

City of Scottsdale, Arizona



**Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2007**

Prepared by:

Financial Services Department

Craig Clifford, CPA
Chief Financial Officer

Richard D. Chess, MBA
Accounting & Tax Audit Director

City of Scottsdale, Arizona

Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2007

Table of Contents

Page

INTRODUCTORY SECTION

Letter of Transmittal – Chief Financial Officer, Financial Services	1
Certificate of Achievement - Government Finance Officers Association	6
Organizational Chart/List of Principal Officials.....	7

FINANCIAL SECTION

Independent Auditors' Report.....	9
Management's Discussion and Analysis	11

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets.....	28
Statement of Activities	29

Fund Financial Statements

Balance Sheet - Governmental Funds	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	35
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget and Actual	37
Statement of Net Assets - Proprietary Funds.....	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	40
Statement of Cash Flows - Proprietary Funds	41
Statement of Fiduciary Net Assets - Fiduciary Funds.....	43
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	44

Notes to the Financial Statements.....	45
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I Summary of Significant Accounting Policies	45
II Reconciliation of Government-wide and Fund Financial Statements	52
III Stewardship, Compliance and Accountability	58
IV Detailed Notes on All Funds	60
A. Cash and Investments.....	60
B. Receivables.....	63
C. Capital Assets.....	64
D. Interfund Balances and Interfund Transfers.	66
E. Short-Term Liabilities.....	68
F. Leases.....	68
G. Bonds, Loans, and Other Payables	69

V Other Information.....	81
A. Risk Management.....	81
B. Contingent Liabilities.....	81
C. Commitments and Subsequent Events.....	81
D. Joint Venture.....	83
E. Related Organization.....	83
F. Retirement and Pension Plans.....	83
G. Other Post-Employment Benefits.....	86
H. Post-Employment Benefits Other Than Pensions.....	86
 Required Supplementary Information:	
Schedule of Funding Progress – Public Safety Personnel Retirement System.....	89
Schedule of Funding Progress – Other Post-Employment Benefit Plan.....	90
Schedule of Employer Contribution – Other Post-Employment Benefit Plan.....	90
 Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	94
Combining Balance Sheet - Nonmajor Special Revenue Governmental Funds.....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Governmental Funds.....	97
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Highway User Fuel Tax – Special Revenue Fund.....	98
Preserve Privilege Tax – Special Revenue Fund.....	99
Combining Balance Sheet - Nonmajor Debt Service Governmental Funds.....	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Governmental Funds.....	101
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Obligation Bond – Debt Service Fund.....	102
Municipal Property Corporation Bond – Debt Service Fund.....	103
Special Assessments Bond – Debt Service Fund.....	104
Scottsdale Preserve Authority Bond – Debt Service Fund.....	105
Combining Balance Sheet - Nonmajor Capital Projects Governmental Funds.....	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Governmental Funds.....	107
Combining Statement of Net Assets - Internal Service Funds.....	110
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds.....	111
Combining Statement of Cash Flows - Internal Service Funds.....	112
Combining Statement of Fiduciary Net Assets.....	114
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds.....	115
 Other Supplementary Information:	
Schedule of Changes in Long-Term Debt.....	118

STATISTICAL SECTION

Page

Financial Trends

Net Assets by Component – Last Six Fiscal Years (accrual basis of accounting)	122
Changes in Net Assets – Last Six Fiscal Years (accrual basis of accounting)	123
Governmental Activities Tax Revenue by Source – Last Six Fiscal Years (accrual basis of accounting).....	126
Fund Balances of Governmental Funds – Last Six Fiscal Years (modified accrual basis of accounting).....	127
Changes in Fund Balances of Governmental Funds – Last Six Fiscal Years (modified accrual basis of accounting).....	128
Governmental Activities Tax Revenue by Source – Last Six Fiscal Years (modified accrual basis of accounting)	131

Revenue Capacity

Taxable Sales Subject to Privilege (Sales) Tax by Category - Last Six Fiscal Years	132
Direct and Overlapping Sales Tax Rates - Last Six Fiscal Years	133
Sales Tax Revenue Payers by Industry - Current Year and Nine Years Ago	134
Property Tax Rates – Direct and Overlapping Governments – Last Six Fiscal Years	135
Principal Property Tax Payers – June 30, 2007	136
Assessed Value and Estimated Actual Value of Taxable Property – Last Six Fiscal Years.....	137
Property Tax Levies and Collections – Last Six Fiscal Years	138

Debt Capacity

Ratios of Outstanding Debt by Type – Last Six Fiscal Years	139
Ratios of General Bonded Debt Outstanding – Last Six Fiscal Years	140
Direct and Overlapping Governmental Activities Debt as of June 30, 2007	141
Legal Debt Margin Information – Last Six Fiscal Years.....	142
Pledged-Revenue Coverage – Last Six Fiscal Years	144

Economic and Demographic Information

Demographic and Economic Statistics – Last Six Fiscal Years	145
Principal Employers – Current Year and Nine Years Ago	146

Operating Information

Full-time Equivalent City Government Employees by Function – Last Six Fiscal Years.....	147
Operating Indicators by Function – Last Six Fiscal Years	148
Capital Asset Statistics by Function – Last Six Fiscal Years	151





Transmittal Letter

For the Fiscal Year
Ended June 30, 2007

City of Scottsdale
Scottsdale, Arizona

September 14, 2007

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, 2007, is submitted in accordance with Article 6, Section 14, of the City Charter. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Cronstrom, Osuch & Company, PC, have issued an unqualified ("clean") opinion on the City of Scottsdale, Arizona's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

City of Scottsdale Profile

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing an area approximately 184.2 square miles, stretching 31 miles from north to south. The City is bordered to the west by Phoenix, the state capital, by Tempe to the south, and by the Salt River/Pima Maricopa Indian Community to the east. Scottsdale, together with its neighboring cities, forms the greater metropolitan Phoenix area, which is the economic, political, and population center of the state.

Scottsdale was founded in the 1800's when retired Army Chaplain Major Winfield Scott homesteaded what is now the center of the City. The City incorporated in 1951 and the City Charter, under which it is presently governed, was adopted in 1961. The City has experienced significant increases in population, with the 1950 census reporting 2,032 residents, and the 2000 census reporting 202,705. The City's population for 2007 was estimated at 238,270.

Scottsdale operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected at large on a non-partisan ballot for a four-year term. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations. The City Manager, in turn, appoints City employees and department General Managers under service procedures specified by Charter. City service departments provide a full range of services including police and fire protection, sanitation/solid waste service, water and sewer services, construction and maintenance of streets, recreational activities, 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. Therefore, these funds have appropriated budgets, and budget to actual information is presented. 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 (FY) 2006/07, there were no supplemental budgetary appropriations to the original budget.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year. Upon the recommendation of the City Manager, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; and (2) unexpended appropriations may be transferred from one department to another. Management control of budgets is further maintained at a line item level within the department.

Local Economy

The City of Scottsdale's tax revenue base consists of a variety of tax categories, the most significant being revenue collections from retail sales and tourism activity. The City also benefits from other favorable conditions associated with Scottsdale, including a stable, diversified economic base and a desirable location for work, destination, and living. Low commercial vacancy rates and the attractive developments within Scottsdale continue to bring high-end residential growth and commercial development. Scottsdale is past its historic period of peak expansion and the long-term economic outlook for the City must recognize this fact. Revitalization efforts have resulted in a rebirth of the City's downtown area, as well as renewed interest in redevelopment of the more mature, southern parts of the City. Commercial successes are due, in part, to Scottsdale's commitment to targeted recruitment efforts that focus on industry segments that complement the existing business mix, including: corporate headquarter and regional offices; high-tech, research and development; bio-med; high-end resorts and hotels, and business and professional services. The following categories represent key factors affecting Scottsdale's economic and financial success:

Retail Sales

Scottsdale's largest revenue source is sales tax generated from a well-balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. The City saw retail sales tax revenues slow to single-digit growth (5.4 percent) after two consecutive years of double-digit increases indicating that the local economy is experiencing slowdown similar to the national level economy.

Employment and Job Growth

Scottsdale is creating jobs faster than it is adding to its labor force and thus remains a net importer of labor. This creates employment opportunities for Scottsdale residents and creates a significant business component to the local tax base. Scottsdale's unemployment rate was lower than state and metropolitan levels and was approximately 2.2 percent as of June 2007. Scottsdale recruited 10 new, targeted firms with about 1,500 new jobs over the past year, with average annual salaries of approximately \$60,000. The City benefited from population growth as well as higher income levels due to the addition of higher wage jobs. Major new employers to announce moves to Scottsdale last year included EBay/PayPal, Quicken Loans, and CareerBuilder.com, as well as the announcement that Dial Corp. will be expanding and relocating their corporate headquarters to a new site in Scottsdale.

Commercial Vacancy Rates

Scottsdale's citywide office vacancy rate was about 12 percent at the end of FY 2007, well below the Valley-wide average. Scottsdale has nearly half of all new office space in the Valley that is currently under construction.

Tourism

Tourism is one of Scottsdale's largest and most vibrant industries, and is a significant contributor to the City's economy. A variety of lodging properties, including several world-class resorts and "boutique" hotels, provide nearly 10,000 guest rooms, along with spectacular spas, trend-setting dining and one-of-a-kind Sonoran desert golf courses. With the exception of the new 225-room W Hotel opening in late 2007, room supply in Scottsdale is expected to remain relatively stable in 2008. Scottsdale visitors contribute slightly over 20 percent of the City's overall privilege tax revenue. With over 17,000 retail shops, nearly 600 restaurants, national and international events, and spectacular southwest Sonoran desert setting, Scottsdale continues to be a popular destination for visitors year-round.

Hotel/motel transient occupancy tax receipts increased approximately 9.0 percent in FY 2006/07 over the previous year – the fourth straight year of revenue growth after post 9/11 levels. Room rates and room occupancy continue to near levels experienced by the industry in the late 1990s and the early 2000s. The current assessment for tourism in FY 2007/08 is that these positive trends should continue, although factors such as high energy costs, inflationary pressures, a slumping housing market, and geopolitical instability could all impact future industry performance.

Long-term Financial Planning

Scottsdale's Strategic Financial Plan is balanced upon sound financial reserves and conservative revenue growth forecasts for the foreseeable future. Potential for State legislative impacts to revenue-sharing or local revenues and additional demands for essential City services such as police, fire, transportation and social services remain. Financial Services management plays a pivotal role in maintaining and recommending enhancements to financial plan elements to ensure the continued financial stability for the City of Scottsdale. Achieving and maintaining fiscal stability requires many elements all working in concert with one another. The following identifies the financial plan elements that Scottsdale uses to chart a course for the future.

Adopted Comprehensive Financial Policies

Financial policies establish the framework 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. These policies set the tone for all fiscal decisions made by staff and City Council. We currently identify 51 financial policies governing operations, capital planning, debt management, reserves and contingencies and financial reporting – regular review and enhancement of these policies is done in conjunction with financial plan development and are adopted annually by the City Council.

Financial Resource Planning

Scottsdale's strategic financial planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Conservative financial forecasts coupled with financial trend analysis techniques and careful reserve analysis help preserve the fiscal wellbeing of Scottsdale. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the City Council.

Multi-Year Operating Budget Planning

Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of planned capital projects), which are linked to community expectations and broad goals of the City Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our service objectives over time, given our financial capacity. While the City is required to adopt an annual budget to meet State statutory requirements, Scottsdale builds a five-year financial plan to help anticipate future impacts and ensure achievement of City 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 budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used and/or required, capital project plans are sized to conform to existing debt management policies.

Debt Management

Scottsdale has a financial policy, which prohibits the issuance of debt for operating expenses. With that as a governing framework, all debt issuances are for the purposes of financing capital infrastructure (or long-lived costly assets). Each debt issuance is evaluated against multiple additional policies addressing: debt service as a percent of operating expenditures, tax and revenue bases for the repayment of debt, the overall debt burden on the community, statutory limitations and market factors affecting tax-exempt interest costs. In all cases a long-term analysis is made considering the financial (debt) capacity that fits the wherewithal (and willingness) of our community to pay for the capital projects. Sizing of the City's Capital Improvement Project Plan based on debt capacity in conjunction with conservatively estimated pay-as-you-go revenues helps stabilize per capita debt and lower annual debt service costs to the City over the long-term.

Major Initiatives

The City of Scottsdale's FY 2007/08 budget reflects a slowing economy at the local level, which is also mirrored at the state and national levels. Current economic conditions allow the City to maintain its core services and to provide some enhancements to existing service levels. However, prudent long-term fiscal planning dictates a conservative approach to budgeting by funding only those enhancements that are financially sustainable. The FY 2007/08 budget continues to fund the highest priorities for our community, including the hiring of additional police officers and firefighters, and the opening of new City capital facilities to meet service demands.

To remain competitive with other area communities, the adopted budget included a staggered employee market pay adjustment of 6.0% (3.5% effective July 1, 2007 and 2.5% effective January 1, 2008). The effective annual rate of the 6.0% adjustment in FY 2007/08 is 4.75%. The January 1, 2008 market adjustment of 2.5% will have a funding tail in the FY 2008/09 General Fund budget and citywide of approximately \$1.9 million and \$2.3 million, respectively.

The adopted budget includes program enhancements added by the City Council: Year-round Festive Lighting, Downtown Marketing Program, After Schools Program Expansion, the addition of a Trails Planner and bed tax funding for Seasonal Marketing Opportunities. Budget contingencies were also increased to create funding flexibility related to the possible implementation of the Air Quality Compliance Planning Program, continuation of the Loop 101 Photo Enforcement Program and a City contribution towards the Heard Museum project.

The City Council also added funding for capital projects in the adopted budget: Center for the Performing Arts Renovation, Fire Station #608 (land acquisition), Downtown Utility Cabinet Relocation, New Civic Center Office Building, Public Art Conservation and Restoration, New Rose Garden, WestWorld Show Offices and Restroom, WestWorld PA System, WestWorld Shading, WestWorld Fencing, WestWorld Horse Barn Repairs, WestWorld Equidome Lighting, WestWorld Paving, WestWorld Additional and Upgrade RVs, City Court Main Entry/Security Remodel and New Justice Facility Space Program Study.

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, 2006. This was the 34th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Scottsdale received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2006 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning July 1, 2007. In addition, credit ratings of "AAA", "Aaa", and "AAA" from the three major credit rating agencies, Fitch Ratings, Moody's Investors Service, and Standard and Poor's Ratings Services, respectively, were re-affirmed in Fall 2006 on the City's outstanding general obligation bonds. These are the highest ratings possible and this distinction, originally earned by the City in 2001, is held by only a handful of local governments across the nation.

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

Respectfully submitted,



Craig Clifford, CPA, CGFM
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, 2006

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

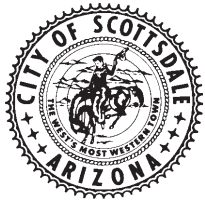


A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

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

Executive Director



**Comprehensive
Annual
Financial
Report**

For the Fiscal Year
Ended June 30, 2007

City of Scottsdale
Scottsdale, Arizona

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

City Council

Mary Manross, Mayor
Betty Drake
Wayne Ecton
W.J. "Jim" Lane
Robert W. Littlefield
Ron McCullagh
Tony Nelssen

Charter Offices

Deborah Robberson, City Attorney
Cheryl Dreska, City Auditor
Carolyn Jagger, City Clerk
B. Monte Morgan, City Judge
Janet M. Dolan, City Treasurer

Administrative Staff

Janet M. Dolan, City Manager
Roger Klingler, Assistant City Manager
Neal Shearer, Assistant City Manager



Citizens of Scottsdale

Mayor and City Council

Citizen Advisory Boards
Citizen Advisory Commissions

City Manager
Janet M. Dolan
480-312-2800

Other Council-Appointed Staff
City Attorney - Deborah Robberson 480-312-7994
City Auditor - Cheryl Dreska 480-312-7867
City Clerk - Carolyn Jagger 480-312-2411
City Judge - B. Monte Morgan 480-312-2442
City Treasurer - Janet M. Dolan 480-312-2800

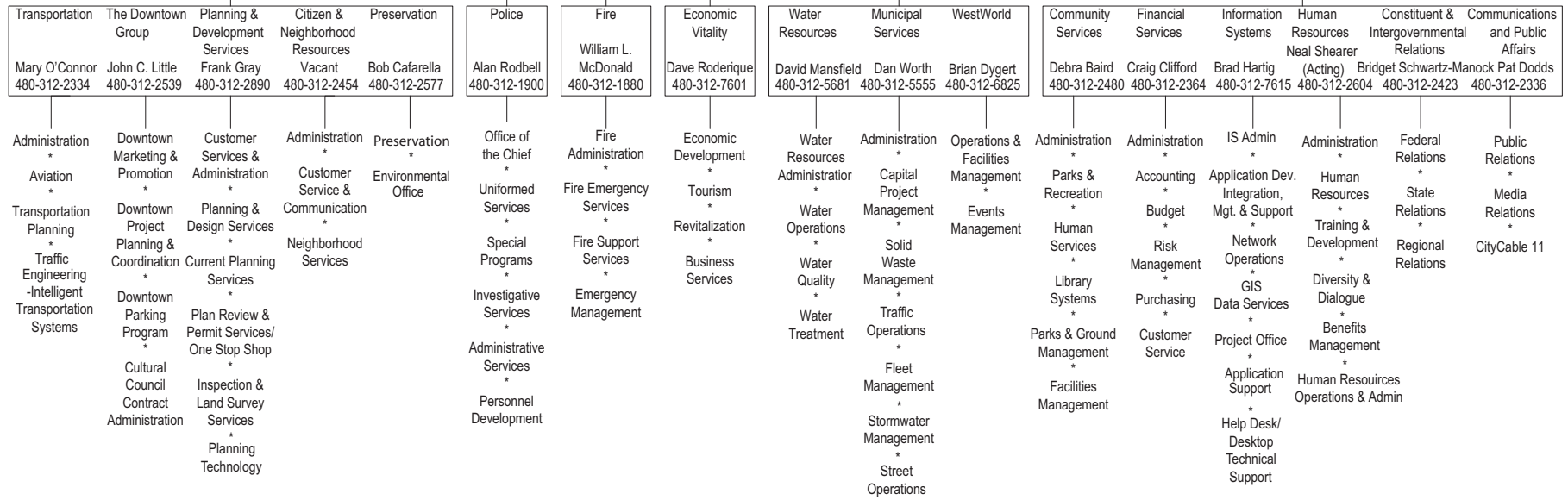
Administrative Support

Assistant City Manager
VACANT

Executive Assistant
Kroy Ekblaw
480-312-7064

Assistant City Manager
Roger Klingler
480-312-5830

Assistant City Manager
Neal Shearer
480-312-2604





INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council of the
City of 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, internal service, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2007, 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, 2007, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, internal service, and fiduciary fund of the City of Scottsdale, Arizona, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 26, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 89 and the Other Post-Employment Benefit Plan Schedule of Funding Progress on page 90 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and on the combining and individual fund financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2007 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.

Cronstrom, Osuch & Company, P.C.
Cronstrom, Osuch & Company, P.C.

September 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scottsdale's (the City) Comprehensive Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2007 and 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

Key Financial highlights for fiscal year 2007 are as follows:

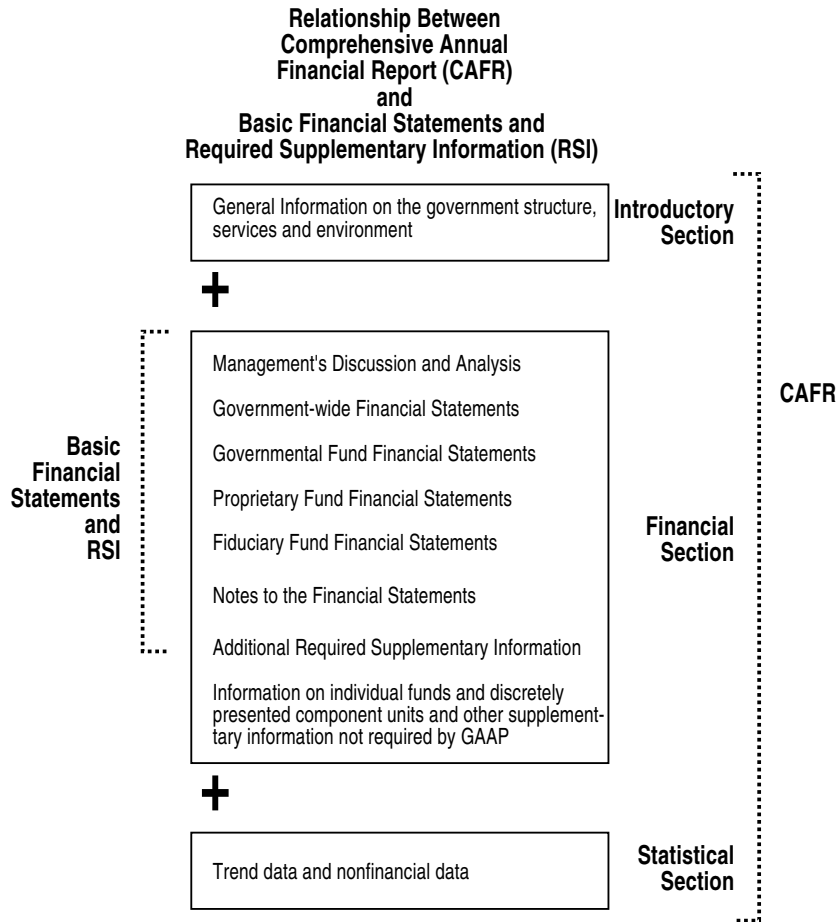
- The assets of the City exceeded its liabilities at the close of the fiscal years 2007 and 2006 by \$3.7 billion and \$3.4 billion (net assets), respectively. Of these amounts, \$431.0 million and \$316.7 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$289.6 million and \$232.0 million during fiscal years 2007 and 2006, respectively.
- As of June 30, 2007 and 2006, the City's governmental funds reported combined ending fund balances of \$343.5 million and \$348.0 million, respectively. Approximately 93.6 percent of the fund balance at June 30, 2007, \$321.5 million, is unreserved fund balance available for spending at the government's discretion, compared to \$324.1 million at June 30, 2006.
- At the close of the current fiscal year, unreserved fund balance for the General Fund was \$89.5 million or 39.2 percent of total General Fund expenditures of \$228.6 million. At the close of fiscal year 2006, unreserved fund balance for the General Fund was \$93.2 million or 45.3 percent of total General Fund expenditures of \$205.7 million.
- During fiscal years 2007 and 2006, the City's total bonded debt increased by approximately \$2.5 million and \$247.2 million, respectively. The City issued \$42.5 million of new Municipal Property Corporation bonds (Governmental activities) in fiscal year 2007. The new bond costs were partially offset by the reduction of bond payable balances due to principal payments made in fiscal year 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



Government-wide Financial Statements

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

The **statement of net assets** and the **statement of activities** provide information about the whole City, presenting both an aggregate 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 with all other major funds presented in total in one column.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as 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 will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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, police, financial services, transportation, community services, information systems, planning and development, fire, municipal services, citizen and neighborhood resources, human resources and economic vitality. The business-type activities of the City include water, sewer, solid waste, and airport operations.

The government-wide financial statements are for the City itself. However, included within the governmental activities of the government-wide financial statements are 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 Financial Services Department, Accounting Division, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251.

The government-wide financial statements can be found on pages 28 and 29 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 may be useful in determining what financial resources are 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Debt Service Fund, and General Capital Improvement Plan (CIP) Capital Project Fund which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in a separate section of this report.

The basic governmental fund financial statements begin on page 30 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 departments of the City. Proprietary Funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of Proprietary Funds:

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

Internal Service Funds are used to report activities that provide supplies and services for certain City programs and activities. The City uses Internal Service Funds to account for its fleet of vehicles and self-insurance. Because these services predominantly benefit governmental rather than business-type functions, 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 is provided in the form of combining statements in a separate section of this report.

The basic Proprietary Fund financial statements begin on page 38 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 funds and two agency funds, which are reported under the Fiduciary Funds. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Fund financial statements begin on page 43 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 45 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 89 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major Governmental Funds, Internal Service Funds, and Fiduciary Funds are presented immediately following the required supplementary information on pensions and other post-employment benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the City to provide services to our 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 accounting used by 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 the changes in those assets. The change in assets is important because it tells the reader whether the financial position of the City as a whole has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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 \$3.7 billion and \$3.4 billion at the close of the fiscal years 2007 and 2006, respectively.

Net Assets

For the Years Ended June 30, 2007 and 2006 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	\$ 510,038	\$ 497,118	\$ 294,955	\$ 307,886	\$ 804,993	\$ 805,004
Capital Assets	2,918,477	2,685,292	1,119,910	1,039,230	4,038,387	3,724,522
Total Assets	3,428,515	3,182,410	1,414,865	1,347,116	4,843,380	4,529,526
Liabilities						
Long-term Liabilities Outstanding	762,601	740,077	223,823	231,584	986,424	971,661
Other Liabilities	152,712	138,135	37,150	42,248	189,862	180,383
Total Liabilities	915,313	878,212	260,973	273,832	1,176,286	1,152,044
Net Assets						
Invested in Capital Assets, Net of Related Debt	2,198,130	2,029,375	895,636	806,749	3,093,766	2,836,124
Restricted *	108,686	102,293	33,649	27,000	142,335	224,691
Unrestricted *	206,386	176,530	224,607	239,535	430,993	316,667
Total Net Assets	\$ 2,513,202	\$ 2,304,198	\$ 1,153,892	\$ 1,073,284	\$ 3,667,094	\$ 3,377,482

* Restated Restricted and Unrestricted Net Assets related to the classification of unspent bond proceeds.

The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, and equipment) of \$3.1 billion (84.4 percent) and \$2.8 billion (84.0 percent), less any related outstanding debt used to acquire those assets, for the fiscal years 2007 and 2006, respectively. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these assets to provide services to citizens and; therefore, cannot liquidate them.

An additional portion of the City's net assets, \$142.3 million (3.9 percent) for fiscal year 2007 and \$224.7 million (6.7 percent) for fiscal year 2006 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets for fiscal years 2007 and 2006, \$431.0 million (11.8 percent) and \$316.7 million (9.4 percent), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of both the current and previous fiscal years, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for the business-type activities.

Analysis of Changes in Net Assets

The City's total net assets increased by \$289.6 million and \$232.0 million during the fiscal years 2007 and 2006, 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.

Changes in Net Assets

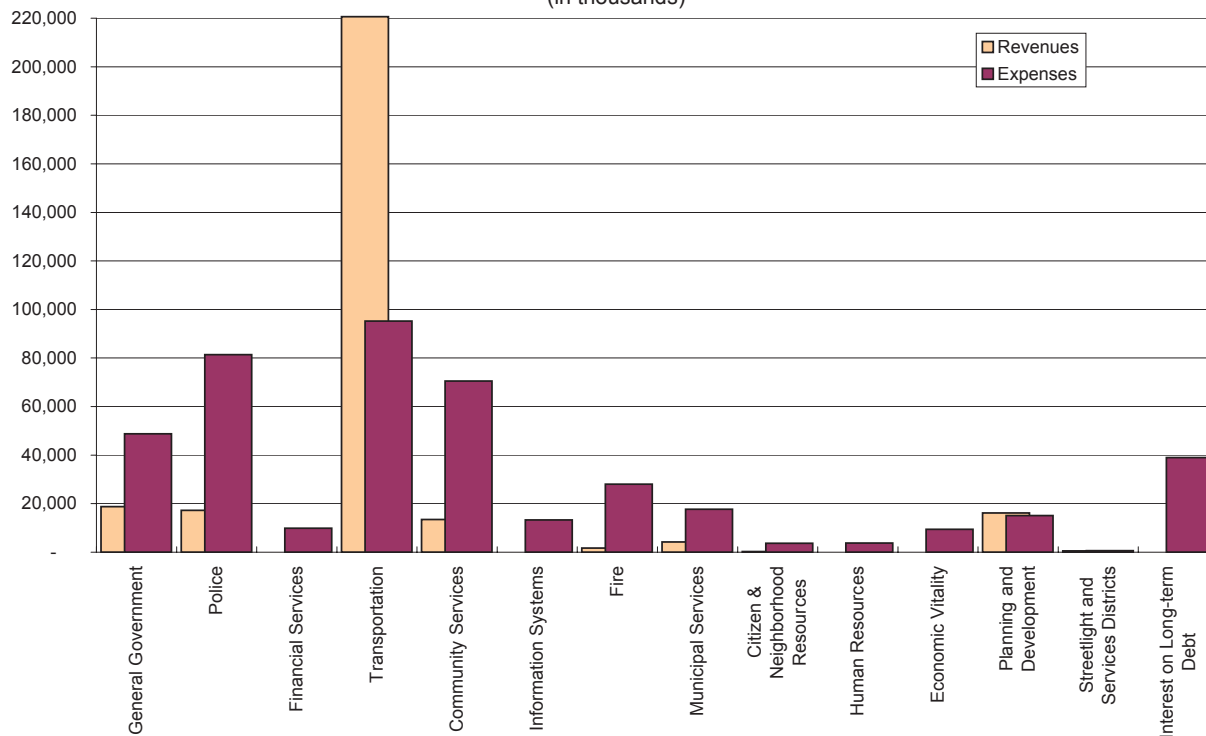
For the Years Ended June 30, 2007 and 2006 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for Services	\$ 51,944	\$ 50,225	\$ 138,572	\$ 129,141	\$ 190,516	\$ 179,366
Operating Grants and Contributions	29,293	26,355	-	-	29,293	26,355
Capital Grants and Contributions	211,707	136,745	55,111	55,580	266,818	192,325
General Revenues						
Property Taxes	50,961	50,610	-	-	50,961	50,610
Business Taxes	198,450	190,121	195	119	198,645	190,240
Intergovernmental Taxes	60,520	54,481	-	-	60,520	54,481
Interest and Investment Income	23,013	13,714	9,265	6,581	32,278	20,295
Other	5,377	5,786	496	686	5,873	6,472
Total Revenues	631,265	528,037	203,639	192,107	834,904	720,144
Expenses						
General Government	45,682	42,729	-	-	45,682	42,729
Police	81,375	74,408	-	-	81,375	74,408
Financial Services	9,843	8,343	-	-	9,843	8,343
Transportation	95,214	82,047	-	-	95,214	82,047
Community Services	70,527	57,931	-	-	70,527	57,931
Information Systems	13,329	14,589	-	-	13,329	14,589
Fire	28,054	26,943	-	-	28,054	26,943
Municipal Services	17,698	14,746	-	-	17,698	14,746
Citizen and Neighborhood Resources	3,727	3,419	-	-	3,727	3,419
Human Resources	3,800	3,615	-	-	3,800	3,615
Economic Vitality	9,475	7,549	-	-	9,475	7,549
Planning and Development	15,133	12,883	-	-	15,133	12,883
Streetlight and Services Districts	597	617	-	-	597	617
Interest on Long-term Debt	38,981	37,192	-	-	38,981	37,192
Water Utility	-	-	64,915	53,961	64,915	53,961
Sewer Utility	-	-	26,089	27,854	26,089	27,854
Airport	-	-	2,958	2,922	2,958	2,922
Solid Waste	-	-	17,895	16,412	17,895	16,412
Total Expenses	433,435	387,011	111,857	101,149	545,292	488,160
Increase in Net Assets Before Special Items and Transfers	197,830	141,026	91,782	90,958	289,612	231,984
Transfers	11,174	10,536	(11,174)	(10,536)	-	-
Increase in Net Assets	209,004	151,562	80,608	80,422	289,612	231,984
Net Assets at Beginning of Year	2,304,198	2,152,636	1,073,284	992,862	3,377,482	3,145,498
Net Assets at End of Year	\$ 2,513,202	\$ 2,304,198	\$ 1,153,892	\$ 1,073,284	\$ 3,667,094	\$ 3,377,482

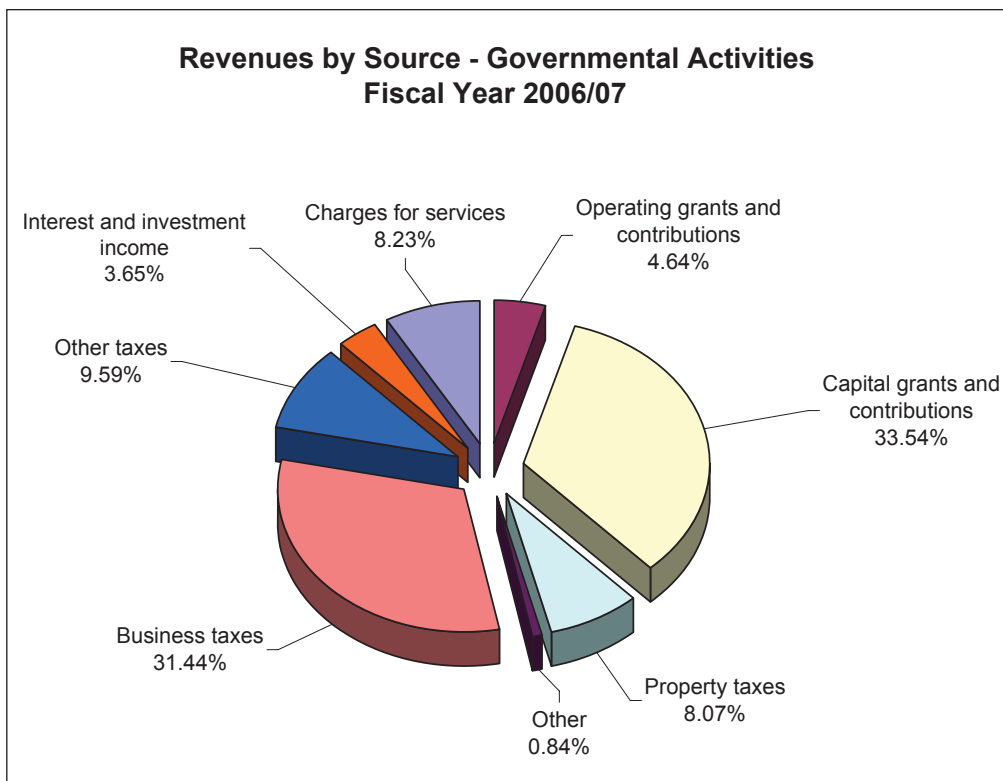
Governmental Activities

Governmental activities increased the City's net assets by \$209.0 million in fiscal year 2007 and \$151.6 million in fiscal year 2006, thereby accounting for 72.2 percent and 65.3 percent, respectively, of the total growth in the net assets of the City. The key factors of this increase include tax revenue growth, improved interest earnings rates and increased developer contributions.

