

**City of Scottsdale, Arizona**



**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2009**

---

**Prepared by:**

Financial Services Department

Scott McCarty, CPA  
Chief Financial Officer

Richard D. Chess, MBA  
Accounting & Tax Audit Director



# City of Scottsdale, Arizona

## Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2009

### Table of Contents

Page

#### INTRODUCTORY SECTION

Letter of Transmittal – Chief Financial Officer, Financial Services.....	1
Certificate of Achievement - Government Finance Officers Association .....	7
List of Elected and Appointed Officials/Organizational Chart .....	8

#### FINANCIAL SECTION

Independent Auditors' Report.....	11
Management's Discussion and Analysis .....	13

#### Basic Financial Statements:

##### Government-wide Financial Statements:

Statement of Net Assets.....	34
Statement of Activities .....	35

##### Fund Financial Statements

Balance Sheet - Governmental Funds .....	36
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	39
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	41
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget and Actual - General Fund.....	43
Statement of Net Assets - Proprietary Funds.....	44
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	46
Statement of Cash Flows - Proprietary Funds .....	47
Statement of Fiduciary Net Assets - Fiduciary Funds.....	49
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	50

Notes to the Financial Statements.....	51
I Summary of Significant Accounting Policies .....	51
II Reconciliation of Government-wide and Fund Financial Statements .....	60
III Stewardship, Compliance, and Accountability .....	66
IV Detailed Notes on All Funds .....	69
A. Cash and Investments .....	69
B. Receivables .....	73
C. Capital Assets.....	74
D. Interfund Balances and Interfund Transfers .....	76
E. Leases.....	78
F. Bonds, Loans, and Other Payables.....	79

V Other Information.....	92
A. Risk Management.....	92
B. Contingent Liabilities .....	92
C. Commitments and Subsequent Events .....	92
D. Joint Venture.....	94
E. Pollution Remediation.....	94
F. Related Organization.....	95
G. Retirement and Pension Plans .....	95
H. Other Postemployment Benefits .....	100
I. Postemployment Benefits Other Than Pensions.....	101
 <b>Combining and Individual Fund Statements and Schedules:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	108
Combining Balance Sheet - Nonmajor Special Revenue Governmental Funds .....	110
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Governmental Funds.....	111
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Highway User Fuel Tax – Special Revenue Fund.....	112
Preserve Privilege Tax – Special Revenue Fund .....	113
Combining Balance Sheet - Nonmajor Debt Service Governmental Funds.....	114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Governmental Funds.....	115
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Obligation Bond – Debt Service Fund.....	116
Municipal Property Corporation Bond – Debt Service Fund.....	117
Special Assessments Bond – Debt Service Fund .....	118
Scottsdale Preserve Authority Bond – Debt Service Fund.....	119
Combining Balance Sheet - Nonmajor Capital Projects Governmental Funds .....	120
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Governmental Funds .....	121
Combining Statement of Net Assets - Internal Service Funds .....	123
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds.....	124
Combining Statement of Cash Flows - Internal Service Funds.....	125
Combining Statement of Fiduciary Net Assets - Fiduciary Funds.....	127
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds .....	128
 <b>Other Supplementary Information:</b>	
Schedule of Changes in Long-Term Debt.....	130

## STATISTICAL SECTION

Page

### Financial Trends

Net Assets by Component – Last Eight Fiscal Years (accrual basis of accounting).....	134
Changes in Net Assets – Last Eight Fiscal Years (accrual basis of accounting).....	135
Governmental Activities Tax Revenue by Source – Last Eight Fiscal Years (accrual basis of accounting).....	138
Fund Balances of Governmental Funds – Last Eight Fiscal Years (modified accrual basis of accounting).....	139
Changes in Fund Balances of Governmental Funds – Last Eight Fiscal Years (modified accrual basis of accounting).....	140
Governmental Activities Tax Revenue by Source – Last Eight Fiscal Years (modified accrual basis of accounting).....	143

### Revenue Capacity

Taxable Sales Subject to Privilege (Sales) Tax by Category - Last Eight Fiscal Years.....	144
Direct and Overlapping Sales Tax Rates - Last Eight Fiscal Years.....	145
Sales Tax Revenue Payers by Industry - Current Year and Nine Years Ago.....	146
Property Tax Rates – Direct and Overlapping Governments – Last Eight Fiscal Years.....	147
Principal Property Tax Payers – June 30, 2009 and 2000.....	148
Assessed Value of Taxable Property – Last Eight Fiscal Years.....	149
Property Tax Levies and Collections – Last Eight Fiscal Years.....	150

### Debt Capacity

Ratios of Outstanding Debt by Type – Last Eight Fiscal Years.....	151
Ratios of General Bonded Debt Outstanding – Last Eight Fiscal Years.....	152
Direct and Overlapping Governmental Activities Debt as of June 30, 2009.....	153
Legal Debt Margin Information – Last Eight Fiscal Years.....	154
Pledged-Revenue Coverage – Last Eight Fiscal Years.....	156

### Economic and Demographic Information

Demographic and Economic Statistics – Last Eight Fiscal Years.....	157
Principal Employers – Current Year and Nine Years Ago.....	158

### Operating Information

Full-time Equivalent City Government Employees by Function – Last Eight Fiscal Years.....	159
Operating Indicators by Function – Last Eight Fiscal Years.....	160
Capital Asset Statistics by Function – Last Eight Fiscal Years.....	163



October 14, 2009



**Transmittal  
Letter**

For the Fiscal Year  
Ended June 30, 2009

City of Scottsdale  
Scottsdale, Arizona

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

The Comprehensive Annual Financial Report of the City of Scottsdale, Arizona, (the City) for the fiscal year ended June 30, 2009, is submitted in accordance with Article 6, Section 14, of the City Charter. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

LarsonAllen, LLP has issued an unqualified (“clean”) opinion on the City of Scottsdale, Arizona’s financial statements for the year ended June 30, 2009. The independent auditor’s report is located at the front of the financial section of this report.

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

***City of Scottsdale Profile***

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

Scottsdale was founded in the 1800's when retired Army Chaplain Major Winfield Scott homesteaded what is now the center of the City. The City incorporated in 1951 and the City Charter, under which it is presently governed, was adopted in 1961. The City has experienced significant increases in population, with the 1950 census reporting 2,032 residents, and the 2000 census reporting 202,705. The City's population for 2009 was estimated at 242,337.

Scottsdale operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected at large on a non-partisan ballot for a four-year term. The City Council appoints the City Manager, who has full responsibility for carrying out City Council policies and administering City operations. The City Manager, in turn, appoints City employees and department General Managers under service procedures specified by Charter. City service departments provide a full range of services including police and fire protection, sanitation/solid waste service, water and sewer services, construction and maintenance of streets, recreational activities, 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. Therefore, these funds have appropriated budgets, and budget to actual information is presented. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments. In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year (FY) 2008/09, there were no such 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.

### ***Local Economy***

The City of Scottsdale's tax revenue base consists of a variety of tax categories, the most significant being revenue collections from retail sales and tourism activity. The City also benefits from other favorable conditions associated with Scottsdale, including a stable, diversified economic base and a desirable location for work, destination, and living. Scottsdale is past 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 headquarter and regional offices; high-tech, research and development; bio-med; luxury resorts and hotels, and business and professional services. The following categories represent key factors affecting Scottsdale's economic and financial success:

## Retail Sales

Scottsdale's largest revenue source is sales tax generated from a well-balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. The City saw retail sales tax revenues decrease by 17 percent in FY 2008/2009 after falling 4 percent in the previous fiscal year, a result of the national recession.

## Employment and Job Growth

Scottsdale remains a net importer of labor, with an estimated ratio of 1.3 jobs to workforce population in the City (Source: SitesUSA 2009). This creates employment opportunities for Scottsdale residents and creates a significant business component to the local tax base. Scottsdale's unemployment rate was 6.3 percent in August 2009, significantly lower than the state level of 9.3 percent. Historically, Scottsdale's unemployment rate is about 2 percent lower than the state's average. Scottsdale recruited seven new, targeted firms with about 360 new jobs over the past year. New employers to announce moves to Scottsdale last year included Allviant, Stirling Energy Systems, and NightHawk Radiology, as well as the expansion of the GoDaddy facility.

## Commercial Vacancy Rates

Scottsdale's citywide office vacancy rate was about 29 percent for the last quarter of the fiscal year. The percentage is in line with the Valley average. Scottsdale has nearly 20 percent of new office space in the Valley that is currently under construction.

## Tourism

Tourism is one of Scottsdale's largest and most vibrant industries, and is a significant contributor to the City's economy. A variety of lodging properties, including several world-class resorts and "boutique" hotels, provide over 11,000 guest rooms, along with spectacular spas, trend-setting dining and one-of-a-kind Sonoran desert golf courses. With the addition of the new 54-room Best Western Sundial hotel in 2009, room supply in Scottsdale is expected to remain relatively stable in 2010. Bed tax revenues to the City declined by 22 percent for fiscal year 2008/2009, due largely to the declining national economy and the "AIG Effect" affecting business travel, which resulted in significant reductions in occupancy rates and room rates. Scottsdale visitors contribute about 20 percent of the City's total privilege and use tax revenues. 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.

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

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

### Adopted Comprehensive Financial Policies

Financial policies establish the framework for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. These policies set the tone for all fiscal decisions made by staff and City Council. We currently identify 53 financial policies governing operations, capital planning, debt management, reserves and financial reporting – regular review and enhancement of these policies is done in conjunction with financial plan development and are adopted annually by the City Council.

### Financial Resource Planning

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

### Multi-Year Operating Budget Planning

Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to community expectations and broad goals of the City Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our level of service objectives over time, given our financial capacity. While the City is required to adopt an annual budget to meet State statutory requirements, Scottsdale builds a five-year financial plan to help anticipate future impacts and ensure achievement of City objectives.

### Strategic Capital Improvement Project Planning

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

## Debt Management

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

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 Ratings Group, and Fitch Ratings, respectively on the City's outstanding general obligation bonds. These are the highest ratings possible, originally earned by the City in 2001, and are held by only a handful of local governments across the nation. A summary of the City's bond ratings are shown as follows:

### **City of Scottsdale Bonded Debt Ratings**

**As of June 30, 2009**

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

## ***Major Initiatives***

The City of Scottsdale's adopted fiscal year 2009/2010 budget was established with the national recession as the back drop. The budget document was the culmination of the most challenging budget process in the City's history. We moved quickly and decisively to deal with the downturn. During the first half of the 2008/09 fiscal year, we had already taken action to close a \$40 million gap between revenues and expenses. For the 2009/10 budget year, the City Council, the new Budget Review Commission, our citizens and staff were faced with wrenching choices necessary to close an even larger gap – about \$65 million.

We collectively met the challenge. We did so without instituting any new taxes or raising tax rates. The Council was able to lower the City's combined property tax rate from 79 cents to 74 cents per \$100 of assessed valuation. The Council also voted for the lowest increase in five years in utility fees, adding about 2.4 percent to a typical homeowner's bill.

