treasurer, and Presiding Judge) who have full responsibility for carrying out City Council policies and administering City operations. The City provides a full range of municipal 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. 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 final budget adoption in order to obtain taxpayer comments. In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the maximum legal expenditure limit for 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 2011/12, 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 benefits from 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 business 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-technology; healthcare and medical; 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 in the area, including several world-class resorts and "boutique" hotels, provide over 9,300 guest rooms, along with spectacular spas, trend-setting dining and one-of-a-kind Sonoran desert golf courses. With close to 5,000 retail shops, more than 600 restaurants, 125 golf courses, national and international events, art galleries, and a spectacular southwest Sonoran desert setting, Scottsdale continues to be a popular destination for visitors year-round and is well-positioned as the economy recovers. Transient Occupancy Tax revenues to the City increased by 2 percent for fiscal year 2011/12, due to a strengthening Scottsdale tourism industry.

McDowell Sonoran Preserve

The Preserve encompasses some of the most scenic desert lands and mountains in Arizona and includes hundreds of miles of trails, including the award-winning Bajada Nature Trail, for explorers of all skill levels. Ultimately the Preserve is planned to span about 34,000 acres – about one-third of the City’s land mass.

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 State of Arizona applied tax rate. The City saw a second year of growth in retail sales tax revenues with a year-over-year increase of 6 percent in fiscal year 2011/12 up from 3 percent in the previous fiscal year.

Property Values

The City benefits from a robust assessed valuation of the properties contained within the City boundaries. These strong assessed valuations, even though reduced from historical highs due to the recession and housing bubble, results in Scottsdale having lower property tax rates than most of the surrounding municipalities in the Phoenix metro area.

Employment

Scottsdale’s unemployment rate for the month of June 2012 was 5.8 percent, significantly lower than the state level of 8.5 percent. Historically, Scottsdale’s unemployment rate is about 2 percent lower than the state’s average. The Scottsdale Airpark is the second largest employment center in Arizona boasting about 48,000 employees in more than 2,000 businesses. A total of 9 new companies relocated to Scottsdale in fiscal year 2011/12 creating approximately 930 new jobs. Additionally, the expansion of 4 companies resulted in another 535 jobs.

Commercial Vacancy Rates

Scottsdale’s citywide average office vacancy rate was 25.7 percent for the second quarter of calendar year 2012 – lower than the Phoenix market average of 27.8 percent. Of the commercial construction underway in the Phoenix Market area at the end of the second quarter 2012, 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 continued economic slowdown, potential for State legislative initiatives to reduce revenue sharing and additional demands for essential City services such as police, fire, transportation and social services all pose a fiscal challenge. Achieving and maintaining fiscal stability requires many elements, all working in concert with one another. The following identifies other 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 45 adopted financial policies governing operations, capital management, debt management, reserves and financial reporting. Regular review and refinement of these policies is done in conjunction with financial plan development and policies which are adopted annually by the City Council.

Financial Resources 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 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.

In recent years, the City has generally issued two types of debt: voter approved General Obligation bonds and non-voter approved Municipal Property Corporation bonds and Certificates of Participation (see Section IV.F of the Notes to the Financial Statements for further information).

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. 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. A summary of the City's bond ratings follows.

City of Scottsdale Bonded Debt Ratings

As of June 30, 2012

	Moody's Investors Service	Standard and Poor's Rating Group	Fitch Investors 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 fiscal year 2012/13 budget reflects cautious optimism as revenues continue on a positive trend from the previous year and expenditure levels are stabilized.

The adopted budget eliminated 33 vacant positions in the General Fund with no anticipated service impact to citizens. Division budgets reflect only increases necessary to cover rising costs over which the City has no control such as utilities, fuel and state retirement plan contributions. Modest improvements projected in the City's revenues will allow Scottsdale to meet its most pressing needs and fund the highest priorities for fiscal year 2012/13.

The Capital Improvement Plan invests \$21.0 million of General Fund dollars (\$363.0 million all funds) in a variety of key infrastructure improvements throughout the City to maintain and improve the City's service delivery systems. Additionally, one-time savings created by keeping operating expenditures below revenues during the past few years allows for \$5.3 million available in the operating and capital budgets to address critical maintenance and investment at parks, pools and other City facilities.

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, 2011. This was the thirty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. However, 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 award.

The City of Scottsdale also received the "Distinguished Budget Presentation Award" for the fiscal year beginning July 1, 2011 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, 2012.

The preparation of this report would not have been possible without the talent, effort, and dedication of the entire staff of the Finance and Accounting division. I wish to thank all City divisions for their assistance in providing the data necessary to prepare this report. I also wish to express my sincere appreciation to the City Council and the City Manager for their support in maintaining the highest standards of professionalism in planning and conducting the financial affairs of the City of Scottsdale.

Respectfully submitted,

A handwritten signature in cursive script that reads "David N. Smith". The signature is written in black ink and includes a long horizontal flourish extending to the right.

David N. Smith
City Treasurer/Chief Financial Officer

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, 2011

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



**Comprehensive
Annual
Financial
Report**

For the Fiscal Year
Ended June 30, 2012

City of Scottsdale
Scottsdale, Arizona

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

City Council

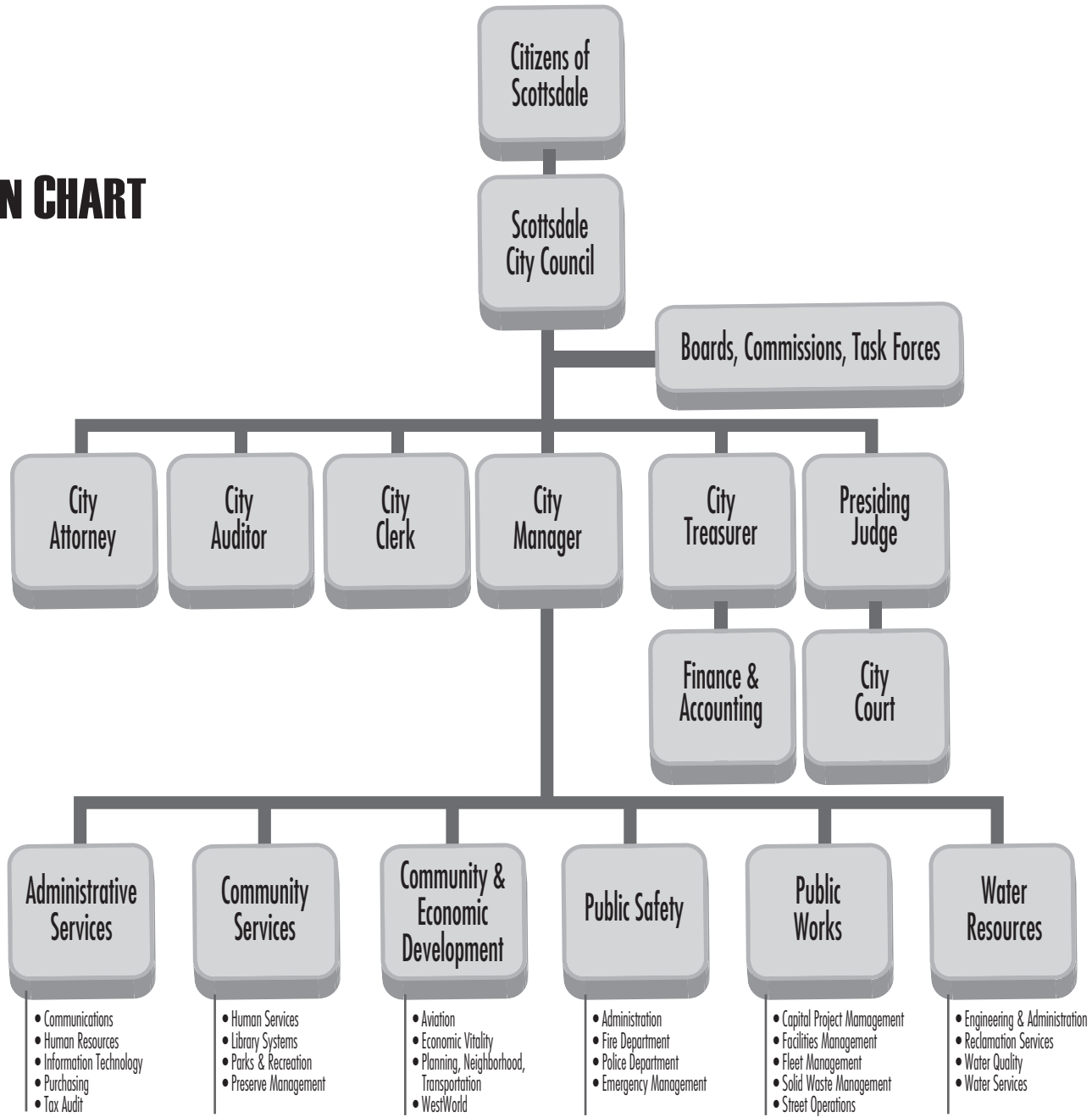
W.J. "Jim" Lane, Mayor
Lisa M. Borowsky
Susan Klapp
Robert W. Littlefield
Ron McCullagh
Linda Milhaven
Dennis Robbins

Charter Offices

Dan Worth, Acting City Manager
Bruce Washburn, City Attorney
Sharron Walker, City Auditor
Carolyn Jagger, City Clerk
Joseph Olcavage, Presiding Judge
David N. Smith, City Treasurer/Chief Financial Officer



ORGANIZATION CHART





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, 2012, 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.

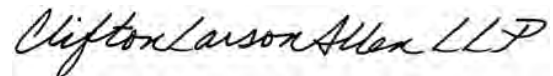
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2012, 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 31, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 30, the Public Safety Personnel Retirement System Schedule of Funding Progress on pages 99 and 100, and the Other Postemployment Benefit Plan Schedule of Funding Progress on page 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and other supplementary information 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Mesa, Arizona
October 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scottsdale, Arizona'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, 2012 and 2011. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2012 are as follows:

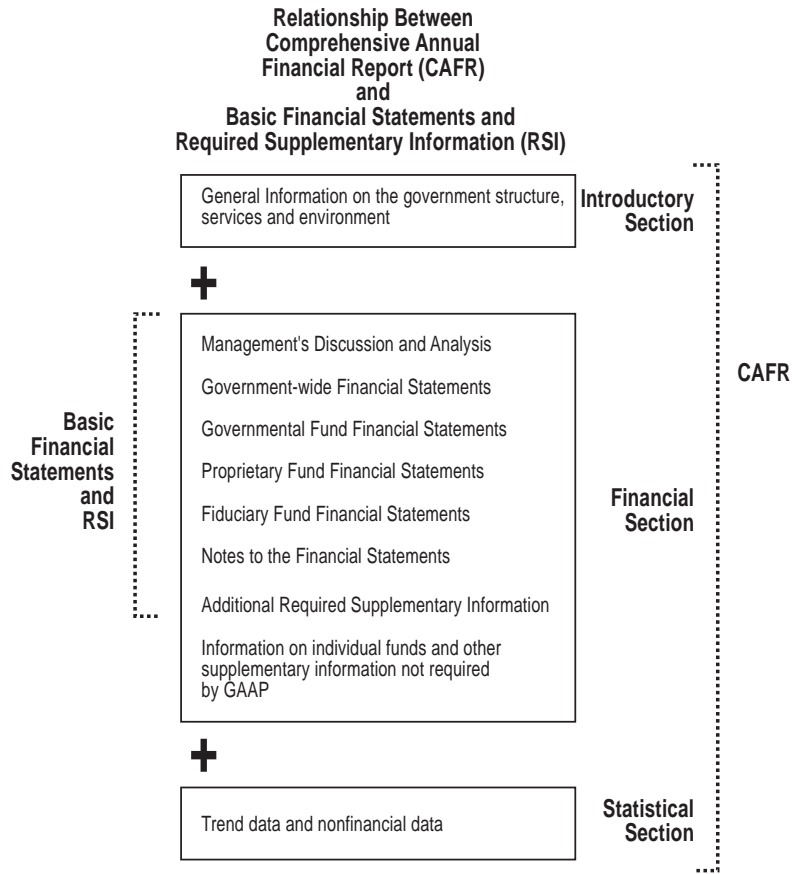
- The assets of the City exceeded its liabilities at the close of the fiscal years 2012 and 2011 by \$4.3 billion and \$4.2 billion (net assets), respectively. Of these amounts, \$317.2 million and \$367.2 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$83.7 million and \$13.4 million during fiscal years 2012 and 2011, respectively.
- As of June 30, 2012 and 2011, the City's governmental funds had combined ending balances of \$207.8 million and \$203.2 million, respectively.
- At the close of the fiscal year, the unassigned fund balance for the General Fund was \$52.1 million or 24 percent of total General Fund expenditures of \$217.7 million.
- The City sold its Planet Ranch assets for approximately \$10.0 million plus 50,000 acre feet of water credits estimated at \$12.7 million.
- More than 4,000 acres of state trust land was added to the McDowell Sonoran Preserve at a cost of \$86.0 million. Approximately \$36.3 million came from the Growing Smarter State Trust Land Acquisition Grants. The remainder was financed with bond proceeds; the debt service for which will be paid from the two dedicated sales taxes approved by Scottsdale voters in 1995 and 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of four components:

- (1) Government-wide Financial Statements
- (2) Fund Financial Statements
- (3) Notes to the Financial Statements
- (4) Required Supplementary Information

In addition, this report also contains other supplementary information.



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 financial 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 a useful 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, 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 earned but unused vacation and medical 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, public works, community and economic development, public safety, community services, administrative services, streetlight and services districts. The business-type activities of the City include water, sewer, solid waste management, and airport operations.

The government-wide financial statements include not only the City (known as the *primary government*), but also 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 balance for the General Fund, General Obligation Bond Debt Service Fund, General Capital Improvement Plan (CIP) Capital Projects Fund, and the Preserve Privilege Tax Capital Projects 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 nonmajor governmental funds is provided in the form of combining statements in the combining and individual funds statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 34-42 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 Management 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, personal computer replacement, 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 Propriety Fund financial statements. Individual fund data for the Internal Service Funds are provided in the form of combining statements in a separate section of this report.

The basic Proprietary Fund financial statements can be found on pages 43-46 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 three 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 can be found on pages 47-48 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-98 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplementary information (RSI) provides additional information regarding the City's other post-employment benefit (OPEB) and the Public Safety Personnel Retirement system. RSI can be found on pages 99-101 of this report.

Combining Statements

The combining statements referred to earlier in connection with nonmajor Governmental Funds, Internal Service Funds, and Fiduciary Funds are presented on pages 104-137.

Other Supplementary Information

The supplemental debt service schedule provides a comprehensive overview of the City's total debt and can be found on pages 139-141.

Statistical Information

The statistical section, found on pages 144-172, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the City's overall financial health.

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 net assets. The change in net assets reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial 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 \$4.3 billion and \$4.2 billion at the close of the fiscal years 2012 and 2011, respectively.

The following table is a condensed summary of the City's net assets for governmental and business-type activities:

Net Assets

June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and Other Assets	\$ 380,880	\$ 389,634	\$ 357,734	\$ 386,398	\$ 738,614	\$ 776,032
Capital Assets	3,608,608	3,523,879	1,391,647	1,358,710	5,000,255	4,882,589
Total Assets	<u>3,989,488</u>	<u>3,913,513</u>	<u>1,749,381</u>	<u>1,745,108</u>	<u>5,738,869</u>	<u>5,658,621</u>
LIABILITIES						
Long-Term Liabilities Outstanding	858,618	851,993	380,403	392,803	1,239,021	1,244,796
Other Liabilities	156,020	156,426	50,350	47,650	206,370	204,076
Total Liabilities	<u>1,014,638</u>	<u>1,008,419</u>	<u>430,753</u>	<u>440,453</u>	<u>1,445,391</u>	<u>1,448,872</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	2,800,451	2,704,433	1,036,985	1,009,973	3,837,436	3,714,406
Restricted	100,275	91,862	38,576	36,287	138,851	128,149
Unrestricted	74,124	108,799	243,067	258,395	317,191	367,194
Total Net Assets	<u>\$ 2,974,850</u>	<u>\$ 2,905,094</u>	<u>\$ 1,318,628</u>	<u>\$ 1,304,655</u>	<u>\$ 4,293,478</u>	<u>\$ 4,209,749</u>

The largest portion (89 percent) of the City's net assets reflects its net investment in capital assets (e.g. land, buildings, and streets and storm drains) less any related outstanding debt used to acquire those assets. These amounted to \$3.8 billion and \$3.7 billion at June 30, 2012 and 2011, respectively. Although the City's investment in 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 (\$138.9 million at June 30, 2012, and \$128.1 million at June 30, 2011) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets (8 percent of the City's total net assets) at June 30, 2012 and 2011, \$317.2 million and \$367.2 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 \$83.7 million and \$13.4 million during the fiscal years 2012 and 2011, 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 that follows.

Changes in Net Assets

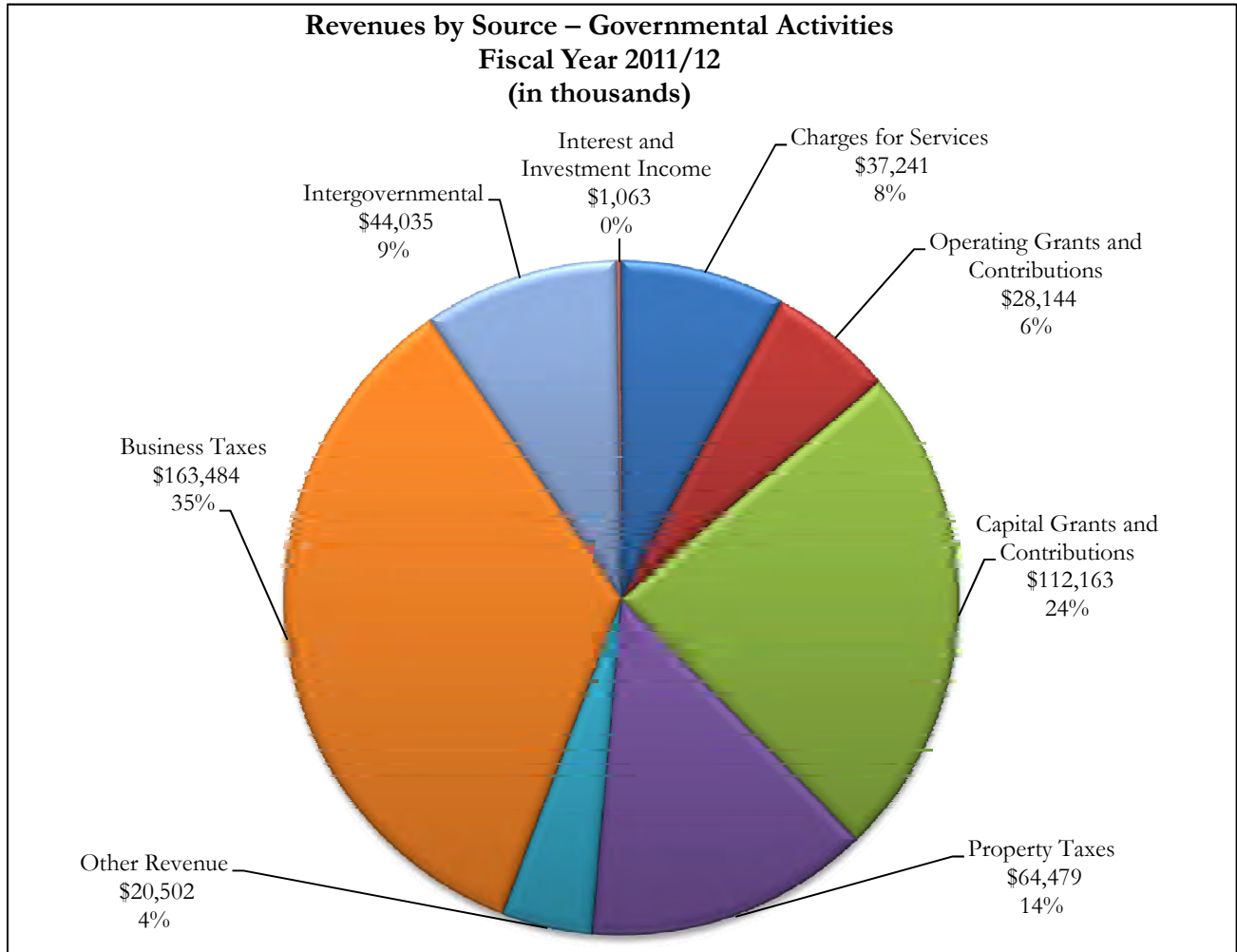
For the fiscal years ended June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues						
Charges for Services	\$ 37,241	\$ 38,152	\$ 157,968	\$ 152,345	\$ 195,209	\$ 190,497
Operating Grants and Contributions	28,144	32,205	-	-	28,144	32,205
Capital Grants and Contributions	112,163	41,072	8,607	17,889	120,770	58,961
General Revenues						
Property Taxes	64,479	67,703	-	-	64,479	67,703
Business Taxes	163,484	154,415	132	134	163,616	154,549
Intergovernmental - Taxes	35,334	49,190	-	-	35,334	49,190
Intergovernmental - Other	8,701	-	-	-	8,701	-
Interest and Investment Income	1,063	248	421	2,658	1,484	2,906
Gain on Sale of Capital Asset	97	-	7,610	-	7,707	-
Other Revenue	20,405	11,849	-	1,355	20,405	13,204
Total Revenues	<u>471,111</u>	<u>394,834</u>	<u>174,738</u>	<u>174,381</u>	<u>645,849</u>	<u>569,215</u>
EXPENSES						
General Government						
Mayor and City Council	734	612	-	-	734	612
City Clerk	1,118	934	-	-	1,118	934
City Attorney	5,419	5,499	-	-	5,419	5,499
City Auditor	617	717	-	-	617	717
City Court	5,736	5,602	-	-	5,736	5,602
City Manager	842	1,434	-	-	842	1,434
City Treasurer - Finance and Accounting	4,498	6,697	-	-	4,498	6,697
Public Works	34,416	35,605	-	-	34,416	35,605
Community and Economic Development	126,622	134,221	-	-	126,622	134,221
Public Safety	115,740	111,227	-	-	115,740	111,227
Community Services	54,442	51,974	-	-	54,442	51,974
Administrative Services	17,318	19,443	-	-	17,318	19,443
Streetlight and Services Districts	572	578	-	-	572	578
Interest on Long-Term Debt	40,647	40,358	-	-	40,647	40,358
Water Utility	-	-	90,829	83,888	90,829	83,888
Sewer Utility	-	-	41,218	34,533	41,218	34,533
Airport	-	-	3,681	3,680	3,681	3,680
Solid Waste	-	-	17,671	18,853	17,671	18,853
Total Expenses	<u>408,721</u>	<u>414,901</u>	<u>153,399</u>	<u>140,954</u>	<u>562,120</u>	<u>555,855</u>
Increase (Decrease) in Net Assets Before Transfers	62,390	(20,067)	21,339	33,427	83,729	13,360
Transfers	7,366	10,179	(7,366)	(10,179)	-	-
Change in Net Assets	69,756	(9,888)	13,973	23,248	83,729	13,360
Net Assets at Beginning of Year	2,905,094	2,914,982	1,304,655	1,281,407	4,209,749	4,196,389
Net Assets at End of Year	<u>\$ 2,974,850</u>	<u>\$ 2,905,094</u>	<u>\$ 1,318,628</u>	<u>\$ 1,304,655</u>	<u>\$ 4,293,478</u>	<u>\$ 4,209,749</u>

Governmental Activities

Governmental activities increased the City's net assets by \$69.8 million in fiscal year 2012 and decreased the City's net assets by \$9.9 million in fiscal year 2011. Governmental activities accounted for 83 percent of the total growth in the net assets of the City for fiscal year 2012. Capital grants and contributions posted a year-over-year growth of 105 percent.

General revenues such as property, franchise, and privilege taxes are not shown by program, but are used to support program activities citywide. For governmental activities overall, without regard to program, business taxes, which includes sales and use taxes and franchise taxes (35 percent), are the largest single source of funds, followed by capital grants and contributions (24 percent), property taxes (14 percent), intergovernmental revenues (including state shared revenues) (9 percent), and charges for services (8 percent).



Property taxes decreased by 5 percent from the previous year, primarily reflecting a reduction in the secondary tax assessment (for debt service) and the elimination of an assessment for tort claims (which was \$1.7 million in fiscal year 2011). In spite of the lower tax assessments, a decrease in both the primary and secondary assessed valuation from the prior year caused increases in both the primary (\$0.06) and secondary (\$0.14) tax rates per \$100 of assessed value.

Business taxes increased 6 percent from the previous year. Sales tax categories with the largest increases over the prior year include retail stores, automotive, restaurants, and construction.

The Community and Economic Development Division (including the Transportation Department) is the largest expense function (31 percent) followed closely by the Scottsdale Police and Fire Departments, which together comprise the Public Safety Division (28 percent), and Community Services Division (13 percent).

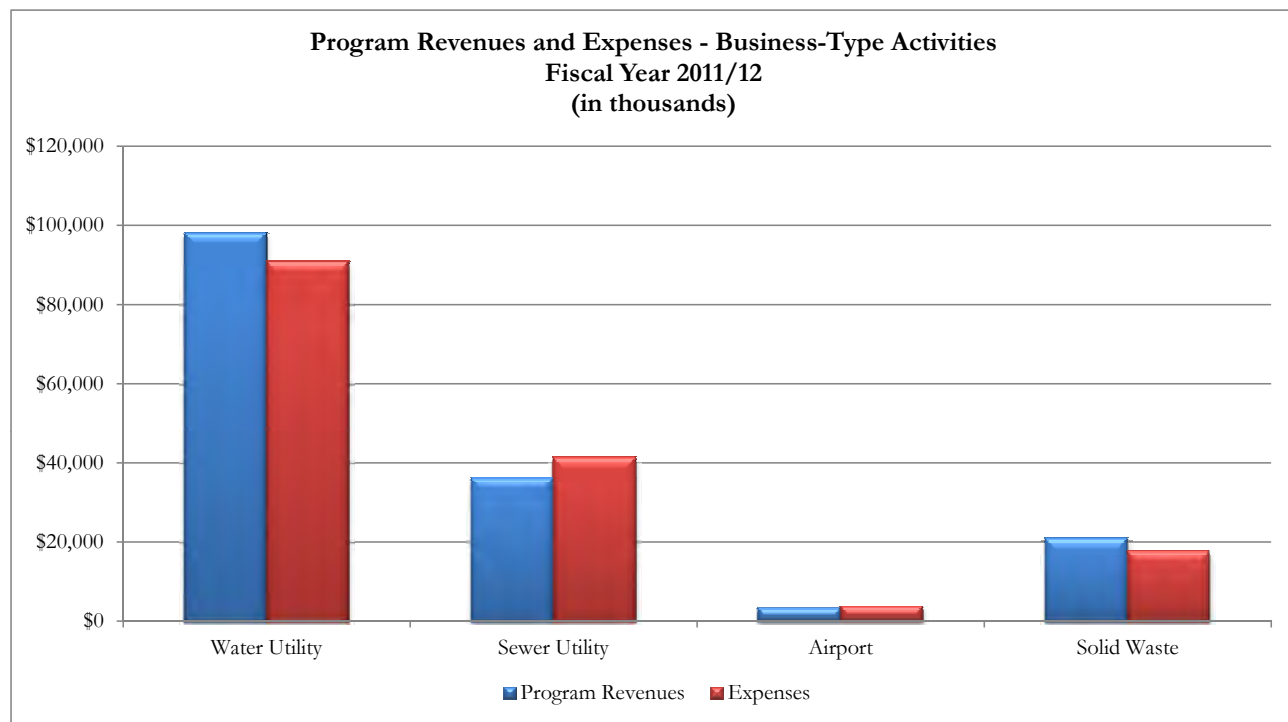
The Transportation Department, one of six departments in the Community and Economic Development Division, is charged with ensuring Scottsdale neighborhoods, businesses and visitors are provided an accessible, environmentally sensitive, safe and efficient transportation system. Projects and operations 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 Public Safety Division provides police and fire/emergency services throughout the City. The division confronts community crime, responds to community needs, and reduces the incidence and severity of emergencies through timely and skilled all-hazard services.

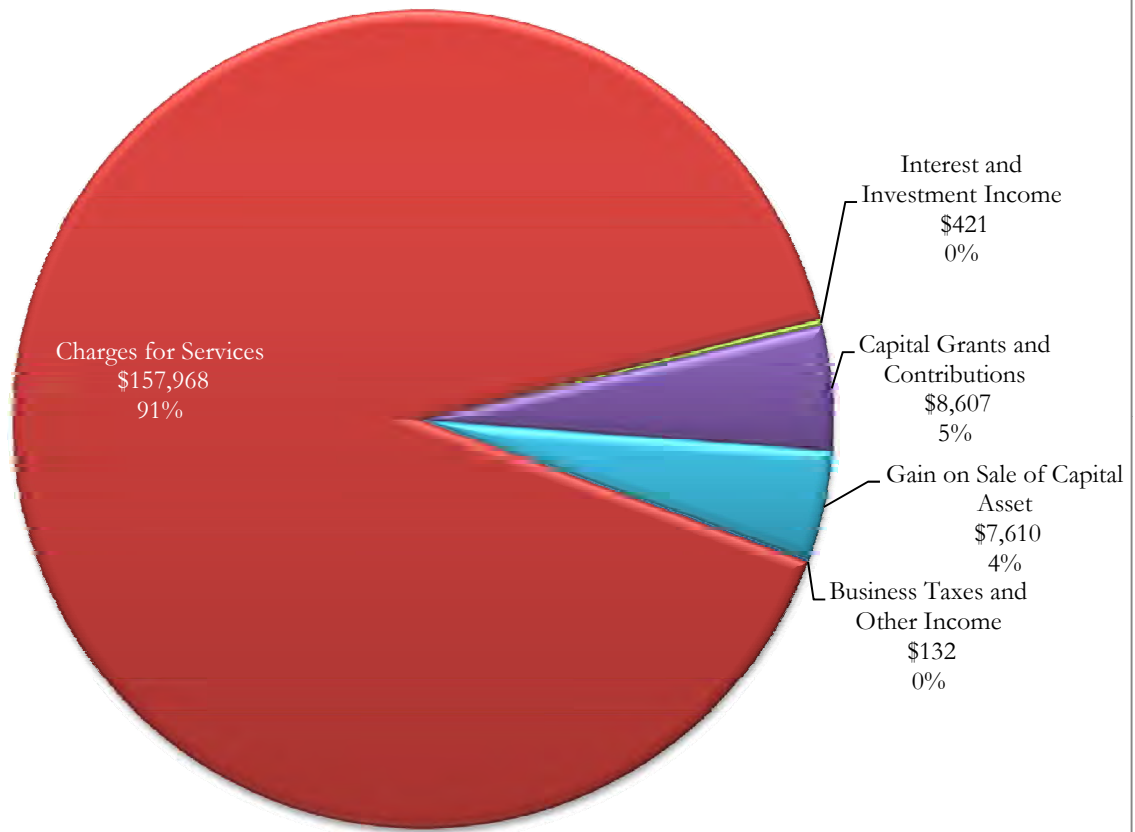
The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, and development of lifetime skills, promoting healthy lifestyles and serving as a catalyst for community involvement. They also provide assistance and guidance to those in need through federal, state, local and private resources.

Business-Type Activities

Business-type activities increased the City's net assets in fiscal years 2012 and 2011 by \$14.0 million and \$23.2 million, respectively, accounting for 17 percent and 100 percent, respectively, of the total growth in the City's net assets. One key factor of this increase was Water and Sewer Utility Fund capital contributions from developers and grantors, resulting in \$8.6 million and \$17.9 million for fiscal years 2012 and 2011, respectively. The majority of this amount was infrastructure donated by developers and development fees received. Another factor contributing to the increase in fiscal year 2012 was a \$7.6 million gain on the sale of Planet Ranch.