**Program Revenues and Expenses for Governmental Activities
Fiscal Year 2006-07
(in thousands)**



**Revenues by Source - Governmental Activities
Fiscal Year 2006/07**



As shown in the “Program Revenues and Expenses for Governmental Activities” chart and the “Revenues by Source for Governmental Activities” chart, transportation is the largest function in expense (22.0 percent), followed by police (18.8 percent), and community services (16.3 percent). General revenues such as property, business, and privilege taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, capital grants and contributions are the largest single source of funds (33.5 percent), followed by business taxes, which includes Sales and Use Taxes and Franchise Taxes (31.4 percent), intergovernmental taxes (9.6 percent), charges for services (8.2 percent) and property taxes (8.1 percent).

The Transportation department ensures that 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, preserves and enhances neighborhood quality of life and ensures seamless connections to the regional network.

The Scottsdale Police Department, in partnership with the citizens of Scottsdale, recognizes the changing needs of our community and law enforcement’s role in addressing those needs. Furthermore, they pledge excellence, initiative and integrity to enhance the quality of life throughout our City knowing those they serve deserve no less.

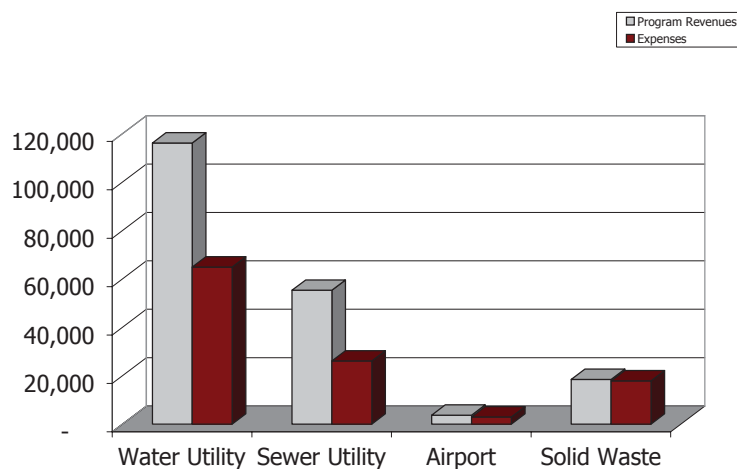
The City’s Community Services Department improves and preserves Scottsdale’s quality of life through development of safe and highly maintained facilities and imaginative services that provide opportunities for family interaction, cultural enrichment, and development of lifetime skills which build self-esteem, promote healthy lifestyles and are a catalyst for community involvement. They provide assistance and guidance to those in need and link our citizens with information and resources throughout the world.

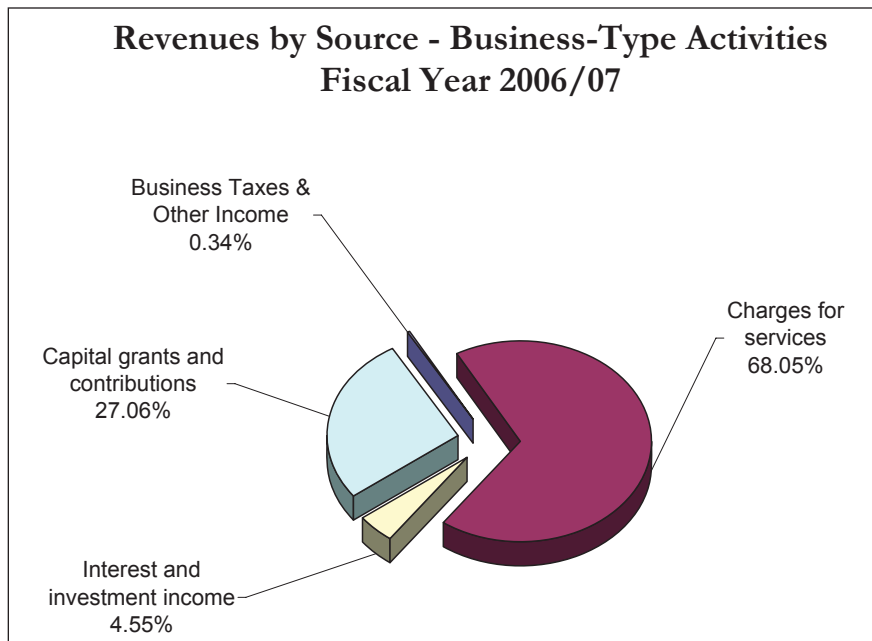
Business-Type Activities

Business-type activities increased the City’s net assets in fiscal years 2007 and 2006 by \$80.6 million and \$80.4 million, respectively, accounting for 27.8 percent and 34.7 percent, respectively, of the total growth in the City’s net assets. The key factor of this increase is as follows:

The Water and Sewer Utility and Airport Funds had capital contributions from developers and grantors resulting in \$55.1 million and \$54.9 million in revenue for fiscal years 2007 and 2006, respectively. The majority of this amount is from infrastructure donated from developers and development fees received as development continues throughout the City.

Program Revenues and Expenses - Business-Type Activities
Fiscal Year 2006/07
(In Millions)





As shown in “Program Revenues and Expenses for Business Type Activities” and the “Revenues by Source for Business Type Activities” charts, the largest of Scottsdale’s business-type activities, Water and Sewer utilities, each had expenses of \$64.9 million and \$26.1 million, respectively, in fiscal year 2007, followed by Solid Waste with operating expenses of \$17.9 million. For the fiscal year, revenues exceeded expenses in all four areas of business activity. Revenues exceed expenditures due to multi-year financial planning and pay-as-you-go contributions to capital projects. Charges for services provided the largest share of revenues (68.0 percent) followed by capital grants and contributions (27.1 percent), which are largely developer contributions and development fees, for all of the business-type activities.

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 Solid Waste Department provides effective and responsive leadership that ensures the delivery of safe, efficient and environmentally sound solid waste services to approximately 77,800 residential customers and 1,439 commercial and roll-off customers.

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.

Governmental Funds

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. An 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.

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. 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 combined ending fund balances of \$343.5 million, a decrease of \$4.5 million in comparison to the combined ending fund balances for fiscal year 2006 of \$348.0 million. Approximately \$321.5 million of the total for fiscal year 2007 and \$324.1 million of the total for fiscal year 2006 constitutes unreserved fund balance. Portions of this unreserved balance are designated in the City's budget plan for in pay-as-you-go capital projects and operational contingency funding. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to pay debt service (\$21.2 million and \$23.1 million for fiscal years 2007 and 2006, respectively) or; (2) to pay for the ongoing cost of the streetlight and services districts (\$754,000 and \$805,000 for fiscal years 2007 and 2006, respectively).

Revenues for governmental functions overall totaled approximately \$425.7 million in fiscal year 2007, an increase of 8.6 percent (\$33.6 million) over the previous year total of \$392.2 million. In fiscal year 2007 expenditures for governmental functions, totaled \$484.4 million, a decrease of 5.6 percent (\$28.6 million) over the fiscal year 2006 total of \$513.0 million. In the fiscal years ended June 30, 2007 and 2006 expenditures for governmental functions exceeded revenues by approximately \$58.7 million (13.8 percent) and \$120.8 million (30.8 percent), respectively. The excess in both years was due to the City financing some capital projects with debt proceeds received in prior years and reflected in beginning fund balance.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$89.5 million, while total fund balance was \$90.3 million. The unreserved and total balances for the General Fund at the end of fiscal year 2006 were \$93.2 million and \$94.0 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39.2 percent of the total General Fund expenditures of \$228.6 million in fiscal year 2007 and 45.3 percent of the total General Fund expenditures of \$205.7 million in fiscal year 2006. Total fund balance represents 39.5 percent and 45.7 percent of total fund expenditures for fiscal years 2007 and 2006, respectively. In fiscal year 2007 management has designated \$26.9 million of the General Fund unreserved fund balance for various uses. See note section III.D in the Notes to the Financial Statements for further information regarding reservations and designations.

The General Fund Balance decrease in fiscal year 2007 by \$3.8 million is due primarily to a reduction in the designated balance set aside in prior years as a contingency for taxpayer refund claims, which were settled in 2007. General Fund performance also reflects a slowing economy and more modest revenue growth than previous growth years. Overall, the General Fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2007, of \$44.0 million, a decrease of 22.3 percent over the comparable figure from the prior year of \$56.6 million.

The General Obligation Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term 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 \$9.4 million, a decrease of \$3.0 million from the \$12.4 million at the end of fiscal year 2006 due to planned debt service payments.

The General CIP Construction Capital Projects Fund accounts for the resources used to acquire, construct and improve major capital facilities, other than those financed by Proprietary Funds. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects Fund was \$100.4 million, compared to a fund balance of \$57.1 million at the end of fiscal year 2006. The increase in fund balance is primarily due to increased pay-as-you-go transfers to help fund planned capital projects. Capital improvement expenditures in 2007 and 2006 were \$84.1 million and \$176.0 million, respectively, a decrease of \$91.9 million.

Proprietary Funds

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

At the end of the fiscal years 2007 and 2006, the unrestricted net assets for the Water and Sewer Utility were \$214.0 million and \$230.5 million, respectively; Scottsdale Airport were \$4.4 million and \$3.5 million, respectively; and the Solid Waste Utility Fund were \$6.2 million and \$5.5 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, also had unrestricted net assets of \$20.2 million and \$15.8 million, respectively.

The total growth in net assets for the Enterprise Funds was \$80.6 million and \$80.4 million for fiscal years 2007 and 2006, 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 \$79.4 million due to capital contributions of \$54.9 million as well as increased revenues.

Fiduciary Funds

The City maintains Fiduciary Funds for the assets of the Family Self-Sufficiency Agency Fund, the Retainage Escrow Agency Fund, and the Handicap Scholarship Private Purpose Trust Fund. As of the end of fiscal year 2007, the net assets of the Handicap Scholarship Private Purpose Trust Fund totaled \$7,000.

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 budget differs from the original budget due to adjustments that were made during the fiscal year. In fiscal year 2007, there was an increase in expenditure budgets; however, the City maintained an excess of revenues over expenditures and did not exceed the total appropriations for the year. The majority of these changes were related to Reactivation of the Photo Enforcement Loop 101 Program, and Contingency Transfers approved by City Council for Downtown Marketing, School Sports Field Maintenance, Villa Monterey operating expenses, legal fees related to a Retirement System class-action lawsuit and budgetary transfers to the Fleet Management Fund for vehicle acquisitions. Net budget increases for expenditures by department totaled \$1.5 million and \$5.1 million for fiscal years 2007 and 2006, respectively. The net increase is defined as follows:

\$	121,000	General Government
	800,000	Police
	281,000	Financial Services
	373,000	Community Services
	(58,000)	Information Systems
	(33,000)	Fire
	50,000	Economic Vitality
	(52,000)	Planning and Development
<u>\$</u>	<u>1,482,000</u>	

** Note: Amounts are the difference between the final and adopted budget for each department - See CAFR "Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual"

Actual revenues and other resources exceeded budgetary estimates by \$12.8 million in fiscal year 2007 and \$11.5 million in fiscal year 2006.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2007 and 2006, amount to \$4.0 billion and \$3.7 billion, respectively (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, water rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation) for the fiscal years 2007 and 2006 was 8.4 percent as shown in the table below.

Capital Assets, Net of Depreciation

June 30, 2007 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,050,083	\$ 898,941	\$ 32,693	\$ 24,822	\$ 1,082,776	\$ 923,763
Buildings and Land Improvements	246,723	150,789	11,596	11,778	258,319	162,567
Streets and Storm Drains	1,453,131	1,427,769	-	-	1,453,131	1,427,769
Machinery and Equipment	30,529	25,579	13,462	4,332	43,991	29,911
Water Rights	-	-	64,688	64,688	64,688	64,688
Water System	-	-	628,872	415,199	628,872	415,199
Sewer System	-	-	303,472	266,624	303,472	266,624
Motor Vehicles and Maintenance by Fleet	27,856	24,486	-	-	27,856	24,486
Furniture, Fixtures and Office Equipment	-	-	25	71	25	71
Construction in Progress	110,155	157,728	65,102	251,716	175,257	409,444
Total	\$ 2,918,477	\$ 2,685,292	\$ 1,119,910	\$ 1,039,230	\$ 4,038,387	\$ 3,724,522

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

- Construction in progress on the design and construction of the Police Operational Support facilities at 76th Street and McKellips Road. Expenditures totaled \$5.1 million this year against a budget of \$31.9 million.
- Construction in progress on the Arabian Library – a 20,000 square foot branch library in the McDowell Mountain Ranch park area. Expenditures totaled \$6.8 million this year against a budget of \$10.4 million.
- Construction completed this year totaling \$8.1 million on the Spring Training Stadium, Club SAR and at Indian School Park. The project includes construction of a Spring Training Clubhouse at Club SAR, reconstruction of the baseball fields at Indian School Park and reconstruction of the practice baseball fields at the Spring Training Stadium.
- Construction in progress on the infrastructure improvements and 157,000 square foot building at the SkySong ASU Scottsdale Center for Innovation Center located at Scottsdale and McDowell Road. Expenditures totaled \$9.7 million this year against a budget of \$20 million.
- Construction completed this year totaling \$9.9 million on Pima Road. The project includes design and construction of a six-lane parkway cross-section with landscaped median, turn lanes, grade-separated path crossing, bike lanes, sidewalks, curb and gutter, roadway drainage, intelligent transportation system facilities and noise mitigation. The project extends to approximately 1400 feet north of Thompson Peak Parkway in the Grayhawk and DC Ranch neighborhoods and also includes a new alignment of Pima Road at the Pima Freeway interchange on the south.

- 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, forecasted in the 5-year plan include:
 - Arsenic Mitigation Treatment (\$8.0 million) – design and construction of arsenic removal treatment facilities and related distribution systems at various satellite sites throughout the City to comply with the Safe Drinking Water Act Arsenic Rule. The Safe Drinking Water Act lowered the maximum allowable levels for arsenic in drinking water from 50 ppb to 10 ppb as of January 2006. This new level for arsenic will require the City to utilize arsenic mitigation treatment systems in accordance with the 2001 Water Resources Master Plan.
 - CAP Plant expansion (\$11.8 million) – expansion of the existing CAP Water Treatment Plant from its current capacity of 50 million gallons per day (mgd) to a minimum capacity of 75 mgd to meet planned demand. This will further reduce the use of groundwater and increase use of surface water.
 - CAP Plant regulatory compliance (\$23.2 million) – of granular activated carbon facility at the CAP Water Treatment Plant in order to ensure compliance with the new Federal water quality rule regarding disinfection by-products (DBP). The use of surface water will also require the addition of a granular activated carbon facility to the plant, in order to comply with the Federal rule regarding disinfection by-products. The Rule was finalized during fall 2005, and municipalities will need to meet the 120 parts-per-billion by fall 2008. The second part of the rule requires municipalities to meet the 80 parts-per-billion by fall 2011.

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

Debt Administration

At the end of the fiscal years 2007 and 2006, the City had total long-term obligations outstanding of \$1,030.0 million and \$1,018.0 million, respectively. Of these amounts, \$476.2 million and \$499.4 million, respectively, are General Obligation Bonds backed by the full faith and credit of the City. The remainder includes revenue bonds, certificates of participation, and other obligations of \$553.8 million and \$518.6 million, respectively.

Outstanding Debt

For the Years Ended June 30, 2007 and 2006 (in thousands of dollars)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 476,200	\$ 499,365	\$ -	\$ -	\$ 476,200	\$ 499,365
Revenue Bonds	-	2,990	58,930	62,405	58,930	65,395
Municipal Property Corporation Bonds	149,176	108,225	155,650	161,965	304,826	270,190
Scottsdale Preserve Authority Bonds	77,605	80,570	-	-	77,605	80,570
Special Assessments Bonds	4,670	5,505	-	-	4,670	5,505
Certificates of Participation	6,401	7,090	-	-	6,401	7,090
Community Facilities Districts General						
Obligation Bonds	40,330	41,945	-	-	40,330	41,945
Add Deferred Issuance Premiums	21,084	15,859	20,635	9,177	41,719	25,036
Less Deferred Amounts on Refunding	(13,432)	(10,234)	(11,128)	(1,245)	(24,560)	(11,479)
Total Bonds Payable	762,034	751,315	224,087	232,302	986,121	983,617
Contracts Payable	19,819	13,136	-	-	19,819	13,136
Capital Lease	172	-	139	179	311	179
Compensated Absences	20,684	18,889	2,364	2,181	23,048	21,070
Post Employment Benefit - Implied Subsidy	535	-	72	-	607	-
Total Long-Term Liabilities	\$ 803,244	\$ 783,340	\$ 226,662	\$ 234,662	\$ 1,029,906	\$ 1,018,002

During fiscal years 2007 and 2006, the City's total bonded debt increased by approximately \$2.5 million and \$247.2 million, respectively. The City issued \$42.5 million of new Municipal Property Corporation bonds (Governmental activities) in fiscal year 2007. The new bond costs were partially offset by the reduction of bond payable balances due to principal payments made in fiscal year 2007.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2007 and 2006 is \$199.8 million and \$157.3 million, respectively, in the 6% capacity and \$678.4 million and \$574.6 million, respectively, in the 20% capacity. Additional information on the debt limitations and capacities may be found in Section IV of the Notes to the financial statements and also in Table XVIIa in the statistical section of this report.

The City early implemented Statement No. 45 of the Governmental Accounting Standards Board (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions) effective for fiscal year ending June 30, 2007. In connection with that accounting standard, the Net Other Post-Employment Benefit Obligation (NOPEBO) included in the Outstanding Debt table (above) represents the City's actuarial required contribution (ARC) pursuant to the actuarial calculations for the accrued cost of retiree health insurance as of June 30, 2007. The NOPEBO at June 30, 2007 is \$607,000. The City is self insured and funds employee benefit costs with current funds and designates a reserve for actuarially determined incurred but not reported claims (IBNR), a risk corridor, and partial funding for the ARC.

The City's most recent bond ratings as provided by the three major credit rating agencies; Moody's Investors Service, Standard & Poor's Rating Services, and Fitch Ratings, are shown in the following table:

City of Scottsdale Bonded Debt Ratings
As of June 30, 2007

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

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

Economic Factors and Next Year's Budget and Rates

The City of Scottsdale's fiscal year 2008 budget continues to fund the highest priorities of the City Council and our citizens, including the hiring of additional police officers and firefighters, and the opening of new City capital facilities to meet service demands. Current economic conditions allow the City to maintain core services, and, in some cases, to provide enhancements to existing service levels. In developing the fiscal 2008 budget, staff sought to use realistic revenue forecasts without relying on one-time construction related revenues to fund ongoing operating budget expenditures, and to limit staff additions to high priority service areas and citizen demands. The budget also continues to fund needed investment in the City's infrastructure and facilities while maintaining prudent financial reserves.

The adopted fiscal year 2008 budget includes a total of 72 new positions citywide with an estimated personal service cost of \$4.0 million. With these new positions the City will have 2,794 full time equivalent positions citywide. The positions address service needs in the following areas:

- **Community Facilities** – staffing for the Arabian library expansion and expanded capital facilities primarily constructed with voter-approved Bond 2000 funding.
- **Public Safety** – staff additions of sworn Police officers, enhanced gang investigation and detective staffing and additional firefighters to staff a third ambulance.
- **Citizen Services and Community Growth** – increased staff to support customer service demands, growth in the community, and federal and state environmental regulations. Also included is additional staffing to expand the After School Program to address service level needs.
- **Internal Service Demands** – additional staffing to support the day-to-day needs of other operating departments, i.e., Solid Waste, Information Systems and Financial Services.

The fiscal 2008 budget also includes funding to support changes in health care and retirement system costs as well as a market and merit compensation adjustments for City staff. The adopted budget includes a staggered market adjustment of 3.5 percent, effective July 1, 2007 and 2.5 percent, effective January 1, 2008.

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 2008 is \$906.3 million, which includes \$658.8 million (or 72.2 percent of the total) re-budgeted from the prior year. Under Arizona law, the City must re-budget for a capital project until it is completed. Some examples of major projects included in the CIP budget are:

- **Community Facilities** – Acquire, preserve and restore desert lands along Scottsdale Road to promote its designation as a Scenic Corridor, infrastructure to support site development of the Sky Song facility, design and construction of the Appaloosa library.
- **Preservation** – Construction of trails supporting the gateway to the preserve and expansion of preserve lands.
- **Drainage and Flood Control** – Drainage improvement to several areas within Scottsdale including the Granite Reef Watershed, Indian School Road drainage, and a Powerline Interceptor channel.
- **Public Safety** – Construction of the Downtown Fire Station #602, Fire Engine Reserve Apparatus, and Police Portable and Vehicle Radio replacement.
- **Service Facilities** – Civic Center Mall renovation and improvements, McKellips Fleet Service Center facility and Computer Facility Infrastructure improvements.
- **Transportation** – Improvements to several main Scottsdale thorough ways including Pinnacle Peak – Miller to Pima Road, Indian School Road – Drinkwater to Pima Freeway, and Indian Bend Road – Scottsdale to Hayden. Additionally, improvements will be made to bicycle lanes, enhanced sidewalks, and provide for Loop 101 Park and Ride lot.
- **Water Services** – Expansion of the existing CAP Water Treatment Plant, modification and improvements to water distribution and sewer collection system improvements.

The adopted budget continues the practice of designating a reserve equal to 10 percent of the General Fund and Highway User Fund program budgets to ensure the City can provide basic services in the event of major emergencies.

Requests For Information

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

City of Scottsdale
Financial Services Department
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, 2007 (in thousands of dollars)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 374,614	\$ 108,265	\$ 482,879
Cash with Fiscal Agent	60,019	13,998	74,017
Receivable (net of uncollectible amounts of \$14,899)			
Property Taxes and Penalties	9,413	-	9,413
Other Local Taxes	21,718	-	21,718
Intergovernmental	25,144	80	25,224
Charges for Services	-	15,877	15,877
Interest and Other	15,436	2,916	18,352
Deposits	-	16,010	16,010
Supplies Inventory	770	-	770
Restricted Cash, Cash Equivalents, and Investments:			
Customer Advances and Deposits	-	1,608	1,608
Total Current Assets	507,114	158,754	665,868
Noncurrent Assets			
Equity in Joint Venture	-	94,751	94,751
Deferred Charges	2,924	1,145	4,069
Restricted Cash, Cash Equivalents, and Investments:			
Deferred Revenue	-	6,656	6,656
Water and Sewer System Replacement	-	24,105	24,105
Acquisition and Construction Reserve Development Fees	-	9,544	9,544
Capital Assets			
Land, Water Rights, and Construction in Progress	1,160,238	162,483	1,322,721
Facilities, Infrastructure, and Equipment (net of depreciation)	1,758,239	957,427	2,715,666
Total Capital Assets (net of accumulated depreciation)	2,918,477	1,119,910	4,038,387
Total Noncurrent Assets	2,921,401	1,256,111	4,177,512
Total Assets	3,428,515	1,414,865	4,843,380
LIABILITIES			
Current Liabilities			
Accounts Payable	26,683	11,583	38,266
Accrued Payroll and Benefits	6,188	469	6,657
Accrued Compensated Absences-Current	37	-	37
Accrued Compensated Absences-Due within One Year	10,235	1,072	11,307
Claims Payable	14,347	-	14,347
Due to Other Governments	102	-	102
Customer Advances and Deposits	3,895	1,608	5,503
Matured Bonds, Loans, Other Payables	31,852	8,010	39,862
Matured Bonds, Loans, Other Interest Payable	18,262	5,985	24,247
Bonds, Loans, and Other Payables-Due within One Year	33,408	8,423	41,831
Unearned Revenue	5,295	-	5,295
Other Liabilities	2,408	-	2,408
Total Current Liabilities	152,712	37,150	189,862
Noncurrent Liabilities			
Accrued Compensated Absences-Due in More Than One Year	10,449	1,292	11,741
Deferred Revenue	-	6,656	6,656
Bonds, Loans, and Other Payables-Due in More Than One Year	752,152	215,875	968,027
Total Noncurrent Liabilities	762,601	223,823	986,424
Total Liabilities	915,313	260,973	1,176,286
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,198,130	895,636	3,093,766
Restricted			
Debt Service	21,249	-	21,249
Transportation and Preserve Privilege Tax Activities	75,691	-	75,691
Capital Projects	445	-	445
Grants	135	-	135
Special Programs	10,412	-	10,412
Streetlight and Service District	754	-	754
Water and Sewer System Replacement	-	24,105	24,105
Acquisition and Construction	-	9,544	9,544
Unrestricted	206,386	224,607	430,993
Total Net Assets	\$ 2,513,202	\$ 1,153,892	\$ 3,667,094

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

Statement of Activities

For the Year Ended June 30, 2007 (in thousands of dollars)

Function/Programs	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental Activities							
General Government	\$ 45,682	\$ 14,102	\$ 949	\$ 3,694	\$ (26,937)	\$ -	\$ (26,937)
Police	81,375	15,071	2,066	99	(64,139)	-	(64,139)
Financial Services	9,843	-	1	-	(9,842)	-	(9,842)
Transportation	95,214	326	17,471	202,811	125,394	-	125,394
Community Services	70,527	4,388	8,327	762	(57,050)	-	(57,050)
Information Systems	13,329	-	-	-	(13,329)	-	(13,329)
Fire	28,054	1,155	458	92	(26,349)	-	(26,349)
Municipal Services	17,698	-	-	4,215	(13,483)	-	(13,483)
Citizen and Neighborhood Resources	3,727	228	21	-	(3,478)	-	(3,478)
Human Resources	3,800	-	-	-	(3,800)	-	(3,800)
Economic Vitality	9,475	-	-	34	(9,441)	-	(9,441)
Planning and Development	15,133	16,128	-	-	995	-	995
Streetlight and Services Districts	597	546	-	-	(51)	-	(51)
Interest on Long-term Debt	38,981	-	-	-	(38,981)	-	(38,981)
Total Governmental Activities	433,435	51,944	29,293	211,707	(140,491)	-	(140,491)
Business-Type Activities							
Water Utility	64,915	84,381	-	31,812	-	51,278	51,278
Sewer Utility	26,089	32,250	-	23,072	-	29,233	29,233
Airport	2,958	3,451	-	227	-	720	720
Solid Waste	17,895	18,490	-	-	-	595	595
Total Business-Type Activities	111,857	138,572	-	55,111	-	81,826	81,826
Total Government	\$ 545,292	\$ 190,516	\$ 29,293	\$ 266,818	(140,491)	81,826	(58,665)
General Revenues							
Taxes							
Property Taxes					50,961	-	50,961
Sales and Use Taxes					187,635	195	187,830
Franchise Taxes					10,815	-	10,815
Intergovernmental							
State Shared Sales					22,312	-	22,312
State Revenue Sharing					26,653	-	26,653
Other					11,555	-	11,555
Interest and Investment Income					23,013	9,265	32,278
Other Revenue					5,377	496	5,873
Transfers					11,174	(11,174)	-
Total General Revenues and Transfers					349,495	(1,218)	348,277
Change in Net Assets					209,004	80,608	289,612
Net Assets - Beginning, as restated					2,304,198	1,073,284	3,377,482
Net Assets - Ending					\$ 2,513,202	\$ 1,153,892	\$ 3,667,094