In the process, we were able to accomplish two even more important objectives: 1) We were able to make the needed reductions while limiting the impacts on our direct services to citizens. We promised to affect them least and last, and we held to that commitment. 2) We were able to restructure the City organization, reducing its size by 10 percent, streamlining the chain of command and combining similar work functions to be more efficient and effective. We positioned our organization to be more financially sustainable for the long term.

### *Awards and Acknowledgements*

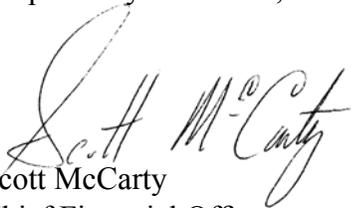
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Scottsdale for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the 36th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Scottsdale received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2008 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and expect to receive this award for the fiscal year beginning July 1, 2009.

Additionally, on July 7, 2009, the City of Scottsdale was formally recognized for having its Cash Handling Program certified by the Association of Public Treasurers of the United States and Canada (APT US&C).

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Accounting and Budget divisions, the assistance of administrative personnel in the various departments, and through the competent service of our independent auditors. I also wish to express my sincere appreciation to the City Council 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,



Scott McCarty  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Scottsdale  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", is written above the title "Executive Director".

Executive Director



**Comprehensive  
Annual  
Financial  
Report**

For the Fiscal Year  
Ended June 30, 2009

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  
Tony Nelssen

**Charter Offices**

Deborah Robberson, City Attorney  
Sharron Walker, City Auditor  
Carolyn Jagger, City Clerk  
B. Monte Morgan, City Judge  
City Treasurer, (Vacant)

**Administrative Staff**

John Little, City Manager  
David Ellison, Assistant City Manager  
Roger Klingler, Assistant City Manager  
Neal Shearer, Assistant City Manager



Citizens of Scottsdale

Mayor and City Council

City Manager  
John Little  
480-312-2800

Citizen Advisory Boards  
Citizen Advisory Commissions

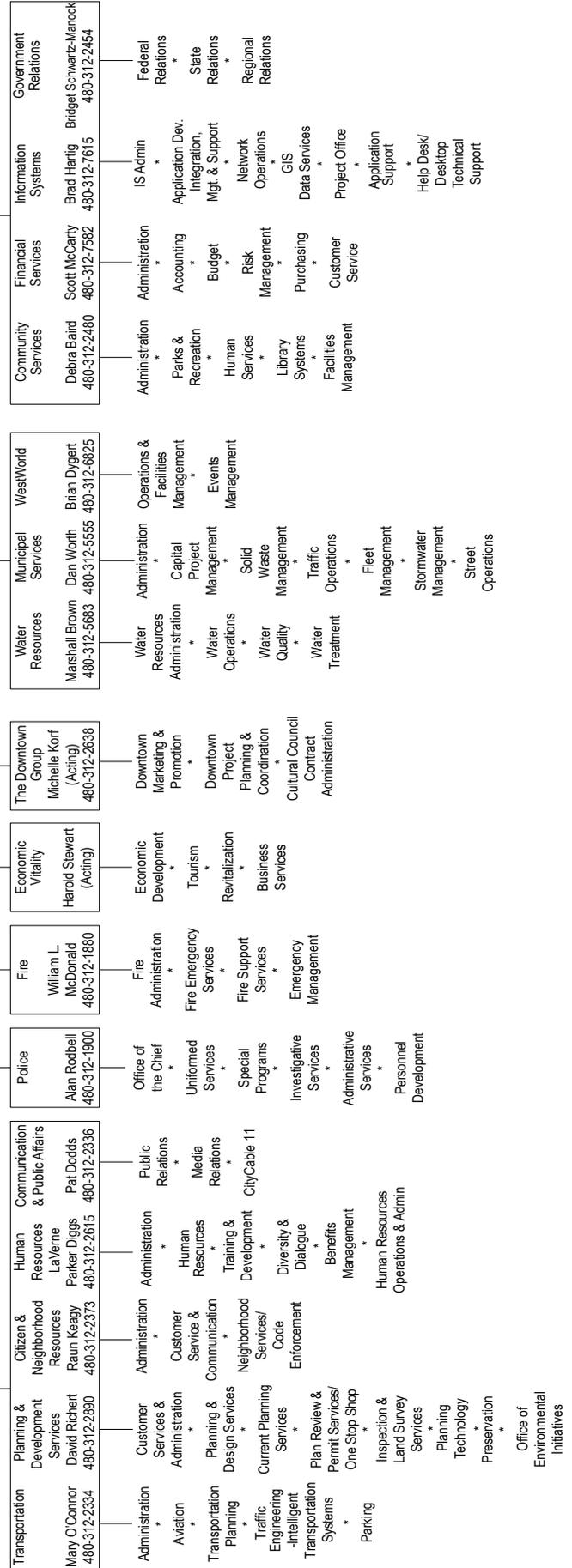
Administrative Support

Other Council-Appointed Staff  
City Attorney - Deborah Roberson 480-312-7994  
City Auditor - Sharon Walker (480) 312-7867  
City Clerk - Carolyn Jagger 480-312-2411  
City Judge - B. Monte Morgan 480-312-2442  
City Treasurer - (Vacant)

Assistant City Manager  
David Ellison  
480-312-4510

Assistant City Manager  
Roger Klingler  
480-312-5830

Assistant City Manager  
Neal Shearer  
480-312-2604





## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2009, 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, 2009, 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 14, 2009 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.

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

The management's discussion and analysis on pages 13 through 31, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 99 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**

Mesa, Arizona  
October 14, 2009

# 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, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements.

## FINANCIAL HIGHLIGHTS

Key Financial highlights for fiscal year 2009 are as follows:

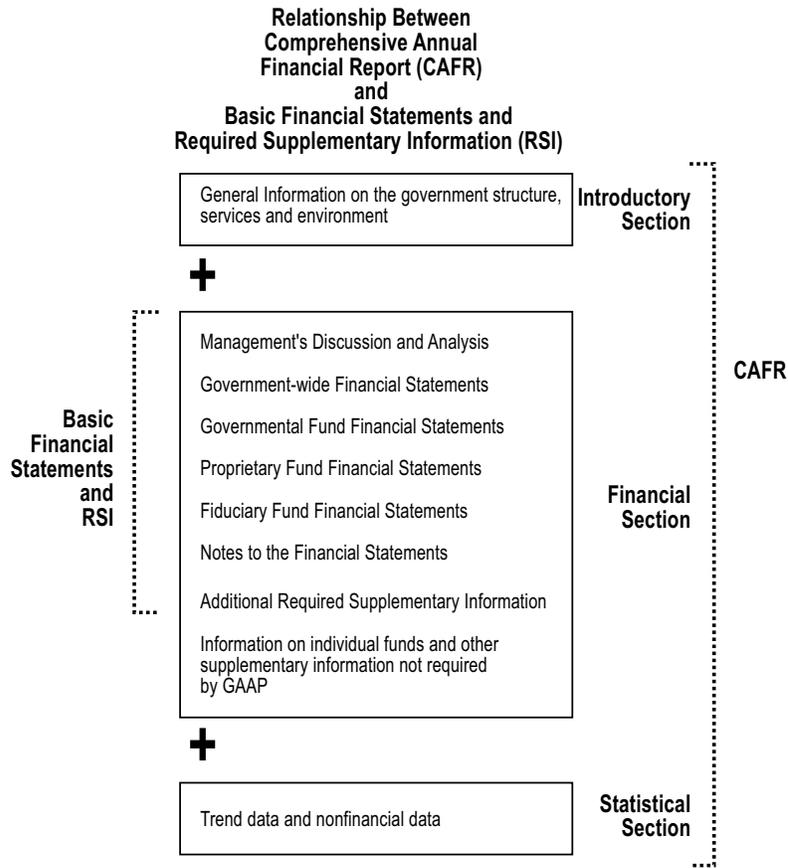
- The assets of the City exceeded its liabilities at the close of the fiscal years 2009 and 2008 by \$4.1 billion and \$3.9 billion (net assets), respectively. Of these amounts, \$322.8 million and \$383.7 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$196.8 million and \$195.5 million during fiscal years 2009 and 2008, respectively.
- As of June 30, 2009 and 2008, the City's governmental funds reported combined ending fund balances of \$221.3 million and \$335.8 million, respectively.
- At the close of the current fiscal year, unreserved fund balance for the General Fund was \$59.6 million or 23 percent of total General Fund expenditures of \$257.2 million.
- During fiscal year 2009 the City's total bonded debt decreased by approximately \$41.1 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.

The **statement of net assets** and the **statement of activities** provide information about the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short term as well as what dollars remain for future spending. The fund financial statement also displays the City's most significant funds with all other major funds presented in total in one column.

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

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses 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, police, financial services, transportation, community services, including parks, recreation and library services, information systems, planning and development, downtown group, fire, municipal services, citizen and neighborhood resources, human services, economic vitality, westworld, and streetlight and services district. The business-type activities of the City include water, sewer, solid waste, and airport operations.

The government-wide financial statements are for the City itself. However, included within the governmental activities of the government-wide financial statements are the operations of the City of Scottsdale Municipal Property Corporation (MPC), the Scottsdale Preserve Authority (SPA), and the Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, Via Linda Road, and Waterfront Commercial Community Facilities Districts. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City.

Separate financial statements of the MPC, SPA and the Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, Via Linda Road and Waterfront Commercial Community Facilities Districts may be obtained at the City's Financial Services Department, Accounting Division, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251.

The government-wide financial statements can be found on pages 34 and 35 of this report.

### **Fund Financial Statements**

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

## Governmental Funds

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

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

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Debt Service Fund, General Capital Improvement Plan (CIP) Capital Project Fund, and Transportation Privilege Tax 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 36 of this report.

## Proprietary Funds

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

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

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

The basic Proprietary Fund financial statements begin on page 44 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 49 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 51 of this report.

## **Combining Statements**

The combining statements referred to earlier in connection with non-major Governmental Funds, Internal Service Funds, and Fiduciary Funds are presented immediately following the notes to the financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether the financial position of the City as a whole has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

### **Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$4.1 billion and \$3.9 billion at the close of the fiscal years 2009 and 2008, respectively.

