



CITY OF SCOTTSDALE  
ARIZONA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT



for the  
Fiscal Year  
Ended  
June 30, 2010

**City of Scottsdale, Arizona**



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

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**Prepared by:**

Finance and Accounting Division

David N. Smith  
City Treasurer

Jeff Nichols, CPA  
Accounting Director



# City of Scottsdale, Arizona

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

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## **Transmittal Letter**

For the Fiscal Year  
Ended June 30, 2010

City of Scottsdale  
Scottsdale, Arizona

October 29, 2010

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

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

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

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

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

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

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

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

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

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

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

### ***Local Economy***

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

## Tourism

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

## Retail Sales

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

## Employment

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

## Commercial Vacancy Rates

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

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

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

### Adopted Comprehensive Financial Policies

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

### Financial Resource Planning

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

### Multi-Year Operating Budget Planning

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

### Strategic Capital Improvement Project Planning

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

### Debt Management

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

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

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

**City of Scottsdale Bonded Debt Ratings**

**As of June 30, 2010**

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

***Major Initiatives***

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

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

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

### *Awards and Acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a “Certificate of Achievement for Excellence in Financial Reporting” to the City of Scottsdale for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the 37<sup>th</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,



David N. Smith  
City Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Scottsdale  
Arizona

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

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



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

President

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

Executive Director



**Comprehensive  
Annual  
Financial  
Report**

For the Fiscal Year  
Ended June 30, 2010

City of Scottsdale  
Scottsdale, Arizona

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

**City Council**

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

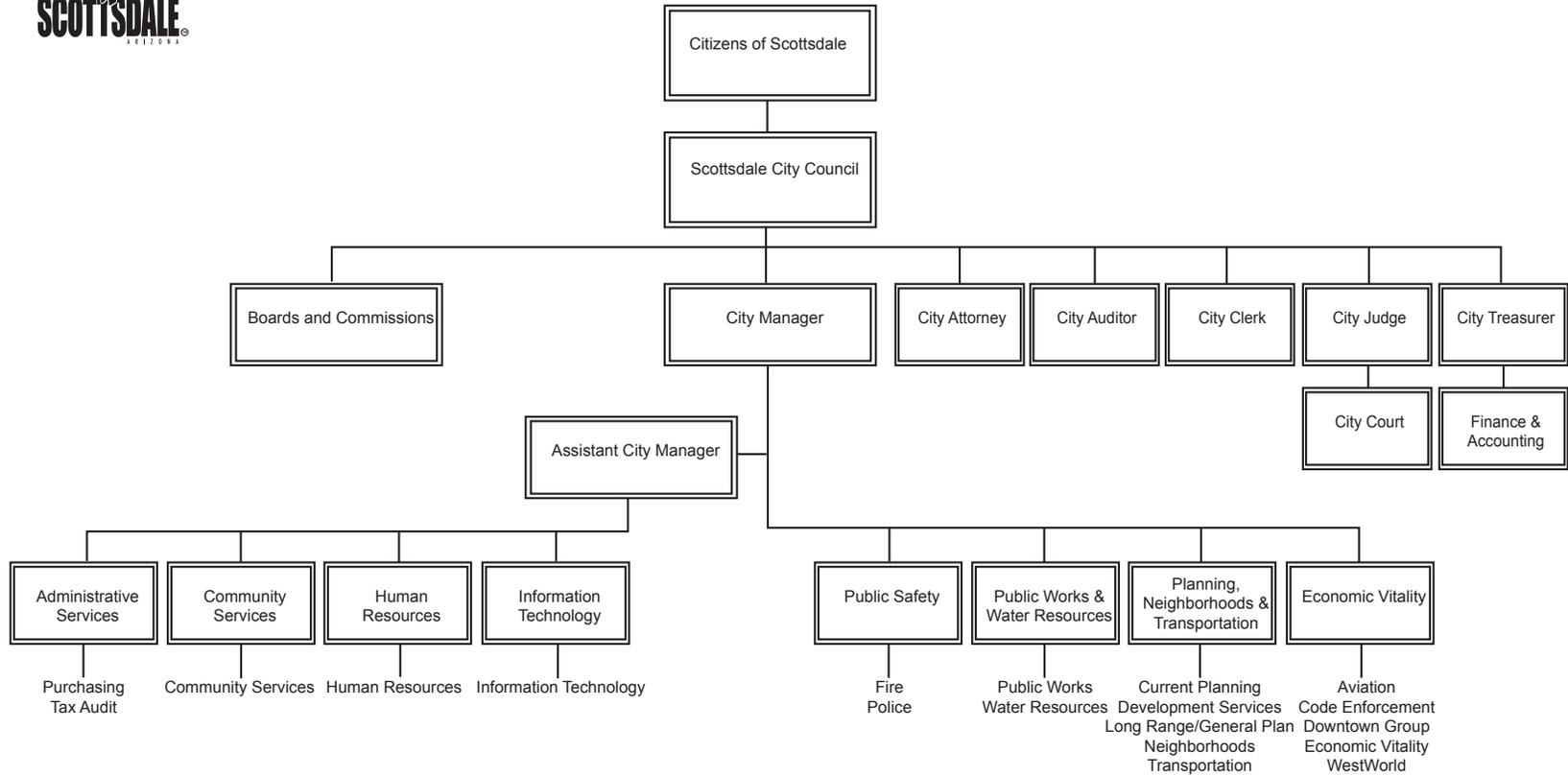
**Charter Offices**

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



# Organizational Chart

June 30, 2010





## INDEPENDENT AUDITORS' REPORT

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

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

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

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

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



An independent member of Nexia International

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

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

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

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
October 29, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2010 are as follows:

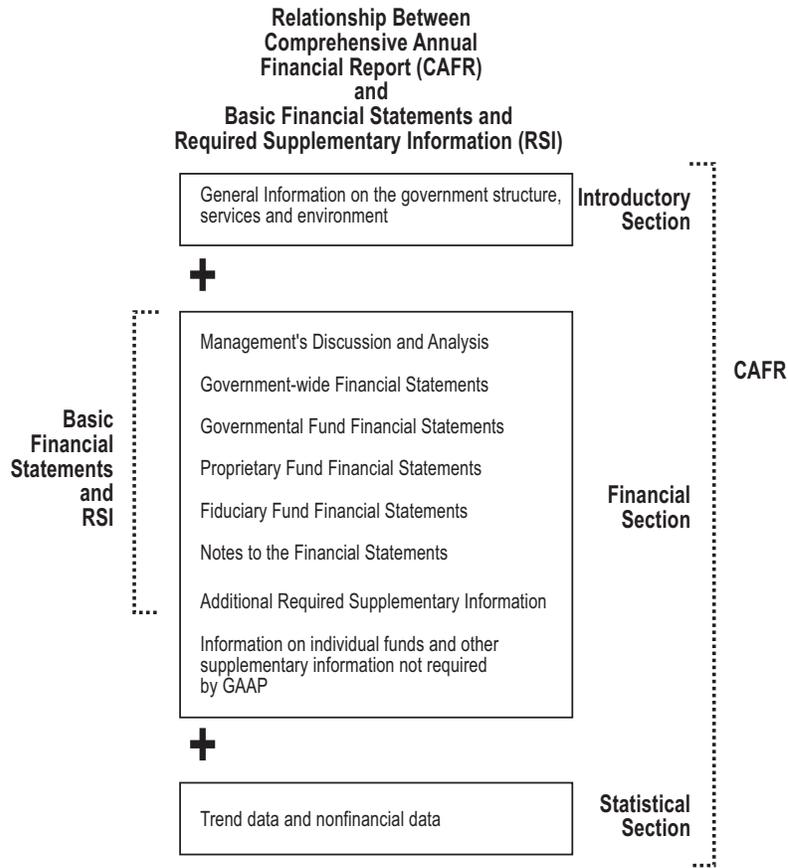
- The assets of the City exceeded its liabilities at the close of the fiscal years 2010 and 2009 by \$4.2 billion and \$4.1 billion (net assets), respectively. Of these amounts, \$395.0 million and \$323.0 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



### Government-wide Financial Statements

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

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, accrued revenues and expenses are reported in this statement for some items that are expected to result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses for earned but unused vacation and sick leave balances.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, finance, accounting, economic vitality, public works, water resources, planning, neighborhoods, transportation, public safety, human resources, community services, information technology, administrative services, street light and services districts. The business-type activities of the City include water, sewer, solid waste, and airport operations.