Revenues by Source – Business-Type Activities
Fiscal Year 2011/12
(in thousands)



As shown in the “Program Revenues and Expenses for Business-Type Activities” chart, the largest of Scottsdale’s business-type activities, Water and Sewer utilities, had expenses of \$90.8 million and \$41.2 million, respectively, in fiscal year 2012, followed by Solid Waste with operating expenses of \$17.7 million and Aviation of \$3.7 million. As shown on the “Revenues by Source for Business-Type Activities” chart, charges for services provided the largest share of revenues (91 percent) followed by capital grants and contributions (5 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 provided 87,577 water service connections to customers in fiscal year 2011/12.

The Solid Waste Department provides delivery of safe, efficient and environmentally sound solid waste services to 76,713 residential customers and 1,162 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. More than 146,000 take-offs and landings occurred last year at 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 spendable and non-spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use 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 \$207.8 million, an increase of \$4.6 million in comparison to the balance at June 30, 2011 of \$203.2 million. Approximately \$51.7 million of the total at June 30, 2012, constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

Revenues for governmental functions overall totaled approximately \$413.3 million in fiscal year 2012, an increase of 6.5 percent (\$25.1 million) from the previous year total of \$388.2 million. In fiscal year 2012 expenditures for governmental functions totaled \$466.9 million, an increase of 4.3 percent (\$19.1 million) from the fiscal year 2011 total of \$447.8 million. In the fiscal years ended June 30, 2012 and 2011, expenditures for governmental functions exceeded revenues by approximately \$53.6 million and \$59.6 million respective.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$52.1 million, while the total fund balance was \$52.6 million; the unassigned and total balances for the General Fund at the end of fiscal year 2011 were \$53.2 million and \$53.7 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.9 percent of the total General Fund expenditures of \$217.7 million in fiscal year 2012 and represented 24.1 percent of the total General Fund expenditures of \$220.9 million in fiscal year 2011. Total fund balance represented 24.2 percent and 24.3 percent of total fund expenditures for fiscal years 2012 and 2011, respectively.

Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2012, by \$11.9 million. The General Fund Balance decreased in fiscal year 2012 by \$1.1 million. The primary reason for the decrease in fund balance was transfers to the City's self insurance fund.

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 \$5.8 million, a decrease of \$1.0 million from the \$6.8 million as of June 30, 2011. The primary reasons for the decrease in fund balance were planned use of reserve funds for bond issuance costs and property tax revenues coming in lower than expected.

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. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Project fund was \$35.1 million, a decrease of \$2.2 million from the \$37.3 million at June 30, 2011. The primary reason for the decrease was lower current year revenues and transfers in compared to expenditures. Capital improvement expenditures in 2012 and 2011 were \$56.7 million, and \$56.4 million, respectively.

The Preserve Privilege Tax Capital Projects Fund accounts for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Significant transactions in fiscal year 2011/12 include the purchase of more than 4,000 acres of state trust land. The transaction was partially funded by a state land trust grant and the remainder of the purchase was financed using bond proceeds. The debt service will be paid from voter approved Preserve Privilege Tax.

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 2012 and 2011, the unrestricted net assets for the Water and Sewer Utility were \$225.0 million and \$244.4 million, respectively; Scottsdale Airport's were \$5.7 million and \$5.0 million, respectively; and the Solid Waste Utility Fund's were \$12.3 million and \$9.0 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, also had unrestricted net assets of \$22.1 million and \$26.9 million, respectively.

The total growth in net assets for the Enterprise Funds was \$14.0 million and \$23.2 million for fiscal years 2012 and 2011, 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 \$6.3 million due to capital contributions of \$4.0 million as well as increased operating revenues.

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 reflecting efforts to reduce expenditures to deal with the depth and duration of the economic recession. The primary strategy used was to restrict operating expenditures at or below the prior year actual amounts and only filling essential vacant positions.

Revenues were \$9.9 million more than projected primarily because Privilege Taxes and Transient Occupancy (Bed) Tax performed better than expected. Expenses were \$2.4 million less than the revised budget. Specifically, full-time and part-time wages, jail services, software maintenance and licensing, phones and specialty lines, and various other contractual services were all 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, 2012 and 2011, amount to \$5.0 billion and \$4.9 billion, respectively (net of accumulated depreciation). Capital assets include land, buildings and improvements, streets and storm drains, 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 2012 and 2011 was 2.4 percent.

Capital Assets, Net of Depreciation

June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,693,561	\$ 1,559,367	\$ 40,699	\$ 40,190	\$ 1,734,260	\$ 1,599,557
Buildings and Land Improvements	374,315	372,136	17,919	14,178	392,234	386,314
Streets and Storm Drains	1,343,983	1,401,526	-	-	1,343,983	1,401,526
Machinery and Equipment	25,003	22,343	13,993	13,789	38,996	36,132
Water Rights	-	-	87,171	89,701	87,171	89,701
Water System	-	-	805,830	806,046	805,830	806,046
Sewer System	-	-	407,741	333,954	407,741	333,954
Motor Vehicles and Maintenance by Fleet	19,945	20,380	-	-	19,945	20,380
Furniture, Fixtures, and Office Equipment	-	-	164	198	164	198
Construction in Progress	151,801	148,127	18,130	60,654	169,931	208,781
Total	<u>\$ 3,608,608</u>	<u>\$ 3,523,879</u>	<u>\$ 1,391,647</u>	<u>\$ 1,358,710</u>	<u>\$ 5,000,255</u>	<u>\$ 4,882,589</u>

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

- Pima Road Drainage System project that will construct open channel and storm drain improvements designed in conjunction with major roadway improvements. Expenditures totaled \$1.6 million this year against a budget of \$6.4 million. As of June 30, 2012, the inception to date expenditures total \$3.2 million, leaving a balance of \$3.2 million. The project is anticipated to be completed in fiscal year 2012/13.
- Scottsdale/Thunderbird Park and Ride Facility project. Expenditures totaled \$2.1 million against a budget of \$10.6 million. As of June 30, 2012, the inception to date expenditures total \$2.6 million, leaving a balance of \$8.0 million. The project is anticipated to be completed in fiscal year 2012/13.
- Tom's Thumb Trailhead project that is to construct amenities and infrastructure improvements to serve passive recreational users at the major north community access area in the McDowell Sonoran Preserve. Expenditures totaled \$2.2 million against a budget of \$3.3 million. As of June 30, 2012, the inception to date expenditures total \$2.6 million, leaving a balance of \$0.7 million. The project is anticipated to be completed in fiscal year 2012/13.

- Scottsdale Road Pedestrian and Bicycle Improvements Phase 1 project that will improve the pedestrian environment, add bicycle lanes and improve transit connections and amenities along Scottsdale Road between Osborn Road and Chaparral Road. Expenditures totaled \$3.5 million this year against a budget of \$7.5 million. As of June 30, 2012, the inception to date expenditures total \$7.1 million, leaving a balance of \$0.4 million. The project is anticipated to be completed in fiscal year 2012/13.
- Pima Road – Thompson Peak to Pinnacle Peak Road project that will construct a six-lane parkway cross-section. Expenditures totaled \$3.7 million against a budget of \$28.4 million. As of June 30, 2012, the inception to date expenditures total \$24.9 million, leaving a balance of \$3.5 million. The project is anticipated to be completed in fiscal year 2012/13.
- Apron Reconstruction-Landmark and Transient project with the purpose of reconstructing aircraft parking aprons designated “Landmark” and “Transient” necessary to meet FAA standards. Expenditures totaled \$4.6 million this year against a budget of \$7.6 million. As of June 30, 2012, the inception to date expenditures total \$4.8 million, leaving a balance of \$2.8 million. The project is anticipated to be completed in fiscal year 2012/13.
- Tony Nelssen Equestrian Center Expansion project. Expenditures totaled \$4.7 million this year against a budget of \$28.2 million. As of June 30, 2012, the inception to date expenditures total \$5.3 million, leaving a balance of \$22.9 million. The project is anticipated to be completed in fiscal year 2012/13.
- Preserve land purchased under the Expanded McDowell Sonoran Preserve project. Expenditures totaled \$52.1 million this year against a budget of \$237.2 million. As of June 30, 2012, the inception to date expenditures total \$173.8 million, leaving a balance of \$63.4 million. Preserve land may continue to be purchased in future years within the 36,400 acre planned Preserve boundary, as approved by the voters in May 1995 and November 1998.
- Preserve land purchased under two Growing Smarter FY 2011 Grant projects. Expenditures totaled \$36.3 million this year against a budget of \$36.3 million. The project was completed and closed when the state grant funds were spent with the land purchase.
- The City’s water and sewer 5-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 CIP cash expenditures include:
 - Chaparral Water Treatment Plant Pretreatment (\$2.1 million) – This project will examine specific pretreatment processes to prevent Trihalomethanes (THM) from being formed within water treatment plant prior to distribution into the distribution system. The project’s budget totals \$10 million. As of June 30, 2012, the inception to date expenditures total \$3.6 million, leaving a balance of \$6.4 million. This project is anticipated to be completed in fiscal year 2014/15.
 - Downtown Water Transmission Lines (\$2.3 million) – Upgrades to the existing water distribution systems to address the rapid growth in the downtown area. The project’s budget totals \$6.4 million. As of June 30, 2012, the inception to date expenditures total \$5.7 million, leaving a balance of \$0.7 million. The project is anticipated to be completed in fiscal year 2012/13.

- o Reclaimed Water Distribution Systems (RWDS) Improvements (\$2.4 million) – Provides for improvements to the RWDS pipeline pump stations and reservoirs. The project's budget totals \$3.1 million. As of June 30, 2012, the inception to date expenditures total \$2.8 million, leaving a balance of \$0.3 million. The project is anticipated to be completed in fiscal year 2012/13.
- o Booster Station Upgrades (\$3.3 million) – This project will upgrade components of the water production system as needed to meet system demands. The project's budget totals \$6.8 million. As of June 30, 2012, the inception to date expenditures total \$4.9 million, leaving a balance of \$1.9 million. The project is anticipated to be completed in fiscal year 2015/16.
- o Water Campus Chlorine Generation (\$7.5 million) – This project will modify the existing chlorine storage system. The project's budget totals \$10.0 million. As of June 30, 2012, the inception to date expenditures total \$7.6 million, leaving a balance of \$2.4 million. The project is anticipated to be completed in fiscal year 2015/16.
- o Water Distribution System Improvements (\$10.6 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 \$57.4 million. As of June 30, 2012, the inception to date expenditures total \$46.0 million, leaving a balance of \$11.4 million. The project is anticipated to be completed in fiscal year 2013/14.
- o Wastewater Collection System Improvements (\$19.7 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 \$47.7 million. As of June 30, 2012, the inception to date expenditures total \$45.9 million, leaving a balance of \$1.8 million. The project is anticipated to be completed in fiscal year 2013/14.
- o Advanced Water Treatment – Phase 4 (\$20.1 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, management, operations, and maintenance regulatory requirements and minimize or eliminate the need for additional capacity in the Sub-Regional Operating Group regional sewage transmission facilities. The project's budget totals \$59.3 million. As of June 30, 2012, the inception to date expenditures total \$50.6 million, leaving a balance of \$8.7 million. The project is in the construction phase and is anticipated to be complete in fiscal year 2012/13.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. For governmental activities, fund financial statements record capital asset purchases as expenditures. Additional information on the City's capital assets can be found in Note IV.C on pages 71-73 of this report.

Debt Administration

At the end of the fiscal years 2012 and 2011, the City had total long-term liabilities of \$1,274.0 million and \$1,281.0 million, respectively. Of these amounts, \$594.4 million and \$572.7 million, respectively, are General Obligation Bonds backed by the full faith and credit of the City. The remainder includes water and sewer revenue bonds, municipal property corporation bonds, preserve authority bonds, certificates of participation, and other obligations of \$679.6 million and \$708.3 million for fiscal years 2012 and 2011, respectively.

Long-Term Liabilities

June 30, 2012 and 2011 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 594,425	\$ 572,740	\$ -	\$ -	\$ 594,425	\$ 572,740
Water and Sewer Revenue Bonds	-	-	38,630	42,010	38,630	42,010
Municipal Property Corporation Bonds	144,977	147,459	299,775	308,525	444,752	455,984
Scottsdale Preserve Authority Bonds	56,265	59,920	-	-	56,265	59,920
Special Assessments Bonds	750	1,500	-	-	750	1,500
Certificates of Participation	18,031	23,409	-	-	18,031	23,409
Community Facilities Districts General Obligation Bonds	34,640	36,745	-	-	34,640	36,745
Add Deferred Issuance Premiums	25,610	25,123	20,752	22,082	46,362	47,205
Less Deferred Amounts on Refunding	(7,519)	(8,366)	(4,495)	(4,734)	(12,014)	(13,100)
Total Bonds Payable	867,179	858,530	354,662	367,883	1,221,841	1,226,413
Contracts Payable	13,375	14,582	-	-	13,375	14,582
Risk Management Claims	10,611	11,140	-	-	10,611	11,140
Compensated Absences	25,172	25,182	3,039	3,289	28,211	28,471
Net Other Postemployment Benefit	-	325	-	98	-	423
Total Long-Term Liabilities	\$ 916,337	\$ 909,759	\$ 357,701	\$ 371,270	\$ 1,274,038	\$ 1,281,029

During fiscal year 2012, the City's total long-term liabilities decreased approximately \$7.0 million. This is due primarily to the City paying down approximately \$56.0 million of debt (\$28 million of General Obligation bonds, \$11 million of MPC bonds, \$7 million of Revenue bonds, \$7 million of COPs and Contracts, and \$3 million of district debt) partially offset by the City issuing \$50.0 million of new Preserve General Obligation bonds. As part of the new issuance process, the City's AAA rating on its uninsured General Obligation Bonds was affirmed by the Rating Agencies in January 2012.

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, 2012 and 2011 is \$271.8 million and \$368.3 million, respectively, in the 6 percent capacity and \$613.7 million and \$976.6 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 Tables XVIa and XVIb 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 unfunded annual required contributions (ARC) pursuant to the actuarial calculations for the accrued cost of retiree health insurance as of June 30, 2012. The NOPEBO at the end of the fiscal years 2012 and 2011 were \$(0.2) million and \$0.4 million, respectively.

Additional information in the City's long-term liabilities can be found in Section IV.F of the Notes to the Financial Statements on pages 74-86 of this report.

Economic Factors and Next Year's Budget and Rates

Like many municipalities across the state and nation, the economic recovery for Scottsdale has been slow. The City's long-term financial plan remains one of conservative economic growth over the next several years. Revenues are expected to increase by modest amounts in fiscal year 2012/13, a positive trend that continues from the previous year. The City's unemployment rate for the month of June 2012 of 5.8 percent continues to track below national, state, and other local unemployment rates.

The City of Scottsdale's fiscal year 2012/13 budget includes funding for the highest priorities of the citizens as directed by the City Council. The budget was created with the intention of minimizing impacts to programs and services for citizens. In those few cases where service levels were impacted, the City targeted low-demand periods or services. Division operating expenditure increases were contained to less than \$10 million or 5 percent. The majority of increases were to cover rising costs over which the City has little control such as utilities, fuel, and state retirement contributions.

The City has continued to reduce staffing levels to mitigate the impacts of the recessionary economy. An additional 33 positions in the General Fund were eliminated for fiscal year 2012/13, bringing total Citywide positions to the lowest point in eight years. The budget includes the first performance-based pay increase for employees since fiscal year 2008/09.

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 2012/13 is \$586.9 million, which includes \$431.3 million (or 73 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, and design and construction of the Tony Nelssen Equestrian Center Expansion.
- **Preservation** – Construct trails supporting the gateway to the preserve and expansion of preserve lands.
- **Drainage and Flood Control** – Improve drainage to several areas within Scottsdale including the Granite Reef Watershed, Upper Camelback Watershed, and Pima Road Drainage System.
- **Public Safety** – Purchase of the Police Special Investigations building, and purchase and outfit of self propelled mobile command center to be used for large scale operations.
- **Service Facilities** – Expansion of the Transfer Station, replacement of the Natural Gas Compressor, and purchase of Mobile Network Software.
- **Transportation** – Reconstruction of Taxiway "A" and Exits in the airport, and improvements to several main Scottsdale thorough ways including Pima Road-McDowell to 90th Street and Airpark Area Access Projects Phase I. Additionally, improvements will be made to bicycle lanes and enhanced sidewalks.
- **Water Services** – Modification and improvements to water distribution and wastewater collection system improvements.

The adopted budget continues the practice of maintaining 10 percent of the General Fund and Highway User Fund (Transportation Fund) program budgets to ensure the City can provide basic services in the event of major emergencies. For fiscal year 2012/13, this amount is \$29.7 million (including a \$5.0 million contingency).

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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, 2012 (in thousands of dollars)

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and Investments	\$ 245,317	\$ 116,025	\$ 361,342
Cash with Fiscal Agent	58,846	23,236	82,082
Receivable (net of uncollectible amounts of \$31,487)			
Property Taxes and Penalties	13,012	-	13,012
Other Local Taxes	23,848	12	23,860
Charges for Services	-	18,947	18,947
Intergovernmental	27,094	10	27,104
Interest and Other	7,033	1,590	8,623
Supplies Inventory	986	-	986
Restricted Cash, Cash Equivalents, and Investments			
Customer Advances and Deposits	-	1,165	1,165
Other Restricted Assets			
Joint Venture Construction Deposits	-	5,105	5,105
Total Current Assets	<u>376,136</u>	<u>166,090</u>	<u>542,226</u>
Noncurrent Assets			
Equity in Joint Venture	-	115,391	115,391
Deferred Charges	4,636	1,412	6,048
Pollution Remediation Recoveries	-	23,345	23,345
Net Other Postemployment Benefit	108	54	162
Restricted Cash, Cash Equivalents, and Investments			
Deferred Revenue	-	12,866	12,866
Water and Sewer System Replacement	-	33,140	33,140
Revenue Bond Reserve	-	5,436	5,436
Capital Assets			
Land, Water Rights, and Construction in Progress	1,845,362	146,000	1,991,362
Facilities, Infrastructure, and Equipment (net of depreciation)	1,763,246	1,245,647	3,008,893
Total Capital Assets (net of accumulated depreciation)	<u>3,608,608</u>	<u>1,391,647</u>	<u>5,000,255</u>
Total Noncurrent Assets	<u>3,613,352</u>	<u>1,583,291</u>	<u>5,196,643</u>
Total Assets	<u>3,989,488</u>	<u>1,749,381</u>	<u>5,738,869</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	13,284	14,002	27,286
Accrued Payroll and Benefits	10,332	1,057	11,389
Accrued Compensated Absences - Current	69	3	72
Accrued Compensated Absences - Due within one year	9,869	1,174	11,043
Claims Payable	4,555	-	4,555
Due to Other Governments	4,780	-	4,780
Customer Advances and Deposits	1,265	1,165	2,430
Matured Bonds, Loans, and Other Payables	38,350	12,130	50,480
Matured Bonds, Loans, and Other Interest Payable	18,855	8,484	27,339
Bonds, Loans, and Other Payables - Due within one year	43,295	12,335	55,630
Unearned Revenue	8,378	-	8,378
Other Liabilities	2,988	-	2,988
Total Current Liabilities	<u>156,020</u>	<u>50,350</u>	<u>206,370</u>
Noncurrent Liabilities			
Accrued Compensated Absences - Due in more than one year	15,303	1,865	17,168
Deferred Revenue	-	12,866	12,866
Bonds, Loans, and Other Payables - Due in more than one year	843,315	342,327	1,185,642
Pollution Remediation Obligation	-	23,345	23,345
Total Noncurrent Liabilities	<u>858,618</u>	<u>380,403</u>	<u>1,239,021</u>
Total Liabilities	<u>1,014,638</u>	<u>430,753</u>	<u>1,445,391</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,800,451	1,036,985	3,837,436
Restricted			
Debt Service	32,639	5,436	38,075
Highway User and Preserve Privilege Tax Activities	33,908	-	33,908
Capital Projects	29,968	-	29,968
Grants	1,310	-	1,310
Special Programs	2,190	-	2,190
Streetlight and Service District	260	-	260
Repair and Replacement	-	33,140	33,140
Unrestricted	74,124	243,067	317,191
Total Net Assets	<u>\$ 2,974,850</u>	<u>\$ 1,318,628</u>	<u>\$ 4,293,478</u>

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

Statement of Activities

For the Fiscal Year Ended June 30, 2012 (in thousands of dollars)

FUNCTIONS/PROGRAMS	Program Revenues						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government							
Mayor and City Council	\$ 734	\$ 153	\$ -	\$ -	\$ (581)	\$ -	\$ (581)
City Clerk	1,118	245	-	-	(873)	-	(873)
City Attorney	5,419	627	4	-	(4,788)	-	(4,788)
City Auditor	617	172	-	-	(445)	-	(445)
City Court	5,736	-	-	-	(5,736)	-	(5,736)
City Manager	842	300	-	-	(542)	-	(542)
City Treasurer - Finance and Accounting	4,498	2,468	-	-	(2,030)	-	(2,030)
Public Works	34,416	3,543	142	65,894	35,163	-	35,163
Community and Economic Development	126,622	10,958	13,881	9,927	(91,856)	-	(91,856)
Public Safety	115,740	10,102	2,510	-	(103,128)	-	(103,128)
Community Services	54,442	5,573	11,607	36,342	(920)	-	(920)
Administrative Services	17,318	2,549	-	-	(14,769)	-	(14,769)
Streetlight and Services Districts	572	551	-	-	(21)	-	(21)
Interest on Long-Term Debt	40,647	-	-	-	(40,647)	-	(40,647)
Total Governmental Activities	408,721	37,241	28,144	112,163	(231,173)	-	(231,173)
Business-Type Activities							
Water Utility	90,829	97,944	-	2,298	-	9,413	9,413
Sewer Utility	41,218	36,032	-	1,687	-	(3,499)	(3,499)
Airport	3,681	3,248	-	4,622	-	4,189	4,189
Solid Waste	17,671	20,744	-	-	-	3,073	3,073
Total Business-Type Activities	153,399	157,968	-	8,607	-	13,176	13,176
Total Government	\$ 562,120	\$ 195,209	\$ 28,144	\$ 120,770	(231,173)	13,176	(217,997)
General Revenues							
Taxes							
Property Taxes					64,479	-	64,479
Sales and Use Taxes					151,924	132	152,056
Franchise Taxes					11,560	-	11,560
Intergovernmental							
State Shared Sales					16,987	-	16,987
State Revenue Sharing					18,347	-	18,347
Other					8,701	-	8,701
Interest and Investment Income					1,063	421	1,484
Gain on Sale of Capital Asset					97	7,610	7,707
Other Revenue					20,405	-	20,405
Transfers					7,366	(7,366)	-
Total General Revenues and Transfers					300,929	797	301,726
Change in Net Assets					69,756	13,973	83,729
Net Assets - Beginning					2,905,094	1,304,655	4,209,749
Net Assets - Ending					\$ 2,974,850	\$ 1,318,628	\$ 4,293,478

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

Balance Sheet

Governmental Funds

June 30, 2012 (in thousands)

<u>ASSETS</u>	<u>General</u>	<u>General Obligation Bond Debt Service</u>	<u>General CIP Construction Capital Projects</u>	<u>Preserve Privilege Tax Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 54,767	\$ 5,604	\$ 36,489	\$ 398	\$ 114,437	\$ 211,695
Cash with Fiscal Agent	1,457	41,501	-	-	15,888	58,846
Receivable (net of allowance for uncollectibles)						
Interest	454	-	38	-	90	582
Privilege Tax	14,869	-	-	-	3,567	18,436
Transient Occupancy Tax	660	-	-	-	-	660
Property Tax	997	1,405	-	-	151	2,553
State Shared Sales Tax	1,443	-	-	-	-	1,443
Franchise Fee	1,991	-	-	-	-	1,991
Court Receivable	10,459	-	-	-	-	10,459
Library Receivable	187	-	-	-	-	187
Highway User Tax	-	-	-	-	1,057	1,057
Auto Lieu Tax	261	-	-	-	-	261
Intergovernmental	-	-	-	-	24,938	24,938
Grants	-	-	-	-	2,156	2,156
Special Assessments	-	-	-	-	568	568
Miscellaneous	2,487	-	2,985	-	134	5,606
Due from Other Funds	179	-	-	-	-	179
Supplies Inventory	264	-	-	-	-	264
Total Current Assets	<u>\$ 90,475</u>	<u>\$ 48,510</u>	<u>\$ 39,512</u>	<u>\$ 398</u>	<u>\$ 162,986</u>	<u>\$ 341,881</u>

(continued)

Balance Sheet

Governmental Funds

June 30, 2012 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 4,632	\$ 260	\$ 4,338	\$ 390	\$ 2,446	\$ 12,066
Accrued Payroll and Benefits	9,635	-	24	8	568	10,235
Due to Other Funds	-	-	-	-	179	179
Matured Bond Interest Payable	282	13,187	-	-	5,386	18,855
Matured Bonds Payable	985	28,315	-	-	9,050	38,350
Deferred Revenue						
Property Tax	681	959	-	-	98	1,738
Court	4,044	-	-	-	-	4,044
Library	187	-	-	-	-	187
Privilege Tax	7,471	-	-	-	-	7,471
Special Assessments	-	-	-	-	568	568
Intergovernmental	-	-	10	-	30,042	30,052
Other	1,007	-	53	-	280	1,340
Due to Other Governments	4,775	-	5	-	-	4,780
Guaranty and Other Deposits	1,159	-	-	-	106	1,265
Other	2,988	-	-	-	-	2,988
Total Liabilities	37,846	42,721	4,430	398	48,723	134,118
Fund Balances						
Nonspendable	264	-	2,980	-	-	3,244
Restricted	260	5,789	237	-	102,047	108,333
Committed	-	-	1,215	-	6,130	7,345
Assigned	-	-	30,650	-	6,533	37,183
Unassigned	52,105	-	-	-	(447)	51,658
Total Fund Balances	52,629	5,789	35,082	-	114,263	207,763
Total Liabilities and Fund Balances	\$ 90,475	\$ 48,510	\$ 39,512	\$ 398	\$ 162,986	\$ 341,881

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, 2012 (in thousands)

Fund Balances - Total Governmental Funds	\$ 207,763
Amounts reported for governmental activities in the statement of net assets are different because (see Note II A):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	3,577,729
Bond issuance costs are not financial resources; therefore, are not reported in the funds.	4,636
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(905,254)
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 are offset by deferred revenue in the funds.	37,022
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and vehicles to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net assets.	52,954
Net Assets of Governmental Activities	\$ 2,974,850

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

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

REVENUES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Taxes - Local						
Property	\$ 24,894	\$ 36,568	\$ -	\$ -	\$ 3,627	\$ 65,089
Transaction Privilege	92,864	-	-	-	44,794	137,658
Transient Occupancy	13,430	-	-	-	-	13,430
Light and Power Franchise	8,115	-	-	-	-	8,115
Cable TV Franchise	3,445	-	-	-	-	3,445
Salt River Project In-Lieu	227	-	-	-	-	227
Other Taxes	859	-	-	-	-	859
Taxes - Intergovernmental						
State-Shared Sales	16,987	-	-	-	-	16,987
State Revenue Sharing	18,347	-	-	-	-	18,347
Auto Lieu Tax	6,977	-	-	-	-	6,977
Highway User Tax	-	-	-	-	10,885	10,885
Local Transportation Assistance Fund	-	-	-	-	638	638
Business and Liquor Licenses	1,786	-	-	-	19	1,805
Charges for Current Services						
Building and Related Permits	8,421	-	116	-	-	8,537
Recreation Fees	3,796	-	-	-	1,491	5,287
WestWorld Equestrian Facility Fees	2,635	-	-	-	-	2,635
Fire Fees	526	-	-	-	-	526
Fines, Fees, and Forfeitures						
Court	4,525	-	-	-	129	4,654
Parking	306	-	-	-	-	306
Photo Radar	2,337	-	-	-	-	2,337
Court Enhancement	-	-	-	-	1,031	1,031
Library	350	-	-	-	-	350
Police Fees	-	-	-	-	455	455
Special Assessments	-	-	-	-	719	719
Property Rental	3,632	-	531	-	467	4,630
Interest Earnings	1,558	-	354	1	924	2,837
Investment Income	(781)	-	(190)	-	(432)	(1,403)
Intergovernmental						
Federal Grants	-	-	237	-	19,524	19,761
State Grants	-	-	36,298	-	236	36,534
Miscellaneous	804	-	198	-	10,428	11,430
Developer Contributions	3	-	-	-	98	101
Streetlight and Services Districts	551	-	-	-	-	551
Contributions and Donations	50	-	763	-	1,708	2,521
Reimbursements and Outside Sources	3,245	-	561	-	8,836	12,642
Indirect Costs	8,613	-	-	-	483	9,096
Other	1,049	-	1,761	-	455	3,265
Total Revenues	\$ 229,551	\$ 36,568	\$ 40,629	\$ 1	\$ 106,515	\$ 413,264

(continued on next page)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES						
Current						
General Government						
Mayor and City Council	\$ 711	\$ -	\$ -	\$ -	\$ -	\$ 711
City Clerk	1,113	-	-	-	-	1,113
City Attorney	5,391	-	-	-	-	5,391
City Auditor	614	-	-	-	-	614
City Court	3,691	-	-	-	1,937	5,628
City Manager	813	-	-	-	-	813
City Treasurer - Finance and Accounting	4,253	-	-	-	-	4,253
Public Works	15,977	-	-	-	11,330	27,307
Community and Economic Development	22,876	-	-	-	15,493	38,369
Public Safety	105,866	-	-	-	2,068	107,934
Community Services	31,753	-	-	-	13,009	44,762
Administrative Services	14,444	-	-	-	6	14,450
Streetlight and Services Districts	572	-	-	-	-	572
Debt Service						
Principal	5,715	28,315	-	-	10,670	44,700
Interest and Fiscal Charges	3,863	25,716	-	-	10,908	40,487
Bond Issuance Costs	-	774	-	-	-	774
Capital Improvements	-	-	56,745	55,003	17,277	129,025
Total Expenditures	<u>217,652</u>	<u>54,805</u>	<u>56,745</u>	<u>55,003</u>	<u>82,698</u>	<u>466,903</u>
Excess (Deficiency) of Revenues over Expenditures	<u>11,899</u>	<u>(18,237)</u>	<u>(16,116)</u>	<u>(55,002)</u>	<u>23,817</u>	<u>(53,639)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	10,023	14,716	14,909	5,077	36,854	81,579
Transfers Out	(23,020)	-	(1,019)	-	(51,787)	(75,826)
Proceeds from Long-Term Debt Issued	-	75	-	49,925	-	50,000
Premium on Long-Term Debt Issued	-	2,448	-	-	-	2,448
Total Other Financing Sources (Uses)	<u>(12,997)</u>	<u>17,239</u>	<u>13,890</u>	<u>55,002</u>	<u>(14,933)</u>	<u>58,201</u>
Net Change in Fund Balances	(1,098)	(998)	(2,226)	-	8,884	4,562
Fund Balances - Beginning	53,727	6,787	37,308	-	105,379	203,201
Fund Balances - Ending	<u>\$ 52,629</u>	<u>\$ 5,789</u>	<u>\$ 35,082</u>	<u>\$ -</u>	<u>\$ 114,263</u>	<u>\$ 207,763</u>

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

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

For the Fiscal Year Ended June 30, 2012 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$	4,562
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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.		18,418
--	--	--------

Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.		65,897
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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.		374
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(7,912)
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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 exceeded amortization expense in the current period.		308
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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.		(7,748)
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Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refunding.		306
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The net revenues of certain activities of Internal Service Funds is reported with governmental activities.		(4,449)
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Changes in Net Assets of Governmental Activities	\$	<u>69,756</u>
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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 Fiscal Year Ended June 30, 2012 (in thousands)

REVENUES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Taxes - Local						
Property	\$ 25,017	\$ 25,017	\$ 24,894	\$ -	\$ 24,894	\$ (123)
Transaction Privilege	88,724	88,724	92,864	-	92,864	4,140
Transient Occupancy	12,247	12,247	13,430	-	13,430	1,183
Light and Power Franchise	7,880	7,880	8,115	-	8,115	235
Cable TV Franchise	3,009	3,009	3,445	-	3,445	436
Salt River Project In-Lieu	209	209	227	-	227	18
Other Taxes	919	919	859	-	859	(60)
Taxes - Intergovernmental						
State-Shared Sales	16,446	16,446	16,987	-	16,987	541
State Revenue Sharing	18,348	18,348	18,347	-	18,347	(1)
Auto Lieu Tax	7,331	7,331	6,977	-	6,977	(354)
Business and Liquor Licenses	1,718	1,718	1,786	-	1,786	68
Charges for Current Services						
Building and Related Permits	8,380	8,380	8,421	-	8,421	41
Recreation Fees	3,838	3,838	3,796	-	3,796	(42)
WestWorld Equestrian Facility Fees	2,514	2,514	2,635	-	2,635	121
Fire Fees	448	448	526	-	526	78
Fines, Fees, and Forfeitures						
Court	6,152	5,227	4,525	-	4,525	(702)
Parking	239	239	306	-	306	67
Photo Radar	1,905	1,905	2,337	-	2,337	432
Library	430	430	350	-	350	(80)
Property Rental	2,833	2,833	3,632	-	3,632	799
Interest Earnings	446	446	1,558	-	1,558	1,112
Investment Income	-	-	-	(781)	(781)	-
Intergovernmental						
Miscellaneous	787	787	804	-	804	17
Developer Contributions	-	-	3	-	3	3
Streetlight and Services Districts	725	725	551	-	551	(174)
Contributions and Donations	-	-	50	-	50	50
Reimbursements and Outside Sources	410	1,835	3,245	-	3,245	1,410
Indirect Costs	8,197	8,197	8,613	-	8,613	416
Other	1,310	810	1,049	-	1,049	239
Total Revenues	\$ 220,462	\$ 220,462	\$ 230,332	\$ (781)	\$ 229,551	\$ 9,870

(continued)

General Fund

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

For the Fiscal Year Ended June 30, 2012 (in thousands)

EXPENDITURES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Current						
General Government						
Mayor and City Council	\$ 764	\$ 766	\$ 740	\$ (29)	\$ 711	\$ 26
City Clerk	1,060	1,073	1,112	1	1,113	(39)
City Attorney	5,506	5,513	5,322	69	5,391	191
City Auditor	721	710	610	4	614	100
City Court	3,769	3,738	3,670	21	3,691	68
City Manager	899	979	938	(125)	813	41
City Treasurer - Finance and Accounting	4,393	4,275	4,230	23	4,253	45
Public Works	15,776	15,943	15,943	34	15,977	-
Community and Economic Development	24,304	23,902	22,935	(59)	22,876	967
Public Safety	104,652	105,188	105,234	632	105,866	(46)
Community Services	32,697	32,216	31,599	154	31,753	617
Administrative Services	13,819	14,865	14,671	(227)	14,444	194
Streetlight and Services Districts	725	725	572	-	572	153
Debt Service						
Principal	5,891	5,891	5,715	-	5,715	176
Interest and Fiscal Charges	3,156	3,745	3,863	-	3,863	(118)
Total Expenditures	<u>218,132</u>	<u>219,529</u>	<u>217,154</u>	<u>498</u>	<u>217,652</u>	<u>2,375</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,330</u>	<u>933</u>	<u>13,178</u>	<u>(1,279)</u>	<u>11,899</u>	<u>12,245</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	10,472	10,472	10,023	-	10,023	(449)
Transfers Out	(20,227)	(20,227)	(23,020)	-	(23,020)	(2,793)
Total Other Financing Sources (Uses)	<u>(9,755)</u>	<u>(9,755)</u>	<u>(12,997)</u>	<u>-</u>	<u>(12,997)</u>	<u>(3,242)</u>
Net Change in Fund Balances	(7,425)	(8,822)	181	(1,279)	(1,098)	9,003
Fund Balances - Beginning	41,758	57,802	57,802	(4,075)	53,727	-
Fund Balances - Ending	<u>\$ 34,333</u>	<u>\$ 48,980</u>	<u>\$ 57,983</u>	<u>\$ (5,354)</u>	<u>\$ 52,629</u>	<u>\$ 9,003</u>

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

General Fund

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

For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Differences:

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

Investment Income	<u>\$ (781)</u>
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The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:

Payroll Accrual and Compensated Absences	496
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Bad Debt Expense	<u>2</u>
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Total Expenditure Reconciling Items:	<u>498</u>
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Net Decrease in Fund Balance - Budget to GAAP

<u>\$ (1,279)</u>

The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:

Prior Year Ending Fund Balance - Budgetary Basis	\$ 52,557
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Prior Year Adjustments from Modified Accrual to Budgetary Basis	<u>5,245</u>
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Beginning Fund Balance, Revised - Budgetary Basis	<u>\$ 57,802</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets

Proprietary Funds

June 30, 2012 (in thousands)

ASSETS	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Current Assets					
Cash and Investments	\$ 98,866	\$ 5,675	\$ 11,484	\$ 116,025	\$ 33,622
Cash with Fiscal Agent	23,236	-	-	23,236	-
Receivables					
Privilege Tax	-	12	-	12	-
Charges for Services	17,104	-	1,843	18,947	-
Intergovernmental	-	10	-	10	-
Interest	204	6	12	222	-
Miscellaneous	940	224	204	1,368	90
Supplies Inventory	-	-	-	-	722
Restricted Cash, Cash Equivalents, and Investments					
Customer Advances and Deposits	1,085	80	-	1,165	-
Other Restricted Assets					
Joint Venture Construction Deposits	5,105	-	-	5,105	-
Total Current Assets	146,540	6,007	13,543	166,090	34,434
Noncurrent Assets					
Equity in Joint Venture	115,391	-	-	115,391	-
Deferred Charges	1,412	-	-	1,412	-
Pollution Remediation Recoveries	23,345	-	-	23,345	-
Net Other Postemployment Benefit	36	3	15	54	2
Restricted Cash, Cash Equivalents, and Investments					
Deferred Revenue	10,866	2,000	-	12,866	-
Water and Sewer System Replacement	33,140	-	-	33,140	-
Revenue Bond Reserve	5,436	-	-	5,436	-
Capital Assets					
Land	30,024	9,564	1,111	40,699	-
Water Rights	87,171	-	-	87,171	-
Water System	1,108,799	-	-	1,108,799	-
Sewer System	548,222	-	-	548,222	-
Buildings and Improvements	-	26,874	3,642	30,516	7,560
Motor Vehicles	-	-	-	-	59,381
Machinery and Equipment	18,095	939	1,905	20,939	886
Furniture and Fixtures	813	-	-	813	-
Construction in Progress	13,998	2,937	1,195	18,130	4,806
Less Accumulated Depreciation	(449,199)	(11,164)	(3,279)	(463,642)	(41,754)
Total Capital Assets (net of accumulated depreciation)	1,357,923	29,150	4,574	1,391,647	30,879
Total Noncurrent Assets	1,547,549	31,153	4,589	1,583,291	30,881
Total Assets	\$ 1,694,089	\$ 37,160	\$ 18,132	\$ 1,749,381	\$ 65,315

(continued on next page)

Statement of Net Assets

Proprietary Funds

June 30, 2012 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 13,598	\$ 77	\$ 327	\$ 14,002	\$ 1,218
Accrued Payroll and Benefits	791	46	220	1,057	166
Accrued Compensated Absences - Current	-	3	-	3	-
Accrued Compensated Absences - Due within one year	862	57	255	1,174	169
Claims Payable - Due within one year	-	-	-	-	4,555
Customer Advances and Deposits	1,085	80	-	1,165	-
Matured Bonds Payable	12,130	-	-	12,130	-
Matured Bond Interest Payable	8,484	-	-	8,484	-
Bonds Payable and Other Payables - Due within one year	12,335	-	-	12,335	-
Total Current Liabilities	49,285	263	802	50,350	6,108
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,392	65	408	1,865	197
Deferred Revenue	10,866	2,000	-	12,866	-
Bonds Payable and Other Payables - Due in more than one year	342,327	-	-	342,327	6,056
Pollution Remediation Obligation	23,345	-	-	23,345	-
Total Noncurrent Liabilities	377,930	2,065	408	380,403	6,253
Total Liabilities	427,215	2,328	1,210	430,753	12,361
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,003,261	29,150	4,574	1,036,985	30,879
Restricted for Water and Sewer System Replacement	33,140	-	-	33,140	-
Restricted for Debt Service	5,436	-	-	5,436	-
Unrestricted	225,037	5,682	12,348	243,067	22,075
Total Net Assets	\$ 1,266,874	\$ 34,832	\$ 16,922	\$ 1,318,628	\$ 52,954

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

Statement of Revenues, Expenses, and Changes in Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Charges for Sales and Services					
Water Service Fees	\$ 88,969	\$ -	\$ -	\$ 88,969	\$ -
Sewer Service Fees	35,226	-	-	35,226	-
Proprietary - Non-potable water fees	9,306	-	-	9,306	-
Solid Waste Fees	-	-	20,742	20,742	-
Airport Fees	-	3,241	-	3,241	-
Other Services	-	-	-	-	43,450
Other	475	7	2	484	619
Total Operating Revenues	<u>133,976</u>	<u>3,248</u>	<u>20,744</u>	<u>157,968</u>	<u>44,069</u>
OPERATING EXPENSES					
Costs for Sales and Services					
Water Operations	47,142	-	-	47,142	-
Sewer Operations	25,163	-	-	25,163	-
Solid Waste Operations	-	-	15,486	15,486	-
Airport Operations	-	1,919	-	1,919	-
Other Services	-	-	-	-	45,645
Indirect Costs	6,532	599	1,965	9,096	-
Depreciation	41,596	1,163	220	42,979	4,541
Total Operating Expenses	<u>120,433</u>	<u>3,681</u>	<u>17,671</u>	<u>141,785</u>	<u>50,186</u>
Operating Income	<u>13,543</u>	<u>(433)</u>	<u>3,073</u>	<u>16,183</u>	<u>(6,117)</u>
NON-OPERATING REVENUES (EXPENSES)					
Transaction Privilege Tax	-	132	-	132	-
Investment Income	360	21	40	421	(42)
Interest Expense	(11,614)	-	-	(11,614)	-
Gain on Sale of Capital Assets	7,601	9	-	7,610	97
Net Non-Operating Revenue (Expenses)	<u>(3,653)</u>	<u>162</u>	<u>40</u>	<u>(3,451)</u>	<u>55</u>
Income Before Contributions and Transfers	<u>9,890</u>	<u>(271)</u>	<u>3,113</u>	<u>12,732</u>	<u>(6,062)</u>
Capital Contributions	3,985	4,622	-	8,607	-
Transfers In	127	7	193	327	4,200
Transfers Out	(7,668)	(5)	(20)	(7,693)	(2,587)
Change in Net Assets	<u>6,334</u>	<u>4,353</u>	<u>3,286</u>	<u>13,973</u>	<u>(4,449)</u>
Total Net Assets - Beginning	<u>1,260,540</u>	<u>30,479</u>	<u>13,636</u>	<u>1,304,655</u>	<u>57,403</u>
Total Net Assets - Ending	<u>\$ 1,266,874</u>	<u>\$ 34,832</u>	<u>\$ 16,922</u>	<u>\$ 1,318,628</u>	<u>\$ 52,954</u>

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

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 132,153	\$ 5,109	\$ 20,751	\$ 158,013	\$ 43,395
Cash Paid to Suppliers	(62,894)	(1,740)	(11,103)	(75,737)	(42,442)
Cash Paid to Employees	(18,103)	(1,018)	(7,158)	(26,279)	(4,336)
Other Operating	1,371	5	2	1,378	620
Net Cash Provided by (Used for) Operating Activities	<u>52,527</u>	<u>2,356</u>	<u>2,492</u>	<u>57,375</u>	<u>(2,763)</u>
Cash Flows from Non-Capital Financing Activities					
Transaction Privilege Tax	-	140	-	140	-
Transfers In	127	7	193	327	4,200
Transfers Out	(7,668)	(5)	(20)	(7,693)	(2,587)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(7,541)</u>	<u>142</u>	<u>173</u>	<u>(7,226)</u>	<u>1,613</u>
Cash Flows from Capital and Related Financing Activities					
Capital Contributions from Other					
Water and Sewer Development Fees	4,065	-	-	4,065	-
Capital Grants	135	6,507	-	6,642	-
Acquisition and Construction of Property and Equipment	(61,951)	(4,809)	(185)	(66,945)	(5,734)
Water and Sewer Development Fee Credit Agreements	(102)	-	-	(102)	-
Principal Payments on Capital Debt	(13,054)	-	-	(13,054)	-
Interest Paid on Capital Debt	(17,244)	-	-	(17,244)	-
Investment in Joint Venture and CIP Deposit	5,092	-	-	5,092	-
Sale of Capital Assets	8,880	-	-	8,880	874
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(74,179)</u>	<u>1,698</u>	<u>(185)</u>	<u>(72,666)</u>	<u>(4,860)</u>
Cash Flows from Investing Activities					
Income Received on Investments	357	19	38	414	(2)
Net Cash Provided by (Used for) Investing Activities	<u>357</u>	<u>19</u>	<u>38</u>	<u>414</u>	<u>(2)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(28,836)	4,215	2,518	(22,103)	(6,012)
Cash and Cash Equivalents at Beginning of Year	201,465	3,540	8,966	213,971	39,634
Cash and Cash Equivalents at End of Year	<u>\$ 172,629</u>	<u>\$ 7,755</u>	<u>\$ 11,484</u>	<u>\$ 191,868</u>	<u>\$ 33,622</u>
Cash and Cash Equivalents at End of Year Includes					
Cash and Investments	\$ 98,866	\$ 5,675	\$ 11,484	\$ 116,025	\$ 33,622
Cash with Fiscal Agent	23,236	-	-	23,236	-
Restricted Cash and Investments	50,527	2,080	-	52,607	-
Total Cash and Cash Equivalents	<u>\$ 172,629</u>	<u>\$ 7,755</u>	<u>\$ 11,484</u>	<u>\$ 191,868</u>	<u>\$ 33,622</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities					
Operating Income	\$ 13,543	\$ (433)	\$ 3,073	\$ 16,183	\$ (6,117)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities					
Depreciation and Amortization	41,596	1,163	220	42,979	4,541
Changes In Assets and Liabilities					
Sources (Uses) of Cash					
Accounts Receivable	(2,973)	-	(40)	(3,013)	-
Miscellaneous Receivables	897	(150)	49	796	(53)
Pollution Remediation Recoveries	1,579	-	-	1,579	-
Supplies Inventory	-	-	-	-	(60)
Accounts Payable	(2,348)	(275)	(213)	(2,836)	(507)
Accrued Payroll and Benefits	280	38	(541)	(223)	(22)
Other Post Employment Benefit	(36)	(3)	(15)	(54)	(2)
Claims Payable	-	-	-	-	(530)
Deferred Revenue	825	2,001	-	2,826	-
Other Liabilities	(836)	15	(41)	(862)	(13)
Total Adjustments	<u>38,984</u>	<u>2,789</u>	<u>(581)</u>	<u>41,192</u>	<u>3,354</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 52,527</u>	<u>\$ 2,356</u>	<u>\$ 2,492</u>	<u>\$ 57,375</u>	<u>\$ (2,763)</u>
Supplemental Disclosure of Non-Cash Financing Activities					
Additional to Property, Plant, and Equipment					
Amortization of Deferred Charges	\$ (156)	\$ -	\$ -	\$ (156)	\$ -
Increase (Decrease) in Receivables	-	(1,885)	-	(1,885)	-
Gain (Loss) on Equity in Joint Venture	(4,502)	-	-	(4,502)	-
Acquisition of Water Rights	12,650	9	-	12,659	-
Total Non-Cash Financing Activities	<u>\$ 7,992</u>	<u>\$ (1,876)</u>	<u>\$ -</u>	<u>\$ 6,116</u>	<u>\$ -</u>

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012 (in thousands)

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 3	\$ 3,210
Total Assets	\$ 3	\$ 3,210
LIABILITIES		
Escrow Payable Vouchers	\$ -	\$ 75
Designated Escrow Payable	-	1,720
State Land Department Rebate	-	1,415
Total Liabilities	-	\$ 3,210
NET ASSETS		
Held in Trust for Other Purposes	\$ 3	

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

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
<hr/>	
Contributions:	
Private Donations	\$ 4
	<hr/>
Total Additions	4
	<hr/>
DEDUCTIONS	
<hr/>	
Scholarships	5
	<hr/>
Total Deductions	5
	<hr/>
Change in Net Assets	(1)
Total Net Assets - Beginning	4
	<hr/>
Total Net Assets - Ending	<u>\$ 3</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"> • Non-profit corporation created in 1967. • Sole purpose is to construct, acquire, and equip buildings, structures or land improvements for the City. • Governed by Board of Directors confirmed by City Council. • For financial reporting purposes, transactions are included as a governmental and proprietary fund type, as if part of the City’s operation. 	Blended	City of Scottsdale Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Scottsdale Preserve Authority (SPA)	<ul style="list-style-type: none"> • Non-profit corporation created in 1997. • Sole purpose is to finance land acquisitions for McDowell Sonoran Preserve. • Governed by a Board of Directors confirmed by City Council. • For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City’s operation. 	Blended	City of Scottsdale Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Scottsdale Mountain Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed by 1992 petition to City Council. • Created to acquire and improve public infrastructure in specified land area. • Able to levy taxes and issue bonds independent of the City. • Property owners within the designated area are assessed for District taxes and costs of operation. • City Council serves as the Board of Directors. • The City has no liability for the District debt. • For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City’s operation. 	Blended	City of Scottsdale Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

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

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

Because different measurement focuses and bases of accounting are used in the government-wide statement of net assets and in governmental fund balance sheet amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net assets* in the statement of net assets.

Property taxes, other local taxes, and licenses available within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. 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 and is used to account for and report all financial resources not accounted for and reported in another fund.

The *General Obligation Bond Debt Service Fund* is used to account and report the accumulation of financial resources that are restricted, committed or assigned to expenditures for the payment of long-term obligation debt principal, interest, and related costs.

The *General CIP Construction Capital Projects Fund* accounts and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition, construction and improvements to 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 *Preserve Privilege Tax Capital Projects 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 percent 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.

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, computer replacements, 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, Crossroad East Development Agreements, 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, computer replacement, 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 specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

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, highly rated corporate bonds/notes, 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 is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 uncollectible amounts.

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 statement of net assets 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 as well as deferred revenues related to cash received in advance of services provided.

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 \$10,000 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 medical 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 the calendar year-end are forfeited. The City’s policy is to pay employees for unused accumulated vacation hours at termination or retirement. The City’s medical leave policy, however, is that only those employees hired full-time before July 1, 1982, have the option of being paid cash for a portion of unused medical leave at death or retirement. For employees hired after July 1, 1982, the City funds the value of medical leave balances converted and paid in a retiree health savings account for the participant immediately upon retirement. To be eligible for the medical leave conversion the employee must retire and have accumulated 300 or more hours of medical leave (420 or more hours for 56 hour workweek employees) and will be funded at 100 percent for any medical leave hours accrued prior to July 1, 2011. If an employee has not accrued 1,200 hours before July 1, 2011, the employee will be funded the unused medical leave accrued after July 1, 2011, at 50 percent of the employee’s hourly base rate at the time of retirement, up to and including 1,200 hours accrued both before and after July 1, 2011. Employees who work a 56 hour workweek will have the same rules apply, except their cap is 1,680 medical leave hours.

Vacation pay is calculated based on vacation taken and the medical leave conversion is based on an actuarial valuation dated January 1, 2012. 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, 2012, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2012, 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 Balance Policies

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned and Unassigned.

Nonspendable fund balances include amounts that cannot be spent because it is not in a spendable form, such as inventory or prepaid items or because resources legally or contractually must remain intact.

Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws and regulations of other governments, or enabling legislation.

Committed fund balances are self imposed limitations by the highest level of decision making authority, namely Mayor and Council, prior to the end of the reporting period. Mayor and Council approval is required to commit resources or to rescind the commitment.

Assigned fund balances are limitations imposed internally by management based on the intended use of the funds. Assigned fund balances for the City are authorized by the City Treasurer. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

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, 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.

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, \$207,763, differs from net assets of governmental activities, \$2,974,850 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)

	Total Governmental Funds	Long-Term Assets/ Liabilities ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassifications and Eliminations	Statement of Net Assets Total
ASSETS					
Cash and Investments	\$ 211,695	\$ -	\$ 33,622	\$ -	\$ 245,317
Cash with Fiscal Agent	58,846	-	-	-	58,846
Receivables (net of allowance for uncollectible)					
Interest	582	-	-	-	582
Privilege Tax	18,436	-	-	-	18,436
Transient Occupancy Tax	660	-	-	-	660
Property Tax	2,553	-	-	-	2,553
State Shared Sales Tax	1,443	-	-	-	1,443
Franchise Fee	1,991	-	-	-	1,991
Court Receivable	10,459	-	-	-	10,459
Library Receivable	187	-	-	-	187
Highway User Tax	1,057	-	-	-	1,057
Auto Lieu Tax	261	-	-	-	261
Intergovernmental	24,938	-	-	-	24,938
Grants	2,156	-	-	-	2,156
Special Assessments	568	-	-	-	568
Miscellaneous	5,606	-	90	-	5,696
Due from Other Funds/Internal Balances	179	-	-	(179)	-
Supplies Inventory	264	-	722	-	986
Capital Assets (net of accumulated depreciation)	-	3,577,729	30,879	-	3,608,608
Deferred charges and other assets	-	4,636	-	-	4,636
Net Other Postemployment Benefit	-	106	2	-	108
Total Assets	<u>\$ 341,881</u>	<u>\$ 3,582,471</u>	<u>\$ 65,315</u>	<u>\$ (179)</u>	<u>\$ 3,989,488</u>
LIABILITIES					
Accounts Payable	\$ 12,066	\$ -	\$ 1,218	\$ -	\$ 13,284
Accrued Payroll and Benefits	10,235	(69)	166	-	10,332
Due to Other Funds	179	-	-	(179)	-
Accrued Compensated Absences - Current	-	69	-	-	69
Accrued Compensated Absences - Due within one year	-	9,700	169	-	9,869
Accrued Compensated Absences - Due in more than one year	-	15,106	197	-	15,303
Claims Payable - Due within one year	-	-	4,555	-	4,555
Matured Bond Interest Payable	18,855	-	-	-	18,855
Matured Bond Payable	38,350	-	-	-	38,350
Deferred Revenue					
Property Tax	1,738	(1,738)	-	-	-
Court	4,044	(4,044)	-	-	-
Library	187	(187)	-	-	-
Privilege Tax	7,471	(7,471)	-	-	-
Special Assessments	568	(568)	-	-	-
Intergovernmental	30,052	(22,429)	-	-	7,623
Other	1,340	(585)	-	-	755
Due to Other Governments	4,780	-	-	-	4,780
Guaranty and Other Deposits	1,265	-	-	-	1,265
Other	2,988	-	-	-	2,988
Bonds, Loans, Capital Leases, and Other Payables	-	880,554	6,056	-	886,610
Total Liabilities	<u>134,118</u>	<u>868,338</u>	<u>12,361</u>	<u>(179)</u>	<u>1,014,638</u>
Fund Balances/Net Assets					
Total Fund Balances/Net Assets	<u>207,763</u>	<u>2,714,133</u>	<u>52,954</u>	<u>-</u>	<u>2,974,850</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 341,881</u>	<u>\$ 3,582,471</u>	<u>\$ 65,315</u>	<u>\$ (179)</u>	<u>\$ 3,989,488</u>

Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets

(in thousands)

(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	\$ 5,219,765
Accumulated depreciation	<u>(1,642,036)</u>
	<u>\$ 3,577,729</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 at 7/1/11	\$ 4,328
Bond issuance cost for fiscal year 2012	774
Amortization of bond issuance costs	<u>(466)</u>
	<u>\$ 4,636</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, 2012 were:

Contract and capital lease payables	\$ (13,375)
Bonds Payable	(849,088)
Deferred amount on refunding	7,519
Deferred issuance premium	(25,610)
Accrued vacation and sick leave pay	(24,806)
Net Other Postemployment Benefit	106
	<u>\$ (905,254)</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	\$ 568
Deferred library revenue	187
Deferred court revenue	4,044
Deferred tax revenue	9,209
Deferred intergovernmental revenue	22,429
Deferred other	585
	<u>\$ 37,022</u>

(2) Internal Service Funds are used by management to charge the costs of certain activities, such as fleet management, computer equipment, 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>\$ 52,954</u>
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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, \$4,562, differs from the change in net assets for the governmental activities, \$69,756, 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 in the next table.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2012

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

(in thousands)

	Total Governmental Funds	Long-Term Revenue/ Expenses ⁽³⁾	Capital Related Items ⁽⁴⁾	Internal Service Funds ⁽⁵⁾	Reclassifications and Eliminations ⁽⁶⁾	Long-Term Debt Transactions ⁽⁷⁾	Statement of Activities
REVENUES							
Taxes - Local							
Property	\$ 65,089	\$ (610)	\$ -	\$ -	\$ -	\$ -	\$ 64,479
Transaction Privilege	137,658	836	-	-	-	-	138,494
Transient Occupancy	13,430	-	-	-	-	-	13,430
Light and Power Franchise	8,115	-	-	-	-	-	8,115
Cable TV Franchise	3,445	-	-	-	-	-	3,445
Salt River Project In-Lieu	227	-	-	-	-	-	227
Other Taxes	859	-	-	-	-	-	859
Taxes - Intergovernmental							
State-Shared Sales	16,987	-	-	-	-	-	16,987
State Revenue Sharing	18,347	-	-	-	-	-	18,347
Auto Lieu Tax	6,977	-	-	-	-	-	6,977
Highway User Tax	10,885	-	-	-	-	-	10,885
Local Transportation Assistance Fund	638	-	-	-	-	-	638
Business and Liquor Licenses	1,805	10	-	-	-	-	1,815
Charges for Current Services							
Building and Related Permits	8,537	(17)	-	-	(193)	-	8,327
Recreation Fees	5,287	1	-	-	-	-	5,288
WestWorld Equestrian Facility Fees	2,635	(4)	-	-	-	-	2,631
Fire Fees	526	20	-	-	-	-	546
Fines and Forfeitures							
Court	4,654	(84)	-	-	-	-	4,570
Parking	306	6	-	-	-	-	312
Photo Radar	2,337	(3)	-	-	-	-	2,334
Court Enhancement	1,031	-	-	-	-	-	1,031
Library	350	(65)	-	-	-	-	285
Police Fees	455	-	-	-	-	-	455
Special Assessments	719	(676)	-	-	-	-	43
Property Rental	4,630	(92)	-	-	-	-	4,538
Interest Earnings	2,837	(329)	-	-	-	-	2,508
Investment Income	(1,403)	-	-	(42)	-	-	(1,445)
Intergovernmental							
Federal Grants	19,761	(4,901)	-	-	-	-	14,860
State Grants	36,534	(104)	-	-	-	-	36,430
Miscellaneous	11,430	(1,160)	-	-	-	-	10,270
Developer Contributions	101	-	-	-	-	-	101
Streetlight and Services Districts	551	-	-	-	-	-	551
Contributions and Donations	2,521	(700)	-	-	-	-	1,821
Reimbursements from Outside Sources	12,642	(22)	-	-	-	-	12,620
Indirect Costs	9,096	-	-	-	-	-	9,096
Other	3,265	(18)	-	-	-	-	3,247
Total Revenues	\$ 413,264	\$ (7,912)	\$ -	\$ (42)	\$ (193)	\$ -	\$ 405,117

(continued)

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

(in thousands)

	Total Governmental Funds	Long-Term Revenue/ Expenses⁽³⁾	Capital Related Items⁽⁴⁾	Internal Service Funds⁽⁵⁾	Reclassifications and Eliminations⁽⁶⁾	Long-Term Debt Transactions⁽⁷⁾	Statement of Activities
EXPENDITURES/EXPENSES							
Current							
General Government							
Mayor and City Council	\$ 711	\$ 8	\$ -	\$ 15	\$ -	\$ -	\$ 734
City Clerk	1,113	(4)	-	9	-	-	1,118
City Attorney	5,391	(38)	-	66	-	-	5,419
City Auditor	614	(4)	-	7	-	-	617
City Court	5,628	(10)	68	50	-	-	5,736
City Manager	813	12	-	17	-	-	842
City Treasurer - Finance and Accounting	4,253	47	129	69	-	-	4,498
Public Works	27,307	73	6,760	276	-	-	34,416
Community and Economic Development	38,369	(105)	88,144	407	(193)	-	126,622
Public Safety	107,934	(127)	4,072	3,861	-	-	115,740
Community Services	44,762	(154)	8,691	1,143	-	-	54,442
Administrative Services	14,450	(72)	2,743	197	-	-	17,318
Streetlight and Services Districts	572	-	-	-	-	-	572
Debt Service							
Principal	44,700	-	-	-	-	(44,700)	-
Interest and Fiscal Charges	40,487	-	-	-	-	160	40,647
Bond Issuance Costs	774	-	-	-	-	(774)	-
Capital Improvements	129,025	-	(129,025)	-	-	-	-
Total Expenditures/Expenses	<u>466,903</u>	<u>(374)</u>	<u>(18,418)</u>	<u>6,117</u>	<u>(193)</u>	<u>(45,314)</u>	<u>408,721</u>
OTHER FINANCING USES/ CHANGES IN NET ASSETS							
Net Transfers (to) From Other Funds	\$ 5,753	\$ -	\$ -	\$ 1,613	\$ -	\$ -	\$ 7,366
Capital Contributions	-	-	65,897	-	-	-	65,897
Proceeds from Sale of Assets	-	-	-	97	-	-	97
Proceeds from Long-Term Debt Issued	50,000	-	-	-	-	(50,000)	-
Premium from Long-Term Debt Issued	2,448	-	-	-	-	(2,448)	-
Total	<u>58,201</u>	<u>-</u>	<u>65,897</u>	<u>1,710</u>	<u>-</u>	<u>(52,448)</u>	<u>73,360</u>
Net Change for the Year	<u>\$ 4,562</u>	<u>\$ (7,538)</u>	<u>\$ 84,315</u>	<u>\$ (4,449)</u>	<u>\$ -</u>	<u>\$ (7,134)</u>	<u>\$ 69,756</u>

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

(in thousands)

Reconciling Items Description

- (3) Because some property taxes will not be collected for several months after the City's fiscal year end, 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 tax revenue	\$ (610)
Court revenue	(91)
Library revenue	(65)
Privilege tax revenue	881
Special Assessment revenue	(676)
Intergovernmental revenue	(6,226)
Other Receivable revenue	(1,125)
	\$ (7,912)

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	\$ (42)
Accrual for long-term post employment implied subsidy	416
	\$ 374

- (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	\$ 129,025
Miscellaneous net capital expenditures	(81)
Depreciation Expenses	(110,327)
Loss on disposal of capital assets	(199)
Difference	\$ 18,418

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	\$ 65,897
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- (5) Internal Service funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, 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	\$ (4,449)
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Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities

(in thousands)

- (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	\$ (193)
Reduction in Expenditures/Expenses - Governmental Funds	(193)
	<u>\$ -</u>

- (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 2012	\$ 774
Amortization of bond issuance costs	(466)
Difference	<u>\$ 308</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.