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

Balance Sheet

Governmental Funds

June 30, 2007 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 83,009	\$ 8,975	\$ 105,204	\$ 141,720	\$ 338,908
Cash with Fiscal Agent	459	34,674	6,405	18,481	60,019
Receivables (net of allowance for uncollectibles)					
Interest	1,157	-	832	1,507	3,496
Privilege Tax	9,635	-	-	4,704	14,339
Hotel/Motel Tax	504	-	-	-	504
Property Tax	592	867	-	140	1,599
State Shared Sales Tax	1,857	-	-	-	1,857
Franchise Fee	2,529	-	-	-	2,529
Court Receivable	7,814	-	-	-	7,814
Highway User Tax	-	-	-	1,512	1,512
Auto Lieu Tax	977	-	-	-	977
Intergovernmental	-	-	-	3,854	3,854
Grants	-	-	-	2,328	2,328
Special Assessments	-	-	-	3,937	3,937
Miscellaneous	7,123	-	-	548	7,671
Due from Other Funds	553	-	-	-	553
Supplies Inventory	355	-	-	-	355
Total Assets	<u>\$ 116,564</u>	<u>\$ 44,516</u>	<u>\$ 112,441</u>	<u>\$ 178,731</u>	<u>\$ 452,252</u>

(continued)

Balance Sheet

Governmental Funds

June 30, 2007 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 4,629	\$ -	\$ 11,969	\$ 8,734	\$ 25,332
Accrued Payroll and Benefits	5,924	-	18	168	6,110
Due to Other Funds	-	-	-	553	553
Matured Bond Interest Payable	111	11,509	-	6,642	18,262
Matured Bonds Payable	347	23,165	-	8,340	31,852
Deferred Revenue					
Property Tax	311	459	-	103	873
Special Assessments	-	-	-	3,937	3,937
Court	7,814	-	-	-	7,814
Tax Audit	2,321	-	-	-	2,321
Intergovernmental	-	-	-	4,944	4,944
Other	345	-	6	-	351
Due to Other Governments	73	-	29	-	102
Guaranty and Other Deposits	2,027	-	-	1,868	3,895
Other	2,374	-	-	34	2,408
Total Liabilities	26,276	35,133	12,022	35,323	108,754
Fund Balances					
Reserved for					
Streetlight and Services Districts	754	-	-	-	754
Debt Service	-	9,383	-	11,866	21,249
Unreserved, Reported in					
General Fund - Designated	26,123	-	-	-	26,123
General Fund - Undesignated	63,411	-	-	-	63,411
Capital Projects Funds	-	-	100,419	79,058	179,477
Special Revenue Funds	-	-	-	52,484	52,484
Total Fund Balances	90,288	9,383	100,419	143,408	343,498
Total Liabilities and Fund Balances	\$ 116,564	\$ 44,516	\$ 112,441	\$ 178,731	\$ 452,252

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, 2007 (in thousands of dollars)

Fund Balances -Total Governmental Funds	\$ 343,498
Amounts reported for governmental activities in the statement of net assets are different because (see Section II A):	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,889,569
Bond issuance costs are not financial resources and, therefore, are not reported in the funds.	2,924
Long-term receivables are not due and receivable in the current period and, therefore, are not reported in the funds.	18,962
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(805,756)
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.	14,945
Internal Service Funds are used by management to charge the costs of certain activities, such as, insurance 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.	<u>49,060</u>
Net Assets of Governmental Activities	<u>\$ 2,513,202</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes - Local					
Property	\$ 19,611	\$ 27,933	\$ -	\$ 3,188	\$ 50,732
Transaction Privilege	120,803	-	-	58,191	178,994
Transient Occupancy	1,970	-	-	7,753	9,723
Light and Power Franchise	7,284	-	-	-	7,284
Cable TV Franchise	3,355	-	-	-	3,355
Salt River Project In-Lieu	176	-	-	-	176
Other Taxes	753	-	-	-	753
Taxes - Intergovernmental					
State-Shared Sales	22,312	-	-	-	22,312
State Revenue Sharing	26,653	-	-	-	26,653
Auto Lieu Tax	9,728	-	-	-	9,728
Highway User Tax	-	-	-	16,778	16,778
Local Transportation Assistance Fund	-	-	-	1,074	1,074
Business and Liquor Licenses	1,626	-	-	-	1,626
Charges for Current Services					
Building and Related Permits	16,057	-	-	71	16,128
Fire Fees	1,155	-	-	-	1,155
Recreation Fees	2,768	-	-	972	3,740
Westworld Equestrian Facility Fees	2,268	-	-	-	2,268
Fines, Fees and Forfeitures					
Code Enforcement	-	-	-	228	228
Court Fines	6,039	-	-	7	6,046
Parking	360	-	-	-	360
Photo Radar	6,056	-	-	-	6,056
Court Enhancement	-	-	-	1,441	1,441
Library	648	-	-	-	648
Special Assessments	-	-	-	1,825	1,825
Property Rental	3,536	-	-	332	3,868
Interest Earnings	7,019	8	5,503	8,553	21,083
Intergovernmental					
Federal Grants	-	-	-	9,420	9,420
State Grants	2	-	767	929	1,698
Miscellaneous	685	-	-	3,960	4,645
Developer Contributions	1	-	1,013	1,010	2,024
Streetlight and Services Districts	546	-	-	-	546
Contributions and Donations	12	-	101	1,765	1,878
Reimbursements from Outside Sources	338	1	157	72	568
Indirect Costs	10,208	-	-	-	10,208
Other	568	-	22	110	700
Total Revenues	272,537	27,942	7,563	117,679	425,721

(continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES					
Current					
General Government	24,332	-	-	606	24,938
Police	77,505	-	-	756	78,261
Financial Services	9,080	-	-	-	9,080
Transportation	-	-	-	13,439	13,439
Community Services	52,042	-	-	9,736	61,778
Information Systems	8,931	-	-	-	8,931
Fire	26,275	-	-	339	26,614
Municipal Services	509	-	-	9,183	9,692
Citizen and Neighborhood Resources	3,212	-	-	42	3,254
Human Resources	3,838	-	-	17	3,855
Economic Vitality	1,395	-	-	7,621	9,016
Planning and Development	14,307	-	-	24	14,331
Streetlight and Services Districts	597	-	-	-	597
Debt Service					
Principal	1,214	23,165	-	9,873	34,252
Interest and Fiscal Charges	4,342	23,030	-	10,907	38,279
Bond Issuance Costs	-	-	-	735	735
Capital Improvements	984	-	84,113	62,270	147,367
Total Expenditures	228,563	46,195	84,113	125,548	484,419
Excess (Deficiency) of Revenues Over Expenditures	43,974	(18,253)	(76,550)	(7,869)	(58,698)
OTHER FINANCING SOURCES (USES)					
Transfers In	9,133	15,200	78,662	59,970	162,965
Transfers Out	(57,042)	-	(856)	(97,397)	(155,295)
Refunding Bonds Issued	-	-	-	55,450	55,450
Long-term Capital-Related Debt Issued	-	-	42,050	450	42,500
Premium on Bonds Issued	-	-	-	7,199	7,199
Payment to Bond Refunding Escrow Agent	-	-	-	(61,845)	(61,845)
Proceeds from Capital Lease	175	-	-	-	175
Proceeds from Notes Payable	-	-	-	3,000	3,000
Total Other Financing Sources and (Uses)	(47,734)	15,200	119,856	(33,173)	54,149
Net Change in Fund Balances	(3,760)	(3,053)	43,306	(41,042)	(4,549)
Fund Balances - Beginning	94,048	12,436	57,113	184,450	348,047
Fund Balances - Ending	\$ 90,288	\$ 9,383	\$ 100,419	\$ 143,408	\$ 343,498

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

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

For the Year Ended June 30, 2007 (in thousands of dollars)

Net Change in Fund Balances - Total Governmental Funds	\$ (4,549)
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Amounts reported for governmental activities in the statement of activities
are different because (see Section 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.	24,784
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Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	204,867
---	---------

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.	(2,306)
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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.	(1,588)
--	---------

Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year bond issuance costs exceed amortization expense in the current period.	477
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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. Neither transaction; however, has any effect on net assets. This is the amount by which debt proceeds exceeded principal retirement in the current period.	(12,227)
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Additional accrued interest calculated on bonds and notes payable.	(444)
--	-------

Long-term contracts initiated during the current year are not reported in governmental funds and thus do not contribute to the change in fund balance. In the government-wide statements, however, entering into a contract payable increases long-term liabilities in the statement of net assets.	(7,903)
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The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>7,893</u>
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Changes in Net Assets of Governmental Activities	<u>\$ 209,004</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 Year Ended June 30, 2007 (in thousands of dollars)

	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	\$ 20,066	\$ 20,066	\$ 19,611	\$ -	\$ 19,611	\$ (455)
Transaction Privilege	121,315	121,315	120,803	-	120,803	(512)
Transient Occupancy	1,869	1,869	1,970	-	1,970	101
Light and Power Franchise	6,050	6,050	7,284	-	7,284	1,234
Cable TV Franchise	3,283	3,283	3,355	-	3,355	72
Salt River Project In-Lieu	203	203	176	-	176	(27)
Other Taxes	721	721	753	-	753	32
Taxes - Intergovernmental						
State-Shared Sales	20,630	20,630	22,312	-	22,312	1,682
State Revenue Sharing	20,848	20,848	26,653	-	26,653	5,805
Auto Lieu Tax	9,579	9,579	9,728	-	9,728	149
Business and Liquor Licenses	2,088	2,088	1,626	-	1,626	(462)
Charges for Current Services						
Building and Related Permits	17,000	17,000	16,057	-	16,057	(943)
Fire Fees	1,000	1,000	1,155	-	1,155	155
Recreation Fees	2,800	2,800	2,768	-	2,768	(32)
Westworld Equestrian Facility Fees	2,275	2,275	2,268	-	2,268	(7)
Fines, Fees and Forfeitures						
Court Fines	5,304	5,304	6,039	-	6,039	735
Parking	306	306	360	-	360	54
Photo Radar	4,525	4,525	6,056	-	6,056	1,531
Library	650	650	648	-	648	(2)
Property Rental	3,100	3,100	3,536	-	3,536	436
Interest Earnings	2,300	2,300	5,348	1,671	7,019	3,048
Intergovernmental						
State Grants	-	-	-	2	2	-
Miscellaneous	-	-	-	685	685	-
Developer Contributions	-	-	1	-	1	1
Streetlight and Services Districts	600	600	546	-	546	(54)
Contributions and Donations	-	-	-	12	12	-
Reimbursements from Outside Sources	-	-	-	338	338	-
Indirect Costs	10,208	10,208	10,208	-	10,208	-
Other	300	300	568	-	568	268
Total Revenues	<u>257,020</u>	<u>257,020</u>	<u>269,829</u>	<u>2,708</u>	<u>272,537</u>	<u>12,809</u>
EXPENDITURES						
Current						
General Government	26,033	26,154	24,196	136	24,332	1,958
Police	77,475	78,275	76,970	535	77,505	1,305
Financial Services	9,367	9,648	8,759	321	9,080	889
Community Services	53,096	53,469	51,778	264	52,042	1,691
Information Systems	9,574	9,516	8,897	34	8,931	619
Fire	29,679	29,646	26,255	20	26,275	3,391
Municipal Services	495	495	444	65	509	51
Citizen and Neighborhood Resources	3,396	3,396	3,210	2	3,212	186
Human Resources	4,379	4,379	3,841	(3)	3,838	538
Economic Vitality	1,432	1,482	1,394	1	1,395	88
Planning and Development	15,004	14,952	14,221	86	14,307	731
Streetlight and Services Districts	600	600	597	-	597	3
Debt Service						
Principal	1,825	1,825	1,214	-	1,214	611
Interest and Fiscal Charges	4,221	4,221	4,342	-	4,342	(121)
Capital Improvements	-	-	984	-	984	(984)
Total Expenditures	<u>236,576</u>	<u>238,058</u>	<u>227,102</u>	<u>1,461</u>	<u>228,563</u>	<u>10,956</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,444</u>	<u>18,962</u>	<u>42,727</u>	<u>1,247</u>	<u>43,974</u>	<u>23,765</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	8,481	8,481	9,133	-	9,133	652
Transfers Out	(56,496)	(56,496)	(57,042)	-	(57,042)	(546)
Proceeds from Capital Lease	-	-	-	175	175	-
Total Other Financing Sources and (Uses)	<u>(48,015)</u>	<u>(48,015)</u>	<u>(47,909)</u>	<u>175</u>	<u>(47,734)</u>	<u>106</u>
Net Change in Fund Balance	(27,571)	(29,053)	(5,182)	1,422	(3,760)	23,871
Fund Balance - Beginning	<u>70,798</u>	<u>70,798</u>	<u>94,048</u>	<u>-</u>	<u>94,048</u>	<u>23,250</u>
Fund Balance - Ending	<u>\$ 43,227</u>	<u>\$ 41,745</u>	<u>\$ 88,866</u>	<u>\$ 1,422</u>	<u>\$ 90,288</u>	<u>\$ 47,121</u>

General Fund

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

For the Year Ended June 30, 2007 (in thousands of dollars)

Explanation of Differences:

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

Change in Fair Value of Investments	\$	1,671
Miscellaneous Items		<u>1,037</u>
Total Revenue Reconciling Items:		<u>2,708</u>

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

Claims and Compensated Absences		1,250
Bad Debt Expense		<u>211</u>
Total Expenditure Reconciling Items:		<u>1,461</u>

Other Financing Sources (Uses):

Capital Lease		<u>175</u>
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Net Increase in Fund Balance - Budget to GAAP	\$	<u><u>1,422</u></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, 2007 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current Assets					
Cash and Investments	\$ 98,448	\$ 4,261	\$ 5,556	\$ 108,265	\$ 35,706
Cash with Fiscal Agent	13,998	-	-	13,998	-
Receivables					
Charges for Services	14,057	-	1,820	15,877	-
Intergovernmental	6	74	-	80	-
Interest	1,410	30	54	1,494	323
Miscellaneous	1,171	183	68	1,422	9
Deposits	16,010	-	-	16,010	-
Supplies Inventory	-	-	-	-	415
Restricted Cash, Cash Equivalents, and Investments:					
Customer Advances and Deposits	1,541	67	-	1,608	-
Total Current Assets	146,641	4,615	7,498	158,754	36,453
Noncurrent Assets					
Equity in Joint Venture	94,751	-	-	94,751	-
Deferred Charges	1,145	-	-	1,145	-
Restricted Cash, Cash Equivalents, and Investments:					
Deferred Revenue	6,656	-	-	6,656	-
Water and Sewer System Replacement	24,105	-	-	24,105	-
Acquisition and Construction Reserve	9,544	-	-	9,544	-
Capital Assets					
Land	22,018	9,564	1,111	32,693	-
Water Rights	64,688	-	-	64,688	-
Water System	813,315	-	-	813,315	-
Sewer System	391,949	-	-	391,949	-
Buildings and Improvements	-	15,772	3,005	18,777	1,846
Motor Vehicles	-	-	-	-	64,161
Machinery and Equipment	13,953	939	1,905	16,797	687
Furniture and Fixtures	621	-	-	621	-
Construction in Progress	64,912	190	-	65,102	-
Less Accumulated Depreciation	(275,838)	(5,935)	(2,259)	(284,032)	(37,786)
Total Capital Assets (net of accumulated depreciation)	1,095,618	20,530	3,762	1,119,910	28,908
Total Noncurrent Assets	1,231,819	20,530	3,762	1,256,111	28,908
Total Assets	\$ 1,378,460	\$ 25,145	\$ 11,260	\$ 1,414,865	\$ 65,361

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

(continued on next page)

Statement of Net Assets

Proprietary Funds

June 30, 2007 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 11,084	\$ 56	\$ 443	\$ 11,583	\$ 1,351
Accrued Payroll and Benefits	336	20	113	469	95
Accrued Compensated Absences - Current	-	-	-	-	20
Accrued Compensated Absences - Due Within One Year	752	49	271	1,072	231
Claims Payable	-	-	-	-	14,347
Customer Advances and Deposits	1,541	67	-	1,608	-
Matured Bonds Payable	8,010	-	-	8,010	-
Matured Bond Interest Payable	5,985	-	-	5,985	-
Bonds Payable and Other Payables - Due within One Year	8,419	1	3	8,423	-
Total Current Liabilities	36,127	193	830	37,150	16,044
Noncurrent Liabilities					
Accrued Compensated Absences - Due in More Than One Year	838	46	408	1,292	243
Deferred Revenue	6,656	-	-	6,656	-
Bonds Payable and Other Payables - Due in More Than One Year	215,855	2	18	215,875	14
Total Noncurrent Liabilities	223,349	48	426	223,823	257
Total Liabilities	259,476	241	1,256	260,973	16,301
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	871,344	20,530	3,762	895,636	28,908
Restricted for Water and Sewer					
System Replacement	24,105	-	-	24,105	-
Restricted for Acquisition and Construction	9,544	-	-	9,544	-
Unrestricted	213,991	4,374	6,242	224,607	20,152
Total Net Assets	\$ 1,118,984	\$ 24,904	\$ 10,004	\$ 1,153,892	\$ 49,060

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

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

Proprietary Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Operating Revenues					
Charges for Sales and Services					
Water Service Fees	\$ 78,148	\$ -	\$ -	\$ 78,148	\$ -
Sewer Service Fees	32,250	-	-	32,250	-
Proprietary - Non-Potable Water Fees	5,766	-	-	5,766	-
Groundwater Treatment Plant	467	-	-	467	-
Solid Waste Fees	-	-	18,490	18,490	-
Airport Fees	-	3,451	-	3,451	-
Other Services	-	-	-	-	39,945
Other	494	-	2	496	742
Total Operating Revenues	<u>117,125</u>	<u>3,451</u>	<u>18,492</u>	<u>139,068</u>	<u>40,687</u>
Operating Expenses					
Costs for Sales and Services					
Water Operations	39,304	-	-	39,304	-
Sewer Operations	17,374	-	-	17,374	-
Solid Waste Operations	-	-	15,494	15,494	-
Airport Operations	-	1,495	-	1,495	-
Other Services	-	-	-	-	34,690
Indirect Costs	7,411	592	2,204	10,207	-
Depreciation	26,915	871	197	27,983	5,542
Total Operating Expenses	<u>91,004</u>	<u>2,958</u>	<u>17,895</u>	<u>111,857</u>	<u>40,232</u>
Operating Income	<u>26,121</u>	<u>493</u>	<u>597</u>	<u>27,211</u>	<u>455</u>
Non-Operating Revenues (Expenses)					
Transaction Privilege Tax	-	195	-	195	-
Investment Income	8,755	191	319	9,265	1,930
Gain on Sale of Capital Assets	-	-	-	-	241
Net Non-Operating Revenues (Expenses)	<u>8,755</u>	<u>386</u>	<u>319</u>	<u>9,460</u>	<u>2,171</u>
Income Before Contributions and Transfers	<u>34,876</u>	<u>879</u>	<u>916</u>	<u>36,671</u>	<u>2,626</u>
Capital Contributions	54,884	227	-	55,111	1,763
Transfers In	358	-	-	358	3,692
Transfers Out	(10,704)	(431)	(397)	(11,532)	(188)
Change in Net Assets	<u>79,414</u>	<u>675</u>	<u>519</u>	<u>80,608</u>	<u>7,893</u>
Total Net Assets - Beginning	<u>1,039,570</u>	<u>24,229</u>	<u>9,485</u>	<u>1,073,284</u>	<u>41,167</u>
Total Net Assets - Ending	<u>\$ 1,118,984</u>	<u>\$ 24,904</u>	<u>\$ 10,004</u>	<u>\$ 1,153,892</u>	<u>\$ 49,060</u>

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 114,738	\$ 3,482	\$ 18,154	\$ 136,374	\$ 40,029
Cash Paid to Suppliers	(49,941)	(1,127)	(12,309)	(63,377)	(31,024)
Cash Paid to Employees	(13,427)	(948)	(5,184)	(19,559)	(3,715)
Other Operating	495	-	2	497	742
Net Cash Provided by (Used for) Operating Activities	51,865	1,407	663	53,935	6,032
Cash Flows from Non-Capital Financing Activities					
Transaction Privilege Tax	-	195	-	195	-
Transfers In	358	-	-	358	3,692
Transfers Out	(10,704)	(431)	(397)	(11,532)	(188)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(10,346)	(236)	(397)	(10,979)	3,504
Cash Flows from Capital and Related Financing Activities					
Capital Contributions from Other					
Water and Sewer Development Fees	17,878	-	-	17,878	-
Capital Grants	4	153	-	157	-
Acquisition and Construction of Property and Equipment	(62,818)	(636)	(8)	(63,462)	(7,432)
Proceeds from Bonds	122,505	-	-	122,505	-
Payments to Bond Refunding Escrow	(128,299)	-	-	(128,299)	-
Principal Payments on Capital Debt	(8,692)	-	-	(8,692)	-
Interest Paid on Capital Debt	(8,719)	-	-	(8,719)	-
Investment in Joint Venture & CIP Deposit	(12,717)	-	-	(12,717)	-
Sale of Capital Assets	121	-	-	121	360
Net Cash Provided by (Used for) Capital and Related Financing Activities	(80,737)	(483)	(8)	(81,228)	(7,072)
Cash Flows from Investing Activities					
Income Received on Investments	8,360	173	303	8,836	1,849
Net Cash Provided by Investing Activities	8,360	173	303	8,836	1,849
Net Increase (Decrease) in Cash and Cash Equivalents	(30,858)	861	561	(29,436)	4,313
Cash and Cash Equivalents at Beginning of Year	185,150	3,467	4,995	193,612	31,393
Cash and Cash Equivalents at End of Year	\$ 154,292	\$ 4,328	\$ 5,556	\$ 164,176	\$ 35,706

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

(continued on next page)

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

(Concluded)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash and Cash Equivalents at End of Year Includes					
Cash and Investments	\$ 98,448	\$ 4,261	\$ 5,556	\$ 108,265	\$ 35,706
Cash with Fiscal Agent	13,998	-	-	13,998	-
Restricted Cash and Investments	41,846	67	-	41,913	-
Total Cash and Cash Equivalents	\$ 154,292	\$ 4,328	\$ 5,556	\$ 164,176	\$ 35,706
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income	\$ 26,121	\$ 493	\$ 597	\$ 27,211	\$ 455
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Depreciation and Amortization	26,915	871	197	27,983	5,542
Changes In Assets and Liabilities Sources (Uses) of Cash					
Accounts Receivable	(2,577)	-	(327)	(2,904)	-
Miscellaneous Receivables	(197)	29	(9)	(177)	84
Supplies Inventory	-	-	-	-	11
Accounts Payable	554	(9)	94	639	257
Accrued Payroll and Benefits	167	18	90	275	56
Claims Payable	-	-	-	-	(387)
Deferred Revenue	684	-	-	684	-
Other Liabilities	198	5	21	224	14
Total Adjustments	25,744	914	66	26,724	5,577
Net Cash Provided by (Used for) Operating Activities	\$ 51,865	\$ 1,407	\$ 663	\$ 53,935	\$ 6,032
Supplemental Disclosure of Non-Cash Financing Activities					
Additions to Property, Plant, and Equipment					
Contributions from Developers	\$ 36,998	\$ -	\$ -	\$ 36,998	\$ -
Contributions from Other Government Units	-	-	-	-	1,763
Amortization of Deferred Charges	(409)	-	-	(409)	-
Total Non-Cash Financing Activities	\$ 36,468	\$ -	\$ -	\$ 36,468	\$ 1,763

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007 (in thousands of dollars)

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 7	\$ 4,743
Total Assets	<u>7</u>	<u>4,743</u>
LIABILITIES		
Accounts Payable	-	86
Designated Escrow Payable	-	4,657
Total Liabilities	<u>-</u>	<u>4,743</u>
NET ASSETS		
Held in Trust for Other Purposes	<u>\$ 7</u>	<u>\$ -</u>

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

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private Donations	\$ 9
Total Additions	<u>9</u>
DEDUCTIONS	
Scholarships	<u>6</u>
Total Deductions	<u>6</u>
Change in Net Assets	3
Net Assets - Beginning	<u>4</u>
Net Assets - Ending	<u><u>\$ 7</u></u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

Component Unit	Description and Criteria for Inclusion	Reporting Method	For Separate Financial Statements
City of Scottsdale Municipal Property Corporation (MPC)	<ul style="list-style-type: none"> • 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 appointed by the 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 Department Accounting Division 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 appointed by the 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 Department Accounting Division 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 Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

**Notes to Financial Statements
For the Fiscal Year Ended June 30, 2007**

<p>McDowell Ranch Mountain Community Facilities District (CFD)</p>	<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. 	<p>Blended</p>	<p>City of Scottsdale Finance Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>DC Ranch Community Facilities District (CFD)</p>	<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. 	<p>Blended</p>	<p>City of Scottsdale Finance Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>Via Linda Road Community Facilities District (CFD)</p>	<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. 	<p>Blended</p>	<p>City of Scottsdale Finance Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>Waterfront Commercial Community Facilities District (CFD)</p>	<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. 	<p>Blended</p>	<p>City of Scottsdale Finance Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims, and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly 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, and solid waste fees, vehicle purchase amounts and risk management charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first; then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

All accounts, property tax and court receivables are shown net of an allowance for uncollectibles. All receivables in excess of one year comprise the allowance for uncollectibles at June 30, 2007.

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 on November 1 and May 1, respectively. 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 following the May 1 date upon which the second half taxes become delinquent.

Property taxes levied for current operation and maintenance expenses on residential property are limited to 1.0 percent of the primary full cash 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 renewal and replacement account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Assets contributed (donated) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt.

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

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

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

<u>Asset Type</u>	<u>Estimated Life</u>
Water System	10 to 75 Years
Sewer System	25 to 50 Years
Buildings and Improvements	25 to 50 Years
Streets and Storm Drains	30 Years
Land Improvements	25 Years
Machinery and Equipment	5 to 20 Years
Motor Vehicles	3 to 15 Years
Furniture, Fixtures and Office Equipment	5 to 10 Years

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

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

6. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to a maximum number of hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount unused at year-end are forfeited. The City’s policy is to pay employees for unused accumulated vacation hours at termination or retirement. Sick leave time can be accumulated without limit. The City’s policy, however, is that only those employees hired full-time before July 1, 1982 are paid for unused sick leave at death or retirement. Employees who retire on or after July 1, 1996, and who have accumulated 300 or more hours of sick leave, may elect to apply the value of the sick leave toward their City medical plan premiums.

All vacation pay is accrued when incurred 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 in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30 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. The City calculates this current amount based on vacation taken and an actuarial valuation dated January 1, 2007, for medical leave conversion. 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 types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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. Fund Equity

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

9. Net Assets

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

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

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

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

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, \$343,498, differs from net assets of governmental activities, \$2,513,202, 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 and the Government-wide Statement of Net Assets (in thousands of dollars)

	Total Governmental Funds	Long-Term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS					
Cash and Investments	\$ 338,908	\$ -	\$ 35,706	\$ -	\$ 374,614
Cash with Fiscal Agent	60,019	-	-	-	60,019
Receivables (net of allowance for uncollectibles)					
Interest	3,496	-	323	-	3,819
Privilege Tax	14,339	-	-	-	14,339
Hotel/Motel Tax	504	-	-	-	504
Property Tax	1,599	-	-	-	1,599
State Shared Sales Tax	1,857	-	-	-	1,857
Franchise Fee	2,529	-	-	-	2,529
Court Receivable	7,814	-	-	-	7,814
Highway User Tax	1,512	-	-	-	1,512
Auto Lieu Tax	977	-	-	-	977
Intergovernmental	3,854	18,962	-	-	22,816
Grants	2,328	-	-	-	2,328
Special Assessments	3,937	-	-	-	3,937
Miscellaneous	7,671	-	9	-	7,680
Due from Other Funds/Internal Balances	553	-	-	(553)	-
Supplies Inventory	355	-	415	-	770
Capital Assets (net of accumulated depreciation)	-	2,889,569	28,908	-	2,918,477
Deferred charges and other assets	-	2,924	-	-	2,924
Total Assets	\$ 452,252	\$ 2,911,455	\$ 65,361	\$ (553)	\$ 3,428,515
LIABILITIES					
Accounts Payable	\$ 25,332	\$ -	\$ 1,351	\$ -	\$ 26,683
Accrued Payroll and Benefits	6,110	(17)	95	-	6,188
Accrued Compensated Absences - Current	-	17	20	-	37
Accrued Compensated Absences - Due Within One Year	-	10,004	231	-	10,235
Accrued Compensated Absences - Due in More Than One Year	-	10,206	243	-	10,449
Claims Payable	-	-	14,347	-	14,347
Due to Other Funds	553	-	-	(553)	-
Matured Bond Interest Payable	18,262	-	-	-	18,262
Matured Bonds Payable	31,852	-	-	-	31,852
Deferred Revenue					
Property Tax	873	(873)	-	-	-
Special Assessments	3,937	(3,937)	-	-	-
Court	7,814	(7,814)	-	-	-
Tax Audit	2,321	(2,321)	-	-	-
Intergovernmental	4,944	-	-	-	4,944
Other	351	-	-	-	351
Due to Other Governments	102	-	-	-	102
Guaranty and Other Deposits	3,895	-	-	-	3,895
Other	2,408	-	-	-	2,408
Bonds, Loans, Capital Leases, and Other Payables	-	785,546	14	-	785,560
Total Liabilities	108,754	790,811	16,301	(553)	915,313
Fund Balances/Net Assets					
Total Fund Balances/Net Assets	343,498	2,120,644	49,060	-	2,513,202
Total Liabilities and Fund Balances/Net Assets	\$ 452,252	\$ 2,911,455	\$ 65,361	\$ (553)	\$ 3,428,515

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

Cost of capital assets	\$ 4,019,693
Accumulated depreciation	<u>(1,130,124)</u>
	<u>\$ 2,889,569</u>

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

Bond issuance costs @ 7/1/06	\$ 2,447
Bond issuance cost for fiscal year 2007	735
Amortization of bond issuance costs	<u>(258)</u>
	<u>\$ 2,924</u>

Long-term receivables applicable to the City's governmental activities are not due and receivable in the current period and accordingly are not reported as fund receivables in the governmental funds. All receivables, both current and long-term, are reported in the statement of net assets.