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

The government-wide financial statements can be found on pages 32 and 33 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **Governmental** Funds, **Proprietary** Funds, and **Fiduciary** Funds.

## Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

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

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

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

## Proprietary Funds

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

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

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

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

## **Fiduciary Funds**

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

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

## **Notes to the Financial Statements**

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

## **Combining Statements**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

## **Analysis of Net Assets**

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

**Net Assets**

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

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

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

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

**Analysis of Changes in Net Assets**

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

## Changes in Net Assets

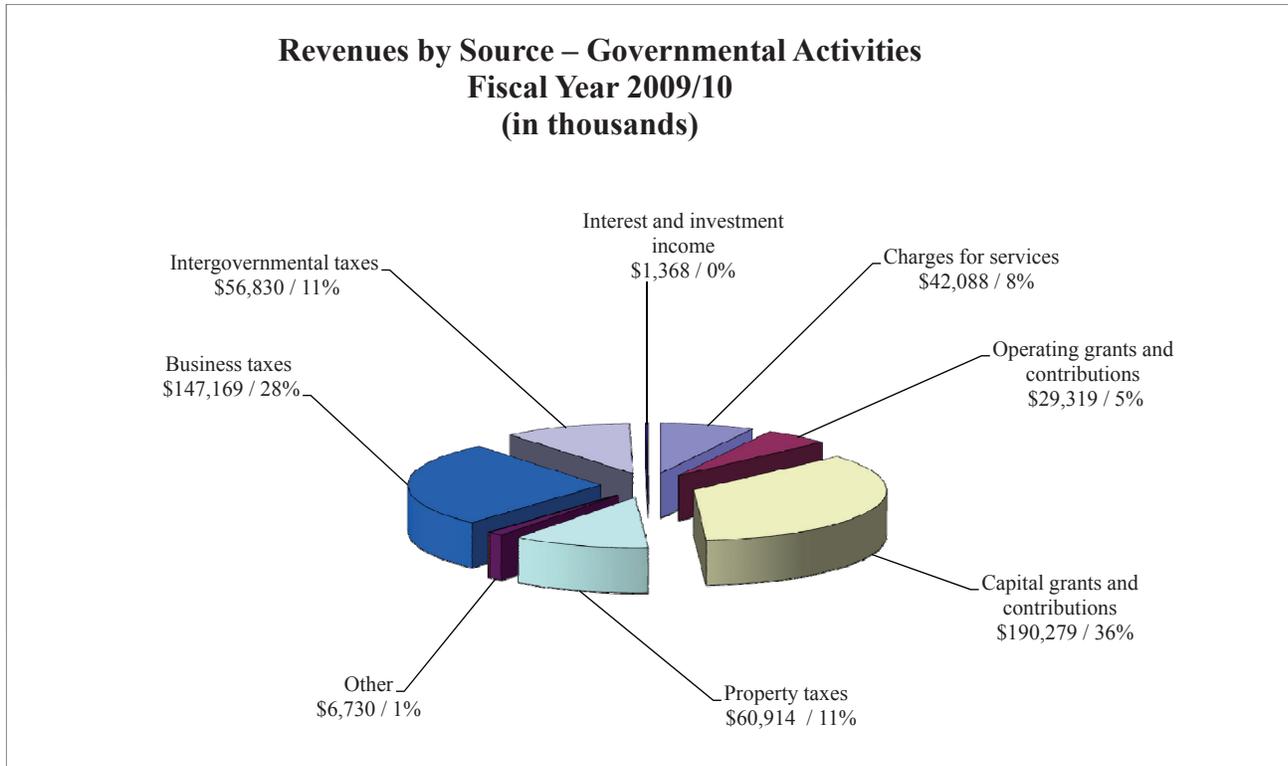
For the Years Ended June 30, 2010 and 2009 (in thousands of dollars)