## Net Assets

June 30, 2009 and 2008 (in thousands of dollars)

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$ 404,805	\$ 506,927	\$ 338,886	\$ 357,230	\$ 743,691	\$ 864,157
Capital Assets	3,389,974	3,128,903	1,305,463	1,235,209	4,695,437	4,364,112
Total Assets	<u>3,794,779</u>	<u>3,635,830</u>	<u>1,644,349</u>	<u>1,592,439</u>	<u>5,439,128</u>	<u>5,228,269</u>
<b>Liabilities</b>						
Long-term Liabilities Outstanding	826,301	858,392	342,395	323,853	1,168,696	1,182,245
Other Liabilities	<u>166,131</u>	<u>143,693</u>	<u>44,893</u>	<u>39,717</u>	<u>211,024</u>	<u>183,410</u>
Total Liabilities	<u>992,432</u>	<u>1,002,085</u>	<u>387,288</u>	<u>363,570</u>	<u>1,379,720</u>	<u>1,365,655</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	2,586,731	2,353,573	991,390	909,632	3,578,121	3,263,205
Restricted	131,732	189,540	26,568	26,147	158,300	215,687
Unrestricted	<u>83,884</u>	<u>90,632</u>	<u>239,103</u>	<u>293,090</u>	<u>322,987</u>	<u>383,722</u>
Total Net Assets	<u>\$ 2,802,347</u>	<u>\$ 2,633,745</u>	<u>\$ 1,257,061</u>	<u>\$ 1,228,869</u>	<u>\$ 4,059,408</u>	<u>\$ 3,862,614</u>

The largest portion 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, of \$3.6 billion (88 percent) and \$3.3 billion (84 percent) at June 30, 2009 and 2008, respectively. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these assets to provide services to citizens and; therefore, cannot liquidate them.

An additional portion of the City's net assets, \$158.3 million (4 percent) at June 30, 2009 and \$215.7 million (6 percent) at June 30, 2008 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets at June 30, 2009 and 2008, \$323.0 million (8 percent) and \$383.7 million (10 percent), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

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

### Analysis of Changes in Net Assets

The City's total net assets increased by \$196.8 million and \$195.5 million during the fiscal years 2009 and 2008, respectively. These increases are explained in the government and business-type activities discussion herein, and are primarily a result of contributions from developers of infrastructure assets.

## Changes in Net Assets

For the Years Ended June 30, 2009 and 2008 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 36,941	\$ 51,393	\$ 148,606	\$ 147,875	\$ 185,547	\$ 199,268
Operating Grants and Contributions	26,272	28,409	-	-	26,272	28,409
Capital Grants and Contributions	240,289	157,808	22,067	50,679	262,356	208,487
General Revenues						
Property Taxes	61,138	54,139	-	-	61,138	54,139
Business Taxes	160,134	192,191	117	195	160,251	192,386
Intergovernmental Taxes	64,145	65,933	-	-	64,145	65,933
Interest and Investment Income	14,653	19,187	4,958	6,910	19,611	26,097
Other	5,038	7,606	408	517	5,446	8,123
Total Revenues	608,610	576,666	176,156	206,176	784,766	782,842
<b>Expenses</b>						
General Government	20,646	32,712	-	-	20,646	32,712
Police	92,530	91,102	-	-	92,530	91,102
Financial Services	9,913	10,930	-	-	9,913	10,930
Transportation	87,552	90,039	-	-	87,552	90,039
Community Services	78,523	78,285	-	-	78,523	78,285
Information Systems	13,723	13,704	-	-	13,723	13,704
The Downtown Group	4,595	4,697	-	-	4,595	4,697
Fire	31,174	31,943	-	-	31,174	31,943
Municipal Services	22,887	20,153	-	-	22,887	20,153
Citizen and Neighborhood Resources	3,802	3,663	-	-	3,802	3,663
Human Resources	3,545	4,790	-	-	3,545	4,790
Economic Vitality	8,553	9,711	-	-	8,553	9,711
Planning and Development	29,029	31,933	-	-	29,029	31,933
WestWorld	595	3,289	-	-	595	3,289
Streetlight and Services Districts	631	712	-	-	631	712
Interest on Long-term Debt	42,242	39,457	-	-	42,242	39,457
Water Utility	-	-	81,391	71,140	81,391	71,140
Sewer Utility	-	-	33,509	26,947	33,509	26,947
Airport	-	-	3,482	3,343	3,482	3,343
Solid Waste	-	-	19,650	18,772	19,650	18,772
Total Expenses	449,940	467,120	138,032	120,202	587,972	587,322
Increase in Net Assets Before Transfers	158,670	109,546	38,124	85,974	196,794	195,520
Transfers	9,932	10,997	(9,932)	(10,997)	-	-
Increase in Net Assets	168,602	120,543	28,192	74,977	196,794	195,520
Net Assets at Beginning of Year	2,633,745	2,513,202	1,228,869	1,153,892	3,862,614	3,667,094
Net Assets at End of Year	\$ 2,802,347	\$ 2,633,745	\$ 1,257,061	\$ 1,228,869	\$ 4,059,408	\$ 3,862,614

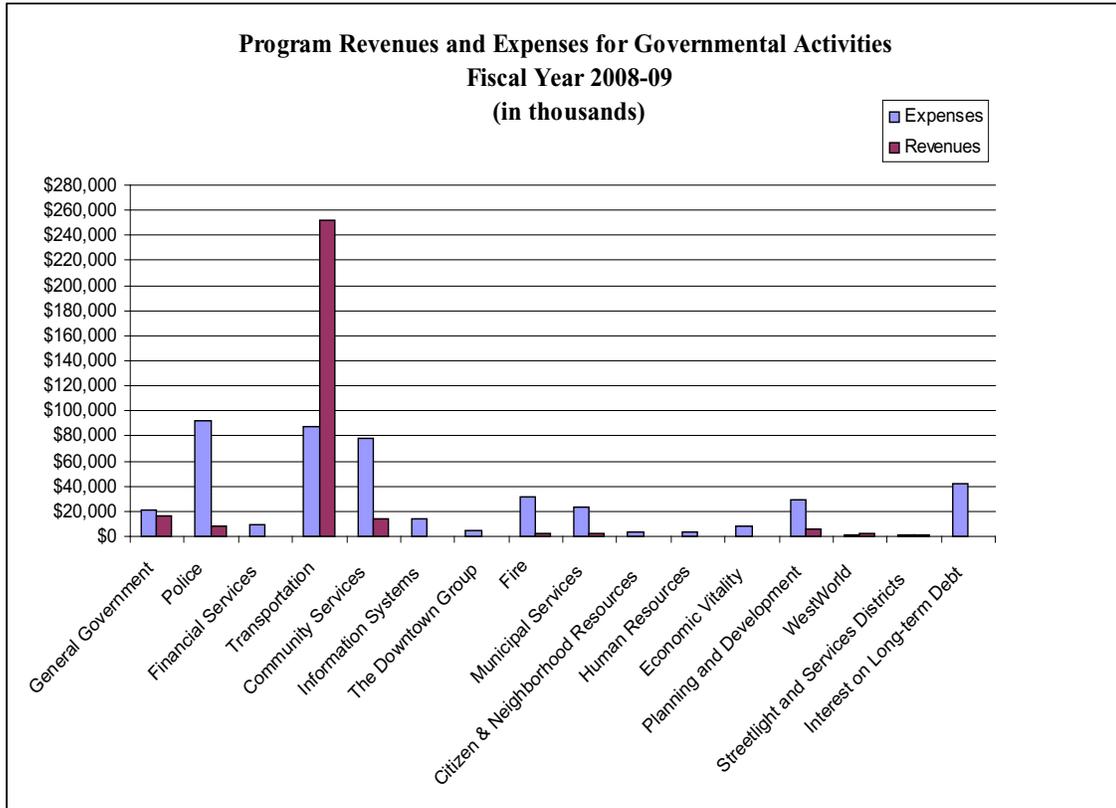
## Governmental Activities

Governmental activities increased the City's net assets by \$168.6 million in fiscal year 2009 and \$120.5 million in fiscal year 2008, thereby accounting for 86 percent and 62 percent, respectively, of the total growth in the net assets of the City. The key factor of the increase is as follows:

Capital grants and contributions increased significantly over the previous fiscal year. The increase is primarily due to capital contributions related to streets and storm drains donated by developers. Based on construction schedules, there was an increase in cash contributions for capital projects. Also, the City received additional distributions in Proposition 400 regional sales tax funds from the State of Arizona.

Property taxes increased 13 percent over previous prior year, due to new construction assessed values being added to the tax roll. In addition, there was an increase in primary assessed valuations over the previous year.

Business taxes decreased 17 percent over previous year, primarily due to reduced sales taxes, an affect of the economic recession which impacted most categories but especially affecting the automotive and construction sectors. Also, bed taxes were greatly reduced due to the adverse impact the recession had on Scottsdale's tourism industry.



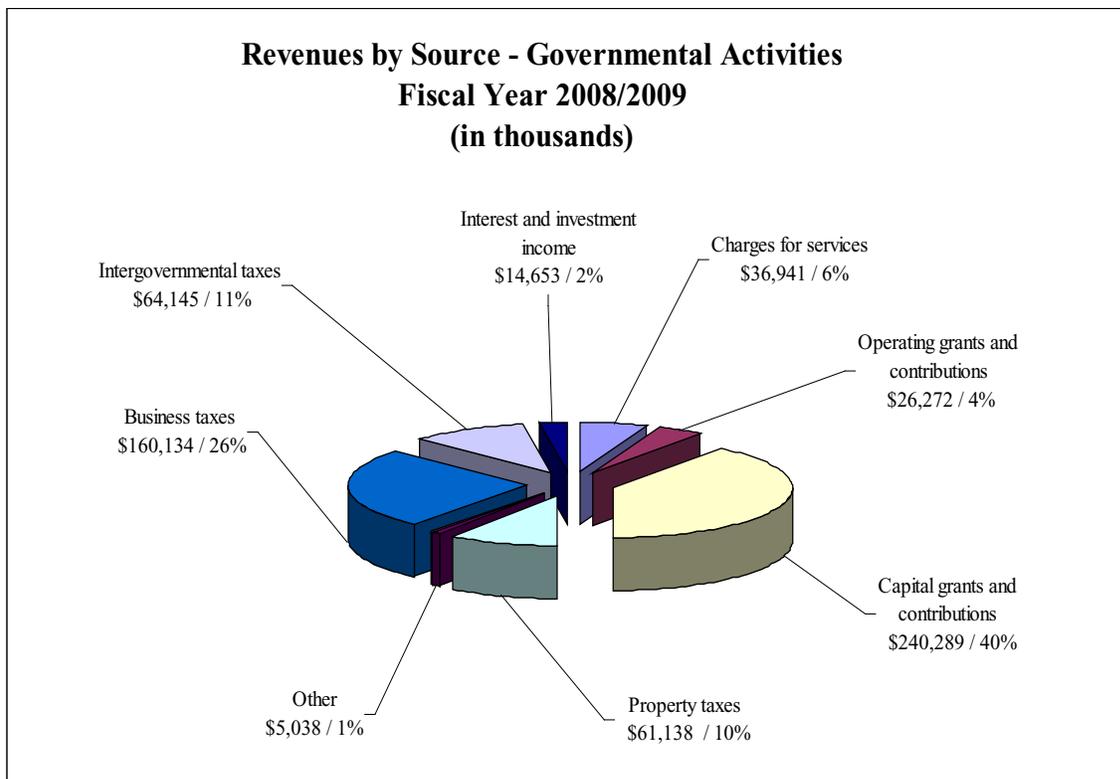
As shown in the “Program Revenues and Expenses for Governmental Activities” chart, police is the largest function in expense (21 percent), followed by transportation (19 percent), and community services (17 percent).