\$ 18,962

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, 2007 were:

Notes Payable	\$ (3,000)
Contract and capital lease payables	(19,991)
Bonds payable	(754,382)
Deferred amount on refunding	13,432
Deferred issuance premium	(21,084)
Accrued vacation and sick leave pay	(20,210)
Post Employment - Implied Subsidy	<u>(521)</u>
	<u>\$ (805,756)</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	\$ 3,937
Deferred court revenue	7,814
Deferred tax revenue	<u>3,194</u>
	<u>\$ 14,945</u>

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

\$ 49,060

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, \$(4,549), differs from the change in net assets for the governmental activities, \$209,004, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

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

	Total Governmental Funds	Long-Term Revenue/ Expenses (3)	Capital Related Items (4)	Internal Service Funds (5)	Long-Term Debt Transactions (6)	Statement of of Activities
REVENUES:						
Taxes - Local:						
Property	\$ 50,732	\$ 229	\$ -	\$ -	\$ -	\$ 50,961
Transaction Privilege	178,994	(1,082)	-	-	-	177,912
Transient Occupancy	9,723	-	-	-	-	9,723
Light and Power Franchise	7,284	-	-	-	-	7,284
Cable TV Franchise	3,355	-	-	-	-	3,355
Salt River Project In-Lieu	176	-	-	-	-	176
Other Taxes	753	-	-	-	-	753
Taxes - Intergovernmental:						
State-Shared Sales	22,312	-	-	-	-	22,312
State Revenue Sharing	26,653	-	-	-	-	26,653
Auto Lieu Tax	9,728	-	-	-	-	9,728
Highway User Tax	16,778	-	-	-	-	16,778
Local Transportation Assistance Fund	1,074	-	-	-	-	1,074
Business and Liquor Licenses	1,626	-	-	-	-	1,626
Charges for Current Services:						
Building and Related Permits	16,128	-	-	-	-	16,128
Fire Fees	1,155	-	-	-	-	1,155
Recreation Fees	3,740	-	-	-	-	3,740
Westworld Equestrian Facility Fees	2,268	-	-	-	-	2,268
Fines and Forfeitures:						
Code Enforcement	228	-	-	-	-	228
Court Fines	6,046	886	-	-	-	6,932
Parking	360	109	-	-	-	469
Photo Radar	6,056	173	-	-	-	6,229
Court Enhancement	1,441	-	-	-	-	1,441
Library	648	-	-	-	-	648
Special Assessments	1,825	(1,499)	-	-	-	326
Property Rental	3,868	-	-	-	-	3,868
Interest Earnings	21,083	-	-	1,930	-	23,013
Intergovernmental:						
Federal Grants	9,420	-	-	-	-	9,420
State Grants	1,698	-	-	-	-	1,698
Miscellaneous	4,645	(404)	-	-	-	4,241
Developer Contributions	2,024	-	-	-	-	2,024
Streetlight and Services Districts	546	-	-	-	-	546
Contributions and Donations	1,878	-	-	-	-	1,878
Reimbursements from Outside Sources	568	-	-	-	-	568
Indirect Costs	10,208	-	-	-	-	10,208
Other	700	-	-	-	-	700
Total	425,721	(1,588)	-	1,930	-	426,063

(continued)

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

	Total Governmental Funds	Long-Term Revenue/ Expenses (3)	Capital Related Items (4)	Internal Service Funds (5)	Long-Term Debt Transactions (6)	Statement of of Activities
EXPENDITURES/EXPENSES						
Current:						
General Government	\$ 24,938	\$ 142	\$ 12,853	\$ (154)	\$ 7,903	\$ 45,682
Police	78,261	1,011	2,460	(357)	-	81,375
Financial Services	9,080	108	681	(26)	-	9,843
Transportation	13,439	43	81,880	(148)	-	95,214
Community Services	61,778	392	8,390	(33)	-	70,527
Information Systems	8,931	116	4,299	(17)	-	13,329
Fire	26,614	249	1,115	76	-	28,054
Municipal Services	9,692	119	7,649	238	-	17,698
Citizen and Neighborhood Resources	3,254	51	422	-	-	3,727
Human Resources	3,855	(120)	77	(12)	-	3,800
Economic Vitality	9,016	9	452	(2)	-	9,475
Planning and Development	14,331	186	636	(20)	-	15,133
Streetlight and Services Districts	597	-	-	-	-	597
Debt Service:						
Principal	34,252	-	-	-	(34,252)	-
Interest and Fiscal Charges	38,279	-	-	-	702	38,981
Bond Issuance Costs	735	-	-	-	(735)	-
Capital Improvements	147,367	-	(147,367)	-	-	-
Total Expenditures/Expenses	484,419	2,306	(26,453)	(455)	(26,382)	433,435
OTHER FINANCING USES/CHANGES IN NET ASSETS						
Net Transfers (to) From Other Funds	7,670	-	(1,669)	5,173	-	11,174
Capital Contributions	-	-	204,867	94	-	204,961
Sales of Capital Assets	-	-	-	241	-	241
Refunding Bonds Issued	55,450	-	-	-	(55,450)	-
Long-term Capital-Related Debt Issued	42,500	-	-	-	(42,500)	-
Premium on Bonds Issued	7,199	-	-	-	(7,199)	-
Payment to Bond Refunding Escrow Agent	(61,845)	-	-	-	61,845	-
Proceeds from Capital Lease	175	-	-	-	(175)	-
Proceeds from Notes Payable	3,000	-	-	-	(3,000)	-
Total	54,149	-	203,198	5,508	(46,479)	216,376
Net Change for the Year	\$ (4,549)	\$ (3,894)	\$ 229,651	\$ 7,893	\$ (20,097)	\$ 209,004

(continued)

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

Reconciling Items Description:

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

Property taxes	\$	229
Court revenue		1,168
Tax audit revenue		(1,082)
Special Assessment revenue		(1,499)
Intergovernmental revenue		(404)
	<u>\$</u>	<u>(1,588)</u>

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

Accrual for long-term compensated absences	\$	(1,785)
Accrual for long-term post employment implied subsidy		(521)
	<u>\$</u>	<u>(2,306)</u>

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

Capital expenditures	\$	118,130
Depreciation Expenses		(92,994)
Loss on disposal of capital assets		(352)
Difference	<u>\$</u>	<u>24,784</u>

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

Capital Contributions	\$	<u>204,867</u>
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- (5) Internal Service funds are used by management to charge the costs of certain activities, such as insurance and motor pool, to the individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. Capital assets contributed by the governmental funds (\$1,763) are treated as capital contribution revenue in the Internal Service fund statements and capital outlay expenditures in the governmental funds statements. For government-wide purposes, the capital contribution is reclassified as a transfer in in the Internal Service Fund column and a transfer out in the Capital Related Items column.

Change in Net Assets	\$	<u>7,893</u>
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(continued)

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

(6) 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 2007	\$ 735
Amortization of bond issuance costs	(258)
Difference	<u>\$ 477</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:	
For bond principal	\$ 61,845
Principal payments made	34,252
	<u>\$ 96,097</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	\$ (1,747)
Interest accretion and amortization	(671)
Amortization of bond premium and discounts	1,974
	<u>\$ (444)</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:

Notes Payable	\$ (3,000)
Capital Lease	(175)
Refunding Revenue Bonds	(55,450)
Revenue Bonds	(42,500)
Premium on Bonds	(7,199)
	<u>\$ (108,324)</u>

Long-term contracts initiated during the current year are not reported in governmental funds and thus do not contribute to the change in fund balance. In the government-wide statements, however, entering into a contract payable increases long-term liabilities in the statement of net assets and incurs an expense.

\$ (7,903)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget And Budgetary Accounting

The City prepared an annual budget that covered fiscal year 2006/07. The 2006/07 budget appropriation is established and reflected in the financial statements as follows:

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

The Community Development Block Grant, Home, Grants, Section 8, and Special Programs Special Revenue Funds, Community Facilities Districts Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, and Trust and Agency Funds have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds. Budgets for the Community Development Block Grant, Grants, and Section 8 Funds are established pursuant to the terms of the related grant awards. Budgets for the Community Facilities Districts are established in accordance with Arizona Revised Statutes, which do not require their inclusion in the City budget or adoption by the City Council. Budgets for Capital Projects Funds are established for individual projects and unexpended funds are re-appropriated each year until the project is completed and capitalized. Budgets for Enterprise 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 2006/07, there were no supplemental budgetary appropriations to the original budget.

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

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

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

All expenditure appropriations that have not been expended lapse at year-end. Beginning July 1, 1998, the City discontinued the use of encumbrance accounting. As such, fund balance amounts are not reserved for purchase orders, contract or other commitments.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2007 there were no instances of excess expenditures over appropriations.

C. Deficit Fund Equity

The CDBG and Home Funds had deficit fund balances of \$1,000 and \$1,000, respectively, caused by certain grant reimbursements due which may not be available in the upcoming period. Since these reimbursements are not assured, no revenue was accrued in the current fiscal year. These reimbursements due will be recognized as revenue when actually received.

D. Fund Balance/Net Assets Reservations and Designations

Only restrictions imposed by external sources are shown as restricted net assets on the government-wide financial statements. Reservations or designations of fund balances are shown in aggregate on the governmental fund financial statements, but not on the proprietary fund financial statements. The City does, however, reserve or designate portions of net assets in other funds to demonstrate the government's intended use of those net assets. Designations are created by administrative policy. The following are the reservations and designations of fund balance/net assets included in the unreserved fund balance/net assets at June 30, 2007:

Fund Balance Reservations and Designations (in thousands of dollars)

General Fund	Major	Nonmajor
Reserved\Restricted for Streetlight and Service Districts	\$ 754	
Designated for Economic Stabilization Reserve	26,123	
Total	<u>\$ 26,877</u>	
Special Revenue Fund		
Designated for Tourism		<u>\$ 1,956</u>
Debt Service		
Reserved for Debt Service	<u>\$ 9,383</u>	<u>\$ 11,866</u>
Restricted Net Asset and Unrestricted Net Asset Designations		
Water and Sewer		
Restricted for Repair and Replacement	\$ 24,105	
Restricted for Acquisition and Construction	9,544	
Total Restricted	<u>\$ 33,649</u>	
The amounts presented below detail the City's planned use of the following Unrestricted Net Asset amounts:		
Water and Sewer		
Designated for Operating Reserve	<u>\$ 16,735</u>	
Solid Waste		
Designated for Operating Reserve	<u>\$ 4,093</u>	
Airport		
Repair and Replacement	\$ 1,150	
Designated for Operating Reserve	580	
	<u>\$ 1,730</u>	
Self-Insurance		
Designated for General Liability Claims	\$ 2,501	
Designated for Benefits	2,057	
	<u>\$ 4,558</u>	
Fleet Management		
Designated for Capital Equipment Replacement	<u>\$ 10,169</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), repurchase agreements, mutual funds consisting of the foregoing, and the State of Arizona Local Government Investment Pool (LGIP).

Deposits

At June 30, 2007, the carrying amount of the City's deposits was \$96,198,574, and the bank balance was \$94,349,489. The \$1,849,085 difference represents outstanding checks 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, 2007, 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 for investments is the risk that, in the event of the failures of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

Interest Rate Risk

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

(in thousands of dollars)		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 2	2 - 3	3+
U.S. Government Securities	\$ 30,084	\$ 9,974	\$ 20,110	\$ -	\$ -
Federal Agency Securities	476,801	312,441 *	95,996 **	68,349 ***	15
Guaranteed Investment					
Contracts	475	475	-	-	-
Money Market Funds	96,199	96,199	-	-	-
Total Investments	\$ 603,559	\$ 419,089	\$116,106	\$ 68,349	\$ 15

*\$4,973 of these bonds are callable July 19, 2007

**\$5,481 of these bonds are callable August 15, 2007

***\$37,911 of these bonds are callable between July 16, 2007 and November 21, 2007

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, 2007 for each investment type:

(in thousands of dollars)

Investment Type	Total	A-1+	AAA	Exempt from Disclosure	Not Rated
U.S. Government Securities	\$ 30,084	\$ -	\$ -	\$ 30,084	\$ -
Federal Agency Securities	476,801	93,549	383,252	-	-
Guaranteed Investment Contracts	475	-	-	-	475
Money Market Funds	96,199	-	96,199	-	-
Total Investments	\$ 603,559	\$ 93,549	\$ 479,451	\$ 30,084	\$ 475

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, 2007:

(in thousands of dollars)

Issuer	Investment Type	Market Value	Percent of Holdings
U.S. Government	U.S. Government Securities	\$ 30,084	4.98%
Federal Home Loan Bank (FHLB)	Federal Agency Securities	187,536	31.07%
Federal Home Loan Mortgage Corp. (FHLMC)	Federal Agency Securities	161,331	26.73%
Federal National Mortgage Association (FNMA)	Federal Agency Securities	127,919	21.20%
Government National Mortgage Association (GNMA)	Federal Agency Securities	15	0.00%
Pacific Life Insurance Company	Guaranteed Investment Contract	475	0.08%
Wells Fargo and Company	Money Market Funds	96,199	15.94%
	Total Investments	\$ 603,559	100.00%

Investments

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

Carrying Amount of City Deposits	\$	96,199
Investments		<u>507,360</u>
Total Cash and Investments	<u>\$</u>	<u>603,559</u>

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

Primary Government		
Cash and Investments	\$	482,879
Cash with Fiscal Agent		74,017
Restricted Cash		41,913
Handicap Scholarship Private Purpose Trust Fund		7
Family Self-Sufficiency Agency Fund		86
Retainage Escrow Agency Fund		<u>4,657</u>
Total Cash and Investments	<u>\$</u>	<u>603,559</u>

Investment income comprises the following for the year ended June 30, 2007 (in thousands of dollars):

Net Interest and Dividends	\$	25,910
Net Increase in the Fair Value of Investments		<u>6,368</u>
Total Net Investment Income	<u>\$</u>	<u>32,278</u>

The net increase in the fair value of investments during fiscal year 2006/2007 was \$6,368,776. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2007, was \$2,022,490.

In the previous year, the City reported a decrease in fair value of \$7,864,309 consisting of the City's share of a loss on an investment within the Local Government Investment Pool. The State and numerous other bondholders filed suit against the principals, underwriters, trustees, accountants and others in May 2003. The case is presently pending in federal court in Ohio. No reliable assessment of the litigation outcome is available; however, the City has received \$4,066,506 plus interest of \$37,218 as a partial recovery.

B. Receivables

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

(in thousands of dollars)

Governmental and Governmental Activities Internal Service Funds:

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Nonmajor and Other Funds	Total Governmental Funds
Receivables					
Property Taxes and Penalties:					
Property	\$ 592	\$ 867	\$ -	\$ 140	\$ 1,599
Court	22,714	-	-	-	22,714
Subtotal Property Taxes and Penalties	23,306	867	-	140	24,313
Other local taxes:					
Privilege	9,635	-	-	4,704	14,339
Hotel/Motel	504	-	-	-	504
State Shared Sales Tax	1,857	-	-	-	1,857
Franchise Fee	2,529	-	-	-	2,529
Auto Lieu	977	-	-	-	977
Highway User	-	-	-	1,512	1,512
Subtotal Other Local Taxes	15,502	-	-	6,216	21,718
Intergovernmental/Grants	-	-	-	6,182	6,182
Charges for services	-	-	-	-	-
Interest and Other:					
Interest	1,157	-	832	1,830	3,819
Special Assessments	-	-	-	3,937	3,937
Miscellaneous	7,123	-	-	557	7,680
Subtotal Interest and Other	8,280	-	832	6,324	15,436
Gross Receivable	47,088	867	832	18,862	67,649
Less: Allowance for Uncollectibles	(14,900)	-	-	-	(14,900)
Net Total Receivables	\$ 32,188	\$ 867	\$ 832	\$ 18,862	\$ 52,749

Enterprise Funds:

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
Receivables				
Charges for services	\$ 14,057	\$ -	\$ 1,820	\$ 15,877
Intergovernmental	6	74	-	80
Interest	1,410	30	54	1,494
Miscellaneous	1,171	183	68	1,422
Gross Receivable	16,644	287	1,942	18,873
Net Total Receivables	\$ 16,644	\$ 287	\$ 1,942	\$ 18,873

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 of dollars)	Unavailable	Unearned
Property Tax	\$ 873	\$ -
Special Assessments	3,937	-
Court	7,814	-
Tax Audit	2,321	-
Intergovernmental	-	4,944
Other		
Community Services	-	286
Other	-	6
West World	-	59
Total	\$ 14,945	\$ 5,295

C. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows (in thousands of dollars):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	\$ 898,941	\$ 151,328	\$ (186)	\$ 1,050,083
Construction In Progress	157,728	108,922	(156,495)	110,155
Total Capital Assets, not being depreciated:	1,056,669	260,250	(156,681)	1,160,238
Capital Assets, being depreciated:				
Buildings and Land Improvements	295,730	107,706	(1,107)	402,329
Streets and Storm Drains	2,284,561	100,061	-	2,384,622
Vehicles	55,073	8,925	(3,387)	60,611
Maintenance by Fleet	3,631	-	(82)	3,549
Machinery and Equipment	65,145	11,745	(1,852)	75,038
Total Capital Assets, being depreciated:	2,704,140	228,437	(6,428)	2,926,149
Less Accumulated depreciation for:				
Buildings and Land Improvements	144,941	11,748	(1,083)	155,606
Streets and Storm Drains	856,792	74,699	-	931,491
Vehicles	31,452	5,171	(3,272)	33,351
Maintenance by Fleet	2,766	265	(78)	2,953
Machinery and Equipment	39,566	6,653	(1,710)	44,509
Total Accumulated depreciation:	1,075,517	98,536	(6,143)	1,167,910
Total Capital Assets, being depreciated, net:	1,628,623	129,901	(285)	1,758,239
Governmental activities Capital Assets, net:	\$ 2,685,292	\$ 390,151	\$ (156,966)	\$ 2,918,477

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	\$ 24,822	\$ 7,992	\$ (121)	\$ 32,693
Water Rights	64,688	-	-	64,688
Construction In Progress	251,716	71,412	(258,026)	65,102
Total Capital Assets, not being depreciated:	341,226	79,404	(258,147)	162,483
Capital Assets, being depreciated:				
Water System	582,245	231,070	-	813,315
Sewer System	345,834	46,115	-	391,949
Buildings and Land Improvements	18,051	726	-	18,777
Machinery and Equipment	7,312	9,495	(10)	16,797
Furniture, Fixtures and Office Equipment	621	-	-	621
Total Capital Assets, being depreciated:	954,063	287,406	(10)	1,241,459
Less Accumulated depreciation for:				
Water System	167,046	17,397	-	184,443
Sewer System	79,210	9,267	-	88,477
Buildings and Land Improvements	6,273	908	-	7,181
Machinery and Equipment	2,980	365	(10)	3,335
Furniture, Fixtures and Office Equipment	550	46	-	596
Total Accumulated depreciation:	256,059	27,983	(10)	284,032
Total Capital Assets, being depreciated, net:	698,004	259,423	-	957,427
Business-type activities capital assets, net	\$ 1,039,230	\$ 338,827	\$ (258,147)	\$ 1,119,910

During fiscal year 2006/07, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$8,324,304. Total interest expense in this fund before capitalization was \$8,723,442.

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

Governmental Activities	
General Government	\$ 6,614
Police	1,753
Financial Services	497
Transportation	71,958
Community Services	4,159
Information Services	4,257
Fire	643
Municipal Services	3,027
Citizen and Neighborhoods Resources	6
Human Resources	34
Economic Vitality	3
Planning and Development	43
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	5,542
Total Depreciation Expense - Government Activities	\$ 98,536

Business-type Activities	
Water and Sewer System	\$ 26,915
Airport	871
Solid Waste	197
	<hr/>
Total Depreciation Expense - Business-type Activities	<u>\$ 27,983</u>

Construction Commitments

The City has active construction projects as of June 30, 2007. At year-end the government's commitments with contractors for specific projects are as follows (in thousands of dollars):

Construction Commitments	Spent to Date	Remaining Commitment
Streets	\$ 128,176	\$ 20,029
Traffic	34,898	2,499
Fire	21,059	47
Police	11,371	29,745
Drain/Flood Control	17,254	5,888
Community/Preserve	202,981	17,188
Parks/Recreation	82,068	5,594
Municipal Facilities	18,297	4,446
Technology	26,814	2,705
Libraries	9,452	2,421
Airport	3,985	12
Transit	19,180	4,407
Water System	367,904	46,393
Sewer System	153,356	3,436
	<hr/>	<hr/>
Total Construction Commitments	<u>\$ 1,096,795</u>	<u>\$ 144,810</u>

The traffic commitments are being financed by the .2% 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 primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2007, is as follows:

Receivable Fund (in thousands of dollars)		Amount	Payable Fund (in thousands of dollars)		Amount
General	\$	553	Nonmajor Governmental Funds	\$	553
	<hr/>	<hr/>		<hr/>	<hr/>
Total	\$	553	Total	\$	553

The Home Fund had a deficit cash balance of \$363,000, the Community Develop Block Grant of \$73,000 and other Grants of \$117,000 due to grants being received on a reimbursement basis.

Interfund Transfers

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

Net transfers (in thousands of dollar):

Transfers Out From:		Transfers In To:	
Major Governmental Funds		Major Governmental Funds	
General	\$ 57,042	Capital Projects	
		General CIP Construction	\$ 47,419
		Nonmajor Governmental Funds	6,271
		Internal Service Funds	3,352
Capital Projects		Nonmajor Governmental funds	856
General CIP Construction	856		
Total Major Governmental Funds	57,898	Total Major Governmental Funds	57,898
Major Enterprise Funds		Major Governmental Funds	
Water and Sewer	\$ 10,704	General Fund	\$ 8,925
		Capital Projects	
		General CIP Construction	1,462
		Internal Service	317
Airport	431	Major Governmental Funds	
		General Fund	62
		Capital Projects	
		General CIP Construction	11
		Major Enterprise Funds	
		Water and Sewer	358
Solid Waste	397	Major Governmental Funds	
		General Fund	15
		Capital Projects	
		General CIP Construction	91
		Nonmajor Governmental Funds	291
Total Major Enterprise Funds	11,532	Total Major Enterprise Funds	11,532

(continued)

Transfers Out From:		Transfers In To:	
Nonmajor Governmental Funds	97,397	Major Governmental Funds	
		General Fund	131
		Capital Projects	
		General CIP Construction	29,503
		General Obligation Bond	15,200
		Nonmajor Governmental funds	52,540
		Internal Service	23
Total Nonmajor Governmental Funds	<u>97,397</u>	Total Nonmajor Governmental Funds	<u>97,397</u>
Internal Service	188	Major Governmental Funds	
		Capital Projects	
		General CIP Construction	176
		Nonmajor Governmental funds	12
Total Internal Service Funds	<u>188</u>	Total Internal Service Funds	<u>188</u>
Total	<u>\$ 167,015</u>	Total	<u>\$ 167,015</u>

E. Short Term Liabilities

The City has entered into a contract related to economic development in the amount of \$3,000,000, with interest at 7.5 percent. The contract is to be paid with bond proceeds. The following is a schedule of the changes in short-term liabilities reported in the government-wide financial statements for the year ended June 30, 2007 (in thousands of dollars).

	<u>Beginning Balance</u>	<u>Additional Obligations and Net Increases</u>	<u>Maturities, Retirements, and Net Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Note Payable	-	3,000	-	3,000
Governmental Activities Short-term Liabilities	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>

F. Leases

Operating Leases

The City has entered into rental agreements of retail and parking facilities. Rental payments on these facilities during fiscal year 2006/07 were \$3,910,175. Payments are contingent upon sales tax revenues received on the properties; thus, future payments cannot be determined.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of a modular office building for its fire department training facility. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded in the General Fund at the present value of the future minimum lease payments as of the inception date. The building acquired by this lease agreement is recorded in Buildings and Land Improvements at a value of \$174,713, less accumulated depreciation of \$755.

The City has entered into a lease agreement as lessee for financing the acquisition of a modular office building for its water operations. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded in the Water and Sewer Fund at the present value of the future minimum lease payments as of the inception date. The building acquired by this lease agreement is recorded in the Water System at a value of \$212,654, less accumulated depreciation of \$4,607.

G. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding at June 30, 2007. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2007.

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

General Obligation Bonds

General obligation (GO) bonds are issued, after approval by City of Scottsdale voters at an authorized bond election, to finance the construction of water and sewer systems, artificial lighting, parks and open spaces, recreational facilities, and general purpose improvements. At June 30, 2007, the City had \$157,200,000 of unissued various purpose GO bonds, which were authorized in September 2000. The City had no unissued Preservation GO bonds from the September 1999 authorization. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as, an additional .15% sales tax increase to be used to finance Preserve land acquisitions. At June 30, 2007, the City had \$480,000,000 of unissued Preservation GO bonds from the May 2004 authorization. GO bonds are backed by the full faith and credit of the City, and are repaid through the City's levying of property (ad valorem) taxes. However, the Preservation GO bonds are repaid through the two-tenths of one percent City sales tax approved by voters in September 1996 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve. Additionally, a portion of the City's GO bonds are recorded in the Water and Sewer Enterprise Fund as described below, and are repaid through revenues of that fund unless such revenues are insufficient.

HURF Revenue Bonds

Highway User Revenue Fee (HURF) bonds are issued specifically for the purpose of constructing street and highway projects. These bonds are repaid out of the Special Revenue Fund by gas tax revenues collected by the State of Arizona and distributed to cities and towns based on a formula of population and gas sales within each county.

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 2001 MPC Scottswater bonds, the 2004 MPC bonds, the 2005E MPC bonds and a portion of the 2006 MPC Refunding bonds are recorded in and paid out of the revenues of the Water and Sewer Enterprise Fund.

Scottsdale Preserve Authority Bonds

The Scottsdale Preserve Authority (SPA) is a nonprofit corporation created by the City in 1997 to finance land acquisitions for the McDowell Sonoran Preserve. The SPA issues its own bonds, which are repaid through the two tenths of one percent City sales tax approved by voters in September 1996 to be used specifically for this purpose. In May 2004, voters approved an additional .15% sales tax increase. SPA bonds are recorded as governmental activities long-term debt and are paid out of the SPA Debt Service Fund.

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, 2007, the funds reserved for this purpose were \$24,105,268.

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, 2007, 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, 2007, there were 2 separate series of special assessment improvement bonds outstanding, each series issued as serial bonds to be repaid over 10 years.

Certificates of Participation

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

Community Facilities Districts General Obligation Bonds

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

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

CFD Advance Refundings

There were no CFD refundings during fiscal year 2006/07. In prior years, the Scottsdale Mountain CFD refinanced other bond issues through the issuance of refunding bonds. The proceeds from the refunding bonds have been deposited in irrevocable trusts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of all of these trust accounts and the liability for refunded (defeased) bonds are not reflected in the financial statements of the City.

The table reflects CFD refunded debt outstanding at June 30, 2007, and net of any amounts to be paid or retired by the trustee on July 1, 2007 (in thousands of dollars).

**Refunded Debt Outstanding
(in thousands of dollars)**

Scottsdale Mountain CFD:	
General Obligation Series Series 1993B	\$ 25
Total CFD Bonds Refunded in Prior Years	\$ 25

Bonds payable at June 30, 2007, are comprised of the following:

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

General Obligation Bonds	<u>Bonds Outstanding (in thousands of dollars)</u>
1993 Refunding Bonds due in annual installments of \$1,010,000 to \$8,150,000 through July 1, 2009; interest at 4.0 percent to 5.5 percent. \$28,399,993 of these bonds are recorded in and paid out of the Water and Sewer Fund. On June 15, 2004, \$2,505,000 due 2007 through 2009 were defeased. The original issue amount for the 1993 Refunding Bonds was \$45,015,000.	\$ 4,910
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.	15,800
1989 Capital Improvement Project Serial Bonds (issued April 6, 1998) due in annual installments of \$445,000 to \$1,340,000 through July 1, 2018, interest at 4.3 percent to 6.5 percent. On September 26, 2002, \$8,180,000 due 2009 through 2015 were refunded. Original issue amount \$20,500,000.	5,415
1999A Transportation, Storm Sewer, Flood Protection and Pima Road Improvements Serial Bonds (issued June 29, 1999) due in annual installments of \$675,000 to \$1,900,000 through July 1, 2019; interest at 4.6 percent to 6.5 percent. On September 26, 2002, \$15,525,000 due 2010 through 2019 were refunded. Original issue amount \$25,200,000.	2,350
1999 Preservation Bonds (issued November 16, 1999) due in annual installments of \$800,000 to \$4,225,000 through July 1, 2024; interest at 7.5 percent to 5.0 percent. On July 18, 2001, \$32,375,000 due 2012 through 2022 were refunded, on September 26, 2002, an additional \$4,125,000 due 2010 and 2011 were refunded, and on March 29, 2005 an additional \$8,225,000 due 2023 and 2024 were refunded. Original issue amount \$59,600,000.	3,750
2001 Preservation Bonds (issued March 29, 2001) due in annual installments of \$920,000 to \$2,455,000 through July 1, 2024; interest at 4.0 percent to 6.0 percent. On September 26, 2002, \$3,920,000 due 2010 through 2012 were refunded, and on March 29, 2005 an additional \$22,680,000 due 2013 through 2024 were refunded. Original issue amount \$35,000,000.	2,350
2001 Refunding Bonds (issued July 18, 2001) due in annual installments of \$70,000 to \$5,030,000 through July 1, 2022; interest at 3.875 percent to 5.375 percent. On April 15, 2004, \$5,490,000 due 2010 and 2014 through 2018 were defeased. Original issue amount \$51,155,000.	36,550
2002 Various Purpose Bonds (issued May 16, 2002) due in annual installments of \$1,740,000 to \$5,000,000 through July 1, 2024; interest at 4 percent to 5 percent. On June 15, 2004, \$3,000,000 due 2010 through 2011 were defeased, and on March 29, 2005 an additional \$42,665,000 due 2012 through 2019 and 2021 through 2024 were refunded. Original issue amount \$68,000,000.	12,360
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.	55,120
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.	13,340

	Bonds Outstanding (in thousands of dollars)
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.	107,900
2005 Refunding Bonds (issued March 29, 2005) due in annual installments of \$2,715,000 to \$11,075,000 through July 1, 2024; interest at 3.85 percent to 5 percent. Original issue amount \$74,630,000.	74,630
2005A Various Purpose Bonds (issued December 1, 2005) due in annual installments of \$2,500,000 to \$10,750,000 through July 1, 2024; interest at 3.5 percent to 5 percent. Original issue amount \$125,000,000.	122,500
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.	19,225
Total General Obligation Bonds Outstanding	<u>\$ 476,200</u>

The 1999 and 2001 Preservation Bonds of \$18,400,000 and \$29,210,000, respectively, and portions of the 2001 Refunding Bonds, 2002 Various Purpose Bonds, 2002 Refunding Bonds, 2004 Various Purpose Bonds and 2005 Refunding Bonds of \$33,235,000, \$40,000,000, \$8,100,000, \$65,400,000 and \$66,090,000, respectively, are paid from the .2% Preservation Sales Tax. The 2005B Preservation Bonds of \$20,000,000 are paid from the .15% Preservation Sales Tax.