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

## Governmental Activities

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

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



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

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

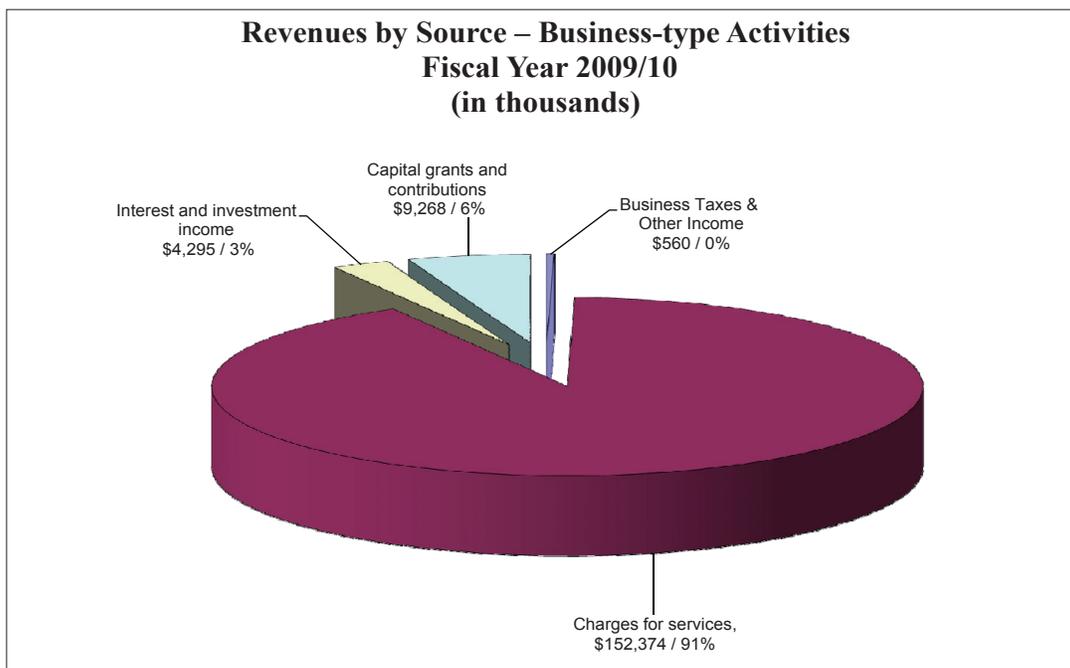
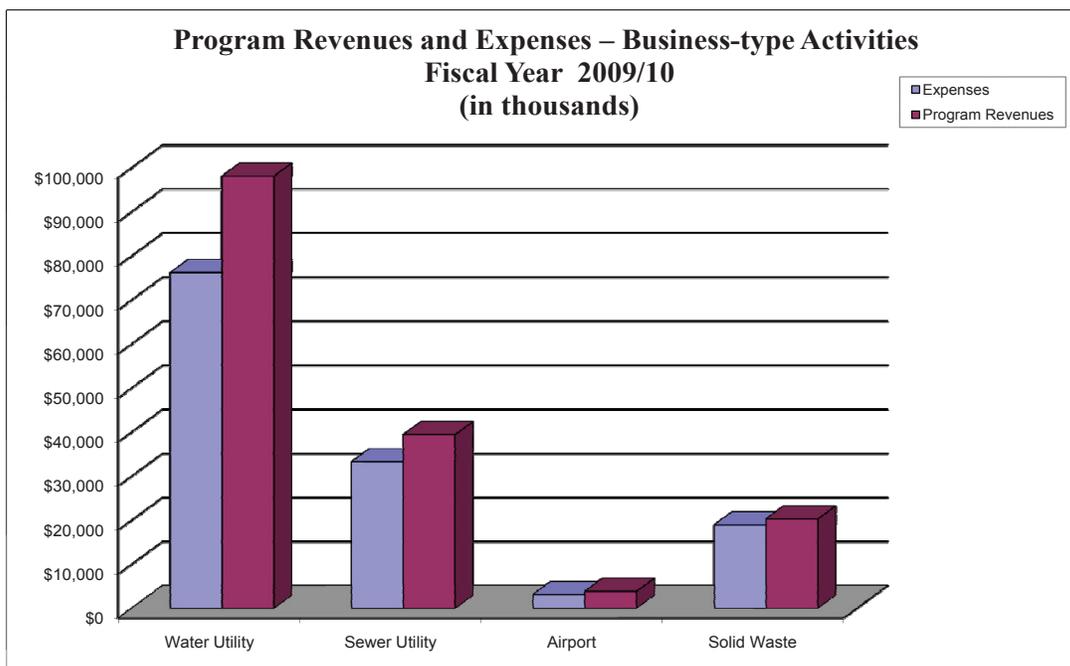
The Scottsdale Police and Fire Departments, which together comprise the Public Safety Division, is the largest expense function (27 percent), followed closely by planning, neighborhood and transportation (26 percent), and community services (12 percent).