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

The Transportation Department ensures that Scottsdale neighborhoods, businesses and visitors are provided an accessible, environmentally sensitive, safe and efficient transportation system. Projects and operations for street, transit and non-motorized travel are developed in cooperation with the public and promote economic sustainability for the community, preserves and enhances neighborhood quality of life and ensures seamless connections to the regional network.

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

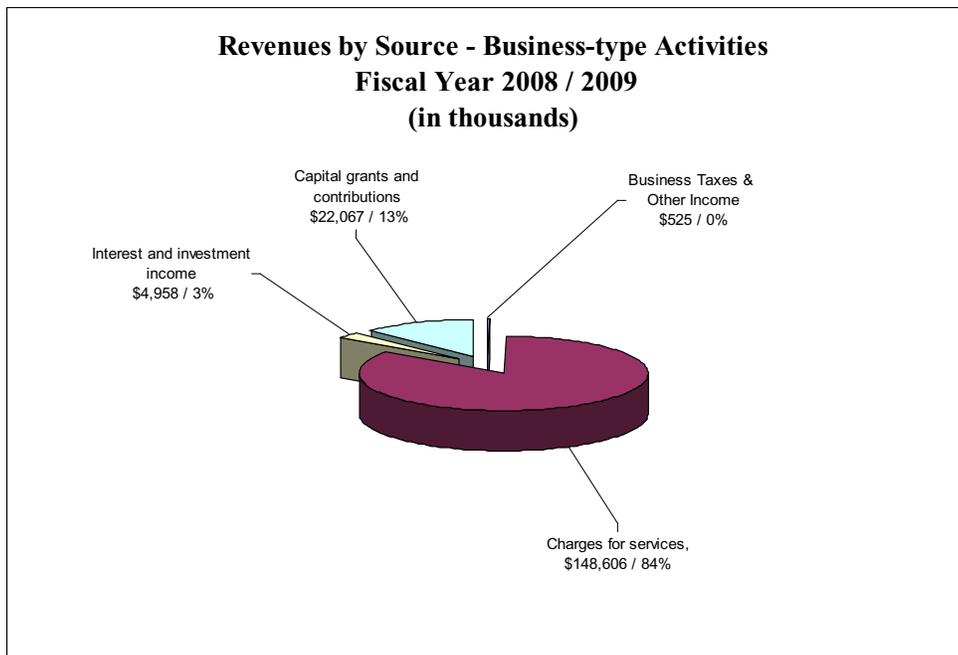
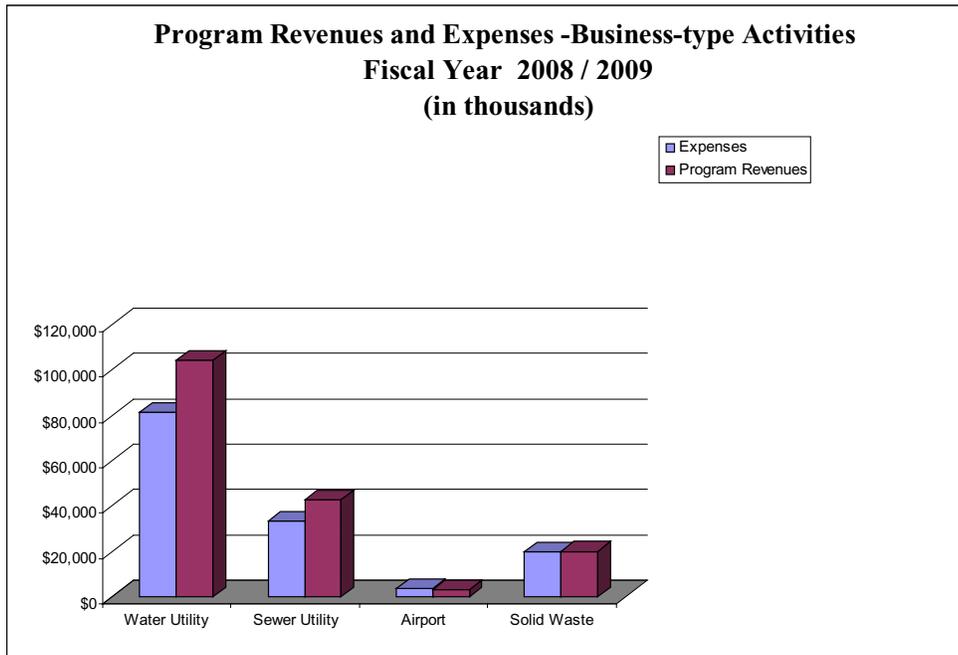
General revenues such as property, business, and privilege taxes are not shown by program, but are effectively used to support program activities citywide, such as police and fire services. For governmental activities overall, without regard to program, capital grants and contributions (40 percent), are the largest single source of funds, followed by business taxes which includes sales and use taxes and franchise taxes (26 percent), intergovernmental taxes (11 percent), which includes state shared revenues, property taxes (10 percent) and charges for services (6 percent).



### Business-type Activities

Business-type activities increased the City's net assets in fiscal years 2009 and 2008 by \$28.2 million and \$75.0 million, respectively, accounting for 14 percent and 38 percent, respectively, of the total growth in the City's net assets. The key factor of this increase is as follows:

The Water and Sewer Utility Fund had capital contributions from developers and grantors resulting in \$22.1 million and \$50.7 million in revenue for fiscal years 2009 and 2008, respectively. The majority of this amount is from infrastructure donated from 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, each had expenses of \$81.4 million and \$33.5 million, respectively, in fiscal year 2009, followed by Solid Waste with operating expenses of \$19.7 million and Aviation of \$3.5 million. For the fiscal year, revenues exceeded expenses for the Water and Sewer utilities and Solid Waste business activity. Revenues exceed expenses due to multi-year financial planning and pay-as-you-go contributions to capital projects. For the fiscal year, expenses exceeded revenue for Airport business activity, primarily due to a decrease in airport fees. Charges for services provided the largest share of revenues (84 percent) followed by capital grants and contributions (13 percent), which are largely developer contributions and development fees, for all of the business-type activities.

The City's Water Resources Department plans, manages and operates a safe, reliable water supply and wastewater reclamation system and provides efficient, high quality customer service to Scottsdale citizens. The Water Resources Department provides water service connections to approximately 87,000 customers.

The Solid Waste Department provides effective and responsive leadership that ensures the delivery of safe, efficient and environmentally sound solid waste services to approximately 79,000 residential customers and 1,600 commercial and roll-off customers.

The Aviation Department is a 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 to see the numerous sights across the State of Arizona.

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

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

### **Governmental Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$221.3 million, a decrease of \$114.5 million in comparison to the combined ending fund balances at June 30, 2008 of \$335.8 million. Approximately \$193.2 million of the total at June 30, 2009 constitutes unreserved fund balance. Portions of this unreserved balance are designated in the City's budget plan for pay-as-you-go capital projects and operational contingency funding. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. For example, \$24.2 million is committed for debt service payments.

Revenues for governmental functions overall totaled approximately \$404.5 million in fiscal year 2009, a decrease of about 5 percent (\$22 million) over the previous year total of \$426.6 million. In fiscal year 2009 expenditures for governmental functions, totaled \$533.9 million, a decrease of 6 percent (\$37 million) over the fiscal year 2008 total of \$570.6 million. In the fiscal years ended June 30, 2009 and 2008, expenditures for governmental functions exceeded revenues by approximately \$129.5 million and \$144.0 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 \$59.6 million, while total fund balance was \$60.4 million. The unreserved and total balances for the General Fund at the end of fiscal year 2008 were \$61.4 million and \$62.3 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 \$257.2 million in fiscal year 2009 and 24 percent of the total General Fund expenditures of \$253.9 million in fiscal year 2008. Total fund balance represents 24 percent and 25 percent of total fund expenditures for fiscal years 2009 and 2008, respectively. In fiscal year 2009 management has designated \$30.9 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 2009 by \$1.9 million. General Fund performance also reflects the recession. Overall, the General Fund's performance resulted in expenditures exceeding revenue in the fiscal year ended June 30, 2009, of \$11.9 million.

The General Obligation Bond Debt Service fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$10.8 million, an increase of \$1.3 million from the \$9.5 million at the end of fiscal year 2009 due to planned debt service payments.

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. These expenses were primarily funded by pay-as-you-go transfers. The fund balances were \$59.6 million and \$101.0 million at June 30, 2009 and 2008, respectively. Capital improvement expenditures in 2009 were \$89.8 million.

The Transportation Privilege Tax Capital Project Fund accounts for the portion of the authorized 0.2 percent Transportation Privilege (Sales) Tax dedicated to transportation capital improvements. At the end of the current fiscal year, the fund balance of the Transportation Privilege Tax Capital Project Fund was \$19.2 million, a decrease of \$10.4 million from the \$29.6 million at the end of fiscal year 2009. Capital improvement expenditures in 2009 were \$54.4 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 2009 and 2008, the unrestricted net assets for the Water and Sewer Utility were \$227.0 million and \$281.1 million, respectively; Scottsdale Airport were \$5.1 million and \$4.9 million, respectively; and the Solid Waste Utility Fund were \$7.0 million and \$7.1 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, also had unrestricted net assets of \$26.1 million and \$29.5 million, respectively.

The total growth in net assets for the Enterprise Funds was \$28.2 million and \$75.0 million for fiscal years 2009 and 2008, 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 \$27.9 million due to capital contributions of \$21.6 million as well as increased revenues.

### **Fiduciary Funds**

The City maintains Fiduciary Funds for the assets of the Family Self-Sufficiency Agency Fund, the Retainage Escrow Agency Fund, and the Handicap Scholarship Private Purpose Trust Fund. As of the end of fiscal year 2009, the net assets of the Handicap Scholarship Private Purpose Trust Fund totaled \$3,000.

### **General Fund Budgetary Highlights**

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

The City's final year-end budget differs from the original adopted budget due to applying budget balancing strategies mid-year to deal with the depth and duration of the economic recession.

- Allocated personnel costs from operating funds to special revenue and capital funds to better reflect program and capital project costs
- Reduced the transfer-out from the General Fund to the Capital Fund by reducing maintenance projects
- Eliminated vacant and occupied positions, including a retirement incentive program
- Cancelled a 2% pay increase that was scheduled for January 2009
- Implemented budget reductions to contractual services and commodities such as consultants, advertising, banking charges, training and travel, software licensing, supplies, printing, clothing and small tools.

Additionally, the City Council approved Budget Contingency adjustments. The City Council approved the use of contingency and increased the budget authorizing WestWorld to establish a Feed and Bedding Program and increased funding for utilities necessary to cover the costs of operating new infrastructure such as buildings and rights-of-way.