HURF Revenue Bonds

1993 Highway User Revenue Refunding Serial Bonds due in annual installments of \$405,000 to \$2,990,000 through July 1, 2007; interest at 4.25 percent to 5.5 percent. Original issue amount, \$26,690,000.	<u>\$ -</u>
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Municipal Property Corporation Bonds

1998 Municipal Property Corporation Excise Tax Revenue Bonds (issued December 2, 1998) due in annual installments of \$3,500,000 to \$180,000 through July 1, 2008; interest at 4.0 percent. Original issue amount, \$9,150,000.	\$ 180
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.	9,785
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.	21,286
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.	20,375
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.	9,600
2006B Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$950,000 to \$2,475,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount, \$32,500,000.	<u>32,500</u>
Total MPC Bonds Outstanding	<u>\$ 149,176</u>

	Bonds Outstanding (in thousands of dollars)
	<u> </u>
Scottsdale Preserve Authority Bonds	
1998 Scottsdale Preserve Authority Excise Tax Revenue Bonds due in annual installments of \$1,015,000 to \$6,585,000 beginning July 1, 1999, through July 1, 2024; interest at 6.0 percent to 4.75 percent. On March 30, 2004, \$22,770,000 due 2009 through 2016 were refunded. Original issue amount \$77,000,000.	\$ 39,010
2001 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued July 18, 2001, due in annual installments of \$60,000 to \$1,465,000 beginning July 1, 2002, through July 1, 2022; interest at 4.375 percent to 5.25 percent. Original issue amount \$17,495,000.	15,820
2004 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued March 30, 2004, due in annual installments of \$75,000 to \$3,315,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$22,925,000.	<u>22,775</u>
Total Scottsdale Preserve Authority Bonds	<u>\$ 77,605</u>
Special Assessment Bonds	
Special Assessment Bonds issued September 28, 1998, through December 20, 2001, maturing January 1, 2009, through January 1, 2013; due in annual installments of \$85,000 to \$750,000; interest at 4.5 percent to 4.625 percent. Total original issue amount, \$8,350,000.	<u>\$ 4,670</u>
Certificates of Participation	
2005 Certificates of Participation issued January 26, 2005, due in annual installments of \$223,832 to \$450,965 beginning January 1, 2006, through July 1, 2015. Original issue amount \$7,650,000.	<u>\$ 6,401</u>
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% to 5.5%. Original issue amount \$4,750,000.	\$ 4,265
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% to 5.75%. Original issue amount \$3,225,000.	2,815
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% to 6.0%. Original issue amount \$20,245,000.	15,495
1999 DC Ranch Community Facilities District General Obligation Bonds (issued November 1, 1999) due in annual installments of \$85,000 to \$260,000 beginning July 15, 2005 through July 15, 2011. Interest at 5.45% to 6.50%. Original issue amount \$3,085,000.	2,815
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.	4,005
2002 DC Ranch Community Facilities District General Obligation Bonds (issued December 17, 2002) due in annual installments of \$245,000 to \$1,395,000 beginning July 15, 2004 through July 15, 2027. Interest at 3% to 5%. Original issue amount \$12,165,000.	<u>10,935</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>\$ 40,330</u>
Total Bonds Payable Recorded in Governmental Activities	<u>\$ 754,382</u>

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

	<u>Bonds Outstanding (in thousands of dollars)</u>
Water and Sewer Revenue Bonds	
1996 Water and Sewer Revenue Refunding Serial Bonds (issued March 1, 1996) due in annual installments of \$325,000 to \$1,000,000 beginning July 1, 1997 through July 1, 2014; interest at 3.5 percent to 5.625 percent. Original issue amount, \$9,815,000.	\$ 3,850
1989 Water and Sewer Revenue Bonds (Series D issued November 1, 1997) due in annual installments of \$425,000 to \$1,375,000 through July 1, 2022; interest at 4.75 percent to 7.25 percent. On March 30, 2004, \$6,775,000 due 2009 through 2016 were refunded. Original issue amount \$20,000,000.	7,925
1989 Water and Sewer Revenue Bonds (Series E issued December 2, 1998) due in annual installments of \$1,015,000 to \$4,615,000 through July 1, 2023; interest at 4.5 percent to 7.0 percent. On March 30, 2004, \$9,210,000 due 2009 through 2013 were refunded. Original issue amount \$50,000,000.	29,095
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.	<u>18,060</u>
Total Water and Sewer Revenue Bonds Outstanding	<u>\$ 58,930</u>
Municipal Property Corporation Bonds	
2001 Municipal Property Corporation Scottswater Excise Tax Revenue Serial Bonds (issued October 10, 2001) due in annual installments of \$1,160,000 to \$1,835,000 through July 1, 2008; interest at 3.5 percent to 5 percent. These bonds are recorded in and paid out of the Water and Sewer Enterprise Fund. Original issue amount, \$10,500,000.	\$ 1,835
2004 Municipal Property Corporation Excise Tax Revenue Bonds (Series 2004 issued May 13, 2004) due in annual installments of \$2,190,000 to \$5,435,000 through July 1, 2024; interest at 3.25 percent to 5.25 percent. These bonds are recorded and paid out of the Water and Sewer Enterprise Fund. On November 29, 2006, \$44,835,000 due 2015 through 2024 were refunded. Original issue amount \$75,000,000.	22,400
2005E Municipal Property Corporation Excise Tax Revenue Bonds (issued December 1, 2005) due in annual installments of \$2,275,000 to \$6,305,000 through July 1, 2030; interest at 5 percent. These bonds are recorded in and paid out of the Water and Sewer Enterprise Fund. On November 29, 2006 \$67,455,000 due 2015 through 2030 were refunded. Original issue amount \$88,360,000.	20,905
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.	<u>110,510</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 155,650</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 214,580</u>
Total Long-term Bonds Payable	<u><u>\$ 968,962</u></u>

Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt issued for water, sewer, light, parks, and open space purposes may not exceed 20 percent of a city's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a city's net secondary assessed valuation. Accretion on capital appreciation bonds, which is included for GAAP purposes as outstanding debt, is excluded for this calculation. General obligation bonds of community facilities districts also are not subject to or included in this calculation. The following summarizes the City of Scottsdale, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2007 (in thousands of dollars):

General Obligation Bonds Issued to Provide Water, Sewer, Light,		General Obligation Bonds Issued for All Other Purposes	
20% Constitutional Limit	\$ 1,041,889	6% Constitutional Limit	\$ 312,567
Less General Obligation 20% Bonds Outstanding	(363,455)	Less General Obligation 6% Bonds Outstanding	(112,745)
Available 20% Limitation Borrowing Capacity	\$ 678,434	Available 6% Limitation Borrowing Capacity	\$ 199,822

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, 2007.

Advance Refundings and Defeasances

The City issued \$165,960,000 of Excise Tax Revenue Refunding Bonds, Series 2006, (advance refunding) dated November 29, 2006, with an interest rate 5 percent, to refund \$169,190,000 of Series 2004, 2004A, 2005D and 2005E MPC Excise Tax Revenue Bonds with an average interest rate of 5%. The City will reduce its total debt service payments over the next 27 years by approximately \$10,017,013, and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7,222,187.

The proceeds from the issuance of the bonds were used to purchase U.S. government securities that were placed in an irrevocable trust with an escrow agent to provide debt service payments on the bonds being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the City's financial statements.

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

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

The table below reflects refunded debt outstanding at June 30, 2007, and net of any amounts to be paid or retired by the trustee on July 1, 2007.

Refunded in Prior Years (in thousands of dollars)	
1998 General Obligation Bonds	\$ 8,180
1999A General Obligation Bonds	15,525
1999 Preservation General Obligation Bonds	44,725
2001 Preservation General Obligation Bonds	26,600
2002 General Obligation Bonds	42,665
1998 Scottsdale Preserve Authority Excise Tax Revenue Bonds	22,770
1997 Water and Sewer Revenue Bonds	6,775
1998 Water and Sewer Revenue Bonds	9,210
	<u>\$ 176,450</u>

Contracts Payable

The City has entered into various purchase contracts related to economic development, acquisition of water system facilities, acquisition of recreational facilities and patents. The contract for the acquisition of water system facilities is payable only from the operating revenue of the water and sewer utility system. The following is a summary of debt service to maturity for all long-term contracts payable at June 30, 2007.

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

	Contracts Payable (in thousands of dollars)
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.	\$ 3,035
Contract payable for the construction of public infrastructure relating to completion of the Dial Corporation new corporate headquarters; due in annual installments beginning September 1998 through September 2007; non-interest bearing.	37
Contract payable for the maintenance of a federal patent; due in three year installments beginning January 1, 2001 through January 1, 2009; non-interest bearing.	3
Contract payable for the oversight and management of the Tournament Players Club Recreational Land Use Agreement; due in annual installments beginning March 1999 through June 2035; non-interest bearing.	5,840
Contract payable for the oversight and management of the Westworld Cost-share and Land Use Agreement; due in annual installments beginning December 2000 through December 2032; non-interest bearing.	5,111
Contract payable for the undergrounding of 69kv power lines; due in annual installments beginning January 1999 through January 2010; interest at 10.0 percent.	38
Contract payable for the purchase of a portion of 2,685 acres of land for the McDowell Sonoran Preserve; due in fifteen annual installments beginning July 1, 1999 through July 1, 2013; interest from 3.75 percent to 6.0 percent.	4,855
Contract payable for marketing of car dealerships located in southern Scottsdale; due in annual installments beginning January 2006; non-interest bearing.	900
Total Contracts Payable Recorded in Governmental Activities	<u>\$ 19,819</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, 2007 (in thousands of dollars).

	Beginning Balance	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 499,365	\$ -	\$ (23,165)	\$ 476,200	\$ 21,755
HURF Revenue Bonds	2,990	-	(2,990)	-	-
Municipal Property Corporation Bonds	108,225	98,621	(57,670)	149,176	849
Scottsdale Preserve Authority Bonds	80,570	-	(2,965)	77,605	3,110
Special Assessments Bonds	5,505	-	(835)	4,670	835
Certificates of Participation	7,090	-	(689)	6,401	712
Community Facilities Districts General Obligation Bonds	41,945	-	(1,615)	40,330	1,685
Add Deferred Issuance Premiums	15,859	7,199	(1,974)	21,084	-
Less Deferred Amounts on Refunding	(10,234)	(4,945)	1,747	(13,432)	-
Total Bonds Payable	751,315	100,875	(90,156)	762,034	28,946
Contracts Payable	13,136	7,903	(1,220)	19,819	1,347
Capital Lease	-	175	(3)	172	30
Compensated Absences	18,889	11,300	(9,505)	20,684	10,235
Post Employment Benefit - Implied Subsidy	-	535	-	535	85
Governmental Activity Long-term Liabilities	<u>\$ 783,340</u>	<u>\$ 120,788</u>	<u>\$ (100,884)</u>	<u>\$ 803,244</u>	<u>\$ 40,643</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, 2007, \$473,274 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 \$17,000 in the governmental funds and \$20,000 in the Internal Service funds.

	Beginning Balance	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Bonds Payable:					
Water and Sewer Revenue Bonds	\$ 62,405	\$ -	\$ (3,475)	\$ 58,930	\$ 3,635
Municipal Property Corporation Bonds	161,965	110,510	(116,825)	155,650	4,735
Add Deferred Issuance Premiums	9,177	12,604	(1,146)	20,635	-
Less Deferred Amounts on Refunding	(1,245)	(10,524)	641	(11,128)	-
Total Bonds Payable	232,302	112,590	(120,805)	224,087	8,370
Capital Lease	179	-	(40)	139	42
Compensated Absences	2,181	1,142	(959)	2,364	1,072
Post Employment Benefit - Implied Subsidy	-	72	-	72	11
Business-type Activity Long-term Liabilities	<u>\$ 234,662</u>	<u>\$ 113,804</u>	<u>\$ (121,804)</u>	<u>\$ 226,662</u>	<u>\$ 9,495</u>

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2007. Deferred issuance costs and deferred amounts on refunding are not included.

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

Fiscal Year	General Obligation Bonds Issued To Provide Water, Sewer, Light Parks, and Open Spaces 20% Limitation			General Obligation Bonds Issued For All Other Purposes 6% Limitation			Total General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 8,590	\$ 16,802	\$ 25,392	\$ 13,165	\$ 5,157	\$ 18,322	\$ 21,755	\$ 21,959	\$ 43,714
2009	11,445	16,374	27,819	11,220	4,598	15,818	22,665	20,972	43,637
2010	13,450	15,856	29,306	10,115	4,081	14,196	23,565	19,937	43,502
2011	21,890	15,202	37,092	3,995	3,607	7,602	25,885	18,809	44,694
2012	21,205	14,182	35,387	4,500	3,446	7,946	25,705	17,628	43,333
2013-2017	81,200	57,142	138,342	52,000	11,746	63,746	133,200	68,888	202,088
2018-2022	119,100	36,228	155,328	17,750	1,087	18,837	136,850	37,315	174,165
2023-2025	86,575	8,024	94,599	-	-	-	86,575	8,024	94,599
Total	\$ 363,455	\$ 179,810	\$ 543,265	\$ 112,745	\$ 33,722	\$ 146,467	\$ 476,200	\$ 213,532	\$ 689,732

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
2008	\$ 849	\$ 6,201	\$ 7,050	\$ 3,110	\$ 3,672	\$ 6,782	\$ 835	\$ 192	\$ 1,027
2009	510	6,160	6,670	3,260	3,500	6,760	835	154	989
2010	1,703	6,191	7,894	3,365	3,367	6,732	750	118	868
2011	1,513	6,100	7,613	3,470	3,229	6,699	750	84	834
2012	3,091	6,229	9,320	3,625	3,061	6,686	750	50	800
2013-2017	22,396	31,518	53,914	20,940	12,443	33,383	750	17	767
2018-2022	36,193	30,068	66,261	26,980	6,759	33,739	-	-	-
2023-2027	30,355	16,449	46,804	12,855	875	13,730	-	-	-
2028-2032	36,155	8,420	44,575	-	-	-	-	-	-
2033-2037	15,070	1,306	16,376	-	-	-	-	-	-
Capital Appreciation **	1,341	(1,341)	-	-	-	-	-	-	-
Total	\$ 149,176	\$ 117,301	\$ 266,477	\$ 77,605	\$ 36,906	\$ 114,511	\$ 4,670	\$ 615	\$ 5,285

** 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
2008	\$ 712	\$ 205	\$ 917	\$ 1,685	\$ 1,978	\$ 3,663	\$ 1,347	\$ 393	\$ 1,740
2009	735	181	916	1,760	1,907	3,667	1,357	355	1,712
2010	760	157	917	1,870	1,830	3,700	1,399	314	1,713
2011	785	132	917	1,965	1,747	3,712	1,145	272	1,417
2012	811	106	917	2,040	1,658	3,698	1,201	227	1,428
2013-2017	2,598	152	2,750	11,780	6,741	18,521	2,860	662	3,522
2018-2022	-	-	-	12,645	3,718	16,363	2,492	464	2,956
2023-2027	-	-	-	6,585	1,007	7,592	3,186	267	3,453
2028-2032	-	-	-	-	-	-	3,426	49	3,475
2033-2037	-	-	-	-	-	-	1,406	-	1,406
Total	\$ 6,401	\$ 933	\$ 7,334	\$ 40,330	\$ 20,586	\$ 60,916	\$ 19,819	\$ 3,003	\$ 22,822

(continued)

Governmental Activities (concluded)

(in thousands of dollars)

Fiscal Year	Capital Lease			Total		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 30	\$ 11	\$ 41	\$ 30,323	\$ 34,611	\$ 64,934
2009	33	8	41	31,155	33,237	64,392
2010	35	6	41	33,447	31,920	65,367
2011	37	4	41	35,550	30,377	65,927
2012	37	1	38	37,260	28,960	66,220
2013-2017	-	-	-	194,524	120,421	314,945
2018-2022	-	-	-	215,160	78,324	293,484
2023-2027	-	-	-	139,556	26,622	166,178
2028-2032	-	-	-	39,581	8,469	48,050
2033-2037	-	-	-	16,476	1,306	17,782
Capital Appreciation	-	-	-	1,341	(1,341)	-
Total	\$ 172	\$ 30	\$ 202	\$ 774,373	\$ 392,906	\$ 1,167,279

Business-type Activities
(in thousands of dollars)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 3,635	\$ 2,801	\$ 6,436	\$ 4,735	\$ 7,764	\$ 12,499
2009	3,785	2,598	6,383	5,255	7,545	12,800
2010	3,260	2,420	5,680	5,380	7,283	12,663
2011	3,380	2,255	5,635	5,580	7,014	12,594
2012	3,550	2,099	5,649	5,795	6,735	12,530
2013-2017	16,675	8,015	24,690	33,275	29,087	62,362
2018-2022	20,030	3,924	23,954	42,780	19,811	62,591
2023-2027	4,615	208	4,823	35,255	9,001	44,256
2028-2032	-	-	-	17,595	1,786	19,381
Total	\$ 58,930	\$ 24,320	\$ 83,250	\$ 155,650	\$ 96,026	\$ 251,676

Fiscal Year	Capital Lease			Total		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 42	\$ 5	\$ 47	\$ 8,412	\$ 10,570	\$ 18,982
2009	43	4	47	9,083	10,147	19,230
2010	46	2	48	8,686	9,705	18,391
2011	8	-	8	8,968	9,269	18,237
2012	-	-	-	9,345	8,834	18,179
2013-2017	-	-	-	49,950	37,102	87,052
2018-2022	-	-	-	62,810	23,735	86,545
2023-2027	-	-	-	39,870	9,209	49,079
2028-2032	-	-	-	17,595	1,786	19,381
Total	\$ 139	\$ 11	\$ 150	\$ 214,719	\$ 120,357	\$ 335,076

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 \$150,000 of health benefits claims and the first \$750,000 of workers compensation. Coverage in excess of these respective amounts is provided through the purchase of commercial insurance. As for claim expenditures, settlements for each of the past five fiscal years have not exceeded the City's excess insurance coverage amounts for any claims.

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

The claims liabilities amount recorded in the accompanying financial statements is based on reported pending claims; and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims as well as a corridor reserve for the self-insured benefits. At June 30, 2007, the general liability claims payable totaled \$8,167,224 and the self-insured benefits claims payable totaled \$6,180,150. The City began to administer all self-insured health and dental plans in January of 2004.

(in thousands of dollars)	Years Ended June 30	
	2007	2006
Claims Payable, July 1	\$ 14,734	\$ 15,565
Current Year Claims Incurred	18,679	16,366
Current Year Claim Payments	(19,066)	(17,197)
Claims Payable, June 30	\$ 14,347	\$ 14,734

B. Contingent Liabilities

The City is a party to several lawsuits incidental to its normal operations. Management, with concurrence of the City Attorney, and outside legal counsel, is of the opinion that settlement of these lawsuits will not have a material effect on the financial position of the City. Therefore, no specific provision has been reflected in the accompanying basic financial statements for these matters.

C. Commitments and Subsequent Events

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

- Deposit of remaining cash balance into the City's Water and Sewer Fund.
- Arizona Department of Water Resources approval of sever and transfer and change of use of a portion of Planet Ranch water rights for habitat restoration.
- Arizona Department of Water Resources approval of sever and transfer and change of use of a Horseshoe Dam water credits to the City of Scottsdale water service area.

- Completion of assignment agreement for Horseshoe Dam water credits between the Corporation, the City and Salt River Project.
- Creation of a conservation easement on Planet Ranch property.
- Completion of Lower Colorado River Multi-Species Conservation Program habitat Development Agreement insuring use of Planet Ranch property for habitat restoration purposes.

On November 19, 2002, the City Council approved a development agreement with John Lund relating to a new automotive complex at the southeast corner of Scottsdale Road and Loop 101 Freeway. The terms of this agreement require the City to reimburse Lund for up to \$5.5 million in public benefits relating to the project including the acquisition of public lands, reimbursement of the City's water and sewer development fees, and reimbursement of the City's stormwater retention payment in lieu. The actual amount will be dependent upon 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% in the first year and dropping by .5% per year. The reimbursement of the costs listed above, will be accomplished by paying Lund quarterly payments equal to 67% 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. Payments are expected to be during or after fiscal year 2007/08.

The City has a Service Agreement with the Scottsdale Cultural Council (Council) that provides that the Council will manage the arts and cultural affairs within the Scottsdale community for a ten-year period, automatically renewable for two five-year periods. In return, the City will pay service fees to the Council based on the Service Agreement between the City and the Council. Payments to Scottsdale Cultural Council amounted to \$3,456,639 for the year ended June 30, 2007. Contractual payments due in fiscal year 2007/08 are budgeted for \$4,001,852.

The City has a Service Agreement with the Scottsdale Convention and Visitors' Bureau (SCVB) that provides that SCVB will manage the tourism promotion within the Scottsdale community for a ten-year period. In return, the City will pay service fees to SCVB based on the Service Agreement with the City. Payments to SCVB amounted to \$7,402,653 for the year ended June 30, 2007. Contractual payments due in fiscal year 2007/08 are budgeted for \$7,123,766.

The City has entered into several agreements whereby it will reimburse developers for construction costs of certain public infrastructure improvements. The funding source for the reimbursements will come from Water and Sewer development fees paid over the life of the development. Only amounts paid subsequent to January 13, 1997 are eligible for reimbursement. 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. The City has limited its liability to the lesser of the cost accepted by the City or the development fees paid. The City's maximum contingent liability at June 30, 2007, is \$14,966,544.

The City has entered into several agreements whereby it will reimburse developers a portion of the sales tax collected on their site for a time period up to a maximum dollar amount. The funding source for the reimbursements will come from sales tax collected on the site over the life of the agreement. The City does not become liable under the agreements until the developer has collected and remitted the tax to the City. The City's probable contingent liability at June 30, 2007, is \$63,043,043.

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, 2006, (the latest audited information available from SROG), the City's net investment in SROG was \$79,016,000. SROG's net cash operating expenses for the year ended June 30, 2006, were \$33,750,107, of which the City's share was \$3,839,574, or 11.4 percent. For the year ended June 30, 2007, the City paid \$15,440,351 for SROG capital contributions, and \$4,979,319 for SROG operating expenses, including adjustments to the operating and replacement reserves.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006 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. Related Organization

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

F. Retirement and Pension Plans

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

Arizona State Retirement System

Plan Description

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

Funding Policy

The Arizona Revised Statutes (ARS) provide statutory authority for determining the employees’ and employers’ contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The actuarially determined contribution rate for the years ended June 30, 2007, 2006, and 2005, were 9.10% (8.60% retirement and .50% long-term disability) 7.40% and 5.70%, respectively, for both employers and employees. The City’s contributions to the System for the years ending June 30, 2007, 2006, and 2005 were \$9,226,983, \$6,876,822, and \$4,944,354, respectively, equal to the required contributions for each year.

Public Safety Personnel Retirement System

Plan Description

All of the City’s public safety personnel (police officers and firefighters) participate in the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan. PSPRS was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes to provide pension benefits for public safety employees of certain state and local governments. The PSPRS is jointly administered by the fund manager and 171 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. That report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri Avenue, Phoenix, AZ 85014 or by calling (602) 255-5575.

Funding Policy

The System for both police and fire is funded through a member contribution of 7.65% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City’s current contribution rate for police is 12.50% of annual covered payroll. Contribution rates for police were 11.56% and 7.65% in 2006 and 2005, respectively. The City’s current contribution rate for fire is 11.03% of annual covered payroll. The City’s contribution rate for fire was 11.03% in 2006. The fire department was formed during fiscal year 2005.

Annual Pension Cost

For 2007, the City’s annual pension costs of \$3,460,241 for police and \$1,870,467 for fire were equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the projected unit credit cost method.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	2,102	100%	-
2006	2,897	100%	-
2007	3,460	100%	-

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 1,601	100%	-
2007	\$ 1,870	100%	-

The actuarial assumptions for both police and fire include (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually, (b) projected salary increases of 5.50% per year compounded annually, attributable to inflation and other across-the-board factors, and (c) additional projected salary increases ranging from 5.50% to 8.50% per year, attributable to seniority/merit. Included in (b) is an inflation component of 5.00%. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over a 4-year period. PSPRS' unfunded accrued liability is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period at July 1, 2006 was 30 years.

There are two years of actuarial information available for the Fire Department as it was formed during fiscal year 2005.

Elected Officials' Retirement Plan

Plan Description

The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP), a multiple-employer cost sharing defined benefit pension plan. The EORP was established and is administered by the State of Arizona to provide pension benefits for state and county elected officials, judges, and certain City-elected officials. The fund manager of the PSPRS is also the administrator for the EORP. EORP provides retirement benefits, as well as death and disability benefits. The Elected Officials' Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for EORP. That report may be obtained by writing to Elected Officials' Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona 85014 or by calling (602) 255-5575.

Funding Policy

Covered employees are required by state statute to contribute an amount equal to 7.00% of gross salary. Incorporated city or town employers are required to contribute an amount sufficient to meet both the normal cost of a level-cost method attributable to the EORP, plus the amount required to amortize the unfunded accrued liability for the employer. Such amount is to be determined each year by actuarial valuation and paid as a level percent of compensation. The contribution requirements for plan members are established and may be amended by the Fund Manager, a five-member board. The City's rates for fiscal years ended June 30, 2007, 2006, and 2005, were 18.55%, 20.54%, and 13.49%, respectively. The City's contributions to EORP for the years ending June 30, 2007, 2006, and 2005, were \$26,711, \$29,720, and \$19,425, respectively, equal to the required contributions for each year.

G. Other Post-Employment Benefits

In addition to the pension benefits described in F (above) 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 one hundred percent cash value at current rate of pay. Employees hired before July 1, 1982 can elect to receive cash equal to fifty percent of the first five hundred twenty hours of unused medical leave plus twenty-five percent of all hours in excess of five hundred twenty. The conversion rate is the employee's average hourly base pay rate for the five years immediately preceding retirement. Any retiring employee with 300 or more hours of accumulated medical leave, who chooses to remain on the City medical plan, may elect to apply the value of the sick leave to the employee's portion of the health care premiums, up until age 65. The value of the accumulated medical leave is calculated at the employee's hourly rate of pay at the time of retirement.

Twenty-eight participants were added and thirty-nine were removed during fiscal year 2006/07 reducing the total number of participants to 127 at June 30, 2007. The actual liability for retirees, as of June 30, 2007, for medical conversion was \$2,421,582. The projected liability for active employees, as of June 30, 2007, was \$10,826,925. Of this liability, \$238 was considered current and reflected in the governmental fund statements. An additional \$9,389,134 was considered payable within one year or greater and was considered non-current in the government-wide financial statements. The projected liability is based on a January 1, 2007, actuarial valuation, as adjusted, based on the actuarial projection that for every additional 100 participants, future normal costs increase by an additional 3% per annum. Significant actuarial assumptions of the January 1, 2007 actuarial valuation include a) mortality rates based on the RP 2000 male and female rates, b) interest compounded 4.0 percent annually, c) salaries increase at a rate of 3.0% to 7.0% based on years of service per annum, d) projected unit credit cost method based on participant data as of January 1, 2007.

H. Post-employment Benefits Other Than Pensions

The cost of post-employment 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 recognizes the cost of post-employment 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 commencing with the fiscal year ending June 30, 2007.

Plan Description

The City provides post-employment 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 Benefit Coordination Committee and approved by the Scottsdale City Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the City's medical plan during their active status. Retirees can enroll in a City plan up to 60 days after they retire, after that their eligibility for this benefit ceases.

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

As of June 30, 2007, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	227
Terminated Employees Eligible for Benefits, But Not Yet Enrolled	-
Active Employees	2,457
Total	<u>2,684</u>
Participating Employers	<u>1</u>

Funding Policy

The plan premium rates are determined annually by the City's Benefit Coordinating Committee, in collaboration with an outside employee benefits actuarial and consulting firm, and approved by the Scottsdale City Council. City code requires the City Council to authorize the contribution rates for employee health benefits. The retiree's contribution is 100% of the actuarially determined blended premium rate. The City makes no contribution to the retirees' premiums other than allowing them to participate through the City's pooled benefits. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. As of June 30, 2007, retirees contributed \$359,000 and the City contributed \$96,000.

Annual OPEB costs and Net OPEB Obligation

The City's annual other post-employment 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 thirty years. The City's annual OPEB cost for the current year and the related information for each plan are as follows at June 30, 2007 (dollar amounts in thousands):

Annual Required Contribution	\$ 703
Interest on Net OPEB Obligation	-
Adjusted to Annual Required Contribution	<u>-</u>
Annual OPEB Cost	703
Contributions Made	<u>96</u>
Increase in Net OPEB Obligation	607
Net OPEB Obligation - Beginning of year	<u>-</u>
Net OPEB Obligation - End of year	<u>\$ 607</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2007	\$ 703	\$ 96	13.70%	\$ 607

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2007 was as follows (dollar amounts in thousands):

Actuarial Accrued Liability	\$ 5,440
Actuarial Value of Plan Assets	-
Unfunded actuarial accrued liability	<u>\$ 5,440</u>
Funded ratio	0%
Covered payroll	\$ 134,280
Unfunded actuarial accrued liability as a percentage of covered payroll	4.1%

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Due to this being the first year of implementation, for fiscal year ending June 30, 2007, no prior year information is available.

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, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed
Remaining Amortization Period	29 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	4%*
Projected Salary Increases	2.99-7.02% ⁺
Healthcare Inflation Rate	10% initial rate, 5% ultimate rate, 6 yr grade-in period

* 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.

Required Supplementary Information

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(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)
2000	84,435	65,021	129.0%	(19,414)	18,547	0.0%
2001	93,684	73,216	128.0%	(20,468)	20,406	0.0%
2002	94,784	80,997	117.0%	(13,787)	20,930	0.0%
2003	98,287	91,841	107.0%	(6,446)	21,996	0.0%
2004	99,394	103,136	96.4%	3,742	22,647	16.5%
2005*	102,153	117,270	87.1%	15,117	23,816	63.5%
2006	105,440	131,775	80.0%	26,335	25,435	103.5%

* The 2005 values for (2), (3) and (4) have been restated per the 6/30/2006 actuarial valuation.

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(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)
2005*	2,205	1,308	168.5%	(897)	1,791	0.0%
2006	7,860	5,996	131.1%	(1,864)	14,440	0.0%

* The 2005 values for (2), (3) and (4) have been restated per the 6/30/2006 actuarial valuation.

Required Supplementary Information

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Actuarial Accrued Liability (AAL)	(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)
2007	\$ -	\$ 5,440	0.0%	\$ 5,440	\$ 134,280	4.1%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2007. Information for prior years is not available.

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Employer Contributions	(2) Annual Required Contribution (ARC)	(3) Percent Contributed (1)/(2)
2007	\$ 96	\$ 703	13.7%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2007. Information for prior years is not available

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Highway User Fuel Tax Fund

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

Community Development Block Grant Fund

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

Home Fund

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

Grants Fund

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

Section 8 Fund

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

Preserve Privilege Tax Fund

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

Special Programs Fund

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

DEBT SERVICE FUNDS

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

Municipal Property Corporation Fund

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

Special Assessments Fund

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

Community Facilities Districts Funds:

Scottsdale Mountain Community Facilities District Fund

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

Via Linda Road Community Facilities District Fund

Waterfront Community Facilities District Fund

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

Scottsdale Preserve Authority Fund

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

CAPITAL PROJECTS FUNDS

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

General Obligation Bond Fund

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

Municipal Property Corporation Bond Fund

Accounts for the proceeds of Municipal Property Corporation bonds issued for acquisition or construction of capital improvements.