Transferred to the paying agent	
Principal payments made	<u>\$ 44,700</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	\$ (847)
Interest accretion and amortization	(808)
Amortization of bond premium and discounts	1,961
	<u>\$ 306</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:

Long-Term Capital-Related Debt	\$ (50,000)
Premium on Bonds	(2,448)
	<u>\$ (52,448)</u>

III. Stewardship, Compliance, and Accountability

A. Budget and Budgetary Accounting

The City prepared an annual budget that covered fiscal year 2011/12. The fiscal year 2011/12 budget appropriation is established and reflected in the financial statements as follows:

The City prepares its budget on a basis generally consistent with GAAP, with such exceptions as eliminating the investment income activity, payroll accruals, compensated absences, and bad debt expenditures.

Budgetary comparison statements for the general fund and major special revenue funds are presented in the basic financial statements. The City had no major special revenue funds for fiscal year 2011/12. These statements display original budget, amended budget and actual results. Budgetary comparison schedules are also included as supplementary schedules for certain other governmental funds.

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, Community Development Block Grant, HOME, Grants, Section 8 Housing, Preserve Privilege Tax, and Special Programs), and Debt Service Funds (except for the Community Facilities Districts Debt Service Funds and the McDowell Preserve Privilege Bond Debt Service Fund); therefore, these funds have appropriated budgets, and budget to actual information is presented.

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, HOME, Grants, and Section 8 Housing 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 and 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 fiscal year 2011/12, there were no supplemental budgetary appropriations to the original budget.

The expenditure appropriations in the adopted budget are by division. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Divisional 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 divisions; and 2) unexpended appropriations may be transferred from one division to another.

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

B. Excess of Expenditures over Appropriations

The Scottsdale Preserve Authority Debt Service Fund, and the Special Assessment Debt Service Fund exceeded their Debt Service Expenditure appropriations by \$9,000 and \$1,000, respectively. The additional expenditures incurred were funded by available fund balance or available revenues within the fund.

C. Deficit Fund Equity

The Community Development Block Grant Special Revenue Fund, the HOME Special Revenue Fund, and the Grants Special Revenue Fund had deficit ending fund balances of \$140,000, \$49,000 and \$258,000, 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 Classifications

The table on the following page details the fund balance categories and classifications for Governmental Funds (in thousands).

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2012

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES						
Nonspendable						
Inventory	\$ 264	\$ -	\$ -	\$ -	\$ -	\$ 264
Long-Term Receivable	-	-	2,980	-	-	2,980
Total Nonspendable	<u>264</u>	<u>-</u>	<u>2,980</u>	<u>-</u>	<u>-</u>	<u>3,244</u>
Restricted						
Bureau of Reclamation Funds for WestWorld and TPC Improvements	-	-	237	-	-	237
Property Tax for Debt Service	-	5,789	-	-	-	5,789
Property Tax for District Debt Service	-	-	-	-	1,308	1,308
Street Light Districts	260	-	-	-	-	260
General Government Special Programs	-	-	-	-	1,690	1,690
Community and Economic Development Special Programs	-	-	-	-	319	319
Public Safety Special Programs	-	-	-	-	164	164
Community Services Special Programs	-	-	-	-	17	17
Transaction Privilege Tax for Transportation Improvements	-	-	-	-	7,402	7,402
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	-	26,144	26,144
Federal Grants for Section 8 Housing	-	-	-	-	1,053	1,053
Special Assessments for District Debt Service	-	-	-	-	429	429
Transportation Tax for Transportation Capital Projects	-	-	-	-	28,781	28,781
Developer Contributions for Capital District Improvements	-	-	-	-	197	197
GO Bond Proceeds for Capital Improvements	-	-	-	-	31,667	31,667
State Tourism Authority Contract for MPC Capital Improvements	-	-	-	-	2,876	2,876
Total Restricted	<u>260</u>	<u>5,789</u>	<u>237</u>	<u>-</u>	<u>102,047</u>	<u>108,333</u>
Committed						
General Government Special Programs	-	-	-	-	2,363	2,363
Community and Economic Development Special Programs	-	-	-	-	1,754	1,754
Public Safety Special Programs	-	-	-	-	489	489
Community Services Special Programs	-	-	-	-	1,524	1,524
Scottsdale Stadium Improvements	-	-	602	-	-	602
In Lieu Stormwater Fees for Drainage Improvements	-	-	471	-	-	471
In Lieu Parking Fees for Parking Projects	-	-	142	-	-	142
Total Committed	<u>-</u>	<u>-</u>	<u>1,215</u>	<u>-</u>	<u>6,130</u>	<u>7,345</u>
Assigned						
Capital Projects for Capital Improvements	-	-	30,650	-	-	30,650
Sales Tax Rebate for District Debt Service	-	-	-	-	321	321
Excise Tax for MPC Capital Improvements	-	-	-	-	6,212	6,212
Total Assigned	<u>-</u>	<u>-</u>	<u>30,650</u>	<u>-</u>	<u>6,533</u>	<u>37,183</u>
Unassigned	<u>52,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(447)</u>	<u>51,658</u>
Total Fund Balances	<u>\$ 52,629</u>	<u>\$ 5,789</u>	<u>\$ 35,082</u>	<u>\$ -</u>	<u>\$ 114,263</u>	<u>\$ 207,763</u>

The Mayor and City Council have established a minimum fund balance policy of 10 percent of annual general governmental operating expenditures to be maintained in the General Fund and the Highway User Fuel Tax, Nonmajor Special Revenue Fund. The reserves in these funds are to be maintained for unforeseen emergencies or catastrophic impacts to the City.

E. Net Assets Restrictions

Only restrictions imposed by external sources are shown as restricted net assets on the government-wide financial statements. The following restrictions apply to the Business-Type Activities restrictions at June 30, 2012:

Net Assets Restrictions (in thousands)

Water and Sewer

Restricted for Repair and Replacement	\$	33,140
Restricted for Debt Service		5,436
	<u>\$</u>	<u>38,576</u>

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), highly rated corporate bonds/notes, repurchase agreements, mutual funds consisting of the foregoing, and the State of Arizona Local Government Investment Pool (LGIP).

Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$191,649,032, and the bank balance was \$196,277,571. The \$4,628,539 difference represents outstanding checks, 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, 2012, 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 five 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)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 2	2 - 3	3+
U.S. Government Securities	\$ 84,852	\$ 29,973	\$ 35,391	\$ 19,488	\$ -
Federal Agency Securities	168,110	79,447 *	41,475	42,194	4,994
Corporate Notes	30,411	-	8,010	17,266	5,135
Commercial Paper	23,925	23,925	-	-	-
Guaranteed Investment Contracts	275	275	-	-	-
Total Investments	\$ 307,573	\$ 133,620	\$ 84,876	\$ 78,948	\$ 10,129

* \$50,639 of these bonds are callable between December 21, 2012 and December 28, 2012

* \$28,808 of these bonds are callable between June 27, 2012 and June 28, 2012

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, 2012, for each investment type:

(in thousands)

Investment Type	Total	A-1	A-1+	A	A+	AA-	AA+	Exempt from Disclosure	Not Rated
U.S. Government Securities	\$ 84,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,852	\$ -
Federal Agency Securities	168,110	-	-	-	-	-	168,110	-	-
Corporate Notes	30,411	-	-	10,877	8,109	5,492	5,933	-	-
Commercial Paper	23,925	7,985	15,940	-	-	-	-	-	-
Guaranteed Investment Contracts	275	-	-	-	-	-	-	-	275
Total Investments	\$ 307,573	\$ 7,985	\$ 15,940	\$ 10,877	\$ 8,109	\$ 5,492	\$ 174,043	\$ 84,852	\$ 275

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, 2012:

(in thousands)

<u>Issuer</u>	<u>Investment Type</u>	<u>Market Value</u>	<u>Percent of Holdings</u>
U.S. Government	U.S. Government Securities	\$ 84,852	27.58%
Federal Home Loan Bank (FHLB)	Federal Agency Securities	39,409	12.81%
Federal Home Loan Mortgage Corp. (FHLMC)	Federal Agency Securities	32,765	10.65%
Federal National Mortgage Association (FNMA)	Federal Agency Securities	95,933	31.19%
Government National Mortgage Association (GNMA)	Federal Agency Securities	3	0.00%
U.S. Bancorp	Corporate Note	5,043	1.64%
JP Morgan Chase & Co	Corporate Note	5,835	1.90%
General Electric Capital Corp	Corporate Note	5,933	1.93%
Bank of New York Mellon	Corporate Note	2,973	0.97%
IBM Corp	Corporate Note	5,492	1.79%
Coca-Cola Co	Corporate Note	5,135	1.67%
Mitsubishi UFJ Financial Group Inc NY	Commercial Paper	7,985	2.60%
Bank of Nova Scotia NY	Commercial Paper	7,970	2.59%
Nordea North America Inc	Commercial Paper	7,970	2.59%
Pacific Life Insurance Company	Guaranteed Investment Contract	275	0.09%
	Total Investments	\$ 307,573	100.00%

Investments

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

Cash on Hand	\$ 22
Carrying Amount of City Deposits	191,649
Investments	307,573
Total Cash and Investments	\$ 499,244

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

Primary Government	
Cash and Investments	\$ 361,342
Cash with Fiscal Agent	82,082
Restricted Cash	52,607
Handicap Scholarship Private Purpose Trust Fund	3
Family Self-Sufficiency Agency Fund	75
Retainage Escrow Agency Fund	1,720
Crossroads East Dev Agreement	1,415
Total Cash and Investments	\$ 499,244

Investment income comprises the following for the year ended June 30, 2012 (in thousands):

Net Interest and Dividends	\$ 4,397
Net Decrease in the Fair Value of Investments	<u>(2,913)</u>
Total Net Investment Income	<u><u>\$ 1,484</u></u>

The net decrease in the fair value of investments during fiscal year 2011/12 was \$2,913,000. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the year.

B. Receivables

Receivables as of June 30, 2012, 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 thousands):

Governmental and Governmental Activities Internal Service Funds

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
Receivables						
Property Taxes and Penalties						
Property	\$ 997	\$ 1,405	\$ -	\$ -	\$ 151	\$ 2,553
Court	40,739	-	-	-	-	40,739
Subtotal Property Taxes and Penalties	<u>41,736</u>	<u>1,405</u>	<u>-</u>	<u>-</u>	<u>151</u>	<u>43,292</u>
Other Local Taxes						
Privilege	14,869	-	-	-	3,567	18,436
Transient Occupancy	660	-	-	-	-	660
State Shared Sales	1,443	-	-	-	-	1,443
Franchise Fee	1,991	-	-	-	-	1,991
Auto Lieu	261	-	-	-	-	261
Highway User	-	-	-	-	1,057	1,057
Subtotal Other Local Taxes	<u>19,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,624</u>	<u>23,848</u>
Intergovernmental/Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,094</u>	<u>27,094</u>
Interest and Other						
Interest	454	-	38	-	90	582
Library	1,394	-	-	-	-	1,394
Special Assessments	-	-	-	-	568	568
Miscellaneous	2,487	-	2,985	-	224	5,696
Subtotal Interest and Other	<u>4,335</u>	<u>-</u>	<u>3,023</u>	<u>-</u>	<u>882</u>	<u>8,240</u>
Gross Receivable	65,295	1,405	3,023	-	32,751	102,474
Less: Allowances for Uncollectibles	<u>(31,487)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,487)</u>
Net Total Receivables	<u><u>\$ 33,808</u></u>	<u><u>\$ 1,405</u></u>	<u><u>\$ 3,023</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,751</u></u>	<u><u>\$ 70,987</u></u>

Business-Type Activities Enterprise Funds

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
Receivables				
Privilege Tax	\$ -	\$ 12	\$ -	\$ 12
Charges for Services	17,104	-	1,843	18,947
Intergovernmental/Grants	-	10	-	10
Interest	204	6	12	222
Miscellaneous	940	224	204	1,368
Gross Receivable	<u>18,248</u>	<u>252</u>	<u>2,059</u>	<u>20,559</u>
Net Total Receivables	<u><u>\$ 18,248</u></u>	<u><u>\$ 252</u></u>	<u><u>\$ 2,059</u></u>	<u><u>\$ 20,559</u></u>

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 thousands):

	Unavailable	Unearned
Property Tax	\$ 1,738	\$ -
Court	4,044	-
Library	187	-
Privilege Tax	7,471	-
Special Assessments	568	-
Intergovernmental	22,429	7,623
Other	585	755
Total	\$ 37,022	\$ 8,378

C. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows (in thousands):

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 1,559,367	\$ 134,194	\$ -	\$ 1,693,561
Construction in Progress	148,127	130,843	(127,169)	151,801
Total Capital Assets, not being depreciated	<u>1,707,494</u>	<u>265,037</u>	<u>(127,169)</u>	<u>1,845,362</u>
Capital Assets, being depreciated				
Buildings and Land Improvements	596,219	23,146	(1,166)	618,199
Streets and Storm Drains	2,657,596	27,779	(671)	2,684,704
Vehicles	61,886	4,326	(9,982)	56,230
Maintenance by Fleet	3,537	-	(386)	3,151
Machinery and Equipment	85,715	8,631	(9,594)	84,752
Total Capital Assets, being depreciated	<u>3,404,953</u>	<u>63,882</u>	<u>(21,799)</u>	<u>3,447,036</u>
Less Accumulated depreciation for				
Buildings and Land Improvements	224,083	20,766	(965)	243,884
Streets and Storm Drains	1,256,070	85,022	(371)	1,340,721
Vehicles	41,800	4,127	(9,394)	36,533
Maintenance by Fleet	3,243	40	(380)	2,903
Machinery and Equipment	63,372	4,913	(8,536)	59,749
Total Accumulated depreciation	<u>1,588,568</u>	<u>114,868</u>	<u>(19,646)</u>	<u>1,683,790</u>
Total Capital Assets, being depreciated, net:	<u>1,816,385</u>	<u>(50,986)</u>	<u>(2,153)</u>	<u>1,763,246</u>
Governmental Activities Capital Assets, net	<u>\$ 3,523,879</u>	<u>\$ 214,051</u>	<u>\$ (129,322)</u>	<u>\$ 3,608,608</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 40,190	\$ 509	\$ -	\$ 40,699
Water Rights	89,701	12,650	(15,180)	87,171
Construction in Progress	60,654	82,030	(124,554)	18,130
Total Capital Assets, not being depreciated	<u>190,545</u>	<u>95,189</u>	<u>(139,734)</u>	<u>146,000</u>
Capital Assets, being depreciated				
Water System	1,080,935	30,182	(2,318)	1,108,799
Sewer System	462,474	86,025	(277)	548,222
Buildings and Land Improvements	25,558	4,965	(7)	30,516
Machinery and Equipment	20,056	1,291	(408)	20,939
Furniture, Fixtures, and Office Equipment	822	-	(9)	813
Total Capital Assets, being depreciated	<u>1,589,845</u>	<u>122,463</u>	<u>(3,019)</u>	<u>1,709,289</u>
Less Accumulated depreciation for				
Water System	274,889	28,784	(704)	302,969
Sewer System	128,520	11,995	(34)	140,481
Buildings and Land Improvements	11,380	1,219	(2)	12,597
Machinery and Equipment	6,267	947	(268)	6,946
Furniture, Fixtures, and Office Equipment	624	34	(9)	649
Total Accumulated depreciation	<u>421,680</u>	<u>42,979</u>	<u>(1,017)</u>	<u>463,642</u>
Total Capital Assets, being depreciated, net:	<u>1,168,165</u>	<u>79,484</u>	<u>(2,002)</u>	<u>1,245,647</u>
Business-Type Activities Capital Assets, net	<u>\$ 1,358,710</u>	<u>\$ 174,673</u>	<u>\$ (141,736)</u>	<u>\$ 1,391,647</u>

During fiscal year 2011/12, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$4,429,757. Total interest expense in this fund before capitalization was \$16,043,459.

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

<u>Governmental Activities</u>	
City Court	\$ 62
Public Works	7,189
Community and Economic Development	87,872
Public Safety	4,030
City Treasurer - Finance and Accounting	137
Community Services	8,310
Administrative Services	2,727
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>4,541</u>
Total Depreciation Expense - Government Activities	<u>\$ 114,868</u>

<u>Business-Type Activities</u>	
Water and Sewer System	\$ 41,596
Airport	1,163
Solid Waste	<u>220</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 42,979</u>

Construction Commitments

The City has active construction projects as of June 30, 2012. At year-end the government's commitments with contractors for specific projects are as follows (in thousands):

<u>Construction Commitments</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aviation	\$ 853	\$ 467
Drainage and Flood Control	1,849	205
Fire Protection	466	81
Municipal Facilities	588	439
Neighborhood and Community	9,991	25,499
Parks	159	46
Police	154	63
Preservation	2,477	673
Streets	13,151	1,628
Technology	13,551	1,278
Traffic	206	901
Transit	7,277	6,348
Wastewater	22,678	12,214
Water	15,922	5,618
Total Construction Commitments	<u>\$ 89,322</u>	<u>\$ 55,460</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, 2012, is as follows:

<u>Receivable Fund (in thousands)</u>	<u>Amount</u>	<u>Payable Fund (in thousands)</u>	<u>Amount</u>
General Fund	<u>\$ 179</u>	Nonmajor Governmental Funds	<u>\$ 179</u>

The Community Development Block Grant Special Revenue Fund and HOME Special Revenue Fund had deficit cash balances of \$33,114 and \$145,841, respectively, due to grants being received on a reimbursement basis.

Interfund Transfers

Transfers are used to fund capital projects and debt service, to administer 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)

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General	\$ 23,020	\$ 10,023
Debt Service - General Obligation Bond	-	14,716
Capital Projects - General CIP Construction	1,019	14,909
Capital Projects - Preserve Privilege Tax	-	5,077
Nonmajor Governmental Funds	51,787	36,854
Total Governmental Funds	<u>75,826</u>	<u>81,579</u>
Enterprise Funds		
Water and Sewer Utility	7,668	127
Airport	5	7
Solid Waste	20	193
Total Enterprise Funds	<u>7,693</u>	<u>327</u>
Internal Service Funds	<u>2,587</u>	<u>4,200</u>
Total Transfers	<u>\$ 86,106</u>	<u>\$ 86,106</u>

E. Leases

Operating Leases

The City has entered into rental agreements of retail and parking facilities. Rental payments on these facilities during fiscal year 2011/12 were \$3,076,020. Payments are contingent upon sales tax revenues received on the properties; thus, future payments cannot be determined.

F. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding at June 30, 2012. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2012.

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, 2012, the City had \$6,400,000 of unissued various purpose GO bonds, which were authorized in September 2000. 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, 2012, the City had \$387,475,000 of unissued Preservation GO bonds from the May 2004 authorization. Preservation GO bonds are backed by the full faith and credit of the City, and are repaid through the Preserve sales tax approved by voters in May 1995 and May 2004 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, a portion of the 2006 MPC Refunding bonds, the 2008A MPC bonds and the 2010 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 2004 through 2010. The bonds are payable through 2036. The coverage ratio (revenues to debt service) for 2012 is 5.19. The total principal and interest remaining to be paid on the bonds is \$702,780,251. Principal and interest paid for the current year and total excise tax were \$32,982,319 and \$171,075,000, 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 0.2 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 \$67,795,000 in SPA bonds issued in 2004 through 2011. The bonds are payable through 2024. The coverage ratio (revenues to debt service) for 2012 is 4.44. The total principal and interest remaining to be paid on the bonds is \$75,594,875. Principal and interest paid for the current year and total sales tax were \$6,489,763 and \$28,809,000, 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, 2012, the funds reserved for this purpose were \$33,140,414.

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 2012 is 10.77. The total principal and interest remaining to be paid on the bonds is \$51,099,988. Principal and interest for the current year and total customer net revenues were \$5,436,075 and \$58,572,000, 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, 2012, 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, 2012, there was one series of special assessment improvement bonds outstanding, issued as serial bonds to be repaid over 10 years. This one series was issued December 2001 totaling \$7,500,000 maturing January 2013. The coverage ratio (revenues to debt service) for 2012 is 0.89 due to prepayment of amounts that are currently in fund balance. The total principal and interest remaining to be paid on the bonds is \$766,875. Principal and interest paid for the current year and total collections were \$807,000 and \$719,000 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 is 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 the 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.

Bonds payable at June 30, 2012, are comprised of the following:

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

General Obligation Bonds	Bonds Outstanding (in thousands)
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.	\$ 2,605
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.	25,820
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.	1,375
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.	96,700
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.	71,915
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.	105,250
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.	14,875
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.	18,150
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.	48,800
2011 Preservation Bonds (issued February 9, 2011) due in annual installments of \$740,000 to \$1,705,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount of \$22,525,000.	21,785
2011 Refunding Bonds (issued April 6, 2011) due in annual installments of \$640,000 to \$7,265,000 through July 1, 2024; interest at 1 percent to 5 percent. Original issue amount of \$43,115,000.	37,150
2012 Preservation Bonds (issued February 2, 2012) due in annual installments of \$1,400,000 to \$18,000,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount of \$50,000,000.	50,000
Total General Obligation Bonds Outstanding	<u>\$ 594,425</u>

All or portions of the 2002 Refunding Bonds, 2004 Various Purpose Bonds, 2005 Refunding Bonds, 2005B Preservation Bonds, 2008B Preservation Bonds, 2011 Preservation Bonds, 2011 Refunding Bonds, and 2012 Preservation Bonds of \$8,100,000, \$48,700,000, \$66,090,000, \$14,875,000, \$18,150,000, \$21,785,000, \$32,705,000 and \$50,000,000 respectively, are paid from the .2 percent and .15 percent Preservation Sales Taxes.

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.

\$ 6,935

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.

23,487

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.

19,250

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.

8,305

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.

31,550

Total Municipal Property Corporation Bonds Outstanding 144,977

Scottsdale Preserve Authority Bonds

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.

12,315

2010 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued October 10, 2010, due in annual installments of \$3,110,000 to \$6,090,000 through July 1, 2024; interest at 3 percent to 5.25 percent. Original issue amount \$32,855,000.

32,855

2011 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued on April 6, 2011, due in annual installments of \$920,000 to \$1,350,000 through July 1, 2022; interest at 2 percent to 5 percent. Original issue amount \$12,015,000.

11,095

Total Scottsdale Preserve Authority Bonds \$ 56,265

	Bonds Outstanding (in thousands)
Special Assessment Bonds	
Special Assessment Bonds issued December 20, 2001, maturing January 1, 2004, through January 1, 2013; due in annual installments of \$750,000; interest at 4.5 percent. Total original issue amount \$7,500,000.	\$ 750
Certificates of Participation	
2010 Certificates of Participation issued August 24, 2010, due in semi-annual installments of \$984,651 to \$1,246,573 beginning January 1, 2012, through July 1, 2020; interest at 2.97 percent. Original issue amount \$20,000,000.	18,031
Community Facilities Districts General Obligation Bonds	
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.	3,290
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.	2,180
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.	11,555
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, 2024. Interest at 5.45 percent to 6.50 percent. Original issue amount \$3,085,000.	2,260
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.	2,270
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.	9,455
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.	3,630
Total Community Facilities Districts General Obligation Bonds Outstanding	34,640
Total Bonds Payable Recorded in Governmental Activities	\$ 849,088

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

	<u>Bonds Outstanding (in thousands)</u>
Water and Sewer Revenue Bonds	
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.	\$ 5,770
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>32,860</u>
Total Water and Sewer Revenue Bonds Outstanding	<u>38,630</u>
Municipal Property Corporation Bonds	
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. On November 29, 2006, \$44,835,000 due 2015 through 2024 were refunded. Original issue amount \$75,000,000.	6,965
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. On November 29, 2006, \$67,455,000 due 2017 through 2030 were refunded. Original issue amount \$88,360,000.	11,430
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.	96,050
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>74,820</u>
Total Municipal Property Corporation Bonds Outstanding	<u>299,775</u>
Total Bonds Payable Recorded in Business-Type Activities	<u>338,405</u>
Total Long-Term Bonds Payable	<u>\$ 1,187,493</u>

Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt issued for water, sewer, light, parks, open space purposes, public safety and transportation facilities 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, 2012 (in thousands):

General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks, and Open Spaces		General Obligation Bonds Issued for All Other Purposes	
20% Constitutional Limit	\$ 1,138,398	6% Constitutional Limit	\$ 341,519
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	<u>(524,675)</u>	6% Bonds Outstanding	<u>(69,750)</u>
Available 20% Limitation Borrowing Capacity	<u>\$ 613,723</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 271,769</u>

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, 2012.

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. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the financial statements.

The following table reflects refunded debt outstanding at June 30, 2012, net of any amounts to be paid or retired by the trustee on July 1, 2012.

Refunded in Prior Years (in thousands)	
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	<u>67,455</u>
	<u>\$ 169,190</u>

Contracts Payable

The City has entered into various purchase contracts related to economic development and acquisition of recreational facilities. The following is a summary of debt service to maturity for all long-term contracts at June 30, 2012.

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

	<u>Contracts Payable (in thousands)</u>
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.	\$ 2,614
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.	5,288
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 2033; non-interest bearing.	4,558
Contract payable for the undergrounding of 69kv power lines; due in annual installments beginning January 1999 through January 2013; interest at 10.0 percent.	5
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>910</u>
Total Contracts Payable Recorded in Governmental Activities	<u><u>\$ 13,375</u></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, 2012 (in thousands).

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable					
General Obligation Bonds	\$ 572,740	\$ 50,000	\$ (28,315)	\$ 594,425	\$ 30,085
Municipal Property Corporation Bonds	147,459	808	(3,290)	144,977	3,135
Scottsdale Preserve Authority Bonds	59,920	-	(3,655)	56,265	3,800
Special Assessments Bonds	1,500	-	(750)	750	750
Certificates of Participation	23,409	-	(5,378)	18,031	2,028
Communities Facilities Districts General Obligation Bonds	36,745	-	(2,105)	34,640	2,230
Add Deferred Issuance Premiums	25,123	2,448	(1,961)	25,610	-
Less Deferred Amounts on Refunding	(8,366)	-	847	(7,519)	-
Total Bonds Payable	<u>858,530</u>	<u>53,256</u>	<u>(44,607)</u>	<u>867,179</u>	<u>42,028</u>
Contracts Payable	14,582	-	(1,207)	13,375	1,267
Risk Management Claims	11,140	28,959	(29,488)	10,611	4,555
Compensated Absences	25,182	10,080	(10,090)	25,172	9,869
Net Other Postemployment Benefit	325	-	(325)	-	-
Governmental Activity Long-Term Liabilities	<u><u>\$ 909,759</u></u>	<u><u>\$ 92,295</u></u>	<u><u>\$ (85,717)</u></u>	<u><u>\$ 916,337</u></u>	<u><u>\$ 57,719</u></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, 2012, \$366,752 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 \$68,725 in the governmental funds and \$0 in the Internal Service funds.

Business-Type Activities	Beginning Balance	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 42,010	\$ -	\$ (3,380)	\$ 38,630	\$ 3,115
Municipal Property Corporation Bonds	308,525	-	(8,750)	299,775	9,220
Add Deferred Issuance Premiums	22,082	-	(1,330)	20,752	-
Less Deferred Amounts on Refunding	(4,734)	-	239	(4,495)	-
Total Bonds Payable	367,883	-	(13,221)	354,662	12,335
Compensated Absences	3,289	949	(1,199)	3,039	1,174
Net Other Postemployment Benefit	98	-	(98)	-	-
Business-Type Activity Long-Term Liabilities	\$ 371,270	\$ 949	\$ (14,518)	\$ 357,701	\$ 13,509

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2012. Deferred issuance costs and deferred amounts on refunding are not included.

Governmental Activities (in thousands)

Fiscal Year	General Obligation Bonds Issued to Provide Water, Sewer, Light Parks, Open Spaces, Public Safety, and Transportation Facilities 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
2013	\$ 24,585	\$ 22,255	\$ 46,840	\$ 5,500	\$ 3,221	\$ 8,721	\$ 30,085	\$ 25,476	\$ 55,561
2014	23,815	21,224	45,039	10,000	2,946	12,946	33,815	24,170	57,985
2015	19,945	20,199	40,144	11,975	2,446	14,421	31,920	22,645	54,565
2016	19,500	19,326	38,826	14,600	1,902	16,502	34,100	21,228	55,328
2017	25,885	18,457	44,342	9,925	1,230	11,155	35,810	19,687	55,497
2018-2022	172,025	73,369	245,394	17,750	1,087	18,837	189,775	74,456	264,231
2023-2027	175,240	33,002	208,242	-	-	-	175,240	33,002	208,242
2028-2032	52,565	6,964	59,529	-	-	-	52,565	6,964	59,529
2033-2037	11,115	668	11,783	-	-	-	11,115	668	11,783
Total	\$ 524,675	\$ 215,464	\$ 740,139	\$ 69,750	\$ 12,832	\$ 82,582	\$ 594,425	\$ 228,296	\$ 822,721

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
2013	\$ 3,135	\$ 5,938	\$ 9,073	\$ 3,800	\$ 2,680	\$ 6,480	\$ 750	\$ 17	\$ 767
2014	3,745	6,653	10,398	3,960	2,508	6,468	-	-	-
2015	3,710	6,487	10,197	4,140	2,330	6,470	-	-	-
2016	5,290	6,305	11,595	4,340	2,143	6,483	-	-	-
2017	6,516	6,134	12,650	4,175	1,936	6,111	-	-	-
2018-2022	36,193	30,068	66,261	24,005	6,792	30,797	-	-	-
2023-2027	30,355	16,449	46,804	11,845	941	12,786	-	-	-
2028-2032	36,155	8,420	44,575	-	-	-	-	-	-
2033-2037	15,070	1,305	16,375	-	-	-	-	-	-
Capital Appreciation **	4,808	(4,808)	-	-	-	-	-	-	-
Total	\$ 144,977	\$ 82,951	\$ 227,928	\$ 56,265	\$ 19,330	\$ 75,595	\$ 750	\$ 17	\$ 767

**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
2013	\$ 2,028	\$ 520	\$ 2,548	\$ 2,230	\$ 1,776	\$ 4,006	\$ 1,267	\$ 179	\$ 1,446
2014	2,089	460	2,549	2,335	1,671	4,006	370	129	499
2015	2,152	397	2,549	2,460	1,558	4,018	389	124	513
2016	2,216	333	2,549	2,585	1,438	4,023	409	118	527
2017	2,282	267	2,549	2,715	1,311	4,026	429	112	541
2018-2022	7,264	382	7,646	13,395	4,556	17,951	2,493	463	2,956
2023-2027	-	-	-	7,580	1,599	9,179	3,186	267	3,453
2028-2032	-	-	-	1,340	252	1,592	3,426	49	3,475
2033-2037	-	-	-	-	-	-	1,406	-	1,406
Total	\$ 18,031	\$ 2,359	\$ 20,390	\$ 34,640	\$ 14,161	\$ 48,801	\$ 13,375	\$ 1,441	\$ 14,816

(continued on next page)

Governmental Activities (concluded)
(in thousands)

Fiscal Year	Total		
	Principal	Interest	Total
2013	\$ 43,295	\$ 36,586	\$ 79,881
2014	46,314	35,591	81,905
2015	44,771	33,541	78,312
2016	48,940	31,565	80,505
2017	51,927	29,447	81,374
2018-2022	273,125	116,717	389,842
2023-2027	228,206	52,258	280,464
2028-2032	93,486	15,685	109,171
2033-2037	27,591	1,973	29,564
Capital Appreciation	4,808	(4,808)	-
Total	<u>\$ 862,463</u>	<u>\$ 348,555</u>	<u>\$ 1,211,018</u>

Business-Type Activities
(in thousands)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	3,055	1,487	4,542	11,115	13,034	24,149
2017	3,195	1,354	4,549	11,970	12,485	24,455
2018-2022	18,710	4,171	22,881	70,920	52,908	123,828
2023-2027	4,375	230	4,605	75,530	34,417	109,947
2028-2032	-	-	-	73,810	16,637	90,447
2033-2037	-	-	-	27,210	3,554	30,764
Total	<u>\$ 38,630</u>	<u>\$ 12,470</u>	<u>\$ 51,100</u>	<u>\$ 299,775</u>	<u>\$ 175,077</u>	<u>\$ 474,852</u>

Fiscal Year	Total		
	Principal	Interest	Total
2013	\$ 12,335	\$ 16,369	\$ 28,704
2014	13,000	15,762	28,762
2015	13,180	15,139	28,319
2016	14,170	14,521	28,691
2017	15,165	13,839	29,004
2018-2022	89,630	57,079	146,709
2023-2027	79,905	34,647	114,552
2028-2032	73,810	16,637	90,447
2033-2037	27,210	3,554	30,764
Total	<u>\$ 338,405</u>	<u>\$ 187,547</u>	<u>\$ 525,952</u>

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 \$850,000 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 three 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 liability claims 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, 2012, the general liability claims payable totaled \$9,010,284 and the self-insured benefits claims payable totaled \$1,600,000. The City began to administer all self-insured health and dental plans in January of 2004.