The actual budget based fund balance was \$10.1 million better than the revised budget. Revenues and transfers in were \$1.3 million less than projected primarily because of local and state shared sales taxes. However, expenses and transfers out were \$11.4 million less than the revised budget. Specifically, public safety overtime, software maintenance, communications, contract services, (e.g. banking and custodial), supplies, and travel/training were all significantly less than the revised budget.

Net budget expenditures for increases by department totaled \$4.0 million and \$3.0 million for fiscal years 2009 and 2008, respectively. The net increase is defined as follows (in thousands):

General Government	\$ 262
Police	2,103
Financial Services	(11)
Transportation	(74)
Community Services	3,084
Information Systems	(467)
The Downtown Group	(4)
Fire	(1,120)
Municipal Services	460
Citizen and Neighborhood Resources	18
Human Resources	(669)
Economic Vitality	(136)
Planning and Development	261
WestWorld	302
Debt Service	
Principal	33
Interest and Fiscal Charges	8
	\$ 4,050

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

## Capital Assets and Debt Administration

### Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2009 and 2008, amount to \$4.7 billion and \$4.4 billion, respectively (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, water rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation) for the fiscal years 2009 and 2008 was 7.6 percent as shown in the table below.

#### Capital Assets, Net of Depreciation

June 30, 2009 and 2008 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,380,255	\$ 1,221,868	\$ 37,969	\$ 37,969	\$ 1,418,224	\$ 1,259,837
Buildings and Land Improvements	272,321	260,004	13,178	10,784	285,499	270,788
Streets and Storm Drains	1,427,453	1,433,125	-	-	1,427,453	1,433,125
Machinery and Equipment	27,452	28,354	12,930	13,242	40,382	41,596
Water Rights	-	-	89,701	90,173	89,701	90,173
Water System	-	-	682,560	691,948	682,560	691,948
Sewer System	-	-	308,230	310,989	308,230	310,989
Motor Vehicles and Maintenance by Fleet	24,120	25,398	-	-	24,120	25,398
Furniture, Fixtures and Office Equipment	-	-	-	7	-	7
Construction in Progress	258,373	160,154	160,895	80,097	419,268	240,251
Total	\$ 3,389,974	\$ 3,128,903	\$ 1,305,463	\$ 1,235,209	\$ 4,695,437	\$ 4,364,112

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

- Construction in progress on the design and construction of the Police Operational Support facilities at 76<sup>th</sup> Street and McKellips Road. Expenditures totaled \$9.6 million this year against a budget of \$31.9 million.
- Construction in progress on the Fuel/Fleet Maintenance Facility-McKellips Service Center located at McKellips Road. Expenditures totaled \$3.4 million this year against a budget of \$4.3 million.
- Construction in progress on the Appaloosa Library located at Pinnacle Peak Road and Scottsdale Road. Expenditures totaled \$6.5 million this year against a budget of \$10.7 million.
- Construction in progress on the infrastructure improvements and 157,000 square foot building at the SkySong ASU Scottsdale Center for Innovation located at Scottsdale and McDowell Road. Expenditures totaled \$9.9 million this year against a budget of \$38.2 million.
- Construction in progress on the acquisition, preservation and restoration of desert lands along Scottsdale Road. Expenditures totaled \$2.3 million this year against a budget of \$26.9 million.
- Construction in progress on the Upper Camelback Wash Watershed bounded by Sweetwater Avenue on the north, 96<sup>th</sup> Place on the east, Shea Boulevard on the South and 90<sup>th</sup> Street on the west. Expenditures totaled \$1.0 million against a budget of \$6.4 million.
- Construction in progress on the Scottsdale Center for the Performing Arts Renovation located on Second Street. Expenditures totaled \$10.4 million against a budget of \$16.6 million.
- Construction in progress on the four-lane minor arterial standards with landscaped median, turn lanes, bike lanes, curb and gutter, new all-weather crossing of Indian Bend Wash and sidewalk on the south side. Expenditures totaled \$10.1 million against a budget of \$25.8 million.
- Construction in progress on the four-lane major collector between Pima Freeway and 96<sup>th</sup> Street and two-lane neighborhood collector between 96<sup>th</sup> Street and Frank Lloyd Wright. Expenditures totaled \$5.4 million against a budget of \$21.6 million.
- Construction in progress on the six-lane major arterial cross-section with landscaped median, turn lanes, bike lanes, sidewalks, curb and gutter, roadway drainage, and intelligent transportation system facilities. Expenditures totaled \$13.7 million against a budget of \$49.1 million.

- The City's water and sewer 5-year capital improvement plan includes significant cost impacts from "unfunded" federal water quality mandates for treatment of arsenic and disinfection by-product requirements, in addition to plant and infrastructure expansion to accommodate growth. The most significant CIP cash expenditures include:
  - Arsenic Mitigation Treatment (\$1.2 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.
  - Multi-City Sub-Regional Operating Group (SROG) Wastewater Plant Expansion UP01 (\$2.8 million) – Provides for additional sewer flow and solids handling capacity through contribution to the capital improvements at the Multi-City 91<sup>st</sup> Avenue Wastewater Treatment Plant located in Phoenix. Capacity expansion is due to planned increased demand. The City of Scottsdale proportionate cost shared is derived through existing intergovernmental agreements with the SROG. This expansion is designated as the Unified Plant 2001 (UP01). The project's budget totals \$67.1 million.
  - Central Arizona Project Plant expansion (\$39.0 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.
  - Well Sites (\$2.0 million) – Design and construction of new wells and upgrade of existing wells at locations determined consistent with the Master Plan for water system demand. The City will still need to replace existing wells once the well has reached its useful life, a new well will be needed to replace it. The project's budget totals \$23.1 million.
  - CAP Plant Regulatory Compliance (\$2.1 million) – Addition of granular activated carbon facility at the CAP Water Treatment Plant in order to ensure compliance with the new Federal water quality rule regarding disinfection by-products (DBP). The project's budget totals \$59.4 million.
  - Water Distribution System Improvements (\$6.8 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 \$35.7 million.

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 2009 and 2008, the City had total long-term obligations outstanding of \$1,187.6 million and \$1,229.0 million, respectively. Of these amounts, \$551.5 million and \$574.4 million, respectively, are General Obligation Bonds backed by the full faith and credit of the City. The remainder includes revenue bonds, certificates of participation, and other obligations of \$635.1 million and \$654.6 million, respectively.

### Outstanding Debt

June 30, 2009 and 2008 (in thousands of dollars)

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 551,455	\$ 574,445	\$ -	\$ -	\$ 551,455	\$ 574,445
Revenue Bonds	-	-	48,345	52,005	48,345	52,005
Municipal Property Corporation Bonds	149,216	149,007	249,735	256,790	398,951	405,797
Scottsdale Preserve Authority Bonds	71,235	74,495	-	-	71,235	74,495
Special Assessments Bonds	3,000	3,835	-	-	3,000	3,835
Certificates of Participation	4,954	5,689	-	-	4,954	5,689
Community Facilities Districts General						
Obligation Bonds	40,665	42,450	-	-	40,665	42,450
Add Deferred Issuance Premiums	17,572	19,257	21,532	22,999	39,104	42,256
Less Deferred Amounts on Refunding	(8,112)	(9,410)	(5,592)	(6,439)	(13,704)	(15,849)
Total Bonds Payable	829,985	859,768	314,020	325,355	1,144,005	1,185,123
Contracts Payable	16,828	17,875	-	-	16,828	17,875
Capital Lease	-	141	53	97	53	238
Compensated Absences	22,553	21,909	2,797	2,556	25,350	24,465
Post Employment Benefit - Implied Subsidy	1,157	1,179	185	146	1,342	1,325
Total Long-Term Liabilities	\$ 870,523	\$ 900,872	\$ 317,055	\$ 328,154	\$ 1,187,578	\$ 1,229,026

During fiscal year 2009, the City's total bonded debt decreased by approximately \$41.1 million. Bond payable balances were reduced due to principal payments made in fiscal year 2009.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2009 and 2008 is \$358.0 million and \$285.0 million, respectively, in the 6% capacity and \$1,241.4 million and \$1,024.0 million, respectively, in the 20% 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 Debt table (above) represents the City's actuarial required contribution (ARC) pursuant to the actuarial calculations for the accrued cost of retiree health insurance as of June 30, 2009. The NOPEBO at the end of the fiscal years 2009 and 2008 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 actuarially determined incurred but not reported claims (IBNR), a risk corridor, and partial funding for the ARC.

Additional information in the City's long-term debt 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 fiscal year 2010 budget included funding for the highest priorities of the City Council and our citizens despite an economic recession. The budget was created with the intention of impacting programs and services for citizens least and last.

The budget was not only developed to address the economic crisis but also included a significant change in the way the City was structured. The City's main functions are now consolidated under 8 divisions instead of 21 departments. The goal was to restructure Scottsdale City government so that it is more sustainable, more responsive and less subject to ups and downs of the economy.

Significant reductions to the base budget include \$22 million in staff reductions resulting from a ten-percent reduction in the workforce, 280 positions were eliminated via a retirement incentive program, elimination of vacant positions and layoffs. Additionally, the City instituted \$11 million in compensation reductions by not going forward with a two-percent across-the-board pay increase effective January 1, 2009, suspending the merit pay program, and a two-percent across-the-board pay reduction effective July 1, 2009. All other types of expenses were reduced as well, such as transit services, fleet replacement, technology and utilities.