Preserve Privilege Tax Fund

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

Transportation Privilege Tax Fund

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

Community Facilities Districts Funds:

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

Waterfront Commercial Community Facilities District Fund

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, 2007 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	\$ 50,322	\$ 8,541	\$ 82,857	\$ 141,720
Cash with Fiscal Agent	3,072	15,215	194	18,481
Receivables				
Interest	422	-	1,085	1,507
Privilege Tax	4,704	-	-	4,704
Property Tax	-	140	-	140
Highway User Tax	1,512	-	-	1,512
Intergovernmental	3,854	-	-	3,854
Grants	1,123	-	1,205	2,328
Special Assessments	-	3,937	-	3,937
Miscellaneous	548	-	-	548
Total Assets	<u>\$ 65,557</u>	<u>\$ 27,833</u>	<u>\$ 85,341</u>	<u>\$ 178,731</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 2,456	\$ 11	\$ 6,267	\$ 8,734
Accrued Payroll and Benefits	152	-	16	168
Due to Other Funds	553	-	-	553
Matured Bond Interest Payable	82	6,560	-	6,642
Matured Bonds Payable	2,990	5,350	-	8,340
Deferred Revenue				
Property Tax	-	103	-	103
Special Assessments	-	3,937	-	3,937
Intergovernmental	4,944	-	-	4,944
Guaranty and Other Deposits	1,868	-	-	1,868
Other	28	6	-	34
Total Liabilities	<u>13,073</u>	<u>15,967</u>	<u>6,283</u>	<u>35,323</u>
Fund Balances				
Reserved for				
Debt Service	-	11,866	-	11,866
Unreserved, Undesignated	52,484	-	79,058	131,542
Total Fund Balances	<u>52,484</u>	<u>11,866</u>	<u>79,058</u>	<u>143,408</u>
Total Liabilities and Fund Balances	<u>\$ 65,557</u>	<u>\$ 27,833</u>	<u>\$ 85,341</u>	<u>\$ 178,731</u>

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes - Local				
Property	\$ -	\$ 3,188	\$ -	\$ 3,188
Transaction Privilege	58,191	-	-	58,191
Transient Occupancy	7,753	-	-	7,753
Highway User Tax	16,778	-	-	16,778
Local Transportation Assistance Fund	1,074	-	-	1,074
Charges for Current Services				
Building and Related Permits	71	-	-	71
Recreation Fees	972	-	-	972
Fines, Fees and Forfeitures				
Code Enforcement	228	-	-	228
Court Fines	7	-	-	7
Court Enhancement	1,441	-	-	1,441
Special Assessments	-	1,825	-	1,825
Property Rental	192	140	-	332
Interest Earnings	2,395	242	5,916	8,553
Intergovernmental				
Federal Grants	8,215	-	1,205	9,420
State Grants	929	-	-	929
Miscellaneous	661	1,328	1,971	3,960
Developer Contributions	-	-	1,010	1,010
Contributions and Donations	1,276	-	489	1,765
Reimbursements From Outside Sources	70	2	-	72
Other	109	1	-	110
Total Revenues	<u>100,362</u>	<u>6,726</u>	<u>10,591</u>	<u>117,679</u>

(continued)

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
EXPENDITURES				
Current				
General Government	485	121	-	606
Police	756	-	-	756
Transportation	13,439	-	-	13,439
Community Services	9,736	-	-	9,736
Fire	339	-	-	339
Municipal Services	9,183	-	-	9,183
Citizen and Neighborhood Resources	42	-	-	42
Human Resources	17	-	-	17
Economic Vitality	7,621	-	-	7,621
Planning and Development	24	-	-	24
Debt Service				
Principal	3,675	6,198	-	9,873
Interest and Fiscal Charges	432	10,474	1	10,907
Bond Issuance Costs	-	735	-	735
Capital Improvements	4,599	-	57,671	62,270
Total Expenditures	50,348	17,528	57,672	125,548
Excess (Deficiency) of Revenues Over Expenditures	50,014	(10,802)	(47,081)	(7,869)
OTHER FINANCING SOURCES (USES)				
Transfers In	3,679	10,781	45,510	59,970
Transfers Out	(42,161)	(73)	(55,163)	(97,397)
Refunding Bonds Issued	-	55,450	-	55,450
Long-term Capital-Related Debt Issued	-	450	-	450
Premium on Bonds Issued	-	7,199	-	7,199
Payment to Bond Refunding Escrow Agent	-	(61,845)	-	(61,845)
Proceeds from Notes Payable	-	-	3,000	3,000
Total Other Financing Sources and (Uses)	(38,482)	11,962	(6,653)	(33,173)
Net Change in Fund Balances	11,532	1,160	(53,734)	(41,042)
Fund Balances - Beginning				
	40,952	10,706	132,792	184,450
Fund Balances - Ending				
	\$ 52,484	\$ 11,866	\$ 79,058	\$ 143,408

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2007 (in thousands of dollars)

	Highway User Fuel Tax	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Special Programs	Total
ASSETS								
Cash and Investments	\$ 2,681	\$ -	\$ -	\$ -	\$ 886	\$ 34,941	\$ 11,814	\$ 50,322
Cash with Fiscal Agent	3,072	-	-	-	-	-	-	3,072
Receivables								
Interest	-	-	-	-	-	368	54	422
Privilege Tax	1,685	-	-	-	-	3,019	-	4,704
Highway User Tax	1,512	-	-	-	-	-	-	1,512
Intergovernmental	-	-	-	-	-	-	3,854	3,854
Grants	-	241	362	520	-	-	-	1,123
Miscellaneous	-	-	-	9	-	-	539	548
Total Assets	\$ 8,950	\$ 241	\$ 362	\$ 529	\$ 886	\$ 38,328	\$ 16,261	\$ 65,557
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	\$ 2,041	\$ 165	\$ -	\$ 57	\$ 2	\$ -	\$ 191	\$ 2,456
Accrued Payroll and Benefits	135	4	-	5	7	-	1	152
Due to Other Funds	-	73	363	117	-	-	-	553
Matured Bond Interest Payable	82	-	-	-	-	-	-	82
Matured Bonds Payable	2,990	-	-	-	-	-	-	2,990
Deferred Revenue								
Intergovernmental	-	-	-	213	877	-	3,854	4,944
Guaranty and Other Deposits	93	-	-	-	-	-	1,775	1,868
Other	-	-	-	-	-	-	28	28
Total Liabilities	5,341	242	363	392	886	-	5,849	13,073
Fund Balances								
Unreserved, Undesignated	3,609	(1)	(1)	137	-	38,328	10,412	52,484
Total Fund Balances (Deficit)	3,609	(1)	(1)	137	-	38,328	10,412	52,484
Total Liabilities and Fund Balances	\$ 8,950	\$ 241	\$ 362	\$ 529	\$ 886	\$ 38,328	\$ 16,261	\$ 65,557

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

Nonmajor Special Revenue Governmental Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Highway User Fuel Tax	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Special Programs	Total
REVENUES								
Taxes - Local								
Transaction Privilege	\$ 20,910	\$ -	\$ -	\$ -	\$ -	\$ 37,281	\$ -	\$ 58,191
Transient Occupancy	-	-	-	-	-	-	7,753	7,753
Highway User Tax	16,778	-	-	-	-	-	-	16,778
Local Transportation Assistance Fund	1,074	-	-	-	-	-	-	1,074
Charges for Current Services								
Building and Related Permits	-	-	-	-	-	-	71	71
Recreation Fees	-	-	-	-	-	-	972	972
Fines, Fees and Forfeitures								
Code Enforcement	-	-	-	-	-	-	228	228
Court Fines	-	-	-	-	-	-	7	7
Court Enhancement Fee	-	-	-	-	-	-	1,441	1,441
Property Rental	-	-	-	-	-	-	192	192
Interest Earnings	-	-	-	-	10	2,141	244	2,395
Intergovernmental								
Federal Grants	-	1,975	547	1,180	4,513	-	-	8,215
State Grants	693	-	-	236	-	-	-	929
Miscellaneous	-	-	-	15	-	-	646	661
Contributions and Donations	-	-	-	720	-	-	556	1,276
Reimbursements From Outside Sources	68	-	-	1	-	-	1	70
Other	42	-	-	-	14	-	53	109
Total Revenues	39,565	1,975	547	2,152	4,537	39,422	12,164	100,362
EXPENDITURES								
Current								
General Government	-	-	-	116	-	2	367	485
Police	-	-	-	289	-	-	467	756
Transportation	13,439	-	-	-	-	-	-	13,439
Community Services	-	1,980	448	772	4,842	-	1,694	9,736
Fire	-	-	-	337	-	-	2	339
Municipal Services	9,183	-	-	-	-	-	-	9,183
Citizen and Neighborhood Resources	-	-	-	-	-	-	42	42
Human Resources	-	-	-	-	-	-	17	17
Economic Vitality	-	-	-	-	-	-	7,621	7,621
Planning and Development	-	-	-	-	-	-	24	24
Debt Service								
Principal	2,990	-	-	-	-	685	-	3,675
Interest and Fiscal Charges	165	-	-	-	-	267	-	432
Capital Improvements	4,052	-	-	320	-	-	227	4,599
Total Expenditures	29,829	1,980	448	1,834	4,842	954	10,461	50,348
Excess (Deficiency) of Revenues Over Expenditures	9,736	(5)	99	318	(305)	38,468	1,703	50,014
OTHER FINANCING SOURCES (USES)								
Transfers In	292	-	-	2	-	-	3,385	3,679
Transfers Out	(10,500)	-	-	(74)	-	(30,475)	(1,112)	(42,161)
Total Other Financing Sources and (Uses)	(10,208)	-	-	(72)	-	(30,475)	2,273	(38,482)
Net Change in Fund Balances	(472)	(5)	99	246	(305)	7,993	3,976	11,532
Fund Balances - Beginning	4,081	4	(100)	(109)	305	30,335	6,436	40,952
Fund Balances - Ending	\$ 3,609	\$ (1)	\$ (1)	\$ 137	\$ -	\$ 38,328	\$ 10,412	\$ 52,484

Highway User Fuel Tax - Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007 (in thousands of dollars)

	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	\$ 22,057	\$ 22,057	\$ 20,910	\$ -	\$ 20,910	\$ (1,147)
Taxes - Intergovernmental						
Highway User Tax	15,644	15,644	16,778	-	16,778	1,134
Local Transportation Assistance Fund	1,073	1,073	1,074	-	1,074	1
Intergovernmental						
State Grants	282	282	693	-	693	411
Reimbursement From Outside Sources	-	-	-	68	68	-
Other	-	-	-	42	42	-
Total Revenues	<u>39,056</u>	<u>39,056</u>	<u>39,455</u>	<u>110</u>	<u>39,565</u>	<u>399</u>
EXPENDITURES						
Current						
Transportation	14,332	14,314	13,375	64	13,439	939
Municipal Services	13,624	13,618	9,116	67	9,183	4,502
Debt Service						
Principal	2,990	2,990	2,990	-	2,990	-
Interest and Fiscal Charges	165	165	165	-	165	-
Capital Improvements	-	-	4,052	-	4,052	(4,052)
Total Expenditures	<u>31,111</u>	<u>31,087</u>	<u>29,698</u>	<u>131</u>	<u>29,829</u>	<u>1,389</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,945</u>	<u>7,969</u>	<u>9,757</u>	<u>(21)</u>	<u>9,736</u>	<u>1,788</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	3,152	3,152	292	-	292	(2,860)
Transfers Out	(11,097)	(11,097)	(10,500)	-	(10,500)	597
Total Other Financing Sources and Uses	<u>(7,945)</u>	<u>(7,945)</u>	<u>(10,208)</u>	<u>-</u>	<u>(10,208)</u>	<u>(2,263)</u>
Net Change in Fund Balance	-	24	(451)	(21)	(472)	(475)
Fund Balance - Beginning	-	-	4,081	-	4,081	4,081
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ 3,630</u>	<u>\$ (21)</u>	<u>\$ 3,609</u>	<u>\$ 3,606</u>
Explanation of Differences:						
The City does not budget for certain revenues:						
Reimbursement From Outside Sources				68		
Other				42		
				<u>110</u>		
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:						
Compensated Absences				131		
Net (Decrease) in Fund Balance - Budget to GAAP				<u>\$ (21)</u>		

Preserve Privilege Tax - Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007 (in thousands of dollars)

	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	\$ 38,600	\$ 38,600	\$ 37,281	\$ -	\$ 37,281	\$ (1,319)
Interest Earnings	798	798	1,712	429	2,141	914
Total Revenues	<u>39,398</u>	<u>39,398</u>	<u>38,993</u>	<u>429</u>	<u>39,422</u>	<u>(405)</u>
EXPENDITURES						
Current						
General Government	-	-	-	2	2	-
Debt Service						
Principal	685	685	685	-	685	-
Interest and Fiscal Charges	267	267	267	-	267	-
Total Expenditures	<u>952</u>	<u>952</u>	<u>952</u>	<u>2</u>	<u>954</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,446</u>	<u>38,446</u>	<u>38,041</u>	<u>427</u>	<u>38,468</u>	<u>(405)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
Transfers Out	(24,120)	(24,120)	(30,475)	-	(30,475)	(6,355)
Total Other Financing Sources and Uses	<u>(24,120)</u>	<u>(24,120)</u>	<u>(30,475)</u>	<u>-</u>	<u>(30,475)</u>	<u>(6,355)</u>
Net Change in Fund Balance	14,326	14,326	7,566	427	7,993	(6,760)
Fund Balance - Beginning	<u>34,266</u>	<u>34,266</u>	<u>30,335</u>	<u>-</u>	<u>30,335</u>	<u>(3,931)</u>
Fund Balance - Ending	<u>\$ 48,592</u>	<u>\$ 48,592</u>	<u>\$ 37,901</u>	<u>\$ 427</u>	<u>\$ 38,328</u>	<u>\$ (10,691)</u>

Explanation of Differences:

Items recorded as revenues for GAAP purposes:

 Unrealized Loss on Investments \$ 429

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

 Audit Expense \$ 2

Net Increase in Fund Balance - Budget to GAAP \$ 427

Combining Balance Sheet

Nonmajor Debt Service Governmental Funds

June 30, 2007 (in thousands of dollars)

	Municipal Property Corporation	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront CFD	Scottsdale Preserve Authority	Total
ASSETS									
Cash and Investments	\$ 7,448	\$ 1,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,541
Cash with Fiscal Agent	4,332	105	920	2,039	1,847	1,089	-	4,883	15,215
Receivables (net of allowance for uncollectibles)									
Property Tax	-	-	14	24	96	6	-	-	140
Special Assessments	-	3,937	-	-	-	-	-	-	3,937
Total Assets	\$ 11,780	\$ 5,135	\$ 934	\$ 2,063	\$ 1,943	\$ 1,095	\$ -	\$ 4,883	\$ 27,833
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ -	\$ 11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11
Matured Bond Interest Payable	3,513	105	92	380	470	82	-	1,918	6,560
Matured Bonds Payable	770	-	305	675	525	110	-	2,965	5,350
Deferred Revenue									
Property Tax	-	-	9	13	72	9	-	-	103
Special Assessments	-	3,937	-	-	-	-	-	-	3,937
Other	-	6	-	-	-	-	-	-	6
Total Liabilities	4,283	4,059	406	1,068	1,067	201	-	4,883	15,967
Fund Balances									
Reserved for									
Debt Service	7,497	1,076	528	995	876	894	-	-	11,866
Total Fund Balances	7,497	1,076	528	995	876	894	-	-	11,866
Total Liabilities and Fund Balances	\$ 11,780	\$ 5,135	\$ 934	\$ 2,063	\$ 1,943	\$ 1,095	\$ -	\$ 4,883	\$ 27,833

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

Nonmajor Debt Service Governmental Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Municipal Property Corporation	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront CFD	Scottsdale Preserve Authority	Total
REVENUES									
Taxes - Local									
Property	\$ -	\$ -	\$ 385	\$ 1,159	\$ 1,205	\$ 422	\$ 17	\$ -	\$ 3,188
Special Assessments	-	1,825	-	-	-	-	-	-	1,825
Property Rental	140	-	-	-	-	-	-	-	140
Interest Earnings	17	-	37	72	70	44	-	2	242
Intergovernmental									
Miscellaneous	1,327	-	-	1	-	-	-	-	1,328
Reimbursements from Outside Sources	-	-	-	-	1	1	-	-	2
Other	-	-	-	-	-	-	1	-	1
Total Revenues	1,484	1,825	422	1,232	1,276	467	18	2	6,726
EXPENDITURES									
Current									
General Government	-	1	10	23	54	17	16	-	121
Debt Service									
Principal	770	848	305	675	525	110	-	2,965	6,198
Interest and Fiscal Charges	4,331	235	187	759	953	166	-	3,843	10,474
Bond Issuance Costs	735	-	-	-	-	-	-	-	735
Total Expenditures	5,836	1,084	502	1,457	1,532	293	16	6,808	17,528
Excess (Deficiency) of Revenues Over Expenditures	(4,352)	741	(80)	(225)	(256)	174	2	(6,806)	(10,802)
OTHER FINANCING SOURCES (USES)									
Transfers In	3,970	3	-	-	-	-	2	6,806	10,781
Transfers Out	-	-	-	-	-	-	(73)	-	(73)
Refunding Bonds Issued	55,450	-	-	-	-	-	-	-	55,450
Long-term Capital-Related Debt Issued	450	-	-	-	-	-	-	-	450
Premium on Bonds Issued	7,199	-	-	-	-	-	-	-	7,199
Payment to Bond Refunding Escrow Agent	(61,845)	-	-	-	-	-	-	-	(61,845)
Total Other Financing Sources and (Uses)	5,224	3	-	-	-	-	(71)	6,806	11,962
Net change in Fund Balances	872	744	(80)	(225)	(256)	174	(69)	-	1,160
Fund Balances - Beginning	6,625	332	608	1,220	1,132	720	69	-	10,706
Fund Balances - Ending	\$ 7,497	\$ 1,076	\$ 528	\$ 995	\$ 876	\$ 894	\$ -	\$ -	\$ 11,866

General Obligation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2007 (in thousands of dollars)

	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	\$ 28,712	\$ 28,712	\$ 27,933	\$ -	\$ 27,933	\$ (779)
Interest Earnings	-	-	8	-	8	8
Reimbursements from Outside Sources	-	-	1	-	1	1
Total Revenues	<u>28,712</u>	<u>28,712</u>	<u>27,942</u>	<u>-</u>	<u>27,942</u>	<u>(770)</u>
EXPENDITURES						
Debt Service						
Principal	23,165	23,165	23,165	-	23,165	-
Interest and Fiscal Charges	23,033	23,033	23,030	-	23,030	3
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>46,198</u>	<u>46,198</u>	<u>46,195</u>	<u>-</u>	<u>46,195</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(17,486)</u>	<u>(17,486)</u>	<u>(18,253)</u>	<u>-</u>	<u>(18,253)</u>	<u>(767)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	15,201	15,201	15,200	-	15,200	(1)
Total Other Financing Sources and Uses	<u>15,201</u>	<u>15,201</u>	<u>15,200</u>	<u>-</u>	<u>15,200</u>	<u>(1)</u>
Net Change in Fund Balance	(2,285)	(2,285)	(3,053)	-	(3,053)	(768)
Fund Balance - Beginning	<u>8,271</u>	<u>8,271</u>	<u>12,436</u>	<u>-</u>	<u>12,436</u>	<u>4,165</u>
Fund Balance - Ending	<u>\$ 5,986</u>	<u>\$ 5,986</u>	<u>\$ 9,383</u>	<u>\$ -</u>	<u>\$ 9,383</u>	<u>\$ 3,397</u>

Municipal Property Corporation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2007 (in thousands of dollars)

	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	\$ -	\$ -	\$ 140	\$ -	\$ 140	\$ 140
Interest Earnings	-	-	17	-	17	17
Intergovernmental	392	392	1,327	-	1,327	935
Total Revenues	<u>392</u>	<u>392</u>	<u>1,484</u>	<u>-</u>	<u>1,484</u>	<u>1,092</u>
EXPENDITURES						
Debt Service						
Principal	837	837	770	-	770	67
Interest and Fiscal Charges	5,095	5,095	4,331	-	4,331	764
Bond Issuance Costs	-	-	735	-	735	(735)
Total Expenditures	<u>5,932</u>	<u>5,932</u>	<u>5,836</u>	<u>-</u>	<u>5,836</u>	<u>96</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,540)</u>	<u>(5,540)</u>	<u>(4,352)</u>	<u>-</u>	<u>(4,352)</u>	<u>1,188</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	6,280	6,280	3,970	-	3,970	(2,310)
Refunding Bonds Issued	-	-	55,450	-	55,450	55,450
Long-term Capital-Related Debt Issued	-	-	450	-	450	450
Premium on Bonds Issued	-	-	7,199	-	7,199	7,199
Payment to Bond Refunding Escrow Agent	-	-	(61,845)	-	(61,845)	(61,845)
Total Other Financing Sources and Uses	<u>6,280</u>	<u>6,280</u>	<u>5,224</u>	<u>-</u>	<u>5,224</u>	<u>(1,056)</u>
Net Change in Fund Balance	740	740	872	-	872	132
Fund Balance - Beginning	<u>5,587</u>	<u>5,587</u>	<u>6,625</u>	<u>-</u>	<u>6,625</u>	<u>1,038</u>
Fund Balance - Ending	<u>\$ 6,327</u>	<u>\$ 6,327</u>	<u>\$ 7,497</u>	<u>\$ -</u>	<u>\$ 7,497</u>	<u>\$ 1,170</u>

Special Assessments Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007 (in thousands of dollars)

	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	\$ 1,085	\$ 1,085	\$ 1,825	\$ -	\$ 1,825	\$ 740
Total Revenues	<u>1,085</u>	<u>1,085</u>	<u>1,825</u>	<u>-</u>	<u>1,825</u>	<u>740</u>
EXPENDITURES						
Current:						
General Government	-	-	1	-	1	(1)
Debt Service						
Principal	849	849	848	-	848	1
Interest and Fiscal Charges	<u>236</u>	<u>236</u>	<u>235</u>	<u>-</u>	<u>235</u>	<u>1</u>
Total Expenditures	<u>1,085</u>	<u>1,085</u>	<u>1,084</u>	<u>-</u>	<u>1,084</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>741</u>	<u>-</u>	<u>741</u>	<u>741</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	3	-	3	3
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>
Net Change in Fund Balance	-	-	744	-	744	744
Fund Balance - Beginning	<u>381</u>	<u>381</u>	<u>332</u>	<u>-</u>	<u>332</u>	<u>(49)</u>
Fund Balance - Ending	<u>\$ 381</u>	<u>\$ 381</u>	<u>\$ 1,076</u>	<u>\$ -</u>	<u>\$ 1,076</u>	<u>\$ 695</u>

Scottsdale Preserve Authority Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007 (in thousands of dollars)

	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	\$ -	\$ -	\$ 2	\$ -	\$ 2	\$ 2
Total Revenues	-	-	2	-	2	2
EXPENDITURES						
Debt Service						
Principal	2,965	2,965	2,965	-	2,965	-
Interest and Fiscal Charges	3,844	3,844	3,843	-	3,843	1
Total Expenditures	6,809	6,809	6,808	-	6,808	1
Excess (Deficiency) of Revenues Over Expenditures	(6,809)	(6,809)	(6,806)	-	(6,806)	3
OTHER FINANCING SOURCES (USES)						
Transfers In	6,809	6,809	6,806	-	6,806	(3)
Total Other Financing Sources and Uses	6,809	6,809	6,806	-	6,806	(3)
Net Change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning	-	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet

Nonmajor Capital Projects Governmental Funds

June 30, 2007 (in thousands of dollars)

	General Obligation Bond	Municipal Property Corporation	Preserve Privilege Tax	Transportation Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Waterfront Commercial CFD	Total
ASSETS								
Cash and Investments	\$ 43,784	\$ 120	\$ 972	\$ 37,536	\$ -	\$ -	445	\$ 82,857
Cash with Fiscal Agent	-	-	-	-	107	87	-	194
Receivables								
Interest	760	1	-	324	-	-	-	1,085
Grants	-	-	-	1,205	-	-	-	1,205
Total Assets	<u>\$ 44,544</u>	<u>\$ 121</u>	<u>\$ 972</u>	<u>\$ 39,065</u>	<u>\$ 107</u>	<u>\$ 87</u>	<u>\$ 445</u>	<u>\$ 85,341</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	\$ -	\$ -	\$ 502	\$ 5,765	\$ -	\$ -	\$ -	\$ 6,267
Accrued Payroll and Benefits	-	-	-	16	-	-	-	16
Total Liabilities	<u>-</u>	<u>-</u>	<u>502</u>	<u>5,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,283</u>
Fund Balances								
Unreserved, Undesignated	44,544	121	470	33,284	107	87	445	79,058
Total Fund Balances	<u>44,544</u>	<u>121</u>	<u>470</u>	<u>33,284</u>	<u>107</u>	<u>87</u>	<u>445</u>	<u>79,058</u>
Total Liabilities and Fund Balances	<u>\$ 44,544</u>	<u>\$ 121</u>	<u>\$ 972</u>	<u>\$ 39,065</u>	<u>\$ 107</u>	<u>\$ 87</u>	<u>\$ 445</u>	<u>\$ 85,341</u>

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

Nonmajor Capital Projects Governmental Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	General Obligation Bond	Municipal Property Corporation	Preserve Privilege Tax	Transportation Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Waterfront Commercial CFD	Total
REVENUES								
Interest Earnings	\$ 3,982	\$ 6	\$ -	\$ 1,924	\$ 4	\$ -	\$ -	\$ 5,916
Intergovernmental								
Federal Grants	-	-	-	1,205	-	-	-	1,205
Miscellaneous	-	-	-	1,971	-	-	-	1,971
Developer Contributions	-	-	-	1,010	-	-	-	1,010
Contributions and Donations	-	-	-	489	-	-	-	489
Total Revenues	3,982	6	-	6,599	4	-	-	10,591
EXPENDITURES								
Capital Improvements	-	-	8,117	46,487	1	67	3,000	57,672
Total Expenditures	-	-	8,117	46,487	1	67	3,000	57,672
Excess (Deficiency) of Revenues Over Expenditures	3,982	6	(8,117)	(39,888)	3	(67)	(3,000)	(47,081)
OTHER FINANCING SOURCES (USES)								
Transfers In	350	-	8,274	36,441	-	-	445	45,510
Transfers Out	(54,813)	-	-	(350)	-	-	-	(55,163)
Proceeds from Notes Payable	-	-	-	-	-	-	3,000	3,000
Total Other Financing Sources and (Uses)	(54,463)	-	8,274	36,091	-	-	3,445	(6,653)
Net Change in Fund Balances	(50,481)	6	157	(3,797)	3	(67)	445	(53,734)
Fund Balances - Beginning	95,025	115	313	37,081	104	154	-	132,792
Fund Balances - Ending	\$ 44,544	\$ 121	\$ 470	\$ 33,284	\$ 107	\$ 87	\$ 445	\$ 79,058



INTERNAL SERVICE FUNDS

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

Fleet Management Fund

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

Self-Insurance Fund

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

Combining Statement of Net Assets

Internal Service Funds

June 30, 2007 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 11,527	\$ 24,179	\$ 35,706
Receivables (net of allowance for uncollectibles)			
Interest	117	206	323
Miscellaneous	-	9	9
Supplies Inventory	415	-	415
Total Current Assets	<u>12,059</u>	<u>24,394</u>	<u>36,453</u>
Noncurrent Assets			
Capital Assets			
Buildings and Improvements	1,846	-	1,846
Motor Vehicles	64,161	-	64,161
Machinery and Equipment	687	-	687
Less Accumulated Depreciation	<u>(37,786)</u>	<u>-</u>	<u>(37,786)</u>
Total Capital Assets (net of accumulated depreciation)	<u>28,908</u>	<u>-</u>	<u>28,908</u>
Total Noncurrent Assets	<u>28,908</u>	<u>-</u>	<u>28,908</u>
Total Assets	<u>40,967</u>	<u>24,394</u>	<u>65,361</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	1,115	236	1,351
Accrued Payroll and Benefits	82	13	95
Accrued Compensated Absences - Current	20	-	20
Accrued Compensated Absences - Due Within One Year	166	65	231
Claims Payable	<u>-</u>	<u>14,347</u>	<u>14,347</u>
Total Current Liabilities	<u>1,383</u>	<u>14,661</u>	<u>16,044</u>
Noncurrent Liabilities			
Accrued Compensated Absences - Due in More Than One Year	182	61	243
Other Payables - Due in More Than One Year	<u>12</u>	<u>2</u>	<u>14</u>
Total Noncurrent Liabilities	<u>194</u>	<u>63</u>	<u>257</u>
Total Liabilities	<u>1,577</u>	<u>14,724</u>	<u>16,301</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	28,908	-	28,908
Unrestricted	<u>10,482</u>	<u>9,670</u>	<u>20,152</u>
Total Net Assets	<u>\$ 39,390</u>	<u>\$ 9,670</u>	<u>\$ 49,060</u>

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

Internal Service Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total
Operating Revenues			
Charges for Sales and Services			
Billings To User Programs	\$ 14,295	\$ 21,171	\$ 35,466
Self Insurance Contributions-Employee	-	3,795	3,795
State Contributions	-	684	684
Other	136	606	742
	<u>14,431</u>	<u>26,256</u>	<u>40,687</u>
Total Operating Revenues			
Operating Expenses			
Costs of Sales and Services			
Fleet Management Operations	9,816	-	9,816
Self-Insurance Administration	-	2,847	2,847
Self-Insurance Claims	-	1,358	1,358
Self-Insurance Benefits	-	18,679	18,679
Insurance and Bond Premiums	-	1,990	1,990
Depreciation	5,542	-	5,542
	<u>15,358</u>	<u>24,874</u>	<u>40,232</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(927)</u>	<u>1,382</u>	<u>455</u>
Non-Operating Revenues			
Investment Income	679	1,251	1,930
Gain on Sale of Capital Assets	241	-	241
	<u>920</u>	<u>1,251</u>	<u>2,171</u>
Total Non-Operating Revenues			
Income (Loss) Before Contributions and Transfers	(7)	2,633	2,626
Capital Contributions	1,763	-	1,763
Transfers In	1,192	2,500	3,692
Transfers Out	(167)	(21)	(188)
	<u>2,781</u>	<u>5,112</u>	<u>7,893</u>
Change in Net Assets			
Total Net Assets - Beginning	<u>36,609</u>	<u>4,558</u>	<u>41,167</u>
Total Net Assets - Ending	<u>\$ 39,390</u>	<u>\$ 9,670</u>	<u>\$ 49,060</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 14,295	\$ 25,734	\$ 40,029
Cash Paid to Suppliers	(6,491)	(24,533)	(31,024)
Cash Paid to Employees	(3,069)	(646)	(3,715)
Other Operating	136	606	742
Net Cash Provided by (Used for) Operating Activities	<u>4,871</u>	<u>1,161</u>	<u>6,032</u>
Cash Flows from Non-Capital Financing Activities			
Transfers In	1,192	2,500	3,692
Transfers Out	(167)	(21)	(188)
Net Cash Provided by (Used) for Non-Capital Financing Activities	<u>1,025</u>	<u>2,479</u>	<u>3,504</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Property and Equipment	(7,432)	-	(7,432)
Sale of Capital Assets	360	-	360
Net Cash (Used) for Capital and Related Financing Activities	<u>(7,072)</u>	<u>-</u>	<u>(7,072)</u>
Cash Flows from Investing Activities			
Income Received on Investments	660	1,189	1,849
Net Increase (Decrease) in Cash and Cash Equivalents	(516)	4,829	4,313
Cash and Cash Equivalents at Beginning of Year	12,043	19,350	31,393
Cash and Cash Equivalents at End of Year	<u>\$ 11,527</u>	<u>\$ 24,179</u>	<u>\$ 35,706</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (927)	\$ 1,382	\$ 455
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities			
Depreciation	5,542	-	5,542
Changes in Assets and Liabilities Sources (Uses) of Cash			
Miscellaneous Receivables	-	84	84
Supplies Inventory	11	-	11
Accounts Payable	179	78	257
Accrued Payroll and Benefits	54	2	56
Other Payables	12	2	14
Claims Payable	-	(387)	(387)
Total Adjustments	<u>5,798</u>	<u>(221)</u>	<u>5,577</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 4,871</u>	<u>\$ 1,161</u>	<u>\$ 6,032</u>
Supplemental Disclosure of Noncash Financing Activities			
Additions to Property, Plant, and Equipment	\$ 1,763	\$ -	\$ 1,763
Contributions from Other Government Units	\$ 1,763	\$ -	\$ 1,763
Total Non-Cash Financing Activities	<u>\$ 1,763</u>	<u>\$ -</u>	<u>\$ 1,763</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 upon the governmental unit by virtue of law or other similar authority.