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

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

### Business-type Activities

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



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

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

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

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

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

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

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

### **Governmental Funds**

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

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

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

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

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

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

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

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

### **Proprietary Funds**

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

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

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

## **Fiduciary Funds**

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

## **General Fund Budgetary Highlights**

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

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

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

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

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

## Capital Assets and Debt Administration

### Capital Assets

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

#### Capital Assets, Net of Depreciation

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

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

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

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

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

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

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

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

### Debt Administration

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

#### Long-Term Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Requests For Information**

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

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

Or visit our website at:

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

# Basic Financial Statements

## Statement of Net Assets

June 30, 2010 (in thousands of dollars)

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

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

## Statement of Activities

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

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

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

## Balance Sheet

### Governmental Funds

June 30, 2010 (in thousands of dollars)

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

(continued)

## Balance Sheet

### Governmental Funds

June 30, 2010 (in thousands of dollars)

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

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

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

June 30, 2010 (in thousands of dollars)

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Fund Balances - Total Governmental Funds	\$ 205,750
Amounts reported for governmental activities in the statement of net assets are different because (see Note II A):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	3,496,964
Bond issuance costs are not financial resources; therefore, are not reported in the funds.	3,611
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(891,370)
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.	39,539
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>60,488</u>
Net Assets of Governmental Activities	<u><u>\$ 2,914,982</u></u>

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

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

## Governmental Funds

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

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

(continued)

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

### Governmental Funds

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

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

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

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

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

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

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

## General Fund

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

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

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

# General Fund

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

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

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### Explanation of Differences:

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

Change in Fair Value of Investments	\$	5,165
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The City budgets revenues on the cash basis, rather than on the modified accrual basis:

Change in Receivables		<u>749</u>
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Total Revenue Reconciling Items:		<u>5,914</u>
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The City budgets for certain expenditures on the cash basis, rather than  
on the modified accrual basis:

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

Total Expenditure Reconciling Items:		<u>464</u>
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Net Increase in Fund Balance - Budget to GAAP	\$	<u><u>5,450</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, 2010 (in thousands of dollars)

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

(continued)

## Statement of Net Assets

### Proprietary Funds

June 30, 2010 (in thousands of dollars)

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

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

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

### Proprietary Funds

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

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

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

## Statement of Cash Flows

### Proprietary Funds

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

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

(continued)

## Statement of Cash Flows

### Proprietary Funds

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

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

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

# Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2010 (in thousands of dollars)