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 is \$569.4 million, which includes \$470.2 million (or 83 percent of the total) re-budgeted from the prior year. Under Arizona law, the City must re-budget for a capital project until it is completed. Some examples of major projects included in the CIP budget are:

- **Community Facilities** – Acquire, preserve and restore desert lands along Scottsdale Road to promote its designation as a Scenic Corridor, infrastructure to support site development of the Sky Song facility, design and construction of the Appaloosa library.
- **Preservation** – Construction of trails supporting the gateway to the preserve and expansion of preserve lands.
- **Drainage and Flood Control** – Drainage improvement to several areas within Scottsdale including the Granite Reef Watershed, Upper Camelback Watershed, and East Union Hills Interceptor Channel.
- **Public Safety** – Construction of the Cactus Acres Fire Station 8 and Public Safety Radio System.
- **Service Facilities** – Fuel/Fleet Maintenance Facility-McKellips Service Center, 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 – Deer Valley to Pinnacle Peak. Additionally, improvements will be made to bicycle lanes, enhanced sidewalks, and provide for Loop 101 Park and Ride lot.
- **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. This amount is \$25.9 million and a \$5 million contingency exists 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  
Financial Services Department  
Accounting Division  
7447 E. Indian School Road, Suite 210  
Scottsdale, AZ 85251  
(480) 312-2437

Or visit our website at:

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



# Basic Financial Statements

## Statement of Net Assets

June 30, 2009 (in thousands of dollars)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 287,647	\$ 103,461	\$ 391,108
Cash with Fiscal Agent	42,903	18,285	61,188
Receivable (net of uncollectible amounts of \$ 18,335)			
Property Taxes and Penalties	12,609	-	12,609
Other Local Taxes	17,448	14	17,462
Intergovernmental	25,773	176	25,949
Charges for Services	-	16,005	16,005
Interest and Other	13,527	2,323	15,850
Prepaid Expenses	748	-	748
Supplies Inventory	779	-	779
Restricted Cash, Cash Equivalents, and Investments:			
Customer Advances and Deposits	-	1,534	1,534
Other Restricted Assets			
Joint Venture Construction Deposits	-	7,730	7,730
<b>Total Current Assets</b>	<b>401,434</b>	<b>149,528</b>	<b>550,962</b>
<b>Noncurrent Assets</b>			
Equity in Joint Venture	-	123,632	123,632
Deferred Charges	3,371	1,524	4,895
Pollution Remediation Recoveries	-	29,143	29,143
Restricted Cash, Cash Equivalents, and Investments:			
Deferred Revenue	-	8,491	8,491
Water and Sewer System Replacement	-	26,568	26,568
<b>Capital Assets</b>			
Land, Water Rights, and Construction in Progress	1,638,628	288,565	1,927,193
Facilities, Infrastructure, and Equipment (net of depreciation)	1,751,346	1,016,898	2,768,244
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>3,389,974</b>	<b>1,305,463</b>	<b>4,695,437</b>
<b>Total Noncurrent Assets</b>	<b>3,393,345</b>	<b>1,494,821</b>	<b>4,888,166</b>
<b>Total Assets</b>	<b>3,794,779</b>	<b>1,644,349</b>	<b>5,439,128</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	25,046	11,460	36,506
Accrued Payroll and Benefits	16,598	1,319	17,917
Accrued Compensated Absences-Current	155	-	155
Accrued Compensated Absences-Due within One Year	10,570	1,179	11,749
Claims Payable	11,530	-	11,530
Due to Other Governments	3,856	-	3,856
Customer Advances and Deposits	2,128	1,534	3,662
Matured Bonds, Loans, Other Payables	28,920	10,715	39,635
Matured Bonds, Loans, Other Interest Payable	19,140	7,570	26,710
Bonds, Loans, and Other Payables-Due within One Year	33,652	11,116	44,768
Unearned Revenue	11,209	-	11,209
Other Liabilities	3,327	-	3,327
<b>Total Current Liabilities</b>	<b>166,131</b>	<b>44,893</b>	<b>211,024</b>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences-Due in More Than One Year	11,983	1,618	13,601
Deferred Revenue	-	8,492	8,492
Bonds, Loans, and Other Payables-Due in More Than One Year	814,318	303,142	1,117,460
Pollution Remediation Obligation	-	29,143	29,143
<b>Total Noncurrent Liabilities</b>	<b>826,301</b>	<b>342,395</b>	<b>1,168,696</b>
<b>Total Liabilities</b>	<b>992,432</b>	<b>387,288</b>	<b>1,379,720</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,586,731	991,390	3,578,121
Restricted			
Debt Service	24,236	-	24,236
Transportation and Preserve Privilege Tax Activities	39,108	-	39,108
Capital Projects	56,639	-	56,639
Grants	768	-	768
Special Programs	10,351	-	10,351
Streetlight and Service District	630	-	630
Water and Sewer System Replacement	-	26,568	26,568
Unrestricted	83,884	239,103	322,987
<b>Total Net Assets</b>	<b>\$ 2,802,347</b>	<b>\$ 1,257,061</b>	<b>\$ 4,059,408</b>

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

# Statement of Activities

For the Year Ended June 30, 2009 (in thousands of dollars)

Function/Programs	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental Activities							
General Government	\$ 20,646	\$ 14,670	\$ 3	\$ 1,104	\$ (4,869)	\$ -	\$ (4,869)
Police	92,530	5,703	2,573	-	(84,254)	-	(84,254)
Financial Services	9,913	-	-	-	(9,913)	-	(9,913)
Transportation	87,552	-	14,892	236,776	164,116	-	164,116
Community Services	78,523	4,619	8,635	242	(65,027)	-	(65,027)
Information Systems	13,723	-	-	-	(13,723)	-	(13,723)
The Downtown Group	4,595	-	-	-	(4,595)	-	(4,595)
Fire	31,174	2,275	80	-	(28,819)	-	(28,819)
Municipal Services	22,887	-	-	2,158	(20,729)	-	(20,729)
Citizen and Neighborhood Resources	3,802	-	12	-	(3,790)	-	(3,790)
Human Resources	3,545	-	17	-	(3,528)	-	(3,528)
Economic Vitality	8,553	-	45	9	(8,499)	-	(8,499)
Planning and Development	29,029	6,393	15	-	(22,621)	-	(22,621)
WestWorld	595	2,682	-	-	2,087	-	2,087
Streetlight and Services Districts	631	599	-	-	(32)	-	(32)
Interest on Long-term Debt	42,242	-	-	-	(42,242)	-	(42,242)
<b>Total Governmental Activities</b>	<b>449,940</b>	<b>36,941</b>	<b>26,272</b>	<b>240,289</b>	<b>(146,438)</b>	<b>-</b>	<b>(146,438)</b>
Business-Type Activities							
Water Utility	81,391	91,546	-	12,994	-	23,149	23,149
Sewer Utility	33,509	34,198	-	8,584	-	9,273	9,273
Airport	3,482	2,813	-	489	-	(180)	(180)
Solid Waste	19,650	20,049	-	-	-	399	399
<b>Total Business-Type Activities</b>	<b>138,032</b>	<b>148,606</b>	<b>-</b>	<b>22,067</b>	<b>-</b>	<b>32,641</b>	<b>32,641</b>
<b>Total Government</b>	<b>\$ 587,972</b>	<b>\$ 185,547</b>	<b>\$ 26,272</b>	<b>\$ 262,356</b>	<b>(146,438)</b>	<b>32,641</b>	<b>(113,797)</b>
General Revenues							
Taxes							
Property Taxes					61,138	-	61,138
Sales and Use Taxes					148,558	117	148,675
Franchise Taxes					11,576	-	11,576
Intergovernmental							
State Shared Sales					18,677	-	18,677
State Revenue Sharing					35,103	-	35,103
Other					10,365	-	10,365
Interest and Investment Income					14,653	4,958	19,611
Other Revenue					5,038	408	5,446
Transfers					9,932	(9,932)	-
<b>Total General Revenues and Transfers</b>					<b>315,040</b>	<b>(4,449)</b>	<b>310,591</b>
Change in Net Assets					168,602	28,192	196,794
Net Assets - Beginning					2,633,745	1,228,869	3,862,614
Net Assets - Ending					<b>\$ 2,802,347</b>	<b>\$ 1,257,061</b>	<b>\$ 4,059,408</b>

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

# Balance Sheet

Governmental Funds  
June 30, 2009 (in thousands of dollars)

	Total						Total Governmental Funds
	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	Nonmajor Governmental Funds		
<b>ASSETS</b>							
Cash and Investments	\$ 71,058	\$ 18,575	\$ 63,657	\$ 25,687	\$ 70,033	\$	249,010
Cash with Fiscal Agent	459	27,871	259	-	14,314		42,903
Receivables (net of allowance for uncollectibles)							
Interest	624	-	321	72	477		1,494
Privilege Tax	7,252	-	-	-	3,434		10,686
Hotel/Motel Tax	73	-	-	-	293		366
Property Tax	902	1,418	-	-	218		2,538
State Shared Sales Tax	1,521	-	-	-	-		1,521
Franchise Fee	2,786	-	-	-	-		2,786
Court Receivable	10,071	-	-	-	-		10,071
Highway User Tax	-	-	-	-	1,272		1,272
Auto Lieu Tax	817	-	-	-	-		817
Intergovernmental	6	-	-	1,827	23,461		25,294
Grants	-	-	100	-	379		479
Special Assessments	-	-	-	-	2,542		2,542
Miscellaneous	6,025	-	3,007	-	233		9,265
Due from Other Funds	40	-	-	-	-		40
Supplies Inventory	205	-	-	-	-		205
Total Assets	\$ 101,839	\$ 47,864	\$ 67,344	\$ 27,586	\$ 116,656	\$	361,289

(continued)

# Balance Sheet

## Governmental Funds

June 30, 2009 (in thousands of dollars)

	Total					
	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities	\$	\$	\$	\$	\$	\$
Accounts Payable	6,630	1	7,325	5,999	3,306	23,261
Accrued Payroll and Benefits	15,226	-	32	21	1,120	16,399
Due to Other Funds	-	-	-	-	40	40
Matured Bond Interest Payable	88	13,092	-	-	5,960	19,140
Matured Bonds Payable	370	22,990	-	-	5,560	28,920
Deferred Revenue						
Property Tax	605	940	-	-	143	1,688
Special Assessments	-	-	-	-	2,542	2,542
Court	4,235	-	-	-	-	4,235
Tax Audit	4,526	-	-	-	-	4,526
Intergovernmental	-	-	-	-	-	26,223
Other	994	-	6	2,406	332	3,738
Due to Other Governments	3,827	-	29	-	-	3,856
Guaranty and Other Deposits	1,593	-	313	-	222	2,128
Other	3,323	-	-	-	4	3,327
Total Liabilities	41,417	37,023	7,705	8,426	45,452	140,023
Fund Balances						
Reserved for						
Inventory	205	-	-	-	-	205
Streetlight and Services Districts	630	-	-	-	-	630
Debt Service	-	10,841	-	-	13,395	24,236
Miscellaneous Receivable	-	-	3,000	-	-	3,000
Unreserved, Reported in						
General Fund - Designated	30,860	-	-	-	-	30,860
General Fund - Undesignated	28,727	-	-	-	-	28,727
Capital Projects Funds	-	-	56,639	19,160	27,099	102,898
Special Revenue Funds	-	-	-	-	30,710	30,710
Total Fund Balances	60,422	10,841	59,639	19,160	71,204	221,266
Total Liabilities and Fund Balances	\$ 101,839	\$ 47,864	\$ 67,344	\$ 27,586	\$ 116,656	\$ 361,289

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, 2009 (in thousands of dollars)

---

Fund Balances -Total Governmental Funds	\$ 221,266
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 and, therefore, are not reported in the funds.	3,361,080
Bond issuance costs are not financial resources and, therefore, are not reported in the funds.	3,371
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(870,059)
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.	31,743
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>54,946</u>
Net Assets of Governmental Activities	<u>\$ 2,802,347</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, 2009 (in thousands of dollars)