Handicap Scholarship Private Purpose Trust Fund

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

Family Self-Sufficiency Agency Fund

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

Retainage Escrow Agency Fund

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

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007 (in thousands of dollars)

	Private Purpose Trust Funds		Agency Funds		
	Handicap Scholarship Private Purpose Trust Fund	Total	Family Self-Sufficiency Agency Fund	Retainage Escrow Agency Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ 7	\$ 7	\$ 86	\$ 4,657	\$ 4,743
Total Assets	7	7	86	4,657	4,743
LIABILITIES					
Accounts Payable	-	-	86	-	86
Designated Escrow Payable	-	-	-	4,657	4,657
Total Liabilities	-	-	86	4,657	4,743
NET ASSETS					
Held in Trust for Other Purposes	\$ 7	\$ 7	\$ -	\$ -	\$ -

Combining Statement of Changes in Assets and Liabilities

Fiduciary Funds

For the Year Ended June 30, 2007 (in thousands of dollars)

	Family Self-Sufficiency				Retainage Escrow			
	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS								
Cash and Cash Equivalents	\$ 86	\$ 50	\$ 50	\$ 86	\$ 5,195	\$ 4,657	\$ 5,195	\$ 4,657
Total Assets	<u>\$ 86</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 86</u>	<u>\$ 5,195</u>	<u>\$ 4,657</u>	<u>\$ 5,195</u>	<u>\$ 4,657</u>
LIABILITIES								
Accounts Payable	\$ 86	\$ 50	\$ 50	\$ 86	\$ -	\$ -	\$ -	\$ -
Designated Escrow Payable	-	-	-	-	5,195	4,657	5,195	4,657
Total Liabilities	<u>\$ 86</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 86</u>	<u>\$ 5,195</u>	<u>\$ 4,657</u>	<u>\$ 5,195</u>	<u>\$ 4,657</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, 2007 (in thousands of dollars)

	July 1, 2006	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2007	Governmental Activities	Business Type-Activities	Final Payment Date
GENERAL OBLIGATION BONDS										
Governmental Fund Type:										
1993 Refunding	\$ 7,590	\$ -	\$ 2,680	\$ -	\$ -	\$ -	\$ 4,910	\$ 4,910	\$ -	07/01/09
1997 GO Refunding	18,780	-	2,980	-	-	-	15,800	15,800	-	07/01/14
1989 Series I (1998)	6,345	-	930	-	-	-	5,415	5,415	-	07/01/18
1999A GO / Pima Road	3,450	-	1,100	-	-	-	2,350	2,350	-	07/01/09
1999 GO Preservation	5,500	-	1,750	-	-	-	3,750	3,750	-	07/01/09
2001 GO Preservation	3,455	-	1,105	-	-	-	2,350	2,350	-	07/01/09
2001 GO Refunding Various Purpose	7,905	-	70	-	-	-	7,835	7,835	-	07/01/22
2001 GO Refunding Preservation	28,715	-	-	-	-	-	28,715	28,715	-	07/01/22
2002 GO Various Purpose	8,770	-	2,165	-	-	-	6,605	6,605	-	07/01/24
2002 GO Preservation	5,755	-	-	-	-	-	5,755	5,755	-	07/01/24
2002 GO Refunding Various Purpose	50,345	-	3,325	-	-	-	47,020	47,020	-	07/01/19
2002 GO Refunding Preservation	8,100	-	-	-	-	-	8,100	8,100	-	07/01/19
2003 GO Refunding Various Purpose	14,925	-	1,585	-	-	-	13,340	13,340	-	07/01/13
2004 GO Various Purpose	48,000	-	-	-	-	-	48,000	48,000	-	07/01/25
2004 GO Preservation	62,100	-	2,200	-	-	-	59,900	59,900	-	07/01/25
2005 GO Refunding Various Purpose	8,540	-	-	-	-	-	8,540	8,540	-	07/01/24
2005 GO Refunding Preservation	66,090	-	-	-	-	-	66,090	66,090	-	07/01/24
2005A GO Various Purpose	125,000	-	2,500	-	-	-	122,500	122,500	-	07/01/24
2005B GO Preservation	20,000	-	775	-	-	-	19,225	19,225	-	07/01/24
2001 GO Refunding Series Deferred Issuance Premium	950	-	-	-	-	(115)	835	835	-	-
2001 GO Series Deferred Amount on Refunding	(1,551)	-	-	-	-	187	(1,364)	(1,364)	-	-
2002 GO Refunding Series Deferred Issuance Premium	1,867	-	-	-	-	(753)	1,114	1,114	-	-
2002 GO Series Deferred Amount on Refunding	(1,901)	-	-	-	-	766	(1,135)	(1,135)	-	-
2003 GO Series Deferred Amount on Refunding	(194)	-	-	-	-	59	(135)	(135)	-	-
2003 GO Refunding Series Deferred Issuance Premium	266	-	-	-	-	(80)	186	186	-	-
2004 GO Series Deferred Issuance Premium	924	-	-	-	-	(51)	873	873	-	-
2005 GO Series Deferred Amount on Refunding	(3,666)	-	-	-	-	278	(3,388)	(3,388)	-	-
2005 GO Refunding Series Deferred Issuance Premium	2,812	-	-	-	-	(213)	2,599	2,599	-	-
2005A GO Series Deferred Issuance Premium	2,364	-	-	-	-	(136)	2,228	2,228	-	-
2005B GO Series Deferred Issuance Premium	378	-	-	-	-	(22)	356	356	-	-
Total General Obligation Bonds	\$ 501,614	\$ -	\$ 23,165	\$ -	\$ -	\$ (80)	\$ 478,369	\$ 478,369	\$ -	-
REVENUE BONDS										
Governmental Fund Type										
Highway User Revenue Fund Bonds										
1993 HURF Refunding	\$ 2,990	\$ -	\$ 2,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/07
Subtotal	2,990	-	2,990	-	-	-	-	-	-	-
Business Type - Revenue Bonds										
1996 Utility Revenue Series Refunding	4,750	-	900	-	-	-	3,850	-	3,850	07/01/14
1989 Utility Series D (1998)	8,575	-	650	-	-	-	7,925	-	7,925	07/01/22
1989 Utility Series E (1998)	30,645	-	1,550	-	-	-	29,095	-	29,095	07/01/23
2004 Utility Revenue Series Refunding	18,435	-	375	-	-	-	18,060	-	18,060	07/01/16
1996 Revenue Series Deferred Amount on Refunding	(119)	-	-	-	-	32	(87)	-	(87)	-
2004 Revenue Series Deferred Amount on Refunding	(1,126)	-	-	-	-	248	(878)	-	(878)	-
2004 Refunding Series Deferred Issuance Premium	1,241	-	-	-	-	(273)	968	-	968	-
Subtotal	62,401	-	3,475	-	-	7	58,933	-	58,933	-
Total Revenue Bonds	\$ 65,391	\$ -	\$ 6,465	\$ -	\$ -	\$ 7	\$ 58,933	\$ -	\$ 58,933	-

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

Schedule of Changes in Long-Term Debt*

(continued here and on following page)

For the Year Ended June 30, 2007 (in thousands of dollars)

	July 1, 2006	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2007	Governmental Activities	Business Type-Activities	Final Payment Date
MUNICIPAL PROPERTY CORPORATION BONDS										
Governmental Fund Type:										
1998 MPC	\$ 350	\$ -	\$ 170	\$ -	\$ -	\$ -	\$ 180	180	-	07/01/08
2004A MPC	40,760	-	-	-	30,975	-	9,785	9,785	-	07/01/19
2005 MPC	20,615	-	-	-	-	671	21,286	21,286	-	07/01/21
2005D MPC	46,500	-	200	-	25,925	-	20,375	20,375	-	07/01/35
2006 MPC Refunding	-	-	-	55,450	-	-	55,450	55,450	-	07/01/34
2006A MPC	-	10,000	400	-	-	-	9,600	9,600	-	07/01/30
2006B MPC	-	32,500	-	-	-	-	32,500	32,500	-	07/01/31
2004A Series Deferred Issuance Premium	1,012	-	-	-	-	(36)	976	976	-	-
2005 Series Deferred Issuance Premium	359	-	-	-	-	(24)	335	335	-	-
2005D Series Deferred Issuance Premium	2,613	-	-	-	-	(92)	2,521	2,521	-	-
2006 Series Deferred Amount on Refunding	-	-	-	(4,945)	-	140	(4,805)	(4,805)	-	-
2006 Refunding Series Deferred Issuance Premium	-	-	-	6,865	-	(194)	6,671	6,671	-	-
2006A Series Deferred Issuance Premium	-	119	-	-	-	(3)	116	116	-	-
2006B Series Deferred Issuance Premium	-	215	-	-	-	(5)	210	210	-	-
Subtotal	112,209	42,834	770	57,370	56,900	457	155,200	155,200	-	-
Business Type - Municipal Property Corporation Bonds										
2001 Scottswater	3,545	-	1,710	-	-	-	1,835	-	1,835	07/01/08
2004 Water/Sewer	70,060	-	2,825	-	44,835	-	22,400	-	22,400	07/01/14
2005E Water/Sewer	88,360	-	-	-	67,455	-	20,905	-	20,905	07/01/16
2006 MPC Refunding	-	-	-	110,510	-	-	110,510	-	110,510	07/01/30
2001 Scottswater Deferred Issuance Premium	77	-	-	-	-	(37)	40	-	40	-
2004 Water/Sewer Deferred Issuance Premium	4,184	-	-	-	-	(247)	3,937	-	3,937	-
2005E Water Deferred Issuance Premium	3,675	-	-	-	-	(157)	3,518	-	3,518	-
2006 Refunding Series Deferred Issuance Premium	-	-	-	12,604	-	(432)	12,172	-	12,172	-
2006 Series Deferred Amount on Refunding	-	-	-	(10,524)	-	361	(10,163)	-	(10,163)	-
Subtotal	169,901	-	4,535	112,590	112,290	(512)	165,154	-	165,154	-
Total Municipal Property Corporation Bonds	\$ 282,110	\$ 42,834	\$ 5,305	\$ 169,960	\$ 169,190	\$ (55)	\$ 320,354	\$ 155,200	\$ 165,154	
SCOTTSDALE PRESERVE AUTHORITY BONDS										
Governmental Fund Type:										
1998 Excise Tax Revenue	\$ 41,175	\$ -	\$ 2,165	\$ -	\$ -	\$ -	\$ 39,010	39,010	-	07/01/24
2001 Excise Tax Refunding	16,545	-	725	-	-	-	15,820	15,820	-	07/01/22
2004 Excise Tax Refunding	22,850	-	75	-	-	-	22,775	22,775	-	07/01/16
2001 Excise Tax Revenue Deferred Issuance Premium	98	-	-	-	-	(6)	92	92	-	-
2001 Excise Tax Revenue Deferred Amount on Refunding	(592)	-	-	-	-	37	(555)	(555)	-	-
2004 Excise Tax Revenue Deferred Issuance Premium	2,135	-	-	-	-	(237)	1,898	1,898	-	-
2004 Excise Tax Revenue Deferred Amount on Refunding	(2,012)	-	-	-	-	223	(1,789)	(1,789)	-	-
Total Scottsdale Preserve Authority Bonds	\$ 80,199	\$ -	\$ 2,965	\$ -	\$ -	\$ 17	\$ 77,251	\$ 77,251	\$ -	
SPECIAL ASSESSMENT BONDS										
Governmental Fund Type:										
Pima Acres Paving & Drainage Series 105	\$ 255	\$ -	\$ 85	\$ -	\$ -	\$ -	\$ 170	170	-	01/01/09
Bell Road II Series 106	5,250	-	750	-	-	-	4,500	4,500	-	01/01/13
Total Special Assessment Bonds	\$ 5,505	\$ -	\$ 835	\$ -	\$ -	\$ -	\$ 4,670	\$ 4,670	\$ -	
CERTIFICATES OF PARTICIPATION										
Governmental Fund Type:										
2005 Certificates of Participation	\$ 7,090	\$ -	\$ 689	\$ -	\$ -	\$ -	\$ 6,401	\$ 6,401	\$ -	01/01/2015
Total Certificates of Participation	\$ 7,090	\$ -	\$ 689	\$ -	\$ -	\$ -	\$ 6,401	\$ 6,401	\$ -	

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

Schedule of Changes in Long-Term Debt*

(continued)

For the Year Ended June 30, 2007 (in thousands of dollars)

	July 1, 2006	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2007	Governmental Activities	Business Type-Activities	Final Payment Date
COMMUNITY FACILITIES DISTRICT BONDS										
Governmental Fund Type:										
McDowell Mtn Ranch Refunding Series 1999	\$ 16,170	\$ -	\$ 675	\$ -	\$ -	\$ -	\$ 15,495	\$ 15,495	\$ -	07/15/22
DC Ranch Series 1998	4,435	-	170	-	-	-	4,265	4,265	-	07/15/23
Via Linda Road Series 1999	2,925	-	110	-	-	-	2,815	2,815	-	07/15/23
DC Ranch Series 1999	2,910	-	95	-	-	-	2,815	2,815	-	07/15/24
Scottsdale Mountain Refunding Series 2002	4,310	-	305	-	-	-	4,005	4,005	-	07/15/18
DC Ranch Series 2002	11,195	-	260	-	-	-	10,935	10,935	-	07/15/27
Scottsdale Mountain 2002 Deferred Issuance Premium	24	-	-	-	-	(4)	20	20	-	-
Scottsdale Mountain 2002 Deferred Amount on Refunding	(318)	-	-	-	-	57	(261)	(261)	-	-
DC Ranch 2002 Deferred Issuance Premium	57	-	-	-	-	(3)	54	54	-	-
Total Community Facilities District Bonds	41,708	-	1,615	-	-	50	40,143	40,143	-	-
Total Bonds	\$ 983,617	\$ 42,834	\$ 41,039	\$ 169,960	\$ 169,190	\$ (61)	\$ 986,121	\$ 762,034	\$ 224,087	
CONTRACTS PAYABLE										
Governmental Fund Type:										
US Corps of Engineers	\$ 3,107	\$ -	\$ 72	\$ -	\$ -	\$ -	\$ 3,035	\$ 3,035	\$ -	2032
Dial Corporation	155	-	40	-	-	(78)	37	37	-	2008
US Patent Office	3	-	-	-	-	-	3	3	-	2009
McDowell Sonoran Preserve	5,540	-	685	-	-	-	4,855	4,855	-	2013
Bureau of Reclamation\Westworld	1,485	-	55	-	-	3,681	5,111	5,111	-	2033
Bureau of Reclamation\TPC	1,595	-	55	-	-	4,300	5,840	5,840	-	2035
Underground Improvement District Series 104	51	-	13	-	-	-	38	38	-	01/01/10
Motor Mile Marketing	1,200	-	300	-	-	-	900	900	-	2010
Total Contracts	\$ 13,136	\$ -	\$ 1,220	\$ -	\$ -	\$ 7,903	\$ 19,819	\$ 19,819	\$ -	
CAPITAL LEASES										
Governmental Fund Type:										
Modular Building - Fire Department Training Facility	\$ -	\$ 175	\$ 3	\$ -	\$ -	\$ -	\$ 172	\$ 172	\$ -	2012
Business Type:										
Modular Building - Water Operations	179	-	40	-	-	-	139	-	139	2010
	\$ 179	\$ 175	\$ 43	\$ -	\$ -	\$ -	\$ 311	\$ 172	\$ 139	
TOTAL BONDS, CONTRACTS AND CAPITAL LEASES	\$ 996,932	\$ 43,009	\$ 42,302	\$ 169,960	\$ 169,190	\$ 7,842	\$ 1,006,251	\$ 782,025	\$ 224,226	
Compensated Absences								20,684	2,364	
Other Post Employment Benefit - Implied Subsidy								535	72	
Total Long-Term Debt							\$ 803,244	\$ 226,662		

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

Statistical Section

Contents	Page
Financial Trends	122
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	131
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	139
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.	
Economic and Demographic Information	145
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	147
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.	
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

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

Table I

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 1,429,495	\$ 1,497,575	\$ 1,548,486	\$ 1,877,955	\$ 2,029,375	\$ 2,198,130
Restricted	133,460	117,801	199,767	78,794	102,293 (2)	108,686
Unrestricted	152,731	165,209	127,017	195,887	172,530 (2)	206,386
Total Governmental Activities Net Assets	<u>\$ 1,715,686</u>	<u>\$ 1,780,585</u>	<u>\$ 1,875,270</u>	<u>\$ 2,152,636</u>	<u>\$ 2,304,198</u>	<u>\$ 2,513,202</u>
Business-type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 629,106	\$ 659,130	\$ 653,351	\$ 756,433	\$ 806,749	\$ 895,636
Restricted	16,399	16,721	20,842	23,472	27,000	33,649
Unrestricted	175,624	186,147	272,431 (1)	212,957	239,535	224,607
Total Business-type Activities Net Assets	<u>\$ 821,129</u>	<u>\$ 861,998</u>	<u>\$ 946,624</u>	<u>\$ 992,862</u>	<u>\$ 1,073,284</u>	<u>\$ 1,153,892</u>
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 2,058,601	\$ 2,156,705	\$ 2,201,837	\$ 2,634,388	\$ 2,836,124	\$ 3,093,766
Restricted	149,859	134,522	220,609	102,266	129,293	142,335
Unrestricted	328,355	351,356	399,448	408,844	412,065	430,993
Total Primary Government Net Assets	<u>\$ 2,536,815</u>	<u>\$ 2,642,583</u>	<u>\$ 2,821,894</u>	<u>\$ 3,145,498</u>	<u>\$ 3,377,482</u>	<u>\$ 3,667,094</u>

- (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
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(in thousands)

Table IIa

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental Activities:						
General Government	\$ 26,982	\$ 22,776	\$ 23,839	\$ 30,943	\$ 42,729	\$ 45,682
Police	52,719	54,469	60,027	63,076	74,408	81,375
Financial Services	7,464	7,883	7,655	8,315	8,343	9,843
Transportation	72,159	71,837	78,373	85,835	82,047	95,214
Community Services	53,325	52,222	55,087	57,519	57,931	70,527
Information Services	10,821	11,901	11,135	7,941	14,589	13,329
Fire	16,494	18,127	19,570	28,620 (1)	26,943	28,054
Municipal Services	11,482	12,290	13,024	16,520	14,746	17,698
Citizen and Neighborhood Resources	2,484	2,433	2,812	3,496	3,419	3,727
Human Resources	-	3,601	3,462	3,333	3,615	3,800
Economic Vitality	-	6,421	6,130	8,026	7,549	9,475
Planning and Development	18,269	11,908	11,697	12,522	12,883	15,133
Streetlight and Service Districts	1,044	1,099	1,024	1,094	617	597
Interest on Long-term Debt	28,063	27,786	28,028	32,466	37,192	38,981
Total Governmental Activities Expenses	<u>301,306</u>	<u>304,753</u>	<u>321,863</u>	<u>359,706</u>	<u>387,011</u>	<u>433,435</u>
Business-type Activities:						
Water Utility	51,125	50,406	51,095	59,723	53,961	64,915
Sewer Utility	24,007	22,862	24,678	28,324	27,854	26,089
Airport	2,648	2,476	2,622	3,346	2,922	2,958
Solid Waste	14,071	13,783	15,153	15,508	16,412	17,895
Total Business-type Activities Expenses	<u>91,851</u>	<u>89,527</u>	<u>93,548</u>	<u>106,901</u>	<u>101,149</u>	<u>111,857</u>
Total Primary Government Expenses	<u>\$ 393,157</u>	<u>\$ 394,280</u>	<u>\$ 415,411</u>	<u>\$ 466,607</u>	<u>\$ 488,160</u>	<u>\$ 545,292</u>

(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.

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

Table IIb

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Program Revenue						
Governmental Activities:						
Charges for Services:						
General Government	\$ 11,243	\$ 11,402	\$ 12,742	\$ 12,106	\$ 13,783	\$ 14,102
Police	5,706	4,227	6,760	11,514	9,938	15,071
Transportation	-	-	-	-	277	326
Community Services	3,229	3,405	3,759	3,914	4,028	4,388
Fire	-	-	-	-	1,010 (1)	1,155
Citizen and Neighborhood Resources	-	-	-	-	163	228
Planning and Development	15,764	15,449	17,314	18,188	20,515	16,128
Streetlight and Service Districts	1,012	1,018	1,000	998	511	546
Operating Grants and Contributions	22,200	21,219	24,508	26,865	26,355	29,293
Capital Grants and Contributions	77,412	70,369	105,794	73,092	136,745 (2)	211,707 (3)
Total Governmental Activities Program Revenues	<u>136,566</u>	<u>127,089</u>	<u>171,877</u>	<u>146,677</u>	<u>213,325</u>	<u>292,944</u>
Business-type Activities:						
Charges for Services:						
Water Utility	68,064	66,626	70,613	72,612	81,517	84,381
Sewer Utility	24,017	25,316	25,587	27,503	27,119	32,250
Airport	1,689	2,424	2,936	3,162	3,342	3,451
Solid Waste	15,796	16,250	16,488	16,984	17,163	18,490
Capital Grants and Contributions	38,733	28,487	71,709	38,313	55,580	55,111
Total Business-type Activities Revenues	<u>148,299</u>	<u>139,103</u>	<u>187,333</u>	<u>158,574</u>	<u>184,721</u>	<u>193,683</u>
Total Primary Government Revenues	<u>\$ 284,865</u>	<u>\$ 266,192</u>	<u>\$ 359,210</u>	<u>\$ 305,251</u>	<u>\$ 398,046</u>	<u>\$ 486,627</u>
Net (Expense)/Revenue						
Governmental Activities	\$ (164,740)	\$ (177,664)	\$ (149,986)	\$ (213,029)	\$ (173,686)	\$ (140,491)
Business-type Activities	56,448	49,576	93,785	51,673	83,572	81,826
Total Primary Government Net Expense	<u>\$ (108,292)</u>	<u>\$ (128,088)</u>	<u>\$ (56,201)</u>	<u>\$ (161,356)</u>	<u>\$ (90,114)</u>	<u>\$ (58,665)</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).

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

Table IIc

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes	\$ 167,105	\$ 167,153	\$ 183,039	\$ 217,325 (1)	\$ 240,731	\$ 249,411
Intergovernmental	44,918	46,971	45,163	48,346	54,481	60,520
Interest and Investment Income	11,485	4,108	2,655	6,765	13,714	23,013
Miscellaneous and Special Items	5,382	4,760	2,777	4,100	5,786	5,377
Transfers	6,288	10,955	11,037	9,567	10,536	11,174
Total Governmental Activities	<u>235,178</u>	<u>233,947</u>	<u>244,671</u>	<u>286,103</u>	<u>325,248</u>	<u>349,495</u>
Business-type Activities:						
Taxes	-	-	-	-	119	195
Interest and Investment Income	5,820	1,493	973	4,288	6,581	9,265
Miscellaneous	874	755	905	(156)	686	496
Transfers	(6,289)	(10,955)	(11,037)	(9,567)	(10,536)	(11,174)
Total Business-type Activities:	<u>405</u>	<u>(8,707)</u>	<u>(9,159)</u>	<u>(5,435)</u>	<u>(3,150)</u>	<u>(1,218)</u>
Total Primary Government	<u>\$ 235,583</u>	<u>\$ 225,240</u>	<u>\$ 235,512</u>	<u>\$ 280,668</u>	<u>\$ 322,098</u>	<u>\$ 348,277</u>
Change in Net Assets						
Governmental Activities	\$ 70,438	\$ 56,283	\$ 94,685	\$ 73,074	\$ 151,562	\$ 209,004
Business-type Activities	56,853	40,869	84,626	46,238	80,422	80,608
Total Primary Government	<u>\$ 127,291</u>	<u>\$ 97,152</u>	<u>\$ 179,311</u>	<u>\$ 119,312</u>	<u>\$ 231,984</u>	<u>\$ 289,612</u>

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

City of Scottsdale
Governmental Activities Tax Revenues By Source
Last Six Fiscal Years
 (accrual basis of accounting)
 (in thousands)

Table III

Fiscal Year	Sales and Use Taxes						Transient Occupancy
	Property	Privilege & Use - General	Privilege & Use - McDowell Mtn (1)	Privilege & Use - Transportation	Privilege & Use - Public Safety (1)		
2002	\$ 39,485	\$ 81,871	\$ 15,814	\$ 15,587	\$ -	\$ 6,691	
2003	42,218	79,483	15,645	15,335	-	6,688	
2004	46,371	87,422	16,981	16,628	-	7,227	
2005	48,416	94,407	31,301	18,115	8,491	7,939	
2006	50,610	106,019	35,483	20,020	9,978	8,970	
2007	50,961	109,143	37,281	20,910	10,578	9,723	

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light & Power Franchise	State Shared Sales	State Revenue Sharing	Other
2002	\$ 2,223	\$ 5,238	\$ 15,621	\$ 21,142	\$ 512
2003	2,440	5,147	15,853	21,574	611
2004	2,740	5,488	17,054	18,278	663
2005	2,859	5,596	18,779	18,634	1,337
2006	3,157	6,308	21,664	21,223	962
2007	3,355	7,284	22,312	26,653	929

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

City of Scottsdale
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(in thousands)

Table IV

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$ 2,006	\$ 1,992	\$ 2,153	\$ 872	\$ 805	\$ 754
Unreserved	74,363	71,236	59,707 (1)	72,772	93,243	89,534
Total General Fund	<u>\$ 76,369</u>	<u>\$ 73,228</u>	<u>\$ 61,860</u>	<u>\$ 73,644</u>	<u>\$ 94,048</u>	<u>\$ 90,288</u>
All Other Governmental Funds						
Reserved	\$ 12,880	\$ 13,670	\$ 9,122	\$ 10,613	\$ 23,142	\$ 21,249
Unreserved, Reported in:						
Special Revenue Funds	25,775	24,553	22,122	31,873	40,952	52,484
Capital Project Funds	168,550	159,421	224,422 (2)	148,626	189,905	179,477
Total All Other Governmental Funds	<u>\$ 207,205</u>	<u>\$ 197,644</u>	<u>\$ 255,666</u>	<u>\$ 191,112</u>	<u>\$ 253,999</u>	<u>\$ 253,210</u>

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

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

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

Table Va

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues						
Taxes - Local	\$ 164,775	\$ 167,153	\$ 182,362	\$ 218,189	\$ 239,478	\$ 251,017
Taxes - Intergovernmental	57,176	59,694	58,716	61,948	69,413	76,545
Business and Liquor Licenses	1,815	1,816	1,813	1,633	1,572	1,626
Charges for Current Services	20,038	19,990	22,401	23,300	27,260	23,291
Fines, Fees and Forfeitures	5,234	6,047	6,921	9,649	10,260	14,779
Special Assessments	2,339	1,970	2,558	2,029	1,106	1,825
Property Rental	2,835	2,836	3,212	3,617	4,173	3,868
Interest Earnings	10,300	3,830	2,385	6,053	12,518	21,083
Intergovernmental	12,892	9,609	11,810	11,771	13,129	15,763
Developer Contributions	799	762	762	4,708	392	2,024
Streetlight and Services Districts	1,012	1,018	1,000	998	511	546
Contributions and Donations	367	439	647	917	835	1,878
Reimbursements from Outside Sources	118	1,032	1,659	461	969	568
Indirect Costs	7,960	8,045	8,729	8,635	9,898	10,208
Other	2,260	850	2,110	9,079	644	700
Total Revenues	289,920	285,091	307,085	362,987	392,158	425,721

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

Table Vb

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenditures						
General Government	19,528	16,010	16,121	21,793	23,516	24,938
Police	49,362	52,371	55,510	59,874	66,278	78,261
Financial Services	7,135	7,752	7,222	7,631	7,769	9,080
Transportation	10,016	10,869	9,399	8,760	10,099	13,439
Community Services	49,276	48,950	50,494	49,941	53,535	61,778
Information Systems	7,380	7,386	7,328	7,674	8,253	8,931
Fire	16,281	17,745	19,265	21,320	24,296	26,614
Municipal Services	11,214	11,553	8,774	11,813	8,850	9,692
Citizen and Neighborhood Resources	2,235	2,446	2,754	2,831	3,070	3,254
Human Resources	-	3,375	3,290	3,261	3,507	3,855
Economic Vitality	-	6,268	6,199	6,506	7,510	9,016
Planning and Development	18,040	11,746	11,218	12,111	12,436	14,331
Streetlight and Services Districts	1,044	1,099	1,024	1,094	617	597
Debt Service:						
Principal	26,216	30,305	31,905	33,173	27,632	34,252
Interest and Fiscal Charges	29,062	29,759	25,452	31,948	36,382	38,279
Bond Issuance Costs	597	1,046	586	878	351	735
Advance Refunding Escrow	339	-	-	-	-	-
Capital Improvements	68,638	68,338	81,149	213,585 (1)	218,897	147,367
Total Expenditures	316,363	327,018	337,690	494,193	512,998	484,419
Excess of Revenues over (under) Expenditures	(26,443)	(41,927)	(30,605)	(131,206)	(120,840)	(58,698)