(in thousands)	Years Ended June 30	
	2012	2011
Claims Payable, July 1	\$ 11,140	\$ 11,142
Current Year Claims Incurred	28,959	25,390
Current Year Claim Payments	(29,488)	(25,392)
Claims Payable, June 30	\$ 10,611	\$ 11,140

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 \$12,000,000 are probable, and \$15,000 up to \$500,000 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. above.

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. As of June 30, 2012, a commercial building permit has not been issued.

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 estimated contingent liability at June 30, 2012, is \$46,798,828.

C. Subsequent Events

In July 2012, the City issued \$83.025 million in Series 2012 General Obligation Refunding bonds (refunding \$83.025 million of the Series 2004 General Obligation bonds). The purpose of the issuance was to take advantage of lower interest rates and reduce future payments in the McDowell Preserve Privilege Tax Debt Service Fund.

In July 2012, the Scottsdale City Council authorized a payment of \$2.52 million to settle a condemnation case for state land. Scottsdale had already paid \$5.2 million based on an agreed-upon minimum value of the property.

In September 2012, bond refunding took place for the following component units of the City:

DC Ranch Community Facilities District—\$14.67 million of outstanding bonds were refunded with \$14.67 million of refunding bonds with an average interest cost of 2.94 percent and maturing in 2027.

McDowell Mountain Ranch Community Facilities District—\$11.55 million of outstanding bonds were refunded with \$11.55 million of refunding bonds with an average interest cost of 2.59 percent and maturing in 2022.

Via Linda Road Community Facilities District—\$2.0 million of outstanding bonds were refunded with \$2.0 million of refunding bonds with an average interest cost of 3.18 percent and maturing in 2023.

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 91st 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, 2011, (the latest audited information available from SROG), the City's net investment in SROG was \$120,029,000. SROG's net cash operating expenses for the year ended June 30, 2011, were \$41,721,405, of which the City's share was \$4,392,788, or 10.5 percent. For the year ended June 30, 2012, the City paid \$0 for SROG capital contributions and \$4,655,026 for SROG operating expenses, including adjustments to the operating and replacement reserves.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011, 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, the City, EPA, State of Arizona, Salt River Project, and the above-referenced 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 39 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. Fiscal year 2011/12 outlays for operating and monitoring the CGTF were \$629,296. The City has a reimbursement agreement with the responsible parties and 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 (IDA) is a nonprofit corporation established by the City in 1984 to promote the retention, expansion, and attraction of businesses and commercial enterprises in Scottsdale. The Board of Directors of the IDA is appointed by the City Council and City Council is also involved in granting or denying IDA bond applications.

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 and the Mayor and City Council, participate in the Arizona State Retirement System, a cost-sharing multiple-employer 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 cost-sharing multiple-employer 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 and the Mayor and City Council, participate in the Arizona State Retirement System (System), a cost-sharing multiple-employer 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, Article 2 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 authorized to legislate a contribution rate other than the actuarially determined rate. The contribution rate for the years ended June 30, 2012, 2011, and 2010, were 10.74 percent (10.50 percent retirement and .24 percent long-term disability), 9.85 percent (9.60 percent retirement and .25 percent long-term disability), and 9.40 percent (9.0 percent retirement and .40 percent long-term disability), respectively, for both employers and employees. The City's actual contributions to the System for the years ending June 30, 2012, 2011, and 2010, were \$10,349,764, \$9,824,677, and \$9,859,954, 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 acts as a common investment and administrative agent that is jointly administered by the Board of Trustees and 235 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 8.65 percent of gross payroll, an employer contribution set by an actuarial valuation and required by state statute 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, 2012, was 20.50 percent of annual covered payroll. Contribution rates for police were 18.96 percent and 19.64 percent in 2011 and 2010, respectively. The City's contribution rate for fire for the fiscal year ended June 30, 2012, was 10.40 percent of annual covered payroll. The City's contribution rate for fire was 10.05 percent and 8.68 percent in 2011 and 2010, respectively.

Annual Pension Cost

For fiscal year ended June 30, 2012, the City's annual pension costs of \$6,327,851 for police and \$1,806,335 for fire were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal method.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 6,787	100%	\$ -
2010	6,295	100%	-
2011	5,938	100%	-

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 1,766	100%	\$ -
2010	1,528	100%	-
2011	1,726	100%	-

Actuarial Methods and Assumptions

The actuarial assumptions for both police and fire include a rate of return on the investment of present and future assets of 8.25 percent per year compounded annually, projected salary increases from 5.0 to 8.0 percent per year compounded annually, with 5.0 percent attributable to inflation and other across-the-board factors, and increases ranging from 0 percent to 3.0 percent per year attributable to seniority/merit. The amortization method is a level percent of pay closed. The maximum annual increase in post retirement benefits is 4 percent. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over 7 years. PSPRS' unfunded accrued liability is being amortized as a level percent of projected payroll over a closed period of 30 years, 25 years remaining as of June 30, 2011, (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, 2011, the most recent actuarial valuation dates, is as follows:

**Public Safety Personnel Retirement System (Police)
Funded Status for Pension and Health Insurance**

(in thousands)	
	June 30, 2011
Actuarial Accrued Liability (AAL)	
Retired members and survivors	\$ 91,790
Former members with vested benefits	323
Active members	79,404
DROP members	21,679
Total	193,196
Valuation Assets	131,468
Unfunded Actuarial Accrued Liability	61,728
Stabilization Reserve	-
Net Unfunded Actuarial Liability	\$ 61,728
Percent Funded	68.0%
Annual Covered Payroll	\$ 30,945
Unfunded AAL as a Percentage of Covered Payroll	199.5%

**Public Safety Personnel Retirement System (Fire)
Funded Status Pension and Health Insurance**

(in thousands)	
	June 30, 2011
Actuarial Accrued Liability (AAL)	
Retired members and survivors	\$ 1,678
Former members with vested benefits	232
Active members	26,318
DROP members	1,125
Total	29,353
Valuation Assets	32,871
Unfunded Actuarial Accrued Liability	(3,518)
Stabilization Reserve	3,518
Net Unfunded Actuarial Liability	\$ -
Percent Funded	112.0%
Annual Covered Payroll	\$ 17,025
Unfunded AAL as a Percentage of Covered Payroll	0.00%

Elected Officials' Retirement Plan

Plan Description

The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP), a cost-sharing multiple-employer defined benefit pension plan. The EORP was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits to elected officials and judges of certain state, county, and local governments. The Board of Trustees 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 elected officials are required by state statute to contribute an amount equal to 10.00 percent of covered salary to ensure proper funding for the Plan. EORP employers are required to contribute a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan. The City's rates for fiscal years ended June 30, 2012, 2011, and 2010, were 32.99 percent, 29.79 percent, and 26.25 percent, respectively. The City's contributions to EORP for the years ending June 30, 2012, 2011, and 2010, were \$47,505, \$43,310, and \$37,800, 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. At June 30, 2012, and prior the taxable portion of accounts for participants hired before July 1, 1982, were retained by the City and used to pay healthcare premiums. On March 6, 2012, the City Council authorized paying out the retirees directly for the taxable portion and the remaining amount to their Retiree Health Savings account upon retirement beginning July 1, 2012. Shift fire employees with more than 420 hours and all other retirees with 300 or more hours of accumulated medical leave, may elect to apply the value of the medical leave to a Retirement Health Savings account. Medical leave balances accumulated through June 30, 2011, will be paid at 100 percent of the employee's hourly rate at the time of retirement. Medical leave balances accumulated July 1, 2011, or after will be paid out at 50 percent of the employee's hourly rate at retirement. Additionally, the payout is limited to the value of 1,200 combined hours for all retirees, except shift fire employees, who are limited to 1,680 hours earned both before and after July 1, 2011, unless more than 1,200 or 1,680 hours, respectively, were accrued prior to July 1, 2011. Total hours accrued before July 1, 2011, will be paid without limitation.

The taxable portion of the medical leave conversion program retained by the City as of June 30, 2012, is \$568,278. The projected liability for active employees, as of June 30, 2012, was \$14,547,780. Of this liability, \$44,289 was considered current and reflected in the governmental fund and the proprietary fund financial statements accordingly. The remaining \$14,503,491 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, 2012, actuarial valuation include a) mortality rates based on the RP 2000 combined mortality projected to 2015 using Projection Scale AA, b) interest compounded 4.0 percent annually, c) salary increases at a rate of 2 percent to 4 percent based on years of service, d) traditional unit credit cost method based on participant data as of January 1, 2012.

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 offers postemployment medical 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. 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.

On April 5, 2011, the City Council approved the development of health plan rates that eliminate the City subsidy for retirees over a two-year period. Effective July 1, 2012, the City will require retirees to pay a premium that reflect the full expected cost of retiree coverage, thus eliminating the City subsidy, with the exception of sworn Public Safety employees who sustain a work-related disability-induced early retirement these employees will continue to pay only the full active employee premium.

As of June 30, 2012, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	311
Terminated Employees Eligible for Benefits, But Not Yet Enrolled	-
Active Employees	<u>2,391</u>
 Total	 <u><u>2,702</u></u>
 Participating Employers	 <u><u>1</u></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 benefits. For fiscal year ending June 30, 2012, the retirees paid 100 percent of blended actuarial rate. By continuing to provide public safety disabled early retirees with access to the City’s healthcare plans based at the same rates it charges to active employees, the City is in effect providing a subsidy to public safety disabled early 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, 2012, retirees contributed \$921,236 and the City contributed \$869,571 (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, 2012 (dollar amounts in thousands):

Annual Required Contribution	\$ 287
Interest on Net OPEB Obligation (Asset)	17
Adjusted to Annual Required Contribution	<u>(19)</u>
Annual OPEB Cost	285
Contributions Made	<u>(870)</u>
Change in Net OPEB Obligation (Asset)	(585)
Net OPEB Obligation (Asset) - Beginning of year	<u>423</u>
Net OPEB Obligation (Asset) - End of year	<u><u>\$ (162)</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
2010	\$ 180	\$ 227	126.1%	\$ 1,295
2011	29	901	3106.9%	423
2012	285	870	305.3%	(162)

The City's OPEB schedule of employer contributions were as follows (dollar amounts in thousands):

Actuarial Valuation June 30	(1) Employer Contributions	(2) Annual Required Contribution (ARC)	(3) Percent Contributed (1)/(2)
2010	\$ 227	\$ 180	126.1%
2011	901	34	2650.0%
2012	870	287	303.1%

Funded Status

The funded status of the plan as of June 30, 2012, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability	\$ 3,834
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 3,834</u>
Funded Ratio	0%
Covered Payroll	\$ 131,342
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	2.9%

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. Multi-year trend information regarding the actuarial value of plan assets increasing or decreasing over time relative to the actuarial accrued liability is available in the Required Supplementary Information section on page 101.

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, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	25 years, Closed
Asset Valuation Method	N/A
Actuarial Assumptions	
Investment Rate of Return	4%*
Inflation Rate	4%
Projected Salary Increases	2-4% [†]
Healthcare Inflation Rate	6% initial rate, 5% ultimate rate

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

[†]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:

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

(in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost Actuarial		(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
		Accrued Liability (AAL)	Entry Age				
2009	\$ 120,870	\$ 160,131		75.5%	\$ 39,261	\$ 33,650	116.7%
2010	124,093	168,084		73.8%	43,991	31,984	137.5%
2011	131,468	187,471		70.1%	56,003	30,945	181.0%

Public Safety Personnel Retirement System (Police) Schedule of Funding Progress Health Insurance

(in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability		(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
		Entry Age	Entry Age				
2009	\$ -	\$ 4,649		0.0%	\$ 4,649	\$ 33,650	13.8%
2010	-	4,888		0.0%	4,888	31,984	15.3%
2011	-	5,725		0.0%	5,725	30,945	18.5%

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

(in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost		(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
		Actuarial (AAL)	Accrued Liability				
2009	\$ 21,436	\$ 16,998		126.1%	\$ (4,438)	\$ 18,850	0.0%
2010	25,668	19,990		128.4%	(5,678)	17,607	0.0%
2011	32,871	28,467		115.5%	(4,404)	17,025	0.0%

Public Safety Personnel Retirement System (Fire)
Schedule of Funding Progress Health Insurance

(in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	Actuarial		(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
		Accrued Liability Entry Age					
2009	\$ -	\$ 373		0.0%	\$ 373	\$ 18,850	2.0%
2010	-	460		0.0%	460	17,607	2.6%
2011	-	886		0.0%	886	17,025	5.2%

**Other Post-Employment Benefit Plan
Schedule of Funding Progress**

(in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost		(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
		Actuarial Liability (AAL)	Accrued Liability				
2010	\$ -	\$ 3,602	\$ -	0.0%	\$ 3,602	\$ 48,285	7.5%
2011	-	746	-	0.0%	746	136,414	0.5%
2012	-	3,834	-	0.0%	3,834	131,342	2.9%

**Other Post-Employment Benefit Plan
Schedule of Employer Contribution**

(in thousands)

Actuarial Valuation June 30	(1) Employer Contributions	(2) Annual Required Contribution (ARC)		(3) Percent Contributed (1)/(2)
		\$	\$	
2010	\$ 227	\$ 180	\$ 180	126.1%
2011	901	34	34	2650.0%
2012	870	287	287	303.1%

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to finance particular activities and are created out of receipts from specific taxes, grant awards, contributions received, or other earmarked revenue. All funds in the Special Revenue Funds have either legal restrictions stipulated by an external party or are committed to a specific purpose through formal action from the City Council.

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). 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 Housing Fund

This fund receives and expends the City's Section 8 Housing revenues. Funding is awarded by the U.S. Department of Housing and Urban Development (HUD) to provide rental housing assistance. 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 either restricted by an outside source or committed by City Council and are required to be expended for specific purposes related to the intention of the center and the source of the revenue.

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
McDowell Mountain Community Facilities District
DC Ranch Community Facilities District
Via Linda Road Community Facilities District
Waterfront Commercial Community Facilities District

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.

McDowell Preserve Privilege Tax Fund

This fund accounts for the principal and interest requirements of a Preserve contract payable. Financing is provided by a 0.2 percent Preservation Privilege (Sales) Tax.

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 Bond 2000 voter-approved general obligation bonds that are used for authorized capital improvements.

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
DC Ranch Community Facilities District

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

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	\$ 43,468	\$ 9,839	\$ 61,130	\$ 114,437
Cash with Fiscal Agent	-	15,691	197	15,888
Receivables (net of allowance for uncollectibles)				
Interest	30	-	60	90
Privilege Tax	3,567	-	-	3,567
Property Tax	-	151	-	151
Highway User Tax	1,057	-	-	1,057
Intergovernmental	4,326	20,612	-	24,938
Grants	1,321	-	835	2,156
Special Assessments	-	568	-	568
Miscellaneous	134	-	-	134
Total Assets	<u>\$ 53,903</u>	<u>\$ 46,861</u>	<u>\$ 62,222</u>	<u>\$ 162,986</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 1,649	\$ 1	\$ 796	\$ 2,446
Accrued Payroll and Benefits	540	-	28	568
Due to Other Funds	179	-	-	179
Matured Bond Interest Payable	-	5,386	-	5,386
Matured Bonds Payable	-	9,050	-	9,050
Deferred Revenue				
Property Tax	-	98	-	98
Special Assessments	-	568	-	568
Intergovernmental	8,677	20,612	753	30,042
Other	280	-	-	280
Guaranty and Other Deposits	106	-	-	106
Total Liabilities	<u>11,431</u>	<u>35,715</u>	<u>1,577</u>	<u>48,723</u>
Fund Balances				
Restricted	36,789	4,613	60,645	102,047
Committed	6,130	-	-	6,130
Assigned	-	6,533	-	6,533
Unassigned	(447)	-	-	(447)
Total Fund Balances	<u>42,472</u>	<u>11,146</u>	<u>60,645</u>	<u>114,263</u>
Total Liabilities and Fund Balances	<u>\$ 53,903</u>	<u>\$ 46,861</u>	<u>\$ 62,222</u>	<u>\$ 162,986</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

REVENUES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Taxes - Local				
Property	\$ -	\$ 3,627	\$ -	\$ 3,627
Transaction Privilege	44,794	-	-	44,794
Taxes - Intergovernmental				
Highway User Tax	10,885	-	-	10,885
Local Transportation Assistance Fund	638	-	-	638
Business and Liquor Licenses	19	-	-	19
Charges for Current Services				
Recreation Fees	1,491	-	-	1,491
Fines, Fees, and Forfeitures				
Court	129	-	-	129
Court Enhancement	1,031	-	-	1,031
Police Fees	455	-	-	455
Special Assessments	-	719	-	719
Property Rental	308	159	-	467
Interest Earnings	344	15	565	924
Investment Income	(140)	-	(292)	(432)
Intergovernmental				
Federal Grants	9,835	-	9,689	19,524
State Grants	236	-	-	236
Miscellaneous	4,640	708	5,080	10,428
Developer Contributions	-	-	98	98
Contributions and Donations	1,708	-	-	1,708
Reimbursements from Outside Sources	762	-	8,074	8,836
Indirect Costs	483	-	-	483
Other	231	-	224	455
Total Revenues	<u>\$ 77,849</u>	<u>\$ 5,228</u>	<u>\$ 23,438</u>	<u>\$ 106,515</u>

(continued on next page)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
EXPENDITURES				
Current				
General Government				
City Court	\$ 1,937	\$ -	\$ -	\$ 1,937
Public Works	11,330	-	-	11,330
Community and Economic Development	15,493	-	-	15,493
Public Safety	2,068	-	-	2,068
Community Services	13,009	-	-	13,009
Administrative Services	6	-	-	6
Debt Service				
Principal	-	10,670	-	10,670
Interest and Fiscal Charges	-	10,908	-	10,908
Capital Improvements	-	-	17,277	17,277
Total Expenditures	43,843	21,578	17,277	82,698
Excess (Deficiency) of Revenues over Expenditures	34,006	(16,350)	6,161	23,817
OTHER FINANCING SOURCES (USES)				
Transfers In	9,021	15,667	12,166	36,854
Transfers Out	(38,870)	(95)	(12,822)	(51,787)
Total Other Financing Sources and (Uses)	(29,849)	15,572	(656)	(14,933)
Net Change in Fund Balances	4,157	(778)	5,505	8,884
Fund Balances - Beginning	38,315	11,924	55,140	105,379
Fund Balances - Ending	\$ 42,472	\$ 11,146	\$ 60,645	\$ 114,263

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2012 (in thousands)

	Highway User Fuel Tax	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Special Programs	Total
ASSETS								
Cash and Investments	\$ 6,324	\$ 671	\$ -	\$ 370	\$ 1,078	\$ 23,866	\$ 11,159	\$ 43,468
Receivables (net of allowance for uncollectibles)								
Interest	-	1	-	-	-	29	-	30
Privilege Tax	1,274	-	-	-	-	2,293	-	3,567
Highway User Tax	1,057	-	-	-	-	-	-	1,057
Intergovernmental	-	-	-	-	-	-	4,326	4,326
Grants	362	140	166	653	-	-	-	1,321
Miscellaneous	2	-	-	17	-	-	115	134
Total Assets	<u>\$ 9,019</u>	<u>\$ 812</u>	<u>\$ 166</u>	<u>\$ 1,040</u>	<u>\$ 1,078</u>	<u>\$ 26,188</u>	<u>\$ 15,600</u>	<u>\$ 53,903</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	\$ 730	\$ 122	\$ 19	\$ 335	\$ 4	\$ 44	\$ 395	\$ 1,649
Accrued Payroll and Benefits	419	11	1	9	21	-	79	540
Due to Other Funds	-	33	146	-	-	-	-	179
Deferred Revenue								
Intergovernmental	362	786	49	684	-	-	6,796	8,677
Other	-	-	-	270	-	-	10	280
Guaranty and Other Deposits	106	-	-	-	-	-	-	106
Total Liabilities	<u>1,617</u>	<u>952</u>	<u>215</u>	<u>1,298</u>	<u>25</u>	<u>44</u>	<u>7,280</u>	<u>11,431</u>
Fund Balances								
Restricted	7,402	-	-	-	1,053	26,144	2,190	36,789
Committed	-	-	-	-	-	-	6,130	6,130
Unassigned	-	(140)	(49)	(258)	-	-	-	(447)
Total Fund Balances	<u>7,402</u>	<u>(140)</u>	<u>(49)</u>	<u>(258)</u>	<u>1,053</u>	<u>26,144</u>	<u>8,320</u>	<u>42,472</u>
Total Liabilities and Fund Balances	<u>\$ 9,019</u>	<u>\$ 812</u>	<u>\$ 166</u>	<u>\$ 1,040</u>	<u>\$ 1,078</u>	<u>\$ 26,188</u>	<u>\$ 15,600</u>	<u>\$ 53,903</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Special Revenue Governmental Funds
For the Fiscal Year Ended June 30, 2012 (in thousands)

REVENUES	Highway User Fuel Tax	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Special Programs	Total
Taxes - Local								
Transaction Privilege	\$ 15,985	\$ -	\$ -	\$ -	\$ -	\$ 28,809	\$ -	\$ 44,794
Taxes - Intergovernmental								
Highway User Tax	10,885	-	-	-	-	-	-	10,885
Local Transportation Assistance Fund	638	-	-	-	-	-	-	638
Business and Liquor Licenses	-	-	-	-	-	-	19	19
Charges for Current Services								
Recreation Fees	-	-	-	-	-	-	1,491	1,491
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	129	129
Court Enhancement	-	-	-	-	-	-	1,031	1,031
Police Fees	-	-	-	-	-	-	455	455
Property Rental	-	-	-	-	-	-	308	308
Interest Earnings	-	10	-	-	1	290	43	344
Investment Income	-	(5)	-	-	-	(137)	2	(140)
Intergovernmental								
Federal Grants	2	2,160	462	1,299	5,912	-	-	9,835
State Grants	-	-	-	236	-	-	-	236
Miscellaneous	2,106	-	-	116	-	-	2,418	4,640
Contributions and Donations	-	-	-	1,139	-	-	569	1,708
Reimbursements from Outside Sources	31	-	9	-	3	-	719	762
Indirect Costs	483	-	-	-	-	-	-	483
Other	58	-	-	-	14	-	159	231
Total Revenues	<u>30,188</u>	<u>2,165</u>	<u>471</u>	<u>2,790</u>	<u>5,930</u>	<u>28,962</u>	<u>7,343</u>	<u>77,849</u>
EXPENDITURES								
Current								
General Government								
City Court	-	-	-	1	-	-	1,936	1,937
Public Works	11,188	-	-	142	-	-	-	11,330
Community and Economic Development	8,749	-	-	-	-	-	6,744	15,493
Public Safety	-	-	-	1,173	-	-	895	2,068
Community Services	740	2,058	520	1,327	6,076	7	2,281	13,009
Administrative Services	-	-	-	-	-	-	6	6
Total Expenditures	<u>20,677</u>	<u>2,058</u>	<u>520</u>	<u>2,643</u>	<u>6,076</u>	<u>7</u>	<u>11,862</u>	<u>43,843</u>
Excess (Deficiency) of Revenues over Expenditures	9,511	107	(49)	147	(146)	28,955	(4,519)	34,006
OTHER FINANCING SOURCES (USES)								
Transfers In	1,213	-	-	2	1	-	7,805	9,021
Transfers Out	(8,021)	-	-	(14)	(2)	(27,212)	(3,621)	(38,870)
Total Other Financing Sources and (Uses)	<u>(6,808)</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(1)</u>	<u>(27,212)</u>	<u>4,184</u>	<u>(29,849)</u>
Net Change in Fund Balances	2,703	107	(49)	135	(147)	1,743	(335)	4,157
Fund Balances - Beginning	4,699	(247)	-	(393)	1,200	24,401	8,655	38,315
Fund Balances - Ending	<u>\$ 7,402</u>	<u>\$ (140)</u>	<u>\$ (49)</u>	<u>\$ (258)</u>	<u>\$ 1,053</u>	<u>\$ 26,144</u>	<u>\$ 8,320</u>	<u>\$ 42,472</u>

Highway User Fuel Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transaction Privilege	\$ 15,304	\$ 15,304	\$ 15,985	\$ -	\$ 15,985	\$ 681
Taxes - Intergovernmental						
Highway User Tax	10,945	10,945	10,885	-	10,885	(60)
Local Transportation Assistance Fund	-	-	638	-	638	638
Intergovernmental						
Federal Grants	830	830	2	-	2	(828)
Miscellaneous	500	500	2,106	-	2,106	1,606
Reimbursements from Outside Sources	8	8	31	-	31	23
Indirect Costs	-	-	483	-	483	483
Other	62	62	58	-	58	(4)
Total Revenues	<u>27,649</u>	<u>27,649</u>	<u>30,188</u>	<u>-</u>	<u>30,188</u>	<u>2,539</u>
EXPENDITURES						
Current						
Public Works	11,601	11,604	11,155	33	11,188	449
Community and Economic Development	9,104	9,039	8,737	12	8,749	302
Community Services	746	746	740	-	740	6
Total Expenditures	<u>21,451</u>	<u>21,389</u>	<u>20,632</u>	<u>45</u>	<u>20,677</u>	<u>757</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,198</u>	<u>6,260</u>	<u>9,556</u>	<u>(45)</u>	<u>9,511</u>	<u>3,296</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	1,551	1,551	1,213	-	1,213	(338)
Transfers Out	(7,675)	(7,675)	(8,021)	-	(8,021)	(346)
Total Other Financing Sources and (Uses)	<u>(6,124)</u>	<u>(6,124)</u>	<u>(6,808)</u>	<u>-</u>	<u>(6,808)</u>	<u>(684)</u>
Net Change in Fund Balances	74	136	2,748	(45)	2,703	2,612
Fund Balances - Beginning	<u>451</u>	<u>4,704</u>	<u>4,704</u>	<u>(5)</u>	<u>4,699</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 525</u>	<u>\$ 4,840</u>	<u>\$ 7,452</u>	<u>\$ (50)</u>	<u>\$ 7,402</u>	<u>\$ 2,612</u>

(continued on next page)

Highway User Fuel Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Differences:

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

Payroll Accruals	\$	45
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The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:

Prior Year Ending Fund Balance - Budgetary Basis	\$	4,698
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Prior Year Adjustments from Modified Accrual to Budgetary Basis		<u>6</u>
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Beginning Fund Balance, Revised - Budgetary Basis	\$	<u><u>4,704</u></u>
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Community Development Block Grant – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Interest Earnings	\$ -	\$ -	\$ 10	\$ -	\$ 10	\$ 10
Investment Income	-	-	-	(5)	(5)	-
Intergovernmental						
Federal Grants	3,789	3,789	2,160	-	2,160	(1,629)
Total Revenues	<u>3,789</u>	<u>3,789</u>	<u>2,170</u>	<u>(5)</u>	<u>2,165</u>	<u>(1,619)</u>
EXPENDITURES						
Current						
Community Services	3,789	3,789	2,056	2	2,058	1,733
Total Expenditures	<u>3,789</u>	<u>3,789</u>	<u>2,056</u>	<u>2</u>	<u>2,058</u>	<u>1,733</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	114	(7)	107	114
Fund Balances - Beginning	-	(244)	(244)	(3)	(247)	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ (244)</u>	<u>\$ (130)</u>	<u>\$ (10)</u>	<u>\$ (140)</u>	<u>\$ 114</u>

(continued on next page)

Community Development Block Grant – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Differences:

Items recorded as revenues for GAAP purposes that are not recorded for budget purposes:	
Investment Income	<u>\$ (5)</u>
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:	
Payroll Accruals	<u>2</u>
Net Decrease in Fund Balance – Budget to GAAP	<u><u>\$ (7)</u></u>
The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:	
Prior Year Ending Fund Balance - Budgetary Basis	\$ (237)
Prior Year Adjustments from Modified Accrual to Budgetary Basis	<u>(7)</u>
Beginning Fund Balance, Revised - Budgetary Basis	<u><u>\$ (244)</u></u>

HOME – Special Revenue Fund**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**

For the Fiscal Year Ended June 30, 2012 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Intergovernmental						
Federal Grants	\$ 1,622	\$ 1,622	\$ 462	\$ -	\$ 462	\$ (1,160)
Reimbursements from Outside Sources	-	-	9	-	9	9
Total Revenues	<u>1,622</u>	<u>1,622</u>	<u>471</u>	<u>-</u>	<u>471</u>	<u>(1,151)</u>
EXPENDITURES						
Current						
Community Services	1,622	1,622	520	-	520	1,102
Total Expenditures	<u>1,622</u>	<u>1,622</u>	<u>520</u>	<u>-</u>	<u>520</u>	<u>1,102</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(49)	-	(49)	(49)
Fund Balances - Beginning	-	-	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49)</u>	<u>\$ -</u>	<u>\$ (49)</u>	<u>\$ (49)</u>

(continued on next page)

HOME – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:

Prior Year Ending Fund Balance - Budgetary Basis	\$	1
Prior Year Adjustments from Modified Accrual to Budgetary Basis		<u>(1)</u>
Beginning Fund Balance, Revised - Budgetary Basis	<u>\$</u>	<u>-</u>