	General				Total	
	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes - Local						
Property	\$ 21,892	\$ 34,932	\$ -	\$ -	\$ 3,669	\$ 60,493
Transaction Privilege	94,118	-	-	-	45,262	139,380
Transient Occupancy	1,515	-	-	-	6,062	7,577
Light and Power Franchise	7,831	-	-	-	-	7,831
Cable TV Franchise	3,606	-	-	-	-	3,606
Salt River Project In-Lieu	139	-	-	-	-	139
Other Taxes	820	-	-	-	-	820
Taxes - Intergovernmental						
State-Shared Sales	18,677	-	-	-	-	18,677
State Revenue Sharing	35,103	-	-	-	-	35,103
Auto Lieu Tax	8,530	-	-	-	-	8,530
Highway User Tax	-	-	-	-	14,083	14,083
Local Transportation Assistance Fund	1,733	-	-	-	1,015	1,015
Business and Liquor Licenses	-	-	-	-	-	1,733
Charges for Current Services	6,446	-	-	-	-	6,446
Building and Related Permits	2,275	-	-	-	-	2,275
Fire Fees	3,186	-	-	-	1,130	4,316
Recreation Fees	2,682	-	-	-	-	2,682
Westworld Equestrian Facility Fees	6,671	-	-	-	4	6,675
Fines, Fees and Forfeitures	423	-	-	-	-	423
Court Fines	2,466	-	-	-	-	2,466
Parking	-	-	-	-	-	-
Photo Radar	-	-	-	-	-	-
Court Enhancement	303	-	-	-	967	967
Library	-	-	-	-	-	303
Police Fees	-	-	-	-	625	625
Special Assessments	-	-	-	-	821	821
Property Rental	3,074	-	-	-	453	3,527
Interest Earnings	6,753	-	2,518	846	3,374	13,491
Intergovernmental						
Federal Grants	-	-	242	1,203	7,147	8,592
State Grants	-	-	-	-	720	720
Miscellaneous	1,225	-	-	18,622	2,654	22,501
Developer Contributions	14	-	368	9,043	-	9,425
Streetlight and Services Districts	599	-	-	-	-	599
Contributions and Donations	1	-	-	-	1,518	1,519
Reimbursements from Outside Sources	492	-	212	246	260	1,210
Indirect Costs	14,038	-	-	-	879	14,917
Other	647	-	-	-	344	991
<b>Total Revenues</b>	<b>245,259</b>	<b>34,932</b>	<b>3,340</b>	<b>29,960</b>	<b>90,987</b>	<b>404,478</b>

(continued)

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

**Governmental Funds**  
For the Year Ended June 30, 2009 (in thousands of dollars)

	General				Total	
	General	Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>						
Current						
General Government	18,682	-	-	-	534	19,216
Police	88,415	-	-	-	1,387	89,802
Financial Services	9,701	-	-	-	-	9,701
Transportation	124	-	-	-	15,456	15,580
Community Services	60,505	-	-	-	10,302	70,807
Information Systems	9,904	-	-	-	-	9,904
The Downtown Group	4,475	-	-	-	152	4,627
Fire	30,687	-	-	-	80	30,767
Municipal Services	1,679	-	-	-	17,121	18,800
Citizen and Neighborhood Resources	3,721	-	-	-	11	3,732
Human Resources	3,447	-	-	-	18	3,465
Economic Vitality	1,337	-	-	-	6,909	8,246
Planning and Development	16,650	-	-	-	21	16,671
WestWorld	3,615	-	-	-	89	3,704
Streetlight and Services Districts	632	-	-	-	-	632
Debt Service						
Principal	1,058	22,990	105	-	7,155	31,308
Interest and Fiscal Charges	2,542	26,885	7	-	12,178	41,612
Capital Improvements	-	-	89,646	54,364	11,348	155,358
Total Expenditures	<u>257,174</u>	<u>49,875</u>	<u>89,758</u>	<u>54,364</u>	<u>82,761</u>	<u>533,932</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,915)	(14,943)	(86,418)	(24,404)	8,226	(129,454)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	28,330	16,264	59,774	22,607	33,344	160,319
Transfers Out	(18,296)	-	(14,787)	(8,600)	(103,674)	(145,357)
Total Other Financing Sources and (Uses)	<u>10,034</u>	<u>16,264</u>	<u>44,987</u>	<u>14,007</u>	<u>(70,330)</u>	<u>14,962</u>
Net Change in Fund Balances	(1,881)	1,321	(41,431)	(10,397)	(62,104)	(114,492)
Fund Balances - Beginning	62,303	9,520	101,070	29,557	133,308	335,758
Fund Balances - Ending	<u>\$ 60,422</u>	<u>\$ 10,841</u>	<u>\$ 59,639</u>	<u>\$ 19,160</u>	<u>\$ 71,204</u>	<u>\$ 221,266</u>

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

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

For the Year Ended June 30, 2009 (in thousands of dollars)

---

Net Change in Fund Balances - Total Governmental Funds	\$ (114,492)
--	--------------

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.	51,079
--	--------

Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.	209,561
---	---------

Transfer of capital asset to the Internal Service Fund.	(2,021)
---	---------

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.	(605)
---	-------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,581)
--	---------

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.	(293)
---	-------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction; however, has any effect on net assets. This is the amount by which debt proceeds exceeded principal retirement in the current period.	31,308
--	--------

Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refunding.	(337)
---	-------

The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>(1,017)</u>
--	----------------

Changes in Net Assets of Governmental Activities	<u>\$ 168,602</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, 2009 (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	\$ 22,361	\$ 22,167	\$ 22,607	\$ (715)	\$ 21,892	\$ 440
Transaction Privilege	116,611	96,910	95,757	(1,639)	94,118	(1,153)
Transient Occupancy	1,972	1,598	1,525	(10)	1,515	(73)
Light and Power Franchise	7,718	8,200	7,791	40	7,831	(409)
Cable TV Franchise	3,603	3,603	3,566	40	3,606	(37)
Salt River Project In-Lieu	175	139	139	-	139	-
Other Taxes	842	830	814	6	820	(16)
Taxes - Intergovernmental						
State-Shared Sales	22,000	19,900	18,936	(259)	18,677	(964)
State Revenue Sharing	34,000	34,600	35,103	-	35,103	503
Auto Lieu Tax	9,700	8,000	8,151	379	8,530	151
Business and Liquor Licenses	1,835	1,669	1,733	-	1,733	64
Charges for Current Services						
Building and Related Permits	14,500	6,616	6,912	(466)	6,446	296
Fire Fees	1,440	2,331	1,752	523	2,275	(579)
Recreation Fees	3,114	3,114	3,206	(20)	3,186	92
Westworld Equestrian Facility Fees	2,387	2,728	2,663	19	2,682	(65)
Fines, Fees and Forfeitures						
Court Fines	6,451	6,368	6,671	-	6,671	303
Parking	318	475	423	-	423	(52)
Photo Radar	2,844	2,315	2,466	-	2,466	151
Library	382	302	303	-	303	1
Property Rental	3,381	3,327	3,222	(148)	3,074	(105)
Interest Earnings	4,500	3,498	3,691	3,062	6,753	193
Intergovernmental						
Miscellaneous	675	1,064	1,160	65	1,225	96
Developer Contributions	-	14	14	-	14	-
Streetlight and Services Districts	732	732	600	(1)	599	(132)
Contributions and Donations	-	-	1	-	1	1
Reimbursements from Outside Sources	350	365	456	36	492	91
Indirect Costs	12,937	14,016	14,038	-	14,038	22
Other	1,000	1,016	628	19	647	(388)
Total Revenues	<u>275,828</u>	<u>245,897</u>	<u>244,328</u>	<u>931</u>	<u>245,259</u>	<u>(1,569)</u>
<b>EXPENDITURES</b>						
Current						
General Government	19,129	19,391	18,645	37	18,682	746
Police	90,335	92,438	88,325	90	88,415	4,113
Financial Services	9,993	9,982	9,586	115	9,701	396
Transportation	201	127	123	1	124	4
Community Services	58,822	61,906	60,380	125	60,505	1,526
Information Systems	10,603	10,136	9,888	16	9,904	248
The Downtown Group	4,581	4,577	4,479	(4)	4,475	98
Fire	33,238	32,118	30,733	(46)	30,687	1,385
Municipal Services	1,687	2,147	1,673	6	1,679	474
Citizen and Neighborhood Resources	3,775	3,793	3,691	30	3,721	102
Human Resources	4,316	3,647	3,439	8	3,447	208
Economic Vitality	1,503	1,367	1,323	14	1,337	44
Planning and Development	17,132	17,393	16,620	30	16,650	773
WestWorld	3,550	3,852	3,609	6	3,615	243
Streetlight and Services Districts	732	732	632	-	632	100
Inventory/Other	-	-	249	(249)	-	(249)
Debt Service						
Principal	1,528	1,561	1,058	-	1,058	503
Interest and Fiscal Charges	4,498	4,506	2,542	-	2,542	1,964
Total Expenditures	<u>265,623</u>	<u>269,673</u>	<u>256,995</u>	<u>179</u>	<u>257,174</u>	<u>12,678</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,205</u>	<u>(23,776)</u>	<u>(12,667)</u>	<u>752</u>	<u>(11,915)</u>	<u>11,109</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	11,691	28,078	28,330	-	28,330	252
Transfers Out	(22,898)	(17,054)	(18,296)	-	(18,296)	(1,242)
Total Other Financing Sources and (Uses)	<u>(11,207)</u>	<u>11,024</u>	<u>10,034</u>	<u>-</u>	<u>10,034</u>	<u>(990)</u>
Net Change in Fund Balance	<u>(1,002)</u>	<u>(12,752)</u>	<u>(2,633)</u>	<u>752</u>	<u>(1,881)</u>	<u>10,119</u>
Fund Balance - Beginning	<u>41,359</u>	<u>44,887</u>	<u>44,887</u>	<u>17,416</u>	<u>62,303</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 40,357</u>	<u>\$ 32,135</u>	<u>\$ 42,254</u>	<u>\$ 18,168</u>	<u>\$ 60,422</u>	<u>\$ 10,119</u>

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

## General Fund

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

For the Year Ended June 30, 2009 (in thousands of dollars)

---

#### Explanation of Differences:

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

Change in Fair Value of Investments	\$	(3,658)
-------------------------------------	----	---------

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

Change in Receivables		<u>4,589</u>
-----------------------	--	--------------

Total Revenue Reconciling Items:		<u>931</u>
----------------------------------	--	------------

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

Claims and Compensated Absences		321
---------------------------------	--	-----

Bad Debt Expense		107
------------------	--	-----

Inventory/Other Expenses		<u>(249)</u>
--------------------------	--	--------------

Total Expenditure Reconciling Items:		<u>179</u>
--------------------------------------	--	------------

Net Increase in Fund Balance - Budget to GAAP		752
---	--	-----

The beginning balance for Actual Amounts Budgetary Basis was adjusted to the fiscal year ending fund balance amounts for fiscal year 2007/08 in the City of Scottsdale Adopted Fiscal Year Ending 2009/10 Budget Balance:

Fund Balance - Beginning		<u>17,416</u>
--------------------------	--	---------------

Fund Balance - Ending	\$	<u><u>18,168</u></u>
-----------------------	----	----------------------