---

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

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

# Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

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

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

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

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

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

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

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

<p>McDowell Mountain Ranch Community Facilities District (CFD)</p>	<ul style="list-style-type: none"> <li>• Formed by 1994 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 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"> <li>• Formed by 1997 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 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"> <li>• Formed by 1998 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 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"> <li>• Formed by 2005 petition to City Council.</li> <li>• Created to acquire and improve public infrastructure in specified land area.</li> <li>• Able to levy taxes and issue bonds independent of the City.</li> <li>• Property owners within the designated area are assessed for District taxes and costs of operation.</li> <li>• City Council serves as the Board of Directors.</li> <li>• The City has no liability for the District debt.</li> <li>• For financial reporting purposes, transactions are included as a governmental fund type, as if part of the City's operation.</li> </ul>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to vacation, sick leave, claims, and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer, airport, solid waste fees, vehicle purchase/maintenance amounts and risk management charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

**1. Deposits and Investments**

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

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

**2. Receivables and Payables**

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

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

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

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

### **3. Inventories**

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

### **4. Restricted Assets**

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

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

### **5. Capital Assets**

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

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

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

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

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

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

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

## 6. Compensated Absences

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

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

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

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

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

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

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

## **9. Fund Equity**

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

## **10. Net Assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

(in thousands of dollars)

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

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

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

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

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

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

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

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

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

	<u>\$ 60,488</u>
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**B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

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

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

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

(continued)

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

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

(continued)

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

Reconciling Items Description:

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

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

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

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

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

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

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

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

Capital Contributions	<u>\$ 179,690</u>
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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.

Change in Net Assets	<u>\$ 5,542</u>
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- (6) Interfund transactions between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of revenues and expenditures to eliminate the doubling up effect of these transactions within the governmental activities.

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

(continued)

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

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

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

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

Principal payments made	<u>\$ 33,701</u>
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Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued and accreted interest was calculated for bonds and notes payable, and additional interest expense was recognized on the amortization of bond discount and premiums which are expended within the fund statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**B. Excess of Expenditures over Appropriations**

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

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

**C. Deficit Fund Equity**

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

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

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

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

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

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

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

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

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

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

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

##### **Deposits**

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

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

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

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

## Interest Rate Risk

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

(in thousands of dollars)

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

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

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

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

## Credit Risk

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

(in thousands of dollars)

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

**Concentration of Credit Risk**

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

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

(in thousands of dollars)

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

**Investments**

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

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

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

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

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

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

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

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

**B. Receivables**

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

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

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

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

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

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

### C. Capital Assets

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

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

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

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

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

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

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

**Construction Commitments**

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

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

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

**D. Interfund Balances and Interfund Transfers**

**Due To and Due From Other Funds**

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

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

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

**Interfund Transfers**

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

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

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

(continued)

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

**E. Leases**

**Operating Leases**

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

**Capital Leases**

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

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

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

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

## **General Obligation Bonds**

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

## **Municipal Property Corporation Bonds**

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

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

## **Scottsdale Preserve Authority Bonds**

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

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

## **Water and Sewer Revenue Bonds**

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

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

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

## **Special Assessment Bonds**

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

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

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

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

**Certificates of Participation**

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

**Community Facilities Districts General Obligation Bonds**

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

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

**CFD Advance Refundings**

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

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

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

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

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

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

**Municipal Property Corporation Bonds**

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

**Scottsdale Preserve Authority Bonds**

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

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

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

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

### Statutory Debt Limitation

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

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

### Arbitrage

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

### Advance Refundings and Defeasances

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

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

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

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

### Contracts Payable

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

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

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

## Changes in Long-Term Liabilities

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

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

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

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

## Debt Service Requirements to Maturity

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

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

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

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

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

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

(continued)

Governmental Activities (concluded)

(in thousands of dollars)

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

Business-type Activities  
(in thousands of dollars)

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

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

## V. OTHER INFORMATION

### A. Risk Management

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

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

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

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

### B. Contingent Liabilities

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

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

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

The major conditions for closure are:

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

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

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

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

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

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

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

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

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

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

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

## **E. Pollution Remediation**

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

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

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

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

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

## **F. Related Organization**

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

**G. Retirement and Pension Plans**

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

**Arizona State Retirement System**

**Plan Description**

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

**Funding Policy**

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

**Public Safety Personnel Retirement System**

**Plan Description**

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

## Funding Policy

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

## Annual Pension Cost

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

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

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

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

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

## Actuarial Methods and Assumptions

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

**Funded Status**

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

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

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

## **Elected Officials' Retirement Plan**

### **Plan Description**

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

### **Funding Policy**

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

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

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

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

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

**I. Postemployment Benefits Other Than Pensions**

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

**Plan Description**

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

**Benefits Provided**

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

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

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

**Funding Policy**

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

**Annual OPEB costs and Net OPEB Obligation**

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

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

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

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

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

(in thousands of dollars)

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

**Funded Status**

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

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

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

**Actuarial Methods and Assumptions**

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

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

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

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

**Medical Reimbursements**

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

## Funding Progress

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

### Required Supplementary Information

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost 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	\$ 104,800	\$ 149,605	70.0%	\$ 44,805	\$ 28,232	158.7%
2008	111,692	153,785	72.6%	42,092	33,143	127.0%
2009	120,870	160,131	75.5%	39,261	33,650	116.7%

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost 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	\$ 11,565	\$ 10,360	111.6%	\$ 1,205	\$ 17,327	7.0%
2008	15,509	12,207	127.1%	(3,302)	18,162	0.0%
2009	21,436	16,998	126.1%	(4,438)	18,850	0.0%

**Required Supplementary Information**

**Public Safety Personnel Retirement System**

**(Police)**

**Schedule of Funding Progress Health Insurance**

(in thousands of dollars)

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

**Public Safety Personnel Retirement System**

**(Fire)**

**Schedule of Funding Progress Health Insurance**

(in thousands of dollars)

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

Required Supplementary Information

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

(in thousands of dollars)

Actuarial 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)
2008	\$ -	\$ 6,822	0.0%	\$ 6,822	\$ 143,209	4.8%
2009	-	3,664	0.0%	3,664	52,675	7.0%
2010	-	3,602	0.0%	3,602	48,285	7.5%

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

#### **HOME Fund**

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

#### **Grants Fund**

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

#### **Section 8 Fund**

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

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

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

#### **Special Programs Fund**

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

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### **DEBT SERVICE FUNDS**

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

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

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

### **Special Assessments Fund**

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

### **Community Facilities Districts Funds**

Scottsdale Mountain Community Facilities District Fund

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

Via Linda Road Community Facilities District Fund

Waterfront Commercial Community Facilities District Fund

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

### **Scottsdale Preserve Authority Fund**

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

### **Preserve Privilege Tax Fund**

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

### **Transportation Privilege Tax Fund**

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

### **Community Facilities Districts Funds**

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

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

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## **CAPITAL PROJECTS FUNDS**

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

### **General Obligation Bond Fund**

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

## Combining Balance Sheet

### Nonmajor Governmental Funds

June 30, 2010 (in thousands of dollars)

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

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

### Nonmajor Governmental Funds

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

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

(continued)

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

### Nonmajor Governmental Funds

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

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

## Combining Balance Sheet

### Nonmajor Special Revenue Governmental Funds

June 30, 2010 (in thousands of dollars)

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

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

### Nonmajor Special Revenue Governmental Funds

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

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

## Highway User Fuel Tax – Special Revenue Fund

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

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

## Preserve Privilege Tax – Special Revenue Fund

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

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

## Combining Balance Sheet

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

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

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

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

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

## General Obligation Bond Debt Service

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

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

### Explanation of Differences:

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

\$ (4)

## Municipal Property Corporation Bond Debt Service

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

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

## Special Assessments Bond Debt Service

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

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

### Explanation of Differences:

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

\$ (16)

## Scottsdale Preserve Authority Bond Debt Service

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

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

## Combining Balance Sheet

### Nonmajor Capital Projects Governmental Funds

June 30, 2010 (in thousands of dollars)