Grants – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 15,409	\$ 15,409	\$ 1,299	\$ -	\$ 1,299	\$ (14,110)
State Grants	175	175	236	-	236	61
Miscellaneous	122	122	116	-	116	(6)
Contributions and Donations	1,361	1,361	1,139	-	1,139	(222)
Total Revenues	<u>17,067</u>	<u>17,067</u>	<u>2,790</u>	<u>-</u>	<u>2,790</u>	<u>(14,277)</u>
EXPENDITURES						
Current						
General Government						
City Court	3	3	1	-	1	2
City Treasurer - Finance and Accounting	5,542	4,015	-	-	-	4,015
Public Works	207	207	142	-	142	65
Community and Economic Development	36	36	-	-	-	36
Public Safety	317	1,210	1,165	8	1,173	45
Community Services	462	1,756	1,326	1	1,327	430
Total Expenditures	<u>6,567</u>	<u>7,227</u>	<u>2,634</u>	<u>9</u>	<u>2,643</u>	<u>4,593</u>
Excess (Deficiency) of Revenues over Expenditures	<u>10,500</u>	<u>9,840</u>	<u>156</u>	<u>(9)</u>	<u>147</u>	<u>(9,684)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	2	-	2	2
Transfers Out	-	-	(14)	-	(14)	(14)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>
Net Change in Fund Balances	10,500	9,840	144	(9)	135	(9,696)
Fund Balances - Beginning	-	(401)	(401)	8	(393)	-
Fund Balances - Ending	<u>\$ 10,500</u>	<u>\$ 9,439</u>	<u>\$ (257)</u>	<u>\$ (1)</u>	<u>\$ (258)</u>	<u>\$ (9,696)</u>

(continued on next page)

Grants – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:

Prior Year Ending Fund Balance - Budgetary Basis	\$ (399)
Prior Year Adjustments from Modified Accrual to Budgetary Basis	<u>(2)</u>
Beginning Fund Balance, Revised - Budgetary Basis	<u><u>\$ (401)</u></u>

Section 8 – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Interest Earnings	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ 1
Intergovernmental						
Federal Grants	6,648	6,648	5,912	-	5,912	(736)
Reimbursements from Outside Sources	-	-	3	-	3	3
Other	7	7	14	-	14	7
Total Revenues	<u>6,655</u>	<u>6,655</u>	<u>5,930</u>	<u>-</u>	<u>5,930</u>	<u>(725)</u>
EXPENDITURES						
Current						
Community Services	6,655	6,655	6,073	3	6,076	582
Total Expenditures	<u>6,655</u>	<u>6,655</u>	<u>6,073</u>	<u>3</u>	<u>6,076</u>	<u>582</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(143)	(3)	(146)	(143)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	1	-	1	1
Transfers Out	-	-	(2)	-	(2)	(2)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net Change in Fund Balances	-	-	(144)	(3)	(147)	(144)
Fund Balances - Beginning	-	1,210	1,210	(10)	1,200	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 1,210</u>	<u>\$ 1,066</u>	<u>\$ (13)</u>	<u>\$ 1,053</u>	<u>\$ (144)</u>

(continued on next page)

Section 8 – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Difference:

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

Payroll Accruals	\$	<u>3</u>
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The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:

Prior Year Ending Fund Balance - Budgetary Basis	\$	1,202
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Prior Year Adjustments from Modified Accrual to Budgetary Basis		<u>8</u>
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Beginning Fund Balance, Revised - Budgetary Basis	\$	<u><u>1,210</u></u>
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Preserve Privilege Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transaction Privilege	\$ 27,517	\$ 27,517	\$ 28,809	\$ -	\$ 28,809	\$ 1,292
Interest Earnings	135	135	290	-	290	155
Investment Income	-	-	-	(137)	(137)	-
Total Revenues	<u>27,652</u>	<u>27,652</u>	<u>29,099</u>	<u>(137)</u>	<u>28,962</u>	<u>1,447</u>
EXPENDITURES						
Current						
Community Services	2	-	7	-	7	(7)
Debt Service						
Principal	865	865	-	-	-	865
Interest and Fiscal Charges	89	91	-	-	-	91
Total Expenditures	<u>956</u>	<u>956</u>	<u>7</u>	<u>-</u>	<u>7</u>	<u>949</u>
Excess (Deficiency) of Revenues over Expenditures	<u>26,696</u>	<u>26,696</u>	<u>29,092</u>	<u>(137)</u>	<u>28,955</u>	<u>2,396</u>
OTHER FINANCING SOURCES (USES)						
Transfers Out	<u>(31,766)</u>	<u>(31,766)</u>	<u>(27,212)</u>	<u>-</u>	<u>(27,212)</u>	<u>4,554</u>
Total Other Financing Sources and (Uses)	<u>(31,766)</u>	<u>(31,766)</u>	<u>(27,212)</u>	<u>-</u>	<u>(27,212)</u>	<u>4,554</u>
Net Change in Fund Balances	(5,070)	(5,070)	1,880	(137)	1,743	6,950
Fund Balances - Beginning	<u>21,296</u>	<u>24,409</u>	<u>24,409</u>	<u>(8)</u>	<u>24,401</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 16,226</u>	<u>\$ 19,339</u>	<u>\$ 26,289</u>	<u>\$ (145)</u>	<u>\$ 26,144</u>	<u>\$ 6,950</u>

(continued on next page)

Preserve Privilege Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Difference:

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

Investment Income	\$ (137)
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The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:

Prior Year Ending Fund Balance - Budgetary Basis	\$ 24,353
Prior Year Adjustments from Modified Accrual to Budgetary Basis	<u>56</u>
Beginning Fund Balance, Revised - Budgetary Basis	<u><u>\$ 24,409</u></u>

Special Programs – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Intergovernmental						
Business and Liquor Licenses	\$ -	\$ -	\$ 19	\$ -	\$ 19	\$ 19
Charges for Current Services						
Recreation Fees	1,460	1,460	1,491	-	1,491	31
Fines, Fees, and Forfeitures						
Court Fines	2	2	129	-	129	127
Court Enhancement Fees	1,112	1,112	1,031	-	1,031	(81)
Police Fees	582	582	455	-	455	(127)
Property Rental	1,391	1,391	308	-	308	(1,083)
Interest Earnings	-	-	43	-	43	43
Investment Income	-	-	-	2	2	-
Intergovernmental						
Miscellaneous	2,261	2,261	2,418	-	2,418	157
Contributions and Donations	702	702	569	-	569	(133)
Reimbursements from Outside Sources	611	611	719	-	719	108
Other	-	1,500	159	-	159	(1,341)
Total Revenues	<u>8,121</u>	<u>9,621</u>	<u>7,341</u>	<u>2</u>	<u>7,343</u>	<u>(2,280)</u>
EXPENDITURES						
Current						
General Government						
City Court	1,985	1,985	1,934	2	1,936	51
Community and Economic Development	7,652	8,117	6,744	-	6,744	1,373
Public Safety	1,653	1,653	894	1	895	759
Community Services	2,344	2,344	2,279	2	2,281	65
Administrative Services	-	-	6	-	6	(6)
Total Expenditures	<u>13,634</u>	<u>14,099</u>	<u>11,857</u>	<u>5</u>	<u>11,862</u>	<u>2,242</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,513)</u>	<u>(4,478)</u>	<u>(4,516)</u>	<u>(3)</u>	<u>(4,519)</u>	<u>(38)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	6,404	6,404	7,805	-	7,805	1,401
Transfers Out	(3,541)	(3,541)	(3,621)	-	(3,621)	(80)
Total Other Financing Sources and (Uses)	<u>2,863</u>	<u>2,863</u>	<u>4,184</u>	<u>-</u>	<u>4,184</u>	<u>1,321</u>
Net Change in Fund Balances	(2,650)	(1,615)	(332)	(3)	(335)	1,283
Fund Balances - Beginning	<u>8,221</u>	<u>8,655</u>	<u>8,655</u>	<u>-</u>	<u>8,655</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 5,571</u>	<u>\$ 7,040</u>	<u>\$ 8,323</u>	<u>\$ (3)</u>	<u>\$ 8,320</u>	<u>\$ 1,283</u>

(continued on next page)

Special Programs – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2012 (in thousands)

Explanation of Difference:

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

Investment Income	\$	<u>2</u>
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The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:

Payroll Accruals		<u>5</u>
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Net Decrease in Fund Balance – Budget to GAAP	\$	<u><u>(3)</u></u>
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The beginning balance for Actual Amounts Budgetary Basis was revised as indicated below:

Prior Year Ending Fund Balance - Budgetary Basis	\$	8,691
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Prior Year Adjustments from Modified Accrual to Budgetary Basis		<u>(36)</u>
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Beginning Fund Balance, Revised - Budgetary Basis	\$	<u><u>8,655</u></u>
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Combining Balance Sheet

Nonmajor Debt Service Governmental Funds

June 30, 2012 (in thousands)

	Municipal Property Corporation	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	McDowell Preserve Privilege Tax	Total
ASSETS										
Cash and Investments	\$ 9,088	\$ 430	\$ -	\$ -	\$ -	\$ -	\$ 321	\$ -	\$ -	\$ 9,839
Cash with Fiscal Agents	6,305	17	571	1,358	1,231	595	542	5,072	-	15,691
Receivables (net of allowance for uncollectibles)										
Property Tax	-	-	15	32	64	8	32	-	-	151
Intergovernmental	20,612	-	-	-	-	-	-	-	-	20,612
Special Assessments	-	568	-	-	-	-	-	-	-	568
Total Assets	<u>\$ 36,005</u>	<u>\$ 1,015</u>	<u>\$ 586</u>	<u>\$ 1,390</u>	<u>\$ 1,295</u>	<u>\$ 603</u>	<u>\$ 895</u>	<u>\$ 5,072</u>	<u>\$ -</u>	<u>\$ 46,861</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts Payable	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Bond Interest Payable	3,015	17	58	301	404	66	108	1,417	-	5,386
Matured Bond Payable	3,290	-	370	875	655	140	65	3,655	-	9,050
Deferred Revenue										
Property Tax	-	-	10	17	37	4	30	-	-	98
Special Assessments	-	568	-	-	-	-	-	-	-	568
Intergovernmental	20,612	-	-	-	-	-	-	-	-	20,612
Total Liabilities	<u>26,917</u>	<u>586</u>	<u>438</u>	<u>1,193</u>	<u>1,096</u>	<u>210</u>	<u>203</u>	<u>5,072</u>	<u>-</u>	<u>35,715</u>
Fund Balances										
Restricted	2,876	429	148	197	199	393	371	-	-	4,613
Assigned	6,212	-	-	-	-	-	321	-	-	6,533
Total Fund Balances	<u>9,088</u>	<u>429</u>	<u>148</u>	<u>197</u>	<u>199</u>	<u>393</u>	<u>692</u>	<u>-</u>	<u>-</u>	<u>11,146</u>
Total Liabilities and Fund Balances	<u>\$ 36,005</u>	<u>\$ 1,015</u>	<u>\$ 586</u>	<u>\$ 1,390</u>	<u>\$ 1,295</u>	<u>\$ 603</u>	<u>\$ 895</u>	<u>\$ 5,072</u>	<u>\$ -</u>	<u>\$ 46,861</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Municipal Property Corporation	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	McDowell Preserve Privilege Tax	Total
REVENUES										
Taxes - Local										
Property	\$ -	\$ -	\$ 443	\$ 1,434	\$ 1,313	\$ 231	\$ 206	\$ -	\$ -	\$ 3,627
Special Assessments	-	719	-	-	-	-	-	-	-	719
Property Rental	159	-	-	-	-	-	-	-	-	159
Interest Earnings	-	-	-	-	-	15	-	-	-	15
Intergovernmental										
Miscellaneous	708	-	-	-	-	-	-	-	-	708
Total Revenues	<u>867</u>	<u>719</u>	<u>443</u>	<u>1,434</u>	<u>1,313</u>	<u>246</u>	<u>206</u>	<u>-</u>	<u>\$ -</u>	<u>5,228</u>
EXPENDITURES										
Current										
Debt Service										
Principal	3,290	755	370	875	655	140	65	3,655	865	10,670
Interest and Fiscal Charges	6,041	52	120	603	807	134	216	2,846	89	10,908
Total Expenditures	<u>9,331</u>	<u>807</u>	<u>490</u>	<u>1,478</u>	<u>1,462</u>	<u>274</u>	<u>281</u>	<u>6,501</u>	<u>954</u>	<u>21,578</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,464)</u>	<u>(88)</u>	<u>(47)</u>	<u>(44)</u>	<u>(149)</u>	<u>(28)</u>	<u>(75)</u>	<u>(6,501)</u>	<u>(954)</u>	<u>(16,350)</u>
OTHER FINANCING SOURCES (USES)										
Transfers In	8,195	-	-	-	-	-	54	6,464	954	15,667
Transfers Out	-	-	-	-	(95)	-	-	-	-	(95)
Total Other Financing Sources and (Uses)	<u>8,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95)</u>	<u>-</u>	<u>54</u>	<u>6,464</u>	<u>954</u>	<u>15,572</u>
Net Change in Fund Balances	(269)	(88)	(47)	(44)	(244)	(28)	(21)	(37)	-	(778)
Fund Balances - Beginning	<u>9,357</u>	<u>517</u>	<u>195</u>	<u>241</u>	<u>443</u>	<u>421</u>	<u>713</u>	<u>37</u>	<u>-</u>	<u>11,924</u>
Fund Balances - Ending	<u>\$ 9,088</u>	<u>\$ 429</u>	<u>\$ 148</u>	<u>\$ 197</u>	<u>\$ 199</u>	<u>\$ 393</u>	<u>\$ 692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,146</u>

General Obligation Bond Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Property	\$ 37,016	\$ 37,016	\$ 36,568	\$ -	\$ 36,568	\$ (448)
Interest	202	202	-	-	-	(202)
Total Revenues	<u>37,218</u>	<u>37,218</u>	<u>36,568</u>	<u>-</u>	<u>36,568</u>	<u>(650)</u>
EXPENDITURES						
Debt Service						
Principal	28,315	28,315	28,315	-	28,315	-
Interest and Fiscal Charges	28,866	28,866	25,716	-	25,716	3,150
Bond Issuance Costs	-	-	774	-	774	(774)
Total Expenditures	<u>57,181</u>	<u>57,181</u>	<u>54,805</u>	<u>-</u>	<u>54,805</u>	<u>2,376</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(19,963)</u>	<u>(19,963)</u>	<u>(18,237)</u>	<u>-</u>	<u>(18,237)</u>	<u>1,726</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	20,165	20,165	14,716	-	14,716	(5,449)
Proceeds from Long-Term Debt Issued	-	-	75	-	75	75
Premium on Long-Term Debt Issued	-	-	2,448	-	2,448	2,448
Total Other Financing Sources and (Uses)	<u>20,165</u>	<u>20,165</u>	<u>17,239</u>	<u>-</u>	<u>17,239</u>	<u>(2,926)</u>
Net Change in Fund Balances	202	202	(998)	-	(998)	(1,200)
Fund Balances - Beginning	<u>4,305</u>	<u>6,787</u>	<u>6,787</u>	<u>-</u>	<u>6,787</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 4,507</u>	<u>\$ 6,989</u>	<u>\$ 5,789</u>	<u>\$ -</u>	<u>\$ 5,789</u>	<u>\$ (1,200)</u>

Municipal Property Corporation Bond Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Property Rental	\$ 180	\$ 180	\$ 159	\$ -	\$ 159	\$ (21)
Intergovernmental	1,107	1,107	708	-	708	(399)
Total Revenues	<u>1,287</u>	<u>1,287</u>	<u>867</u>	<u>-</u>	<u>867</u>	<u>(420)</u>
EXPENDITURES						
Debt Service						
Principal	3,426	3,426	3,290	-	3,290	136
Interest and Fiscal Charges	6,490	6,490	6,041	-	6,041	449
Total Expenditures	<u>9,916</u>	<u>9,916</u>	<u>9,331</u>	<u>-</u>	<u>9,331</u>	<u>585</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,629)</u>	<u>(8,629)</u>	<u>(8,464)</u>	<u>-</u>	<u>(8,464)</u>	<u>165</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	8,809	8,809	8,195	-	8,195	(614)
Total Other Financing Sources and (Uses)	<u>8,809</u>	<u>8,809</u>	<u>8,195</u>	<u>-</u>	<u>8,195</u>	<u>(614)</u>
Net Change in Fund Balances	180	180	(269)	-	(269)	(449)
Fund Balances - Beginning	<u>9,845</u>	<u>9,357</u>	<u>9,357</u>	<u>-</u>	<u>9,357</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 10,025</u>	<u>\$ 9,537</u>	<u>\$ 9,088</u>	<u>\$ -</u>	<u>\$ 9,088</u>	<u>\$ (449)</u>

Special Assessments Bond Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Special Assessments	\$ 804	\$ 804	\$ 719	\$ -	\$ 719	\$ (85)
Total Revenues	<u>804</u>	<u>804</u>	<u>719</u>	<u>-</u>	<u>719</u>	<u>(85)</u>
EXPENDITURES						
Current:						
Public Works	2	2	-	-	-	2
Debt Service						
Principal	752	752	755	-	755	(3)
Interest and Fiscal Charges	<u>52</u>	<u>52</u>	<u>52</u>	<u>-</u>	<u>52</u>	<u>-</u>
Total Expenditures	<u>806</u>	<u>806</u>	<u>807</u>	<u>-</u>	<u>807</u>	<u>(1)</u>
Excess (Deficiency) of Revenues over Expenditures	(2)	(2)	(88)	-	(88)	(86)
Fund Balances - Beginning	<u>1,627</u>	<u>517</u>	<u>517</u>	<u>-</u>	<u>517</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,625</u>	<u>\$ 515</u>	<u>\$ 429</u>	<u>\$ -</u>	<u>\$ 429</u>	<u>\$ (86)</u>

Scottsdale Preserve Authority Bond Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2012 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES						
Debt Service						
Principal	3,655	3,655	3,655	-	3,655	-
Interest and Fiscal Charges	2,837	2,837	2,846	-	2,846	(9)
Total Expenditures	6,492	6,492	6,501	-	6,501	(9)
Excess (Deficiency) of Revenues over Expenditures	(6,492)	(6,492)	(6,501)	-	(6,501)	(9)
OTHER FINANCING SOURCES (USES)						
Transfers In	6,492	6,492	6,464	-	6,464	(28)
Total Other Financing Sources and (Uses)	6,492	6,492	6,464	-	6,464	(28)
Net Change in Fund Balances	-	-	(37)	-	(37)	(37)
Fund Balances - Beginning	-	-	37	-	37	37
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet

Nonmajor Capital Projects Governmental Funds

June 30, 2012 (in thousands)

	<u>General Obligation Bond</u>	<u>Transportation Privilege Tax</u>	<u>McDowell Mountain CFD</u>	<u>DC Ranch CFD</u>	<u>Total</u>
ASSETS					
Cash and Investments	\$ 31,622	\$ 29,508	\$ -	\$ -	\$ 61,130
Cash with Fiscal Agents	-	-	110	87	197
Receivables (net of allowance for uncollectibles)					
Interest	45	15	-	-	60
Grants	-	835	-	-	835
Total Assets	<u>\$ 31,667</u>	<u>\$ 30,358</u>	<u>\$ 110</u>	<u>\$ 87</u>	<u>\$ 62,222</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	\$ 796	\$ -	\$ -	\$ 796
Accrued Payroll and Benefits	-	28	-	-	28
Deferred Revenue					
Intergovernmental	-	753	-	-	753
Total Liabilities	<u>-</u>	<u>1,577</u>	<u>-</u>	<u>-</u>	<u>1,577</u>
Fund Balances					
Restricted	<u>31,667</u>	<u>28,781</u>	<u>110</u>	<u>87</u>	<u>60,645</u>
Total Fund Balances	<u>31,667</u>	<u>28,781</u>	<u>110</u>	<u>87</u>	<u>60,645</u>
Total Liabilities and Fund Balances	<u>\$ 31,667</u>	<u>\$ 30,358</u>	<u>\$ 110</u>	<u>\$ 87</u>	<u>\$ 62,222</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	General Obligation Bond	Transportation Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Total
REVENUES					
Interest Earnings	\$ 414	\$ 151	\$ -	\$ -	\$ 565
Investment Income	(218)	(74)	-	-	(292)
Intergovernmental					
Federal Grants	-	9,689	-	-	9,689
Miscellaneous	-	5,080	-	-	5,080
Developer Contributions	-	98	-	-	98
Reimbursements from Outside Sources	-	8,074	-	-	8,074
Other Revenue	-	224	-	-	224
Total Revenues	<u>196</u>	<u>23,242</u>	<u>-</u>	<u>-</u>	<u>23,438</u>
EXPENDITURES					
Current					
Capital Improvements	-	17,277	-	-	17,277
Total Expenditures	<u>-</u>	<u>17,277</u>	<u>-</u>	<u>-</u>	<u>17,277</u>
Excess (Deficiency) of Revenues over Expenditures	<u>196</u>	<u>5,965</u>	<u>-</u>	<u>-</u>	<u>6,161</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	12,166	-	-	12,166
Transfers Out	(11,900)	(922)	-	-	(12,822)
Total Other Financing Sources and (Uses)	<u>(11,900)</u>	<u>11,244</u>	<u>-</u>	<u>-</u>	<u>(656)</u>
Net Change in Fund Balances	(11,704)	17,209	-	-	5,505
Fund Balances - Beginning	<u>43,371</u>	<u>11,572</u>	<u>110</u>	<u>87</u>	<u>55,140</u>
Fund Balances - Ending	<u>\$ 31,667</u>	<u>\$ 28,781</u>	<u>\$ 110</u>	<u>\$ 87</u>	<u>\$ 60,645</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the City. This allows for the internal users of services to be charged for those services based on their use.

Fleet Management Fund

This fund is used to account for the expenditures associated with purchasing and maintaining the City's vehicles.

Self-Insurance Fund

This fund is used for the administration of the City's self-insurance program. This fund provides coverage of unemployment, self-insured benefits, workers' compensation, property, and liability claims.

Computer Replacement Fund

This fund is used to account for the expenditures associated with purchasing the City's computers, monitors and printers.

Combining Statement of Net Assets

Internal Service Funds
June 30, 2012 (in thousands)

ASSETS	Fleet Management	Self-Insurance	Computer Replacement	Total
Current Assets				
Cash and Investments	\$ 10,648	\$ 22,200	\$ 774	\$ 33,622
Receivables (net of allowance for uncollectibles)				
Miscellaneous	-	90	-	90
Supplies Inventory	722	-	-	722
Total Current Assets	11,370	22,290	774	34,434
Noncurrent Assets				
Net Other Post Employment Benefits	1	1	-	2
Capital Assets				
Buildings and Improvements	7,560	-	-	7,560
Motor Vehicles	59,381	-	-	59,381
Machinery and Equipment	886	-	-	886
Construction in Progress	4,806	-	-	4,806
Less Accumulated Depreciation	(41,754)	-	-	(41,754)
Total Noncurrent Assets	30,880	1	-	30,881
Total Assets	42,250	22,291	774	65,315
LIABILITIES				
Current Liabilities				
Accounts Payable	915	284	19	1,218
Accrued Payroll and Benefits	131	35	-	166
Accrued Compensated Absences - Due within one year	139	30	-	169
Claims Payable - Due within one year	-	4,555	-	4,555
Total Current Liabilities	1,185	4,904	19	6,108
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	168	29	-	197
Other Payables - Due in more than one year	-	6,056	-	6,056
Total Noncurrent Liabilities	168	6,085	-	6,253
Total Liabilities	1,353	10,989	19	12,361
NET ASSETS				
Invested in Capital Assets	30,879	-	-	30,879
Unrestricted	10,018	11,302	755	22,075
Total Net Assets	\$ 40,897	\$ 11,302	\$ 755	\$ 52,954

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 14,935	\$ 21,155	\$ -	\$ 36,090
Self Insurance Contributions - Employee	-	5,336	-	5,336
Self Insurance Contributions - Retiree	-	1,103	-	1,103
State Contributions	-	921	-	921
Other	28	591	-	619
Total Operating Revenues	<u>14,963</u>	<u>29,106</u>	<u>-</u>	<u>44,069</u>
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	11,572	-	-	11,572
Self-Insurance Administration	-	4,643	-	4,643
Self-Insurance Claims	-	3,226	-	3,226
Self-Insurance Benefits	-	23,932	-	23,932
Insurance and Bond Premiums	-	1,827	-	1,827
Depreciation	4,541	-	-	4,541
Computer Replacement	-	-	445	445
Total Operating Expenses	<u>16,113</u>	<u>33,628</u>	<u>445</u>	<u>50,186</u>
Operating Income (Loss)	<u>(1,150)</u>	<u>(4,522)</u>	<u>(445)</u>	<u>(6,117)</u>
Non-Operating Revenues				
Investment Income	(16)	(26)	-	(42)
Gain on Sale of Capital Assets	97	-	-	97
Total Non-Operating Revenues	<u>81</u>	<u>(26)</u>	<u>-</u>	<u>55</u>
Income Before Contributions and Transfers	(1,069)	(4,548)	(445)	(6,062)
Transfers In	-	3,000	1,200	4,200
Transfers Out	(2,585)	(2)	-	(2,587)
Change in Net Assets	<u>(3,654)</u>	<u>(1,550)</u>	<u>755</u>	<u>(4,449)</u>
Total Net Assets - Beginning	<u>44,551</u>	<u>12,852</u>	<u>-</u>	<u>57,403</u>
Total Net Assets - Ending	<u>\$ 40,897</u>	<u>\$ 11,302</u>	<u>\$ 755</u>	<u>\$ 52,954</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 14,934	\$ 28,461	\$ -	\$ 43,395
Cash Paid to Suppliers	(8,963)	(33,053)	(426)	(42,442)
Cash Paid to Employees	(3,155)	(1,181)	-	(4,336)
Other Operating	27	593	-	620
Net Cash Provided by (Used for) Operating Activities	<u>2,843</u>	<u>(5,180)</u>	<u>(426)</u>	<u>(2,763)</u>
Cash Flows from Non-Capital Financing Activities				
Transfers In	-	3,000	1,200	4,200
Transfers Out	(2,585)	(2)	-	(2,587)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(2,585)</u>	<u>2,998</u>	<u>1,200</u>	<u>1,613</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and Construction of Property and Equipment	(5,734)	-	-	(5,734)
Sale of Capital Assets	874	-	-	874
Net Cash (Used for) Capital and Related Financing Activities	<u>(4,860)</u>	<u>-</u>	<u>-</u>	<u>(4,860)</u>
Cash Flows from Investing Activities				
Income Received on Investments	<u>3</u>	<u>(5)</u>	<u>-</u>	<u>(2)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,599)	(2,187)	774	(6,012)
Cash and Cash Equivalents at Beginning of Year	<u>15,247</u>	<u>24,387</u>	<u>-</u>	<u>39,634</u>
Cash and Cash Equivalents at End of Year	<u>\$ 10,648</u>	<u>\$ 22,200</u>	<u>\$ 774</u>	<u>\$ 33,622</u>
Reconciliation of Operating Income to Net Cash Provided (Used for) Operating Activities				
Operating Loss	\$ (1,150)	\$ (4,522)	\$ (445)	\$ (6,117)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities				
Depreciation	4,541	-	-	4,541
Changes in Assets and Liabilities Sources (Uses) of Cash				
Miscellaneous Receivables	-	(53)	-	(53)
Supplies Inventory	(60)	-	-	(60)
Accounts Payable	(447)	(79)	19	(507)
Accrued Payroll and Benefits	(26)	4	-	(22)
Other Payables	(15)	-	-	(15)
Claims Payable	-	(530)	-	(530)
Total Adjustments	<u>3,993</u>	<u>(658)</u>	<u>19</u>	<u>3,354</u>
Net Cash Provided (Used for) Operating Activities	<u>\$ 2,843</u>	<u>\$ (5,180)</u>	<u>\$ (426)</u>	<u>\$ (2,763)</u>

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.

Crossroads East Development Agreement

This fund accounts for monies in escrow for the Arizona State Land Department.