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

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

Table Vc

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Other Financing Sources (Uses)						
Transfers in	71,095	107,441	137,043	141,783	147,643	162,965
Transfers out	(60,408)	(91,582)	(126,269)	(133,284)	(140,513)	(155,295)
Refunding Bonds Issued	74,025	102,570	39,190	74,630	-	55,450
Long-term Capital-Related Debt Issued	75,500	12,165	113,400	68,355	191,500	42,500
Premium on Bonds Issued	2,390	6,284	4,429	4,536	5,501	7,199
Payment to Bond Refunding Escrow Agent	(75,025)	(108,077)	(90,534)	(77,584)	-	(61,845)
Proceeds from Capital Lease	-	-	-	-	-	175
Proceeds from Notes Payable	-	-	-	-	-	3,000
Sale of Capital Assets	-	424	-	-	-	-
	<u>87,577</u>	<u>29,225</u>	<u>77,259</u>	<u>78,436</u>	<u>204,131</u>	<u>54,149</u>
Net Change in Fund Balances	<u>\$ 61,134</u>	<u>\$ (12,702)</u>	<u>\$ 46,654</u>	<u>\$ (52,770) (1)</u>	<u>\$ 83,291</u>	<u>\$ (4,549)</u>
Debt Service as a Percentage of Noncapital Expenditures	22.7%	23.6%	22.6%	23.5%	21.9%	21.7%

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

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

Table VI

Fiscal Year	Sales and Use Taxes					
	Property	Privilege & Use - General	Privilege & Use - McDowell Mtn (1)	Privilege & Use - Transportation	Privilege & Use - Public Safety (1)	Transient Occupancy
2002	38,413	80,297	15,814	15,587	-	6,691
2003	41,583	79,704	15,645	15,335	-	6,688
2004	46,088	86,547	16,981	16,628	-	7,227
2005	48,249	94,302	31,301	18,115	8,491	7,939
2006	49,651	104,949	35,483	20,020	9,978	8,970
2007	50,732	110,225	37,281	20,910	10,578	9,723

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light & Power Franchise	State Shared Sales	State Revenue Sharing	Other
2002	2,223	5,238	15,621	21,142	512
2003	2,440	5,147	15,853	21,574	611
2004	2,740	5,488	17,054	18,278	663
2005	2,859	5,596	18,779	18,634	1,337
2006	3,157	6,308	21,664	21,223	962
2007	3,355	7,284	22,312	26,653	929

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

City of Scottsdale
Taxable Sales Subject to Privilege (Sales) Tax by Category
Last Six Fiscal years
(in thousands)

Table VII

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Automotive	\$ 1,501,832	\$ 1,499,864	\$ 1,525,050	\$ 1,557,909	\$ 1,662,604	\$ 1,622,601
Construction	1,573,073	1,213,352	1,432,006	1,703,826	2,046,791	2,208,957
Food Stores	503,057	518,665	550,704	562,877	584,706	626,083
Hotel Motel	372,610	373,375	400,836	432,006	497,804	533,055
Major Department Stores	748,732	795,091	871,244	959,361	1,012,906	1,011,240
Miscellaneous Retail Stores	1,035,590	1,059,857	1,138,028	1,248,228	1,413,445	1,478,112
Other Taxable Activity	341,314	360,991	416,514	457,819	513,553	551,095
Rentals	910,184	955,494	977,379	1,054,666	1,102,152	1,211,551
Restaurants	524,241	551,806	604,652	661,542	726,122	774,598
Utilities	389,409	376,319	368,442	380,043	398,204	418,460
Total	\$ 7,900,042	\$ 7,704,814	\$ 8,284,855	\$ 9,018,277	\$ 9,958,287	\$ 10,435,752

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

**City of Scottsdale
Direct and Overlapping Sales Tax Rates
Last Six Fiscal Years**

Table VIII

Privilege (Sales) Tax Rates				Use Tax Rates			
City Direct				City Direct			
Fiscal Year	Rate	County Rate	State Rate	Fiscal Year	Rate	County Rate	State Rate
2002	1.40%	0.70%	5.60%	2002	1.20%	0.00%	5.60%
2003	1.40%	0.70%	5.60%	2003	1.20%	0.00%	5.60%
2004	1.40%	0.70%	5.60%	2004	1.20%	0.00%	5.60%
2005	1.65%	0.70%	5.60%	2005	1.45%	0.00%	5.60%
2006	1.65%	0.70%	5.60%	2006	1.45%	0.00%	5.60%
2007	1.65%	0.70%	5.60%	2007	1.45%	0.00%	5.60%

Transient Occupancy Tax Rates				Jet Fuel Tax Rates (cents per gallon)			
City Direct				City Direct			
Fiscal Year	Rate	County Rate	State Rate	Fiscal Year	Rate	County Rate	State Rate
2002	3.00%	1.77%	5.50%	2002	1.80%	0.46%	2.90%
2003	3.00%	1.77%	5.50%	2003	1.80%	0.46%	2.90%
2004	3.00%	1.77%	5.50%	2004	1.80%	0.46%	2.90%
2005	3.00%	1.77%	5.50%	2005	1.80%	0.46%	2.90%
2006	3.00%	1.77%	5.50%	2006	1.80%	0.46%	2.90%
2007	3.00%	1.77%	5.50%	2007	1.80%	0.46%	2.90%

Source: City Tax Audit Department

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.

City of Scottsdale
Sales Tax Revenue Payers by Industry
Fiscal Years 2007 and 1998
(in thousands)

Table IX

	Fiscal Year 2007				Fiscal Year 1998			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	603	2.14%	\$ 26,711	15.18%	490	2.97%	\$ 12,442	14.65%
Construction	8,064	28.67%	35,499	20.17%	5,355	32.51%	19,379	22.82%
Food Stores	148	0.53%	10,390	5.90%	211	1.28%	5,957	7.01%
Hotel Motel	69	0.25%	9,199	5.23%	68	0.41%	5,350	6.30%
Major Department Stores	28	0.10%	16,951	9.63%	9	0.05%	6,538	7.70%
Miscellaneous Retail Stores	5,005	17.80%	26,433	15.02%	5,174	31.41%	13,422	15.81%
Other Taxable Activity	9,435	33.55%	10,116	5.75%	2,132	12.94%	5,588	6.58%
Rentals	3,687	13.11%	20,827	11.83%	2,158	13.10%	7,325	8.63%
Restaurants	824	2.93%	12,895	7.33%	674	4.09%	5,270	6.21%
Utilities	261	0.93%	6,966	3.96%	203	1.23%	3,650	4.30%
Total	28,124	100.00%	\$ 175,987	100.00%	16,474	100.00%	\$ 84,921	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 industry classifications were based on Standard Industrial Classification (SIC) in 1997 and the North American Industry Classification System (NAICS) classifications in 2007.

**City of Scottsdale
Property Tax Rates
Direct and Overlapping Governments
Last Six Fiscal Years**

Table X

City Direct Rate				Overlapping Rates			
Fiscal Year	Operating Rate	Debt Service Rate	Total City Rate	Scottsdale Unified School District			
				Operating Rate	Debt Service Rate	EVIT Rate	Total School Rate
2002	\$ 0.49	\$ 0.07	\$ 1.15	\$ 4.08	\$ 1.36	\$ 0.11	\$ 5.55
2003	0.51	0.65	1.15	3.94	1.36	0.11	5.41
2004	0.48	0.64	1.12	3.89	1.30	0.10	5.29
2005	0.45	0.62	1.07	3.77	1.26	0.10	5.13
2006	0.44	0.60	1.04	5.24	2.41	0.06	7.71
2007	0.38	0.41	0.79	3.45	1.26	0.05	4.76

Overlapping Rates											
Fiscal Year	County-Wide Jurisdictions									Total County Rate	Total Direct & Overlapping Rates
	County Operating Rate	County Debt Service Rate	Community College Rate	County Flood Rate	County Education Equalization Rate	Fire District Assistance Rate	Central AZ Project Rate	County Free Library Rate	Total County Rate		
2002	\$ 1.18	\$ 0.09	\$ 1.11	\$ 0.23	\$ 0.50	\$ 0.01	\$ 0.13	\$ 0.04	\$ 3.29	\$ 9.99	
2003	1.21	0.08	1.11	0.21	0.49	0.01	0.13	0.04	3.28	9.85	
2004	1.21	0.07	1.08	0.21	0.47	0.01	0.12	0.05	3.22	9.63	
2005	1.21	-	1.04	0.21	0.46	0.01	0.12	0.05	3.09	9.30	
2006	1.20	-	1.03	0.21	0.44	0.01	0.12	0.05	3.06	11.81	
2007	1.18	-	0.88	0.20	-	0.01	0.12	0.05	2.44	7.99	

Source: Maricopa County Department of Finance Publications On-Line "Tax Levy 2006"

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 2006/07 the rates were as follows: Scottsdale Mountain CFD - \$1.20, McDowell Mountain CFD - \$.60, DC Ranch CFD - \$.70, and Via Linda Road CFD - \$3.00 and the Waterfront Commercial CFD - \$.30.

City of Scottsdale
Principal Property Tax Payers
June 30, 2007
(in thousands)

Table XI

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Scottsdale Fashion Square Partnership	\$ 203,257	1	0.067%	\$ 22,981	4	0.0190%
DC Ranch LLC	181,988	2	0.060%	933	5	0.0001%
Gainey Drive Associates	86,581	3	0.029%	45,863	2	0.0380%
Scottsdale Acquisition LLC	83,829	4	0.028%	-	-	0.0000%
Pederson/BVT Promenade Associates	76,879	5	0.026%	-	-	0.0000%
Arizona Public Service Company	63,160	6	0.021%	42,657	3	0.0350%
Scottsdale Princess Partnership	51,393	7	0.017%	-	-	0.0000%
General Dynamics Decesion Systems Inc.	50,174	8	0.017%	-	-	0.0000%
Motorola GEG	48,996	9	0.016%	48,606	1	0.0400%
Qwest Corporation	33,878	10	0.011%	-	-	0.0000%

Source: 2007 information - The City of Scottsdale's Property Tax Auditor, as obtained from the Arizona Department of Revenue, Centrally Valued Property Department and the 2006 Maricopa County Treasurer's Roll.

Source: 1998 information - The City of Scottsdale's Property Tax Auditor, as obtained from the Arizona Department of Revenue, Division of Utilities and Mines and the tax rolls of the Maricopa County Assessor's Office.

The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in lieu of ad valorem taxation. The 2006/07 secondary assessed valuation of the Salt River Project within the City is \$38,229,602. The estimated secondary in lieu contribution is \$202,864.

City of Scottsdale
Assessed Value and Estimated Actual Value of Taxable Property
Last Six Fiscal Years
(in thousands)

Table XII

Fiscal Year Ended June 30th	Real Property				Personal Property:	Less:	Total Taxable	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Vacant Land	Historic & Special Use	Assessed Value	Tax Exempt Real Property	Assessed Value			
2002 P	10,673,395	5,977,552	2,328,121	103,791	3,862,100	(2,022,853)	20,922,106	0.49	164,740,992	12.7%
2002 S	10,888,029	6,535,049	3,544,114	109,608	3,491,019	(2,729,219)	21,838,600	0.67	173,322,222	12.6%
2003 P	11,932,856	6,593,240	2,764,179	106,542	3,909,604	(2,350,555)	22,955,865	0.51	180,904,152	12.7%
2003 S	12,193,504	7,318,601	3,969,053	122,750	3,909,592	(3,056,453)	24,457,048	0.65	194,235,322	12.6%
2004 P	13,499,027	7,165,744	3,383,706	136,185	4,208,603	(2,945,414)	25,447,851	0.48	204,584,524	12.4%
2004 S	14,679,461	7,689,888	4,614,770	145,789	4,208,603	(3,860,523)	27,477,988	0.64	226,293,569	12.1%
2005 P	15,058,765	7,867,052	4,034,306	153,302	4,385,258	(3,427,812)	28,070,871	0.45	227,626,828	12.3%
2005 S	15,528,621	8,780,686	5,590,181	166,594	4,385,258	(4,384,354)	30,066,986	0.62	245,835,672	12.2%
2006 P	16,962,279	8,919,192	4,658,184	122,530	4,114,717	(3,766,617)	31,010,285	0.45	253,264,911	12.2%
2006 S	18,025,501	9,596,223	5,794,820	133,256	4,115,455	(4,468,037)	33,197,218	0.60	273,817,028	12.1%
2007 P	18,635,905	9,754,576	5,488,913	110,634	4,082,806	(4,265,369)	33,807,465	0.45	279,211,428	12.1%
2007 S	19,057,275	10,943,592	7,585,471	118,257	4,082,793	(5,492,694)	36,294,694	0.55	301,474,323	12.0%

Source: Maricopa County Assessor's Office, February 10th 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
Property Tax Levies and Collections
Last Six Fiscal Years
(in thousands)

Table XIII

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
2002	\$ 36,166	\$ 34,895	96.5%	\$ 964	\$ 35,859	99.2%
2003	39,159	37,583	96.0%	999	38,582	98.5%
2004	42,756	40,739	95.3%	1,638	42,377	99.1%
2005	44,731	44,160	98.7%	304	44,464	99.4%
2006	47,659	46,431	97.4%	200	46,631	97.8%
2007	78,778	47,105	96.6%	208	47,313	97.0%

Source: Maricopa County Treasurer's Office 2006 Secured Tax Levy Report and the City of Scottsdale Financial Services Department. Amounts represent property taxes recorded in the General, Debt Service and the Self-Insurance Fund.

City of Scottsdale
Ratios of Outstanding Debt by Type
Last Six Fiscal Years
(in thousands)

Table XIV

Fiscal Year Ended June 30	Governmental Activities								
	General Obligation Bonds	Revenue Bonds	Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Capital Lease
2002	\$ 319,657	\$ 13,385	\$ 49,870	\$ 90,585	\$ 13,061	\$ -	\$ 34,935	\$ 21,416	\$ -
2003	305,003	10,990	41,955	88,270	11,140	-	46,355	19,627	-
2004	389,598	8,475	4,850	85,980	8,755	-	44,950	13,702	-
2005	372,070	5,815	61,253	83,385	6,340	7,650	43,480	14,324	-
2006	499,365	2,990	108,225	80,570	5,505	7,090	41,945	13,136	-
2007	476,200	-	149,176	77,605	4,670	6,401	40,330	19,819	172

Fiscal Year Ended June 30	Business-Type Activities						
	General Obligation Bonds	Revenue Bonds	Municipal Property Corporation Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
2002	\$ 18,315	\$ 73,945	\$ 11,555	\$ -	\$ 646,724	7.70%	\$ 3,080
2003	14,323	71,230	10,010	-	618,903	7.04%	2,891
2004	10,651	68,365	83,365	-	718,691	7.85%	3,303
2005	6,515	65,735	79,430	-	745,997	7.84%	3,374
2006	-	62,405	161,965	179	983,375	9.94%	4,344
2007	-	58,930	155,650	139	989,092	9.54%	4,151

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

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

City of Scottsdale
Ratios of General Bonded Debt Outstanding
Last Six Fiscal Years

Table XV

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	Per Capita
2002	\$ 319,657,000	\$ 8,448,962	\$ 311,208,038	9.5%	\$ 1,482.23
2003	305,003,000	9,006,329	295,996,671	8.4%	1,382.58
2004	389,598,000	3,468,780	386,129,220	9.7%	1,774.86
2005	372,070,000	5,601,739	366,468,261	8.4%	1,657.25
2006	499,365,000	12,435,797	486,929,203	10.3%	2,150.84
2007	476,200,000	9,382,702	466,817,298	9.0%	1,959.19

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

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

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

City of Scottsdale
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007
(in thousands)

Table XVI

<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	\$ -	14.2655%	\$ -
Maricopa County Community College District	369,320	14.2655%	52,689
Tempe Elementary School District No. 3	69,300	0.0002%	-
Balsz Elementary School District No. 31	13,825	4.7528%	657
Scottsdale Unified School District No. 48	415,800	69.9434%	290,825
Paradise Valley Unified School District No. 69	313,480	32.8795%	103,071
Cave Creek Unified School District No. 93	44,615	62.6405%	27,947
Fountain Hills Unified School District No. 98	20,885	3.1612%	660
Phoenix Union High School District No. 210	330,230	0.2930%	968
Tempe Union High School District No 213	135,925	0.0001%	-
East Valley Institute of Technology District No. 401	-	19.4538%	-
Scottsdale Mountain Community Facilities District	4,005	100.0000%	4,005
McDowell Mountain Community Facilities District	15,495	100.0000%	15,495
DC Ranch Community Facilities District	18,015	100.0000%	18,015
Via Linda Road Community Facilities District	2,815	100.0000%	2,815
Subtotal, overlapping debt			517,147
City direct debt	282,315	100.0000%	282,315
Total direct and overlapping debt			<u>\$ 799,462</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
Legal Debt Margin Information
Last Six Fiscal Years
(in thousands)

Table XVIIa

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<u>20% Limitation</u>						
Debt Limit Equal to 20% of Assessed Valuation	\$ 655,590	\$ 705,321	\$ 795,104	\$ 868,691	\$ 947,151	\$ 1,041,889
Total Net Debt Applicable to 20% Limit	245,209	237,400	319,765	313,786	372,545	363,455
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 410,381</u>	<u>\$ 467,921</u>	<u>\$ 475,339</u>	<u>\$ 554,905</u>	<u>\$ 574,606</u>	<u>\$ 678,434</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	37.40%	33.66%	40.22%	36.12%	39.33%	34.88%
 <u>6% Limitation</u>						
Debt Limit Equal to 6% of Assessed Valuation	\$ 196,677	\$ 211,596	\$ 238,531	\$ 260,607	\$ 284,145	\$ 312,567
Total Net Debt Applicable to 6% Limit	81,757	71,695	74,984	64,799	126,820	112,745
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 114,920</u>	<u>\$ 139,901</u>	<u>\$ 163,547</u>	<u>\$ 195,808</u>	<u>\$ 157,325</u>	<u>\$ 199,822</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	41.57%	33.88%	31.44%	24.86%	44.63%	36.07%

City of Scottsdale
Legal Debt Margin Information
As of June 30, 2007
(in thousands)

Table XVIIb

Legal Debt Margin Calculation for Fiscal Year 2007

Net Secondary Assessed Valuation as of June 30, 2007 \$ 5,209,444

20% Limitation

Debt Limit Equal to 20% of Assessed Valuation 1,041,889

Debt applicable to limit:

 General Obligation Bonds 363,455

Legal 20% Debt Margin (Available Borrowing Capacity) \$ 678,434

6% Limitation

Debt Limit Equal to 6% of Assessed Valuation \$ 312,567

Debt applicable to limit:

 General Obligation Bonds 112,745

Legal 6% Debt Margin (Available Borrowing Capacity) \$ 199,822

Source: City of Scottsdale Financial Services

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

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

**City of Scottsdale
Pledged-Revenue Coverage
Last Six Fiscal Years**
(in thousands)

Table XVIII

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		Coverage	Highway User Tax Revenue	Debt Service		Coverage
						Principal	Interest			Principal	Interest	
2002	\$ 97,802	\$ 49,840	\$ 47,962	\$ 15,087	\$ 63,049	\$ 2,595	\$ 3,937	9.65	\$ 12,574	\$ 2,275	\$ 828	4.05
2003	95,064	46,991	48,073	17,648	65,721	2,715	3,792	10.10	13,137	2,395	715	4.22
2004	97,813	49,662	48,151	21,574	69,725	2,860	3,159	11.58	14,034	2,515	592	4.52
2005	105,078	56,413	48,665	20,155	68,820	2,630	3,570	11.10	14,738	2,660	460	4.72
2006	115,374	56,329	59,045	24,071	83,116	3,330	3,182	12.76	15,708	2,825	317	5.00
2007	125,880	64,089	61,791	17,878	79,669	3,475	2,997	12.31	16,778	2,990	165	5.32

Special Assessment Bonds					Scottsdale Preserve Authority Bonds				Municipal Property Corporation Bonds			
Fiscal Year Ended June 30	Special Assessment Collections	Debt Service		Coverage (2)	0.2% and 0.15% Sales Tax (3)	Debt Service		Coverage	Excise Tax	Debt Service (4)		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2002	\$ 2,339	\$ 2,208	\$ 393	0.90	\$ 6,839	\$ 2,185	\$ 4,704	0.99	\$ 188,548	\$ 8,325	\$ 3,775	15.58
2003	1,970	1,990	279	0.87	6,881	2,315	4,566	1.00	189,516	9,145	3,045	15.55
2004	2,558	2,425	492	0.88	6,267	2,445	3,825	1.00	199,889	7,170	1,108	24.15
2005	2,016	2,448	360	0.72	7,014	2,595	4,437	1.00	239,284	8,265	6,413	16.30
2006	1,106	851	275	0.98	6,811	2,815	3,997	1.00	268,134	5,995	10,017	16.75
2007	1,825	848	235	1.69	6,806	2,965	3,843	1.00	277,366	5,305	10,057	18.06

(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 citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

(4) Includes debt service payments paid out of revenue from the Water and Sewer Fund.

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

**City of Scottsdale
Demographic and Economic Statistics
Last Six Fiscal Years**

Table XIX

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (3)	Median Age (4)	Education Level in Years of Schooling (5)	School Enrollment (6)	Unemployment Rate (7)
2002	209,960	\$ 8,396,720	\$ 39,992	41.1	13 to 16	27,436	4.1%
2003	214,090	8,787,110	41,044	40.5	13 to 16	27,479	3.6%
2004	217,555	9,158,195	42,096	40.2	13 to 16	27,328	3.9%
2005	221,130	9,515,538	43,148	39.9	13 to 16	26,559	2.9%
2006	226,390	9,896,159	43,713	39.5	13 to 16	27,000	3.0%
2007	238,270	10,367,366	43,511	41.0	13 to 16	26,653	2.6%

Data Sources:

- 1 Arizona Department of Economic Security
- 2 Sites USA (estimate)
- 3 Sites USA
- 4 US Census Bureau (estimate)
- 5 Sites USA
- 6 Arizona Department of Education
- 7 Arizona Department of Economic Security; Arizona Workforce

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

Table XX

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment*	Employees	Rank	Percentage of Total City Employment*
Scottsdale Healthcare	5,928	1	3.50%	-	-	-
General Dynamics	4,000	2	2.40%	-	-	-
Mayo Clinic - Scottsdale	3,995	3	2.40%	1,000	8	1.00%
Scottsdale Unified School District	3,500	4	2.10%	2,480	3	2.50%
City of Scottsdale	2,708	5	1.60%	2,000	4	2.00%
CareMark	1,636	6	1.00%	-	-	-
Troon Golf LLC	1,539	7	0.09%	-	-	-
Go Daddy Group	1,227	8	0.07%	-	-	-
Scottsdale Fairmont Princess Resort	1,200	9	0.07%	1,300	6	1.30%
Scottsdale Insurance Company	1,195	10	0.07%	1,050	7	1.10%
Scottsdale Memorial Health Systems	-	-	-	4,500	1	4.60%
Motorola	-	-	-	4,100	2	4.20%
PCS Health Systems (Eli Lilly)	-	-	-	1,544	5	1.60%
Dial Corporation	-	-	-	800	9	0.80%
Hyatt Regency Gainey Rancy	-	-	-	800	10	0.80%
Total	26,928		13.30%	19,574		19.90%

Source: City of Scottsdale, Economic Vitality Department

* 2007 labor force = 167,129; 1998 labor force = 98,592

City of Scottsdale
Full-time Equivalent City Government Employees by Function
Last Six Fiscal Years

Table XXI

Full-time Equivalent Employees as of June 30

Function	2002	2003	2004	2005	2006	2007
General Government	196.5	195.5	196.5	202.0	217.0	222.2
Police	574.1	591.1	590.1	631.1	676.1	705.6
Financial Services	144.5	144.5	139.5	143.0	149.0	151.0
Transportation	35.0	34.0	24.0	25.0	27.0	30.0
Community Services	516.1	516.1	506.1	513.6	559.4	580.3
Information Systems	73.8	73.8	74.8	78.8	80.8	83.8
Fire	2.7	2.7	3.7	3.7	259.0	268.0
Municipal Services	132.8	132.8	135.8	139.8	151.8	170.5
Citizen and Neighborhood Resources	35.0	35.0	32.0	37.0	39.0	40.0
Human Resources	36.5	35.5	34.5	36.5	35.5	36.5
Economic Vitality	10.0	10.0	8.0	10.0	11.0	11.0
Planning and Development	157.0	151.0	140.0	140.0	144.0	161.0
Water Resources	139.0	136.0	136.0	139.0	152.5	162.0
Aviation	11.9	12.4	12.4	12.4	13.0	15.0
Solid Waste	77.3	80.3	79.3	79.3	83.3	85.3

Source: The City of Scottsdale's Budget Department.

City of Scottsdale
 Operating Indicators by Function
 Last Six Fiscal Years

Table XXII

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Government						
<i>Legislative and Constituent/Gov. Relations</i>						
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent	No Survey	No Survey	90%	93%	No Survey	90%
<i>City Clerk's Office</i>						
# of legal postings	518	466	456	651	890	974
<i>City Attorney's Office</i>						
% of cases resolved at first court appearance (arraignment)	20%	26%	30%	30%	32%	35%
<i>City Auditor's Office</i>						
# of audits performed	60	6	11	11	17	22
<i>City Court</i>						
Charges filed / charges adjudicated (resolved)	79,638 / 114,514	96,995 / 94,045	121,560 / 129,888	136,747 / 134,793	153,320 / 156,292	201,866 / 216,000
<i>City Manager's Office</i>						
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent	No Survey	No Survey	86%	89%	No Survey	90%
<i>Communications & Public Affairs</i>						
News releases, media updates, traffic alerts, construction updates released to news media	277	215	182	247	250	220
<i>WestWorld</i>						
# of special events	49	55	53	57	59	46
<i>The Downtown Group</i>						
# of downtown special events coordinated	N/A	N/A	41	58	62	71
<i>Preservation</i>						
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	514	660	450	2,600	40	259
Police						
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand)						
Scottsdale	44.9	44.3	45.5	42.3	37.1	35.0
Valley Average	70.5	72.0	60.2	56.5	51.0	51.0
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	6:00	6:29	5:87	6:12	6:00	6:10
Provide initial contact to 100% of citizen traffic concerns within seven days	50%	60%	96%	98%	98%	100%
Financial Services						
# of Accounts Payable checks issued	35,636	35,344	34,547	37,954	41,194	42,000
# of purchase orders	8,531	10,212	12,254	9,611	10,600	12,000
# of water meters read annually	943,212	971,508	986,080	1,000,870	1,033,600	1,030,368
# of customer contacts (utilities, taxes & licensing)	212,787	218,185	221,900	229,500	230,000	216,764

(continued)

City of Scottsdale
Operating Indicators by Function
Last Six Fiscal Years

Table XXII

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Transportation						
Total citywide transit ridership	1,780,578	1,917,011	1,917,000	1,969,512	2,255,450	2,321,073
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)	76	124	150	270	322	375
Scottsdale Airport - Takeoffs and Landings	181,657	197,483	195,276	208,106	210,481	185,241
Community Services						
# attending Parks & Recreation facilities, Human Services facilities and Libraries annually	6,817,413	7,485,295	7,565,511	7,573,369	7,717,000	7,925,000
# of square feet of medians and rights of way maintained	13,168,516	13,253,516	13,949,440	14,569,062	15,188,684	15,460,961
Facility inventory maintained (square feet)	1,551,620	1,755,162	1,807,298	1,825,564	2,166,650	2,221,650
Information Systems						
# of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)	n/a	32,244	129,000	2,319,000	46,100,000	94,187,000
Annual Disk Storage size (DAS, NAS, and SAN) (Terabytes)	2.5	4.0	5.0	7.0	30.0	30.0
Fire						
# of responses to calls for emergency services	21,877	21,162	21,756	23,102	23,572	22,894
Responses per capita	0.10	0.09	0.09	0.10	0.10	0.10
Average response time to urban calls for service (minutes)	4:02	4:01	4:20	4:23	4:23	4:15
Water Service						
Water Service Connections	79,052	80,454	81,947	83,511	86,399	86,728
Drinking Water Supplied (million gallons per day)	70.4	67.6	70.0	67.7	73.1	72.1
Reclaimed Water Supplied (million gallons per day)	11.8	14.2	11.8	11.6	11.5	11.4
Sewer Service						
Sewer Service Connections	69,121	70,732	72,034	73,232	74,143	76,092
Sewage Treated (million gallons per day)	24.0	24.5	24.2	25.5	24.2	25.3
Municipal Services						
# of active Capital Projects	101	118	116	183	199	202
# of homes serviced by Residential Refuse Collection	70,546	72,166	73,602	74,850	76,300	77,800
# of citizens serviced annually by Household Hazardous Waste collection program	1,708	1,900	2,201	1,718	1,900	2,100

(continued)

City of Scottsdale
Operating Indicators by Function
Last Six Fiscal Years

Table XXII

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Citizen & Neighborhood Resources						
% increase of Neighborhood Watch groups annually	n/a	15%	37%	37%	25%	5%
# of new Code Enforcement cases processed per year	7,357	10,000	10,000	11,336	14,000	16,900
Human Resources						
Citywide turnover	120	6.8%	7.3%	7.9%	11.1%	11.5%
HR operating cost as a % of City payroll	3.1%	2.6%	2.4%	2.3%	2.0%	2.0%
Economic Vitality						
Targeted job creation - number of companies / number of jobs	10 / 1,305	17 / 1,716	23 / 1,800	10 / 1,443	10 / 1,200	10 / 1,000
Hotel/Motel average occupancy rate	- 2%	55.0%	57.5%	60.0%	69.0%	70.0%
Bed Tax growth (% annual change)	- 13%	0%	+ 3%	+ 5%	+ 5%	4%
Planning & Development Services						
Customer wait-time (in minutes) at One Stop Shop	n/a	n/a	45	25	15	20
Provide applicant with pre-application meeting within 30 days of submitting request.	n/a	n/a	90%	100%	100%	100%
% of inspections performed within 24 hours of the request	99%	99%	97%	98%	99%	99%

Source: The City of Scottsdale's Budget Department and applicable City departments.

City of Scottsdale
Capital Asset Statistics by Function
Last Six Fiscal Years

Table XXIII

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Public Safety						
Police:						
Stations	3	3	3	3	3	3
Police Vehicles	261	295	286	290	345	375
Fire Stations	10	12	12	13	13	13
Highways and Streets						
Square Yards of Pavement	19,100,000	19,100,000	19,231,553	19,231,553	19,660,273	20,393,288
Equivalent 12' Wide Lane Miles	2,713	2,713	2,732	2,732	2,793	2,897
Streetlights	9,510	10,300	10,500	10,650	10,828	11,022
Traffic Signals	250	253	258	262	276	276
Culture and Recreation						
Parks	40	40	40	40	40	40
Parks Acreage	869	869	849	849	937	937
Swimming Pools	3	3	3	3	3	4
Tennis Courts	49	49	49	49	49	51
Community Centers	6	6	6	6	6	5
Water						
Water Mains (miles)	1,738	1,815	1,854	1,897	1,933	1,997
Fire Hydrants	8,659	8,928	9,193	9,541	9,839	10,147
Sewer						
Sanitary Sewers (miles)	1,155.0	1,262.0	1,280.0	1,287.4	1,309.0	1,350.0
Storm Sewers (miles)	68.7	68.7	137.7	142.8	148.0	153.5

Source: City of Scottsdale departments.