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

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

### Nonmajor Capital Projects Governmental Funds

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

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

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## INTERNAL SERVICE FUNDS

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

### **Fleet Management Fund**

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

### **Self-Insurance Fund**

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

## Combining Statement of Net Assets

### Internal Service Funds

June 30, 2010 (in thousands of dollars)

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

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

### Internal Service Funds

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

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

## Combining Statement of Cash Flows

### Internal Service Funds

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

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

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## FIDUCIARY FUNDS

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

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

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

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

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

### **Retainage Escrow Agency Fund**

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

## Combining Statement of Fiduciary Net Assets

### Fiduciary Funds

June 30, 2010 (in thousands of dollars)

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

## Combining Statement of Changes in Assets and Liabilities

### Fiduciary Funds

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

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

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## OTHER SUPPLEMENTARY INFORMATION

### Debt Requirements

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

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

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

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

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

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

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

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

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

(continued here and on following page)

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

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

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

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

(continued)

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

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



## Statistical Section

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

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

Table I

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

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

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

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

Table IIa

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

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

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

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

Table IIb

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

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

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

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

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

Table IIc

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

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

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

Table III

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

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

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

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

Table IV

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

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

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

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

Table Va

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

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

Table Vb

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

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

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

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

Table Vc

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

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

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

Table VI

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

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

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

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

Table VII

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

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

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

Table VIII

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

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

Source: City Tax Audit Section

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

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

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

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

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

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

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

Table IX

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

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

Table X

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

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

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

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

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

Table XI

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

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

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

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

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

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

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

Table XII

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

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

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

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

Table XIII

Fiscal Year 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	\$ 34,993	96.8%	\$ 672	\$ 35,665	98.6%
2003	39,159	37,858	96.7%	743	38,601	98.6%
2004	42,756	41,728	97.6%	772	42,500	99.4%
2005	44,879	43,688	97.3%	658	44,346	98.8%
2006	47,809	46,431	97.1%	941	47,372	99.1%
2007	48,778	47,105	96.6%	1,071	48,176	98.8%
2008	50,838	49,408	97.2%	1,310	50,718	99.8%
2009	58,179	55,876	96.0%	-	55,876	96.0%
2010	57,380	55,221	96.2%	-	55,221	96.2%

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

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

Table XIV

<b>Governmental Activities</b>									
Fiscal Year Ended June 30	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
2008	574,445	-	149,007	74,495	3,835	5,689	42,450	17,875	141
2009	551,455	-	149,216	71,235	3,000	4,954	40,665	16,828	-
2010	578,190	-	148,212	67,870	2,250	4,194	38,760	15,732	-

<b>Business-type Activities</b>								
Fiscal Year Ended June 30	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	
2008	-	52,005	256,790	97	1,176,829	10.39%	4,901	
2009	-	48,345	249,735	53	1,135,486	10.79%	4,686	
2010	-	45,230	316,780	7	1,217,225	10.21%	4,999	

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

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

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

Table XV

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

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

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

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

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

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

Table XVI

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

Source: Maricopa County Assessor's Office

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

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

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

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

Table XVIIa

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

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

**Table XVIIb**

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

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

Source: City of Scottsdale Financial Services

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

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

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

Table XVIII

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

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

(1) Includes investment income.

(2) Coverage ratio is less than 1.0 due to prepayment of amounts that are currently in fund balance.

(3) In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax. This tax was effective July 1, 2004.

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

(5) Excise Tax was recalculated for prior years using correct items from Table VI and the Statement of Revenue, Expenditures, and Changes in Fund Balances for the Governmental Funds.

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

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

Table XIX

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

(8)

## Data Sources:

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

## Note:

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

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

Table XX

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

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

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

(2) Includes all Mayo Clinic employees in Metro Phoenix

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

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

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

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

Table XXI

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

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

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

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

Table XXII

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

(continued)

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

**Table XXII**

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

(continued)

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

Table XXII

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

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

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

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

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

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

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

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

Table XXIII

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

Source: City of Scottsdale, Arizona departments.



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

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