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012 (in thousands)

	Private Purpose Trust Funds		Agency Funds			
	Handicap Scholarship Private Purpose Trust Fund	Total	Family Self- Sufficiency Agency Fund	Retainage Escrow Agency Fund	Crossroads East Dev Agreement Agency Fund	Total
ASSETS						
Cash and Cash Equivalents	\$ 3	\$ 3	\$ 75	\$ 1,720	\$ 1,415	\$ 3,210
Total Assets	3	3	75	1,720	1,415	3,210
LIABILITIES						
Escrow Payable Vouchers	-	-	75	-	-	75
Designated Escrow Payable	-	-	-	1,720	-	1,720
State Land Department Rebate	-	-	-	-	1,415	1,415
Total Liabilities	-	-	\$ 75	\$ 1,720	\$ 1,415	\$ 3,210
NET ASSETS						
Held in Trust for Other Purposes	\$ 3	\$ 3				

Combining Statement of Changes in Assets and Liabilities

Fiduciary Funds

For the Fiscal Year Ended June 30, 2012 (in thousands)

	Family Self-Sufficiency			Retainage Escrow			Crossroads East Dev Agreement					
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS												
Cash and Cash Equivalents	\$ 121	\$ 44	\$ 90	\$ 75	\$ 778	\$ 1,720	\$ 778	\$ 1,720	\$ -	\$ 1,415	\$ -	\$ 1,415
Total Assets	<u>\$ 121</u>	<u>\$ 44</u>	<u>\$ 90</u>	<u>\$ 75</u>	<u>\$ 778</u>	<u>\$ 1,720</u>	<u>\$ 778</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ 1,415</u>
LIABILITIES												
Escrow Payable Vouchers	\$ 121	\$ 44	\$ 90	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Designated Escrow Payable	-	-	-	-	778	1,720	778	1,720	-	-	-	-
State Land Department Rebate	-	-	-	-	-	-	-	-	-	1,415	-	1,415
Total Liabilities	<u>\$ 121</u>	<u>\$ 44</u>	<u>\$ 90</u>	<u>\$ 75</u>	<u>\$ 778</u>	<u>\$ 1,720</u>	<u>\$ 778</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ 1,415</u>

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, 2012 (in thousands)

	July 1, 2011	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2012	Governmental Activities	Business-Type Activities	Final Payment Date
GENERAL OBLIGATION BONDS										
Governmental Fund Type:										
1997 GO Refunding	\$ 3,795	\$ -	\$ 1,190	\$ -	\$ -	\$ -	2,605	\$ 2,605	\$ -	07/01/14
2002 GO Refunding Various Purpose	24,230	-	6,510	-	-	-	17,720	17,720	-	07/01/19
2002 GO Refunding Preservation	8,100	-	-	-	-	-	8,100	8,100	-	07/01/19
2003 GO Refunding Various Purpose	2,710	-	1,335	-	-	-	1,375	1,375	-	07/01/13
2004 GO Various Purpose	48,000	-	-	-	-	-	48,000	48,000	-	07/01/25
2004 GO Preservation	52,200	-	3,500	-	-	-	48,700	48,700	-	07/01/25
2005 GO Refunding Various Purpose	8,540	-	2,715	-	-	-	5,825	5,825	-	07/01/24
2005 GO Refunding Preservation	66,090	-	-	-	-	-	66,090	66,090	-	07/01/24
2005A GO Various Purpose	109,750	-	4,500	-	-	-	105,250	105,250	-	07/01/24
2005B GO Preservation	15,800	-	925	-	-	-	14,875	14,875	-	07/01/24
2008A GO Various Purpose	100,000	-	-	-	-	-	100,000	100,000	-	07/01/28
2008B GO Preservation	18,675	-	525	-	-	-	18,150	18,150	-	07/01/34
2010 GO Various Purpose Bonds	49,850	-	1,050	-	-	-	48,800	48,800	-	07/01/30
2011 GO Preservation	22,525	-	740	-	-	-	21,785	21,785	-	07/01/34
2011 GO Refunding Various Purpose	8,645	-	4,200	-	-	-	4,445	4,445	-	07/01/24
2011 GO Refunding Preservation	33,830	-	1,125	-	-	-	32,705	32,705	-	07/01/24
2012 GO Preservation	-	50,000	-	-	-	-	50,000	50,000	-	07/01/34
2004 GO Series Deferred Issuance Premium	669	-	-	-	-	(51)	618	618	-	-
2005 GO Series Deferred Amount on Refunding	(2,274)	-	-	-	-	278	(1,996)	(1,996)	-	-
2005 GO Refunding Series Deferred Issuance Premium	1,747	-	-	-	-	(213)	1,534	1,534	-	-
2005A GO Series Deferred Issuance Premium	1,684	-	-	-	-	(136)	1,548	1,548	-	-
2005B GO Series Deferred Issuance Premium	268	-	-	-	-	(22)	246	246	-	-
2008A GO Series Deferred Issuance Premium	1,883	-	-	-	-	(112)	1,771	1,771	-	-
2008B GO Series Deferred Issuance Premium	124	-	-	-	-	(5)	119	119	-	-
2010 GO Bonds Deferred Issuance Premium	790	-	-	-	-	(42)	748	748	-	-
2011 GO Preserve Series Deferred Issuance Premium	258	-	-	-	-	(11)	247	247	-	-
2011 GO Series Deferred Amount on Refunding	(1,673)	-	-	-	-	(24)	(1,697)	(1,697)	-	-
2011 GO Refunding Series Deferred Issuance Premium	3,756	-	-	-	-	(295)	3,461	3,461	-	-
2012 GO Preserve Deferred Issuance Premium	-	2,448	-	-	-	(46)	2,402	2,402	-	-
Total General Obligation Bonds	\$ 579,972	\$ 52,448	\$ 28,315	\$ -	\$ -	\$ (679)	\$ 603,426	\$ 603,426	\$ -	-
REVENUE BONDS										
Business-Type - Revenue Bonds										
2004 Utility Revenue Series Refunding	\$ 8,945	\$ -	\$ 3,175	\$ -	\$ -	\$ -	5,770	\$ -	\$ 5,770	07/01/16
2008 Utility Revenue Series Refunding	33,065	-	205	-	-	-	32,860	-	32,860	07/01/23
2008 Revenue Series Deferred Amount on Refunding	(572)	-	-	-	-	49	(523)	-	(523)	-
2008 Refunding Series Deferred Issuance Premium	3,338	-	-	-	-	(288)	3,050	-	3,050	-
Total Revenue Bonds	\$ 44,776	\$ -	\$ 3,380	\$ -	\$ -	\$ (239)	\$ 41,157	\$ -	\$ 41,157	-

(continued)

Schedule of Changes in Long-Term Debt*

For the Year Ended June 30, 2012 (in thousands)

	July 1, 2011	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2012	Governmental Activities	Business-Type Activities	Final Payment Date
MUNICIPAL PROPERTY CORPORATION BONDS										
Governmental Fund Type:										
2004A MPC	\$ 7,915	\$ -	\$ 980	\$ -	\$ -	\$ -	6,935	\$ 6,935	\$ -	07/01/19
2005 MPC	23,534	-	855	-	-	808	23,487	23,487	-	07/01/21
2005D MPC	19,475	-	225	-	-	-	19,250	19,250	-	07/01/35
2006 MPC Refunding	55,450	-	-	-	-	-	55,450	55,450	-	07/01/34
2006A MPC	8,585	-	280	-	-	-	8,305	8,305	-	07/01/31
2006B MPC	32,500	-	950	-	-	-	31,550	31,550	-	07/01/31
2004A Series Deferred Issuance Premium	139	-	-	-	-	(17)	122	122	-	-
2005 Series Deferred Issuance Premium	239	-	-	-	-	(24)	215	215	-	-
2005D Series Deferred Issuance Premium	912	-	-	-	-	(38)	874	874	-	-
2006 Series Deferred Amount on Refunding	(2,125)	-	-	-	-	227	(1,898)	(1,898)	-	-
2006 Refunding Series Deferred Issuance Premium	5,683	-	-	-	-	(247)	5,436	5,436	-	-
2006A Series Deferred Issuance Premium	96	-	-	-	-	(5)	91	91	-	-
2006B Series Deferred Issuance Premium	175	-	-	-	-	(9)	166	166	-	-
Subtotal	152,578	-	3,290	-	-	695	149,983	149,983	-	-
Business-Type - Municipal Property Corporation Bonds										
2004 Water/Sewer	10,260	-	3,295	-	-	-	6,965	-	6,965	07/01/14
2005E Water/Sewer	13,930	-	2,500	-	-	-	11,430	-	11,430	07/01/16
2006 MPC Refunding	110,510	-	-	-	-	-	110,510	-	110,510	07/01/30
2008A Water/Sewer	98,825	-	2,775	-	-	-	96,050	-	96,050	07/01/32
2010 MPC Bonds Water/Sewer	75,000	-	180	-	-	-	74,820	-	74,820	07/01/36
2004 Water/Sewer Deferred Issuance Premium	536	-	-	-	-	(180)	356	-	356	-
2005E Water Deferred Issuance Premium	396	-	-	-	-	(79)	317	-	317	-
2006 Refunding Series Deferred Issuance Premium	10,368	-	-	-	-	(451)	9,917	-	9,917	-
2006 Series Deferred Amount on Refunding	(4,162)	-	-	-	-	190	(3,972)	-	(3,972)	-
2008A Series Deferred Issuance Premium	4,082	-	-	-	-	(196)	3,886	-	3,886	-
2010 Water/Sewer Deferred Issuance Premium	3,362	-	-	-	-	(136)	3,226	-	3,226	-
Subtotal	323,107	-	8,750	-	-	(852)	313,505	-	313,505	-
Total Municipal Property Corporation Bonds	\$ 475,685	\$ -	\$ 12,040	\$ -	\$ -	\$ (157)	\$ 463,488	\$ 149,983	\$ 313,505	-
SCOTTSDALE PRESERVE AUTHORITY BONDS										
Governmental Fund Type:										
2004 Excise Tax Refunding	\$ 15,050	\$ -	\$ 2,735	\$ -	\$ -	\$ -	12,315	\$ 12,315	\$ -	07/01/16
2010 Excise Tax Refunding	32,855	-	-	-	-	-	32,855	32,855	-	07/01/24
2011 Excise Tax Refunding	12,015	-	920	-	-	-	11,095	11,095	-	07/01/22
2004 Excise Tax Revenue Deferred Issuance Premium	950	-	-	-	-	(237)	713	713	-	-
2004 Excise Tax Revenue Deferred Amount on Refunding	(897)	-	-	-	-	223	(674)	(674)	-	-
2010 Excise Tax Revenue Deferred Issuance Premium	4,608	-	-	-	-	(345)	4,263	4,263	-	-
2010 Excise Tax Revenue Deferred Amount on Refunding	(636)	-	-	-	-	48	(588)	(588)	-	-
2011 Excise Tax Revenue Deferred Issuance Premium	1,092	-	-	-	-	(101)	991	991	-	-
2011 Excise Tax Revenue Deferred Amount on Refunding	(728)	-	-	-	-	62	(666)	(666)	-	-
Total Scottsdale Preserve Authority Bonds	\$ 64,309	\$ -	\$ 3,655	\$ -	\$ -	\$ (350)	\$ 60,304	\$ 60,304	\$ -	-

(continued on next page)

Schedule of Changes in Long-Term Debt*

For the Year Ended June 30, 2012 (in thousands)

	July 1, 2011	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2012	Governmental Activities	Business-Type Activities	Final Payment Date
SPECIAL ASSESSMENT BONDS										
Governmental Fund Type:										
Bell Road II Series 106	\$ 1,500	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ 750	\$ 750	\$ -	01/01/13
CERTIFICATES OF PARTICIPATION										
Governmental Fund Type:										
2005 Certificates of Participation	\$ 3,409	\$ -	\$ 3,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	01/01/15
Series 2010-Public Safety Communications Project	20,000	-	1,969	-	-	-	18,031	18,031	-	07/01/20
Total Certificates of Participation	\$ 23,409	\$ -	\$ 5,378	\$ -	\$ -	\$ -	\$ 18,031	\$ 18,031	\$ -	
COMMUNITY FACILITIES DISTRICT BONDS										
Governmental Fund Type:										
McDowell Mtn Ranch Refunding Series 1999	\$ 12,430	\$ -	\$ 875	\$ -	\$ -	\$ -	\$ 11,555	\$ 11,555	\$ -	07/15/22
DC Ranch Series 1998	3,505	-	215	-	-	-	3,290	3,290	-	07/15/23
Via Linda Road Series 1999	2,320	-	140	-	-	-	2,180	2,180	-	07/15/23
DC Ranch Series 1999	2,385	-	125	-	-	-	2,260	2,260	-	07/15/24
Scottsdale Mountain Refunding Series 2002	2,640	-	370	-	-	-	2,270	2,270	-	07/15/18
DC Ranch Series 2002	9,770	-	315	-	-	-	9,455	9,455	-	07/15/27
Waterfront Commercial Series 2007	3,695	-	65	-	-	-	3,630	3,630	-	07/15/32
Scottsdale Mountain 2002 Deferred Issuance Premium	8	-	-	-	-	(2)	6	6	-	
Scottsdale Mountain 2002 Deferred Amount on Refunding	(33)	-	-	-	-	33	-	-	-	
DC Ranch 2002 Deferred Issuance Premium	42	-	-	-	-	(3)	39	39	-	
Total Community Facilities District Bonds	36,762	-	2,105	-	-	28	34,685	34,685	-	
Total Bonds	\$ 1,226,413	\$ 52,448	\$ 55,623	\$ -	\$ -	\$ (1,397)	\$ 1,221,841	\$ 867,179	\$ 354,662	
CONTRACTS PAYABLE										
Governmental Fund Type:										
US Corps of Engineers	\$ 2,707	\$ -	\$ 93	\$ -	\$ -	\$ -	\$ 2,614	\$ 2,614	\$ -	2032
McDowell Sonoran Preserve	1,775	-	865	-	-	-	910	910	-	2013
Bureau of Reclamation\WestWorld	4,680	-	122	-	-	-	4,558	4,558	-	2033
Bureau of Reclamation\TPC	5,410	-	122	-	-	-	5,288	5,288	-	2035
Underground Improvement District Series 104	10	-	5	-	-	-	5	5	-	2013
Total Contracts	\$ 14,582	\$ -	\$ 1,207	\$ -	\$ -	\$ -	\$ 13,375	\$ 13,375	\$ -	
TOTAL BONDS, CONTRACTS AND CAPITAL LEASES	\$ 1,240,995	\$ 52,448	\$ 56,830	\$ -	\$ -	\$ (1,397)	\$ 1,235,216	\$ 880,554	\$ 354,662	
Compensated Absences								25,172	3,039	
Risk Management Claims								10,611	-	
Total Long-Term Debt							\$ 916,337	\$ 357,701		

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



Statistical Section

Contents

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Financial Trends

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

153

These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.

Debt Capacity

160

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.

Demographic and Economic Information

166

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

168

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.

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

Table I

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 1,497,575	\$ 1,548,486	\$ 1,877,955	\$ 2,029,375	\$ 2,198,130	\$ 2,353,573	\$ 2,586,731	\$ 2,729,334	\$ 2,704,433	\$ 2,800,451
Restricted	117,801	199,767	78,794	102,293 ⁽²⁾	108,686	189,540	131,732	97,950	91,862	100,275
Unrestricted	165,209	127,017	195,887	172,530 ⁽²⁾	206,386	90,632	83,884	87,698	108,799	74,124
Total Governmental Activities Net Assets	<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>	<u>\$ 2,905,094</u>	<u>\$ 2,974,850</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 659,130	\$ 653,351	\$ 756,433	\$ 806,749	\$ 895,636	\$ 909,632	\$ 991,390	\$ 941,884	\$ 1,009,973	\$ 1,036,985
Restricted	16,721	20,842	23,472	27,000	33,649	26,147	26,568	32,244	36,287	38,576
Unrestricted	186,147	272,431 ⁽¹⁾	212,957	239,535	224,607	293,090	239,103	307,279	258,395	243,067
Total Business-Type Activities Net Assets	<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>	<u>\$ 1,304,655</u>	<u>\$ 1,318,628</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 2,156,705	\$ 2,201,837	\$ 2,634,388	\$ 2,836,124	\$ 3,093,766	\$ 3,263,205	\$ 3,578,121	\$ 3,671,218	\$ 3,714,406	\$ 3,837,436
Restricted	134,522	220,609	102,266	129,293	142,335	215,687	158,300	130,194	128,149	138,851
Unrestricted	351,356	399,448	408,844	412,065	430,993	383,722	322,987	394,977	367,194	317,191
Total Primary Government Net Assets	<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>	<u>\$ 4,209,749</u>	<u>\$ 4,293,478</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 Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Table IIa

	Fiscal Year									
	2003	2004	2005 ⁽¹⁾	2006	2007	2008	2009	2010 ⁽²⁾	2011 ⁽³⁾	2012 ⁽⁴⁾
Expenses										
Governmental Activities:										
General Government	\$ 22,776	\$ 23,839	\$ 30,943	\$ 42,729	\$ 45,682	\$ 40,698	\$ 20,646	\$ 24,351	\$ 21,495	\$ 18,964
Public Works	-	-	-	-	-	-	-	37,143	35,605	34,416
Community and Economic Development	-	-	-	-	-	-	-	-	134,221	126,622
Public Safety	-	-	-	-	-	-	-	116,155	111,227	115,740
Human Resources	3,601	3,462	3,333	3,615	3,800	4,790	3,545	3,717	3,047	-
Community Services	52,222	55,087	57,519	57,931	70,527	78,285	78,523	53,596	51,974	54,442
Information Technology	-	-	-	-	-	-	-	14,876	13,491	-
Administrative Services	-	-	-	-	-	-	-	1,917	2,905	17,318
Citizen and Neighborhood Resources	2,433	2,812	3,496	3,419	3,727	3,663	3,802	-	-	-
Economic Vitality	6,421	6,130	8,026	7,549	9,475	9,711	8,553	20,676	-	-
Finance and Accounting	-	-	-	-	-	-	-	5,848	-	-
Financial Services	7,883	7,655	8,315	8,343	9,843	10,930	9,913	-	-	-
Fire	18,127	19,570	28,620	26,943	28,054	31,943	31,174	-	-	-
Information Services	11,901	11,135	7,941	14,589	13,329	13,704	13,723	-	-	-
Municipal Services	12,290	13,024	16,520	14,746	17,698	20,153	22,887	-	-	-
Planning and Development	11,908	11,697	12,522	12,883	15,133	31,933	29,029	-	-	-
Planning, Neighborhood and Transportation	-	-	-	-	-	-	-	114,530	-	-
Police	54,469	60,027	63,076	74,408	81,375	91,102	92,530	-	-	-
The Downtown Group	-	-	-	-	-	-	4,595	-	-	-
Transportation	71,837	78,373	85,835	82,047	95,214	90,039	87,552	-	-	-
WestWorld	-	-	-	-	-	-	595	-	-	-
Streetlight and Service Districts	1,099	1,024	1,094	617	597	712	631	538	578	572
Interest on Long-Term Debt	27,786	28,028	32,466	37,192	38,981	39,457	42,242	39,405	40,358	40,647
Total Governmental Activities Expenses	<u>304,753</u>	<u>321,863</u>	<u>359,706</u>	<u>387,011</u>	<u>433,435</u>	<u>467,120</u>	<u>449,940</u>	<u>432,752</u>	<u>414,901</u>	<u>408,721</u>
Business-Type Activities:										
Water Utility	50,406	51,095	59,723	53,961	64,915	71,140	81,391	76,178	83,888	90,829
Sewer Utility	22,862	24,678	28,324	27,854	26,089	26,947	33,509	33,274	34,533	41,218
Airport	2,476	2,622	3,346	2,922	2,958	3,343	3,482	3,120	3,680	3,681
Solid Waste	13,783	15,153	15,508	16,412	17,895	18,772	19,650	18,889	18,853	17,671
Total Business-Type Activities Expenses	<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>	<u>140,954</u>	<u>153,399</u>
Total Primary Government Expenses	<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>	<u>\$ 555,855</u>	<u>\$ 562,120</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.

⁽³⁾In FY2011, Economic Vitality merged with Planning, Neighborhood and Transportation, to become the Community and Economic Development Division. In addition, Finance and Accounting was merged into General Government.

⁽⁴⁾In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

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

Table IIb

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenue										
Governmental Activities:										
Charges for Services:										
General Government	\$ 11,402	\$ 12,742	\$ 12,106	\$ 13,783	\$ 14,102	\$ 15,581	\$ 14,670	\$ 13,982	\$ 4,777	\$ 3,965
Public Works	-	-	-	-	-	-	-	-	4,666	3,543
Community and Economic Development	-	-	-	-	-	-	-	-	9,604 ⁽⁴⁾	10,958
Public Safety	-	-	-	-	-	-	-	12,655	9,917	10,102
Human Resources	-	-	-	-	-	-	-	-	973	-
Community Services	3,405	3,759	3,914	4,028	4,388	4,637	4,619	5,773	4,617	5,573
Information Technology	-	-	-	-	-	-	-	-	2,485	-
Administrative Services	-	-	-	-	-	-	-	-	635	2,549
Planning, Neighborhood, and Transportation	-	-	-	-	-	-	-	6,837	-	-
Citizen and Neighborhood Resources	-	-	-	163	228	21	-	-	-	-
Economic Vitality	-	-	-	-	-	-	-	2,552	-	-
Fire	-	-	-	1,010 ⁽¹⁾	1,155	1,095	2,275	-	-	-
Planning and Development	15,449	17,314	18,188	20,515	16,128	12,800	6,393	-	-	-
Police	4,227	6,760	11,514	9,938	15,071	16,664	5,703	-	-	-
Transportation	-	-	-	277	326	-	-	-	-	-
WestWorld	-	-	-	-	-	-	2,682	-	-	-
Streetlight and Service Districts	1,018	1,000	998	511	546	595	599	289	478	551
Operating Grants and Contributions	21,219	24,508	26,865	26,355	29,293	28,409	26,272	29,319	32,205	28,144
Capital Grants and Contributions	70,369	105,794	73,092	136,745 ⁽²⁾	211,707 ⁽³⁾	157,808	240,289	190,279	41,072	112,163
Total Governmental Activities Program Revenues	<u>127,089</u>	<u>171,877</u>	<u>146,677</u>	<u>213,325</u>	<u>292,944</u>	<u>237,610</u>	<u>303,502</u>	<u>261,686</u>	<u>111,429</u>	<u>177,548</u>
Business-Type Activities:										
Charges for Services:										
Water Utility	66,626	70,613	72,612	81,517	84,381	90,741	91,546	94,199	94,056	97,944
Sewer Utility	25,316	25,587	27,503	27,119	32,250	33,930	34,198	35,027	34,533	36,032
Airport	2,424	2,936	3,162	3,342	3,451	3,380	2,813	2,879	2,816	3,248
Solid Waste	16,250	16,488	16,984	17,163	18,490	19,824	20,049	20,269	20,940	20,744
Capital Grants and Contributions	28,487	71,709	38,313	55,580	55,111	50,679	22,067	9,268	17,889	8,607
Total Business-Type Activities Revenues	<u>139,103</u>	<u>187,333</u>	<u>158,574</u>	<u>184,721</u>	<u>193,683</u>	<u>198,554</u>	<u>170,673</u>	<u>161,642</u>	<u>170,234</u>	<u>166,575</u>
Total Primary Government Revenues	<u>\$ 266,192</u>	<u>\$ 359,210</u>	<u>\$ 305,251</u>	<u>\$ 398,046</u>	<u>\$ 486,627</u>	<u>\$ 436,164</u>	<u>\$ 474,175</u>	<u>\$ 423,328</u>	<u>\$ 281,663</u>	<u>\$ 344,123</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (177,664)	\$ (149,986)	\$ (213,029)	\$ (173,686)	\$ (140,491)	\$ (229,510)	\$ (146,438)	\$ (171,066)	\$ (303,472)	\$ (231,173)
Business-Type Activities	49,576	93,785	51,673	83,572	81,826	78,352	32,641	30,181	29,280	13,176
Total Primary Government Net Expense	<u>\$ (128,088)</u>	<u>\$ (56,201)</u>	<u>\$ (161,356)</u>	<u>\$ (90,114)</u>	<u>\$ (58,665)</u>	<u>\$ (151,158)</u>	<u>\$ (113,797)</u>	<u>\$ (140,885)</u>	<u>\$ (274,192)</u>	<u>\$ (217,997)</u>

⁽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).

⁽⁴⁾ In FY2011, Economic Vitality was merged with Planning, Neighborhood and Transportation, to become the Community and Economic Development Division.

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

Table IIc

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes	\$ 167,153	\$ 183,039	\$ 217,325 ⁽¹⁾	\$ 240,731	\$ 249,411	\$ 246,330	\$ 221,272	\$ 208,083	\$ 222,118	\$ 227,963
Intergovernmental	46,971	45,163	48,346	54,481	60,520	65,933	64,145	56,830	49,190	44,035
Interest and Investment Income	4,108	2,655	6,765	13,714	23,013	19,187	14,653	1,368	248	1,063
Miscellaneous and Special Items	4,760	2,777	4,100	5,786	5,377	7,606	5,038	6,730	11,849	20,502
Transfers	10,955	11,037	9,567	10,536	11,174	10,997	9,932	10,690	10,179	7,366
Total Governmental Activities	<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>	<u>293,584</u>	<u>300,929</u>
Business-Type Activities:										
Taxes	-	-	-	119	195	195	117	130	134	132
Interest and Investment Income	1,493	973	4,288	6,581	9,265	6,910	4,958	4,295	2,658	421
Miscellaneous	755	905	(156)	686	496	517	408	430	1,355	7,610
Transfers	(10,955)	(11,037)	(9,567)	(10,536)	(11,174)	(10,997)	(9,932)	(10,690)	(10,179)	(7,366)
Total Business-Type Activities:	<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>	<u>(6,032)</u>	<u>797</u>
Total Primary Government	<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>	<u>\$ 287,552</u>	<u>\$ 301,726</u>
Change in Net Assets										
Governmental Activities	\$ 56,283	\$ 94,685	\$ 73,074	\$ 151,562	\$ 209,004	\$ 120,543	\$ 168,602	\$ 112,635	\$ (9,888)	\$ 69,756
Business-Type Activities	40,869	84,626	46,238	80,422	80,608	74,977	28,192	24,346	23,248	13,973
Total Primary Government	<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>	<u>\$ 13,360</u>	<u>\$ 83,729</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
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

Table III

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012
General Fund										
Nonspendable									\$ 247	\$ 264
Restricted									281	260
Committed									-	-
Assigned									-	-
Unassigned									53,199	52,105
Reserved	\$ 1,992	\$ 2,153	\$ 872	\$ 805	\$ 754	\$ 924	\$ 835	\$ 586	-	-
Unreserved	71,236	59,707 ⁽¹⁾	72,772	93,243	89,534	61,379	59,587	51,518	-	-
Total General Fund	<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>	<u>\$ 53,727</u>	<u>\$ 52,629</u>
All Other Governmental Funds										
Nonspendable									\$ 3,000	\$ 2,980
Restricted									104,284	108,073
Committed									6,221	7,345
Assigned									36,609	37,183
Unassigned, Reported in:										
Special Revenue Funds									(640)	(447)
Reserved	\$ 13,670	\$ 9,122	\$ 10,613	\$ 23,142	\$ 21,249	\$ 25,600	\$ 27,236	\$ 20,193	-	-
Unreserved, Reported in:										
Special Revenue Funds	24,553	22,122	31,873	40,952	52,484	35,179	30,710	30,963	-	-
Capital Project Funds	159,421	224,422 ⁽²⁾	148,626	189,905	179,477	212,676	102,898	102,490	-	-
Total All Other Governmental Funds	<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>	<u>\$ 149,474</u>	<u>\$ 155,134</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.

⁽³⁾In FY2011, fund balances were stated in classifications required by GASB54.

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

Table IVa

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes - Local	\$ 167,153	\$ 182,362	\$ 218,189	\$ 239,478	\$ 251,017	\$ 246,175	\$ 219,846	\$ 204,040	\$ 221,236	\$ 228,823
Taxes - Intergovernmental	59,694	58,716	61,948	69,413	76,545	81,246	77,408	69,336	61,754	53,834
Business and Liquor Licenses	1,816	1,813	1,633	1,572	1,626	1,761	1,733	1,787	1,745	1,805
Charges for Current Services	19,990	22,401	23,300	27,260	23,291	20,376	15,719	15,322	15,119	16,985
Fines, Fees and Forfeitures	6,047	6,921	9,649	10,260	14,779	15,210	11,459	11,637	8,579	9,133
Special Assessments	1,970	2,558	2,029	1,106	1,825	895	821	765	733	719
Property Rental	2,836	3,212	3,617	4,173	3,868	3,733	3,527	3,353	4,204	4,630
Interest Earnings	3,830	2,385	6,053	12,518	21,083	17,298	13,491	5,014	2,705	2,837
Investment Income	-	-	-	-	-	-	-	(4,696)	(3,397)	(1,403)
Intergovernmental	9,609	11,810	11,771	13,129	15,763	15,552	31,813	17,756	52,300	67,725
Developer Contributions	762	762	4,708	392	2,024	7,775	9,425	2,518	254	101
Streetlight and Services Districts	1,018	1,000	998	511	546	595	599	289	478	551
Contributions and Donations	439	647	917	835	1,878	1,673	1,519	1,275	1,157	2,521
Reimbursements from Outside Sources	1,032	1,659	461	969	568	1,824	1,210	2,852	4,673	12,642
Indirect Costs	8,045	8,729	8,635	9,898	10,208	11,577	14,917	14,159	14,800	9,096
Other	850	2,110	9,079	644	700	934	991	644	1,892	3,265
Total Revenues	\$ 285,091	\$ 307,085	\$ 362,987	\$ 392,158	\$ 425,721	\$ 426,624	\$ 404,478	\$ 346,051	\$ 388,232	\$ 413,264

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

Table IVb

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010 ⁽²⁾	2011 ⁽³⁾	2012 ⁽⁴⁾
Expenditures										
General Government	\$ 16,010	\$ 16,121	\$ 21,793	\$ 23,516	\$ 24,938	\$ 26,633	\$ 19,216	\$ 17,030	\$ 19,783	\$ 18,523
Public Works	-	-	-	-	-	-	-	31,391	31,463	27,307
Community and Economic Development	-	-	-	-	-	-	-	-	42,357	38,369
Public Safety	-	-	-	-	-	-	-	111,459	108,003	107,934
Human Resources	3,375	3,290	3,261	3,507	3,855	3,854	3,465	3,657	3,013	-
Community Services	48,950	50,494	49,941	53,535	61,778	69,200	70,807	45,655	43,967	44,762
Information Technology	-	-	-	-	-	-	-	9,469	9,357	-
Administrative Services	-	-	-	-	-	-	-	1,859	3,031	14,450
Finance and Accounting	-	-	-	-	-	-	-	6,059	-	-
Economic Vitality	6,268	6,199	6,506	7,510	9,016	9,373	8,246	17,110	-	-
Planning, Neighborhood, and Transportation	-	-	-	-	-	-	-	27,447	-	-
Planning and Development	11,746	11,218	12,111	12,436	14,331	15,012	16,671	-	-	-
WestWorld	-	-	-	-	-	-	3,704	-	-	-
Information Systems	7,386	7,328	7,674	8,253	8,931	10,149	9,904	-	-	-
The Downtown Group	-	-	-	-	-	-	4,627	-	-	-
Fire	17,745	19,265	21,320	24,296	26,614	29,785	30,767	-	-	-
Police	52,371	55,510	59,874	66,278	78,261	89,725	89,802	-	-	-
Financial Services	7,752	7,222	7,631	7,769	9,080	9,433	9,701	-	-	-
Transportation	10,869	9,399	8,760	10,099	13,439	14,301	15,580	-	-	-
Municipal Services	11,553	8,774	11,813	8,850	9,692	19,140	18,800	-	-	-
Citizen and Neighborhood Resources	2,446	2,754	2,831	3,070	3,254	3,621	3,732	-	-	-
Streetlight and Services Districts	1,099	1,024	1,094	617	597	712	632	538	578	572
Debt Service:										
Principal	30,305	31,905	33,173	27,632	34,252	33,043	31,308	33,701	37,677	44,700
Interest and Fiscal Charges	29,759	25,452	31,948	36,382	38,279	38,651	41,612	38,782	40,091	40,487
Bond Issuance Costs	1,046	586	878	351	735	1,028	-	497	1,057	774
Capital Improvements	68,338	81,149	213,585 ⁽¹⁾	218,897	147,367	196,976	155,358	77,929	107,448	129,025
Total Expenditures	\$ 327,018	\$ 337,690	\$ 494,193	\$ 512,998	\$ 484,419	\$ 570,636	\$ 533,932	\$ 422,583	\$ 447,825	\$ 466,903
Excess of Revenues over (under) Expenditures	\$ (41,927)	\$ (30,605)	\$ (131,206)	\$ (120,840)	\$ (58,698)	\$ (144,012)	\$ (129,454)	\$ (76,532)	\$ (59,593)	\$ (53,639)

⁽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 expenditures.

⁽³⁾In FY2011, Economic Vitality merged with Planning, Neighborhood and Transportation, to become the Community and Economic Development Division. In addition, Finance and Accounting was merged into General Government.

⁽⁴⁾In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

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

Table IVc

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Transfers In	\$ 107,441	\$ 137,043	\$ 141,783	\$ 147,643	\$ 162,965	\$ 195,170	\$ 160,319	\$ 108,066	\$ 79,592	\$ 81,579
Transfers Out	(91,582)	(126,269)	(133,284)	(140,513)	(155,295)	(185,082)	(145,357)	(98,693)	(69,378)	(75,826)
Refunding Bonds Issued	102,570	39,190	74,630	-	55,450	-	-	-	87,985	-
Long-Term Capital-Related Debt Issued	12,165	113,400	68,355	191,500	42,500	123,805	-	-	42,525	-
Premium on Long-Term Debt	6,284	4,429	4,536	5,501	7,199	2,379	-	843	10,047	2,448
Payment to Bond Refunding Escrow Agent	(108,077)	(90,534)	(77,584)	-	(61,845)	-	-	-	(94,818)	-
Proceeds from Capital Lease	-	-	-	-	175	-	-	-	-	-
Proceeds of Long-Term Debt	-	-	-	-	-	-	-	50,800	-	50,000
Proceeds from Notes Payable	-	-	-	-	3,000	-	-	-	-	-
Proceeds from Sale of Assets	424	-	-	-	-	-	-	-	1,091	-
Total Other Financing Sources and (Uses)	29,225	77,259	78,436	204,131	54,149	136,272	14,962	61,016	57,044	58,201
Net Change in Fund Balances	\$ (12,702)	\$ 46,654	\$ (52,770)⁽¹⁾	\$ 83,291	\$ (4,549)	\$ (7,740)	\$ (114,492)	\$ (15,516)	\$ (2,549)	\$ 4,562
Debt Service as a Percentage of Noncapital Expenditures	23.6%	22.6%	23.5%	21.9%	21.7%	19.5%	19.3%	21.2%	22.8%	25.4%

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

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

Table V

Fiscal Year	Sales and Use Taxes					
	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn ⁽¹⁾	Privilege and Use - Transportation	Privilege and Use - Public Safety ⁽¹⁾	Transient Occupancy
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
2011	65,970	80,119	27,199	15,042	7,765	13,126 ⁽²⁾
2012	65,089	84,633	28,809	15,985	8,231	13,430

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other
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
2011	3,163	7,842	17,844	22,849	1,010
2012	3,445	8,115	16,987	18,347	1,086

⁽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.

⁽²⁾The Transient Occupancy tax rate increased from 3% to 5%, effective July 1, 2010.

City of Scottsdale, Arizona
Taxable Sales Subject to Privilege (Sales) Tax by Category
Last Ten Fiscal Years
(in thousands)

Table VI

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Automotive	\$ 1,499,864	\$ 1,525,050	\$ 1,557,909	\$ 1,662,604	\$ 1,622,601	\$ 1,370,365	\$ 918,219	\$ 818,517	\$ 862,091	\$ 950,450
Construction	1,213,352	1,432,006	1,703,826	2,046,791	2,208,957	1,932,043	1,251,432	754,583	718,652	786,402
Food Stores	518,665	550,704	562,877	584,706	626,083	652,226	624,917	611,083	611,825	626,883
Hotel/Motel	373,375	400,836	432,006	497,804	533,055	529,862	416,216	395,229	401,413	420,494
Major Department Stores	795,091	871,244	959,361	1,012,906	1,011,240	974,330	864,676	865,614	882,376	897,617
Miscellaneous Retail Stores	1,059,857	1,138,028	1,248,228	1,413,445	1,478,112	1,364,347	1,078,674	1,107,272	1,194,790	1,299,083
Other Taxable Activity	360,991	416,514	457,819	513,553	551,095	532,751	556,842	449,455	502,739	525,480
Rentals	955,494	977,379	1,054,666	1,102,152	1,211,551	1,308,247	1,217,688	1,144,939	1,113,821	1,134,785
Restaurants	551,806	604,652	661,542	726,122	774,598	754,103	684,188	670,311	713,420	799,231
Utilities	376,319	368,442	380,043	398,204	418,460	435,415	432,570	436,010	429,035	430,169
Total	\$ 7,704,814	\$ 8,284,855	\$ 9,018,277	\$ 9,958,287	\$ 10,435,752	\$ 9,853,689	\$ 8,045,422	\$ 7,253,013	\$ 7,430,161	\$ 7,870,594
City District Sales Tax	1.40%	1.40%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%

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 Ten Fiscal Years

Table VII

Privilege (Sales) Tax Rates				Use Tax Rates			
Fiscal Year	City Direct Rate	County Rate	State Rate	Fiscal Year	City Direct Rate	County Rate	State Rate
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%
2011	1.65%	0.70%	6.60%	2011	1.45%	0.00%	6.60%
2012	1.65%	0.70%	6.60%	2012	1.45%	0.00%	6.60%

Transient Occupancy Tax Rates				Jet Fuel Tax Rates (cents per gallon)			
Fiscal Year	Rate	County Rate	State Rate	Fiscal Year	Rate	County Rate	State Rate
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%
2011	5.00%	1.77%	6.50%	2011	1.80%	0.46%	2.90%
2012	5.00%	1.77%	6.50%	2012	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.

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

⁽²⁾The Transient Occupancy tax rate increased from 3% to 5%, effective July 1, 2010.

City of Scottsdale, Arizona
Sales Tax Revenue Payers by Industry
Current Year and Nine Years Ago
(in thousands)

Table VIII

	Fiscal Year 2012				Fiscal Year 2003			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	528	2.43%	\$ 16,105	11.70%	696	3.19%	\$ 20,449	18.48%
Construction	7,219	33.25%	13,876	10.08%	6,942	31.79%	18,474	16.70%
Food Stores	172	0.79%	10,512	7.64%	190	0.87%	7,508	6.79%
Hotel/Motel	83	0.38%	7,089	5.15%	66	0.30%	5,315	4.80%
Major Department Stores	29	0.13%	14,947	10.86%	23	0.11%	9,172	8.29%
Miscellaneous Retail Stores	4,746	21.86%	23,051	16.75%	6,697	30.67%	15,858	14.33%
Other Taxable Activity	3,756	17.30%	12,486	9.07%	2,980	13.64%	8,190	7.40%
Rentals	4,014	18.48%	19,611	14.25%	3,053	13.98%	12,687	11.47%
Restaurants	906	4.17%	12,761	9.27%	930	4.26%	7,617	6.88%
Utilities	262	1.21%	7,220	5.24%	260	1.19%	5,380	4.86%
Total	21,715	100.00%	\$ 137,658	100.00%	21,837	100.00%	\$ 110,650	100.00%

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 Other Taxable Activity category includes all license fees, penalties and interest.

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

Table IX

City Direct Rate				Overlapping Rates							
Fiscal Year	Operating	Debt Service	Total City	Scottsdale Unified School District				Total County	Total Direct and Overlapping		
				Operating	Debt Service	EVIT	Total School				
2003	\$ 0.51	\$ 0.65	\$ 1.16	\$ 3.94	\$ 1.36	\$ 0.11	\$ 5.41	\$ 3.28	\$ 9.85		
2004	0.48	0.64	1.12	3.89	1.30	0.10	5.29	3.22	9.63		
2005	0.45	0.62	1.07	3.77	1.26	0.10	5.13	3.10	9.30		
2006	0.44	0.60	1.04	3.46	1.22	0.06	4.74	3.18	8.96		
2007	0.42	0.55	0.97	3.45	1.26	0.05	4.76	2.74	8.47		
2008	0.38	0.41	0.79	3.42	1.26	0.05	4.73	2.47	7.99		
2009	0.35	0.43	0.78	2.82	1.07	0.05	3.94	2.35	7.07		
2010	0.36	0.38	0.74	2.44	1.34	0.05	3.83	2.58	7.15		
2011	0.38	0.51	0.89	2.40	1.35	0.05	3.80	2.79	7.48		
2012	0.44	0.65	1.09	2.75	1.25	0.05	4.05	3.37	8.51		

Overlapping Rates											
County-Wide Jurisdictions											
Fiscal Year	County Operating	County Debt Service	Community College	County Flood	County Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	County Special Health Care	Total County	Total Direct and Overlapping
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	-	3.10	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	2.35	7.07
2010	0.99	-	0.88	0.14	0.33	0.01	0.10	0.04	0.09	2.58	7.15
2011	1.05	-	0.97	0.15	0.36	0.01	0.10	0.04	0.11	2.79	7.48
2012	1.24	-	1.21	0.18	0.43	0.01	0.10	0.05	0.15	3.37	8.51

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2011"

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 2011/12 the rates were as follows: Scottsdale Mountain CFD - \$1.3449, McDowell Mountain CFD - \$.8801, DC Ranch CFD - \$0.5392, Via Linda Road CFD - \$1.3954 and the Waterfront Commercial CFD - \$2.6452.

City of Scottsdale, Arizona
Principal Property Taxpayers
Current Year and Nine Years Ago
(in thousands)

Table X

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 60,208	1	1.058%	\$ 49,923	1	1.420%
Scottsdale Fashion Square LLC	49,818	2	0.875%	49,808	2	1.410%
Scottsdale Princess Partnership (SHR Scottsdale)	21,788	3	0.383%	-	-	-
Qwest Corporation*	18,583	4	0.326%	-	-	-
General Dynamics Decision Systems, Inc.	15,392	5	0.270%	-	-	-
WJ Small Grandchildrens Trust	14,949	6	0.263%	21,438	5	0.610%
SDQ FEE LLC	14,427	7	0.253%	-	-	-
Portales Corporate Center LLC/Etal	14,018	8	0.246%	30,364	3	0.860%
Gainey Drive Associates	13,594	9	0.239%	-	-	-
Pacific Promenade LLC	12,887	10	0.226%	-	-	-
First American	-	-	-	24,186	4	0.690%
Motorola, Inc.	-	-	-	19,519	6	0.550%
Wyndham International	-	-	-	12,675	7	0.360%
Southwest Gas Corporation	-	-	-	12,668	8	0.360%
CMD Properties	-	-	-	12,215	9	0.350%
Scottsdale Fiesta Retail Center LLC	-	-	-	10,186	10	0.290%
Total	\$ 235,664		4.140%	\$ 242,982		6.900%

Source: 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 2011/12 secondary assessed valuation of the SRP within the City is \$20,757,418 as provided by SRP.

*Qwest Corporation was operating under the name Qwest Communications, Inc. in 2002.

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

Table XI

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 and Special Use	Assessed Value			
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)	6,328,419	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
2011 P	4,212,414	1,980,853	1,170,054	4,822	242,654	(724,635)	6,886,162	0.38
2011 S	4,261,972	2,312,814	1,458,512	5,622	242,654	(906,165)	7,375,409	0.51
2012 P	3,521,958	1,615,176	969,618	4,217	224,822	(665,901)	5,669,890	0.44
2012 S	3,524,902	1,623,645	1,021,533	4,300	224,822	(707,211)	5,691,991	0.65

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 Ten Fiscal Years
(in thousands)

Table XII

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 39,159	\$ 37,858	96.7%	\$ 728	\$ 38,586	98.5%
2004	42,756	41,728	97.6%	755	42,483	99.4%
2005	44,879	43,688	97.3%	657	44,345	98.8%
2006	47,809	46,431	97.1%	943	47,374	99.1%
2007	48,778	47,105	96.6%	1,059	48,164	98.7%
2008	50,838	49,408	97.2%	1,274	50,682	99.7%
2009	58,179	55,876	96.0%	1,761	57,638	99.1%
2010	57,380	55,221	96.2%	1,604	56,825	99.0%
2011	64,327	62,237	96.8%	1,079	63,316	98.4%
2012	62,033	60,309	97.2%	-	60,309	97.2%

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 Funds.

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

Table XIII

Governmental Activities

Fiscal Year Ended June 30	General Obligation		Municipal Property Corporation	Scottsdale Preserve Authority	Special Assessment	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Capital Lease
	Bonds	Revenue Bonds	Bonds	Bonds	Bonds				
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	-
2011	572,740	-	147,459	59,920	1,500	23,409	36,745	14,582	-
2012	594,425	-	144,977	56,265	750	18,031	34,640	13,375	-

Business-Type Activities

Fiscal Year Ended June 30	General Obligation		Municipal Property Corporation	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
	Bonds	Revenue Bonds	Bonds				
2003	\$ 14,323	\$ 71,230	\$ 10,010	\$ -	\$ 618,903	7.09%	\$ 2,910
2004	10,651	68,365	83,365	-	718,691	7.91%	3,328
2005	6,515	65,735	79,430	-	745,997	7.90%	3,407
2006	-	62,405	161,965	179	983,375	10.18%	4,449
2007	-	58,930	155,650	139	989,092	10.29%	4,477
2008	-	52,005	256,790	97	1,176,829	11.28%	5,324
2009	-	48,345	249,735	53	1,135,486	11.86%	5,152
2010	-	45,230	316,780	7	1,217,225	11.36%	5,561
2011	-	42,010	308,525	-	1,206,890	11.45%	5,552
2012	-	38,630	299,775	-	1,200,868	10.78%	5,509

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

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

City of Scottsdale, Arizona
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Table XIV

Fiscal Year Ended June 30	Governmental Activities General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Total Taxable Assessed Value of Property ⁽¹⁾	Per Capita
2003	\$ 305,003,000	\$ 9,006,329	\$ 295,996,671	8.4%	\$ 1,391.62
2004	389,598,000	3,468,780	386,129,220	9.7%	1,787.89
2005	372,070,000	5,601,739	366,468,261	8.4%	1,673.49
2006	499,365,000	12,435,797	486,929,203	10.3%	2,203.00
2007	476,200,000	9,382,702	466,817,298	9.0%	2,113.18
2008	574,445,000	9,520,257	564,924,743	7.8%	2,555.86
2009	551,455,000	10,841,183	540,613,817	6.5%	2,452.76
2010	578,190,000	4,932,433	573,257,567	6.8%	2,618.95
2011	572,740,000	6,787,123	565,952,877	7.7%	2,603.70
2012	594,425,000	5,789,013	588,635,987	10.3%	2,700.60

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 XI for property value data.

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

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

City of Scottsdale, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012
(in thousands)

Table XV

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County Community College District	\$ 671,250	14.4633%	\$ 97,085
Tempe Elementary School District No. 3	129,200	0.0003%	-
Balsz Elementary School District No. 31	4,185	4.6258%	194
Scottsdale Unified School District No. 48	252,050	69.0214%	173,968
Paradise Valley Unified School District No. 69	248,465	32.7592%	81,395
Cave Creek Unified School District No. 93	17,900	61.8953%	11,079
Fountain Hills Unified School District No. 98	12,745	3.2648%	416
Phoenix Union High School District No. 210	244,430	0.3327%	813
Tempe Union High School District No 213	62,560	0.0002%	-
Subtotal, overlapping debt			364,950
City direct debt	862,463	100.0000%	<u>862,463</u>
Total direct and overlapping debt			<u><u>\$ 1,227,413</u></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.

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

Table XVIa

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>20% Limitation</u>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 705,321	\$ 795,104	\$ 868,691	\$ 947,151	\$ 1,041,889	\$ 1,448,765	\$ 1,654,483	\$ 1,681,200	\$ 1,475,082	\$ 1,138,398
Total Net Debt Applicable to 20% Limit	<u>237,400</u>	<u>319,765</u>	<u>313,786</u>	<u>372,545</u>	<u>363,455</u>	<u>424,865</u>	<u>413,095</u>	<u>499,945</u>	<u>498,490</u>	<u>524,675</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 467,921</u>	<u>\$ 475,339</u>	<u>\$ 554,905</u>	<u>\$ 574,606</u>	<u>\$ 678,434</u>	<u>\$ 1,023,900</u>	<u>\$ 1,241,388</u>	<u>\$ 1,181,255</u>	<u>\$ 976,592</u>	<u>\$ 613,723</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	33.66%	40.22%	36.12%	39.33%	34.88%	29.33%	24.97%	29.74%	33.79%	46.09%
<u>6% Limitation</u>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 211,596	\$ 238,531	\$ 260,607	\$ 284,145	\$ 312,567	\$ 434,629	\$ 496,345	\$ 504,360	\$ 442,524	\$ 341,519
Total Net Debt Applicable to 6% Limit	<u>71,695</u>	<u>74,984</u>	<u>64,799</u>	<u>126,820</u>	<u>112,745</u>	<u>149,580</u>	<u>138,360</u>	<u>78,245</u>	<u>74,250</u>	<u>69,750</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 139,901</u>	<u>\$ 163,547</u>	<u>\$ 195,808</u>	<u>\$ 157,325</u>	<u>\$ 199,822</u>	<u>\$ 285,049</u>	<u>\$ 357,985</u>	<u>\$ 426,115</u>	<u>\$ 368,274</u>	<u>\$ 271,769</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	33.88%	31.44%	24.86%	44.63%	36.07%	34.42%	27.88%	15.51%	16.78%	20.42%

City of Scottsdale, Arizona
Legal Debt Margin Information
As of June 30, 2012
(in thousands)

Table XVIb

Legal Debt Margin Calculation for Fiscal Year 2012

Net Secondary Assessed Valuation as of June 30, 2012	\$	5,691,991
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20% Limitation

Debt Limit Equal to 20% of Assessed Valuation		1,138,398
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Debt applicable to limit:

General Obligation Bonds		524,675
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Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$</u>	<u>613,723</u>
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6% Limitation

Debt Limit Equal to 6% of Assessed Valuation	\$	341,519
--	----	---------

Debt applicable to limit:

General Obligation Bonds		69,750
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Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$</u>	<u>271,769</u>
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Source: City of Scottsdale City Treasurer - Finance and Accounting

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 Ten Fiscal Years
(in thousands)

Table XVII

Water and Sewer Revenue Bonds									Highway User Revenue Bonds			
Fiscal Year Ended June 30	Operating Revenue ⁽¹⁾	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service Principal	Debt Service Interest	Coverage	Highway User Tax Revenue	Debt Service Principal	Debt Service Interest	Coverage
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
2011	132,441	77,456	54,985	3,859	58,844	3,220	2,199	10.86	13,396	-	-	N/A
2012	134,336	78,837	55,499	3,073	58,572	3,380	2,056	10.77	10,885	-	-	N/A

Special Assessment Bonds					Scottsdale Preserve Authority Bonds				Municipal Property Corporation Bonds			
Fiscal Year Ended June 30	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage ⁽²⁾	0.2 % and 0.15% Sales Tax ⁽³⁾	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax ⁽⁵⁾	Debt Service Principal ⁽⁴⁾	Debt Service Interest ⁽⁴⁾	Coverage
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	216,066	5,584	13,988	11.04
2009	821	845	158	0.82	29,121	3,260	3,502	4.31	185,801	7,570	19,482	6.87
2010	765	757	121	0.87	26,416	3,365	3,374	3.92	170,638	9,715	18,415	6.07
2011	733	757	86	0.87	27,199	3,470	2,471	4.58	168,641	9,785	22,185	5.27
2012	719	755	52	0.89	28,809	3,655	2,835	4.44	171,075	11,841	21,141	5.19

⁽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 V 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 Ten Fiscal Years

Table XVIII

Fiscal Year	Population⁽¹⁾	Personal Income⁽²⁾ (in thousands)	Per Capita Personal Income⁽³⁾	Median Age⁽⁴⁾	Charter and Public School Enrollment⁽⁵⁾	Year-End Average Unemployment Rate⁽⁶⁾
2003	212,699	\$ 8,730,001	\$ 41,044	41.0	27,479	4.1%
2004	215,969	9,091,434	42,096	41.0	27,328	3.8%
2005	218,984	9,448,739	43,148	41.0	26,559	3.2%
2006	221,030	9,661,891	43,713	41.0	27,000	3.0%
2007	220,907	9,611,876	43,511	41.0	26,653	2.6%
2008	221,031	10,428,443	47,181	41.0	26,567	2.3%
2009	220,410	9,573,949	43,437	41.0	27,029	3.9%
2010	218,888	10,715,673	48,955	45.4	27,093	6.8%
2011	217,365	10,542,642	48,502	45.4	27,116	7.2%
2012	217,965	11,135,832	51,090	45.4	28,818	6.8%

Data Sources and Notes:

⁽¹⁾ July 1 Population estimate, State of Arizona Office of Employment and Population Statistics, as published on July 7, 2011 and December 15, 2011.

⁽²⁾ Calculated by multiplying per capita personal income by total population divided by 1,000.

⁽³⁾ Sites USA (estimate) 2003-2010; U.S. Census, American Community Survey 2006-2010 used for FY 2011 and FY 2012 estimates.

⁽⁴⁾ U.S. Census; 2003-2009 based on Census 2000; 2010-2012 based on Census 2010.

⁽⁵⁾ Arizona Department of Education. For 2012, Arizona Department of Education Oct. 1 total enrollment for 9 charter and 31 public schools located within Scottsdale city boundaries.

⁽⁶⁾ Arizona Office of Employment and Population Statistics, in cooperation with the U.S. Dept of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics. For calendar year that ended within the fiscal year. For example, FY 2012 is for Calendar Year 2011.

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

Table XIX

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
Scottsdale Healthcare Corporation	6,700	1	6.04%	4,444	1	3.73%
Scottsdale Unified School District	3,600	2	3.24%	3,050	3	2.56%
General Dynamics C4 Systems	2,700	3	2.43%	3,000	4	2.52%
City of Scottsdale	2,455	4	2.21%	1,848	6	1.55%
CVS - CareMark ⁽²⁾	2,238	5	2.02%	2,218	5	1.86%
Mayo Clinic	2,061	6	1.86%	3,748	2	3.15%
The Vanguard Group	1,899	7	1.71%	1,050	10	0.88%
Scottsdale Insurance Company	1,501	8	1.35%	1,153	8	0.97%
Troon Golf	1,342	9	1.21%	-	-	
International Cruise and Excursion	1,000	10	0.55%	-	-	
Rural Metro Corporation		-		1,200	7	1.01%
Scottsdale Princess Resort		-		1,100	9	0.92%
Total	25,496		22.62%	22,811		19.15%

Source: City of Scottsdale Economic Trends Report, September 2003 and Economic Development Department communications with employers, September 2012.

⁽¹⁾ Annual Employment according to the Arizona Office of Employment and Population Statistics was 110,984 in 2011, and was 119,088 in 2003.

⁽²⁾ CVS Caremark was known as Advanced PCS in 2003 when it was acquired by CareMark in 2003. Caremark was acquired by CVS in 2007.

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

Table XX

Function	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010 ⁽¹⁾	2011	2012 ⁽³⁾
Administrative Services							38.5	35.0	35.0	138.8
Aviation	12.4	12.4	12.4	13.0	15.0	15.0	16.0	14.0	14.0	14.0
Citizen and Neighborhood Resources	35.0	32.0	36.0	39.0	40.0					
Communications and Public Affairs					14.7					
Community and Economic Development									214.5	188.5
Community Services	516.1	506.1	512.6	559.4	580.3	546.1	543.1	489.3	487.6	459.5
Economic Vitality	10.0	8.0	10.0	11.0	40.0	77.0	54.0	47.0		
Financial Services	144.5	139.5	143.0	149.0	151.0	134.0	110.5			
Finance and Accounting								92.5	95.5	83.5
General Government	195.5	196.5	215.0	217.0	172.6	172.6	167.1	155.0	153.0	141.0
Human Resources ⁽²⁾	35.5	34.5	35.5	35.5	36.5	53.5	35.5	30.0	30.5	
Information Technology ⁽²⁾	73.8	74.8	78.8	80.8	83.8	91.8	81.8	78.8	75.8	
Municipal Services	132.7	135.7	139.7	151.7	170.5					
Planning and Development	151.0	140.0	140.0	144.0	167.0					
Planning/Neighborhood/Transportation						205.2	224.0	167.5		
Public Safety						999.6	981.6	953.6	957.6	933.6
Public Safety - Fire	2.7	3.7	260.7	259.0	268.0					
Public Safety - Police	590.1	590.1	630.1	676.1	705.6					
Public Works						248.5	233.0	197.0	206.0	205.0
Solid Waste	80.3	79.3	79.3	83.3	85.3	85.8	89.0	89.0	89.0	89.0
Transportation	34.0	24.0	25.0	27.0	30.0					
Water Resources	139.0	136.0	139.0	152.5	162.0	169.0	180.0	189.0	189.0	202.0
Total	2,152.5	2,112.5	2,457.0	2,598.3	2,722.2	2,797.9	2,754.1	2,537.7	2,547.5	2,454.9

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.

⁽²⁾ In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

⁽³⁾ In FY2012, Meter Reading Operations was transferred from Finance and Accounting to Water Resources.

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

Table XXI

Division	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010 ⁽²⁾	2011	2012
General Government										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	26%	30%	30%	32%	34%	35%	34%	32%	40%	30%
<i>City Auditor</i>										
# of reports performed	6	9	10	15	10	11	13	16	17	14
<i>City Clerk</i>										
# of legal postings	466	456	651	1,011	1,138	1,173	1,158	1,301	1,241	1,185
# of minutes			79	99	90	90	71	87	66	63
<i>City Court</i>										
Charges filed / charges adjudicated (resolved)	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	104,301 / 108,003	102,953 / 100,929
<i>Finance and Accounting⁽³⁾</i>										
# of Accounts Payable checks issued	35,344	34,547	37,954	41,194	42,000	38,000	36,442	33,620	45,592	45,112
# of customer contacts (utilities, taxes and licensing)	218,185	218,185	208,037	212,888	216,764	230,143	176,680	175,918	255,124	246,319
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent	No Survey	90%	93%	No Survey	90%	No Survey	No Survey	No Survey	94%	No Survey
News releases, media updates, traffic alerts, construction updates released to news media	267	182	247	205	220	220	N/A	240	281	N/A
Total ad value equivalency generated ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20,000
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	660	450	2,600	138	251	648	25	399	2,001	4,419
Administrative Services										
<i>Human Resources</i>										
Citywide turnover	6.7%	6.8%	7.3%	11.1%	9.0%	12.0%	6.0%	9.5%	7.3%	7.1%
HR operating cost as a % of City payroll	2.6%	2.4%	2.3%	2.3%	2.0%	2.1%	2.1%	1.6%	1.8%	1.3%
<i>Information Technology</i>										
# of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)	32,244	129,000	2,319,000	25,400,000	654,100	1,200,000	2,200,000	2,100,000	1,775,000	1,870,000
Annual Disk Storage size (DAS, NAS, and SAN) (Terabytes)	4.0	5.0	7.0	30.0	30.0	80.0	147.8	170.0	266.0	266.0
<i>Purchasing</i>										
# of purchase orders	10,212	12,254	9,611	10,778	9,460	8,224	6,234	5,748	5,310	5,018
Community Services										
# attending Parks and Recreation facilities, Human Services facilities and Libraries annually	7,485,295	7,565,511	7,573,369	7,877,216	7,838,000	7,940,283	8,747,495	8,634,522	8,855,120	8,471,649
# of square feet of medians and rights of way maintained	13,229,497	13,949,440	14,569,062	15,188,684	15,460,961	16,918,438	17,000,000	17,000,000	23,168,510	23,475,510

(continued on next page)

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

Table XXI

Division	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010 ⁽²⁾	2011	2012
Community and Economic Development										
<i>Planning, Neighborhood, and Transportation</i>										
Customer wait-time (in minutes) at One Stop Shop	N/A	45	25	15	20	20	7	7	6	6
Provide applicant with pre-application meeting within 30 days of submitting request.	N/A	90%	100%	100%	100%	100%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	N/A	97%	98%	99%	99%	99%	100%	100%	100%	100%
# of new Code Enforcement cases processed per year	10,000	10,000	11,336	13,137	16,900	15,570	20,568	16,452	16,000	16,500
% increase of Neighborhood Watch groups annually ⁽⁵⁾	15%	15%	37%	5%	5%	5%	-56%	5%	5%	5%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent	No Survey	86%	89%	No Survey	94%	No Survey	No Survey	No Survey	No Survey	No Survey
Total citywide transit ridership	1,917,011	1,917,000	1,969,512	2,104,382	2,365,204	2,584,837	3,472,828	3,103,185	2,539,744	2,499,000
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) ⁽⁶⁾	124	150	270	322	375	475	N/A	8,578	10,397	10,500
<i>Economic Development</i>										
Targeted job creation - number of companies / number of jobs	23 / 2,032	23 / 1,800	10 / 1,443	11 / 1,275	7 / 1,800	5 / 1,374	7 / 394	10 / 731	7/ 450	8/ 1,465
Hotel/Motel average occupancy rate	61.3%	57.5%	60.0%	69.0%	69.0%	65.0%	59.2%	58.0%	58.8%	61.5%
Bed Tax growth (% annual change)	0%	+ 3%	+ 5%	+ 5%	+9%	-2%	-21%	-6%	8%	5%
# of Downtown special events coordinated	N/A	41	58	62	71	65	100	110	95	105
<i>Aviation</i>										
Scottsdale Airport - Takeoffs and Landings	197,483	195,276	208,106	210,481	185,241	201,958	169,972	156,896	136,089	146,058
<i>WestWorld</i>										
# of special events at WestWorld	47	53	57	49	43	44	31	28	20	20
Public Safety										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) ⁽⁷⁾										
Scottsdale	44.8	45.5	42.3	34.9	37.1	35.6	34.3	29.6	31.9	32.8
Valley Average	80.1	60.2	56.5	51.0	51.0	51.0	N/A	N/A	N/A	N/A
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	6:30	6:27	6:12	N/A	6:06	5:07	5:07	5:01	4:57	5:11
Provide initial contact to 100% of citizen traffic concerns within seven days	60%	96%	98%	98%	100%	100%	100%	100%	100%	100%
<i>Fire</i>										
# of responses to calls for emergency services	21,162	21,756	23,102	23,952	22,894	22,936	23,953	23,996	25,586	26,344
Responses per capita	0.09	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Average response time to urban calls for service (minutes)	4:01	4:20	4:23	4:20	4:15	4:21	4:23	4:28	4:22	4:18

(continued)

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

Table XXI

Division	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010 ⁽²⁾	2011	2012
Public Works										
Facility inventory maintained (square feet)	1,551,780	1,807,298	1,825,564	2,166,650	2,221,650	2,271,550	2,334,310	2,929,802	3,006,106	3,029,606
# of active Capital Projects	118	116	183	219	202	180	178	168	183	162
# of homes serviced by Residential Refuse Collection	72,166	73,602	74,850	76,300	77,206	78,024	78,607	79,006	79,508	79,787
# of citizens serviced annually by Household Hazardous Waste collection program ⁽⁸⁾	1,900	1,514	1,718	2,000	2,100	2,200	1,923	1,497	2,573	2,591
Water Resources										
Water Service Connections	80,454	81,947	83,511	86,399	86,728	87,248	87,349	87,409	87,458	87,577
Drinking Water Supplied (million gallons per day)	67.6	70.0	67.7	73.1	72.1	73.7	69.4	68.4	67.9	69.2
Reclaimed Water Supplied (million gallons per day)	14.2	11.8	11.6	11.5	11.4	11.7	9.6	11.2	8.7	6.9
Sewer Service Connections	70,732	72,034	73,232	74,143	76,092	76,849	77,363	77,605	77,850	78,018
Sewage Treated (million gallons per day)	24.5	24.2	25.5	24.2	25.3	23.9	19.7	21.0	21.1	20.9
# of water meters read annually ⁽⁹⁾	971,508	986,080	1,000,870	1,015,662	1,030,368	1,044,205	1,049,008	1,050,067	1,051,089	1,043,335

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 FY 2010, 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 and Accounting," moving Payroll and Risk Management from Human Resources into the Finance and Accounting Department, and moving Tax Audit and Purchasing into a new division named Administrative Services.

⁽⁴⁾Effective FY 2012 established more appropriate performance measures for Office of Communication activities and products (ad value equivalency).

⁽⁵⁾During FY 2008/09, the Neighborhood Watch program was reviewed; participants that were no longer eligible for the program were removed, thus reducing the numbers.

⁽⁶⁾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 was a manual process. Starting June 2009, the process was automated through the Traffic Management Center.

⁽⁷⁾The crime per thousand increase reflects a recalculation in population with the Census 2010 as a basepoint, rather than an increase in crime. In addition, crime stats are for the prior calendar year end, rather than fiscal year end.

⁽⁸⁾The statistic for "# of citizens serviced annually by Household Hazardous Waste Collection program" number of events was restored in FY 2010/11. During FY 2008/09 and FY 2009/10 the number of events were reduced as a budget savings initiative.

⁽⁹⁾Effective July 2011, the City Council approved placing Meter Reading under the control of the Water Resources Division.

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

Table XXII

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police:										
Stations	3	3	3	3	3	3	4	4	4	4
Police Vehicles	295	286	290	345	375	383	363	357	352	352
Fire Stations	12	12	13	13	13	13	14	14	15	15
Highways and Streets										
Square Yards of Pavement	19,100,000	19,231,553	19,231,553	19,660,273	20,393,288	20,562,017	20,644,388	20,873,951	20,828,414	20,852,234
Equivalent 12' Wide Lane Miles	2,713	2,732	2,732	2,793	2,897	2,921	2,932	2,965	2,959	2,962
Traffic Signals	253	258	262	276	276	285	295	289	289	300
Culture and Recreation										
Parks	40	40	40	40	40	43	41	41	41	42
Parks Acreage	869	849	849	937	937	962	931	941	941	975
Swimming Pools	3	3	3	3	4	4	4	4	4	4
Tennis Courts	49	49	49	49	51	55	55	55	55	55
Community Centers	6	6	6	6	5	5	5	5	5	5
Water										
Water Mains (miles)	1,815	1,854	1,897	1,933	1,997	2,030	2,044	2,061	2,059	2,064
Fire Hydrants	8,928	9,193	9,541	9,839	10,147	10,367	10,365	10,664	10,687	10,729
Sewer										
Sanitary Sewers (miles)	1,262.0	1,280.0	1,287.4	1,309.0	1,350.0	1,352.6	1,360.0	1,421.0	1,421.0	1,422.0
Storm Sewers (miles)	68.7	137.7	142.8	148.0	153.5	157.2	166.9	164.0	163.0	168.0

Source: City of Scottsdale, Arizona departments.



City of Scottsdale, Arizona
Finance and Accounting Division
(480) 312-2437

Visit our website
www.ScottsdaleAZ.gov/Finance