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

# Statement of Net Assets

## Proprietary Funds

June 30, 2009 (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	\$ 91,834	\$ 5,169	\$ 6,458	\$ 103,461	\$ 38,637
Cash with Fiscal Agent	18,285	-	-	18,285	-
Receivables					
Privilege Tax	-	14	-	14	-
Charges for Services	14,084	-	1,921	16,005	-
Intergovernmental	-	176	-	176	-
Interest	876	30	40	946	220
Miscellaneous	1,188	148	41	1,377	6
Prepaid Expenses					748
Supplies Inventory	-	-	-	-	574
Restricted Cash, Cash Equivalents, and Investments:					
Customer Advances and Deposits	1,467	67	-	1,534	-
Other Restricted Assets					
Joint Venture Construction Deposits	7,730	-	-	7,730	-
<b>Total Current Assets</b>	<b>135,464</b>	<b>5,604</b>	<b>8,460</b>	<b>149,528</b>	<b>40,185</b>
Noncurrent Assets					
Equity in Joint Venture	123,632	-	-	123,632	-
Deferred Charges	1,524	-	-	1,524	-
Pollution Remediation Recoveries	29,143	-	-	29,143	-
Restricted Cash, Cash Equivalents, and Investments:					
Deferred Revenue	8,447	44	-	8,491	-
Water and Sewer System Replacement	26,568	-	-	26,568	-
Capital Assets					
Land	27,294	9,564	1,111	37,969	-
Water Rights	89,701	-	-	89,701	-
Water System	911,050	-	-	911,050	-
Sewer System	417,352	-	-	417,352	-
Buildings and Improvements	-	19,295	3,005	22,300	1,847
Motor Vehicles	-	-	-	-	66,838
Machinery and Equipment	14,936	956	1,933	17,825	768
Furniture and Fixtures	621	-	-	621	-
Construction in Progress	159,440	721	734	160,895	3,901
Less Accumulated Depreciation	(341,773)	(7,824)	(2,653)	(352,250)	(44,460)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>1,278,621</b>	<b>22,712</b>	<b>4,130</b>	<b>1,305,463</b>	<b>28,894</b>
<b>Total Noncurrent Assets</b>	<b>1,467,935</b>	<b>22,756</b>	<b>4,130</b>	<b>1,494,821</b>	<b>28,894</b>
<b>Total Assets</b>	<b>\$ 1,603,399</b>	<b>\$ 28,360</b>	<b>\$ 12,590</b>	<b>\$ 1,644,349</b>	<b>\$ 69,079</b>

(continued)

## Statement of Net Assets

### Proprietary Funds

June 30, 2009 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ 10,898	\$ 124	\$ 438	\$ 11,460	\$ 1,785
Accrued Payroll and Benefits	1,013	133	173	1,319	354
Accrued Compensated Absences - Due Within One Year	824	59	296	1,179	201
Claims Payable	-	-	-	-	11,530
Customer Advances and Deposits	1,467	67	-	1,534	-
Matured Bonds Payable	10,715	-	-	10,715	-
Matured Bond Interest Payable	7,570	-	-	7,570	-
Bonds Payable and Other Payables - Due Within One Year	11,116	-	-	11,116	-
Total Current Liabilities	<u>43,603</u>	<u>383</u>	<u>907</u>	<u>44,893</u>	<u>13,870</u>
Noncurrent Liabilities					
Accrued Compensated Absences - Due in More Than One Year	1,006	68	544	1,618	217
Deferred Revenue	8,447	45	-	8,492	-
Bonds Payable and Other Payables - Due in More Than One Year	303,080	9	53	303,142	46
Pollution Remediation Obligation	29,143	-	-	29,143	-
Total Noncurrent Liabilities	<u>341,676</u>	<u>122</u>	<u>597</u>	<u>342,395</u>	<u>263</u>
Total Liabilities	<u>385,279</u>	<u>505</u>	<u>1,504</u>	<u>387,288</u>	<u>14,133</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	964,548	22,712	4,130	991,390	28,894
Restricted for Water and Sewer System Replacement	26,568	-	-	26,568	-
Unrestricted	227,004	5,143	6,956	239,103	26,052
Total Net Assets	<u>\$ 1,218,120</u>	<u>\$ 27,855</u>	<u>\$ 11,086</u>	<u>\$ 1,257,061</u>	<u>\$ 54,946</u>

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, 2009 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Operating Revenues</b>					
Charges for Sales and Services					
Water Service Fees	\$ 84,722	\$ -	\$ -	\$ 84,722	\$ -
Sewer Service Fees	34,198	-	-	34,198	-
Proprietary - Non-Potable Water Fees	6,824	-	-	6,824	-
Solid Waste Fees	-	-	20,049	20,049	-
Airport Fees	-	2,813	-	2,813	-
Other Services	-	-	-	-	49,644
Other	408	-	-	408	1,305
Total Operating Revenues	<u>126,152</u>	<u>2,813</u>	<u>20,049</u>	<u>149,014</u>	<u>50,949</u>
<b>Operating Expenses</b>					
Costs for Sales and Services					
Water Operations	44,551	-	-	44,551	-
Sewer Operations	16,927	-	-	16,927	-
Solid Waste Operations	-	-	16,884	16,884	-
Airport Operations	-	1,900	-	1,900	-
Other Services	-	-	-	-	44,648
Indirect Costs	9,758	611	2,568	12,937	-
Depreciation	34,253	971	198	35,422	5,451
Total Operating Expenses	<u>105,489</u>	<u>3,482</u>	<u>19,650</u>	<u>128,621</u>	<u>50,099</u>
Operating Income	<u>20,663</u>	<u>(669)</u>	<u>399</u>	<u>20,393</u>	<u>850</u>
<b>Non-Operating Revenues (Expenses)</b>					
Property Tax	-	-	-	-	23
Transaction Privilege Tax	-	117	-	117	-
Investment Income	4,630	134	194	4,958	1,162
Interest Expense	(9,411)	-	-	(9,411)	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	(43)
Net Non-Operating Revenues (Expenses)	<u>(4,781)</u>	<u>251</u>	<u>194</u>	<u>(4,336)</u>	<u>1,142</u>
Income Before Contributions and Transfers	<u>15,882</u>	<u>(418)</u>	<u>593</u>	<u>16,057</u>	<u>1,992</u>
Capital Contributions	21,578	489	-	22,067	2,021
Transfers In	150	-	71	221	-
Transfers Out	(9,702)	(58)	(393)	(10,153)	(5,030)
Change in Net Assets	<u>27,908</u>	<u>13</u>	<u>271</u>	<u>28,192</u>	<u>(1,017)</u>
Total Net Assets - Beginning	<u>1,190,212</u>	<u>27,842</u>	<u>10,815</u>	<u>1,228,869</u>	<u>55,963</u>
Total Net Assets - Ending	<u>\$ 1,218,120</u>	<u>\$ 27,855</u>	<u>\$ 11,086</u>	<u>\$ 1,257,061</u>	<u>\$ 54,946</u>

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

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2009 (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	\$ 126,194	\$ 2,842	\$ 20,035	\$ 149,071	\$ 49,642
Cash Paid to Suppliers	(55,295)	(1,236)	(13,310)	(69,841)	(39,050)
Cash Paid to Employees	(17,594)	(1,092)	(5,972)	(24,658)	(4,607)
Other Operating	501	-	-	501	1,305
Net Cash Provided by Operating Activities	<u>53,806</u>	<u>514</u>	<u>753</u>	<u>55,073</u>	<u>7,290</u>
<b>Cash Flows from Non-Capital Financing Activities</b>					
Property Tax	-	-	-	-	23
Transaction Privilege Tax	-	119	-	119	-
Transfers In	150	-	71	221	-
Transfers Out	(9,702)	(58)	(393)	(10,153)	(5,030)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(9,552)</u>	<u>61</u>	<u>(322)</u>	<u>(9,813)</u>	<u>(5,007)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Contributions from Other					
Water and Sewer Development Fees	3,169	-	-	3,169	-
Capital Grants	2	1,242	-	1,244	-
Capital Contributions					
Acquisition and Construction of Property and Equipment	(79,000)	(697)	(580)	(80,277)	(6,093)
Principal Payments on Capital Debt	(8,418)	-	-	(8,418)	-
Interest Paid on Capital Debt	(13,321)	-	-	(13,321)	-
Investment in Joint Venture & CIP Deposit	(3,515)	-	-	(3,515)	-
Sale of Capital Assets	564	-	-	564	168
Net Cash Used for Capital and Related Financing Activities	<u>(100,519)</u>	<u>545</u>	<u>(580)</u>	<u>(100,554)</u>	<u>(5,925)</u>
<b>Cash Flows from Investing Activities</b>					
Income Received on Investments	4,913	144	215	5,272	1,291
Net Cash Provided by Investing Activities	<u>4,913</u>	<u>144</u>	<u>215</u>	<u>5,272</u>	<u>1,291</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(51,352)	1,264	66	(50,022)	(2,351)
Cash and Cash Equivalents at Beginning of Year	197,953	4,016	6,392	208,361	40,988
Cash and Cash Equivalents at End of Year	<u>\$ 146,601</u>	<u>\$ 5,280</u>	<u>\$ 6,458</u>	<u>\$ 158,339</u>	<u>\$ 38,637</u>

(continued on next page)

# Statement of Cash Flows

## Proprietary Funds

(Concluded)

For the Year Ended June 30, 2009 (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	\$ 91,834	\$ 5,169	\$ 6,458	\$ 103,461	\$ 38,637
Cash with Fiscal Agent	18,285	-	-	18,285	-
Restricted Cash and Investments	36,482	111	-	36,593	-
<b>Total Cash and Cash Equivalents</b>	<b>\$ 146,601</b>	<b>\$ 5,280</b>	<b>\$ 6,458</b>	<b>\$ 158,339</b>	<b>\$ 38,637</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$ 20,663	\$ (669)	\$ 399	\$ 20,393	\$ 850
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	34,253	971	198	35,422	5,451
Changes In Assets and Liabilities					
Sources (Uses) of Cash					
Accounts Receivable	(386)	-	(29)	(415)	-
Miscellaneous Receivables	93	22	15	130	2
Prepaid Expenses	-	-	-	-	(748)
Supplies Inventory	-	-	-	-	218
Accounts Payable	(2,291)	70	38	(2,183)	249
Accrued Payroll and Benefits	684	112	125	921	239
Claims Payable	-	-	-	-	1,011
Deferred Revenue	837	7	-	844	(4)
Other Liabilities	(47)	1	7	(39)	22
<b>Total Adjustments</b>	<b>33,143</b>	<b>1,183</b>	<b>354</b>	<b>34,680</b>	<b>6,440</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 53,806</b>	<b>\$ 514</b>	<b>\$ 753</b>	<b>\$ 55,073</b>	<b>\$ 7,290</b>
Supplemental Disclosure of Non-Cash Financing Activities					
Additions to Property, Plant, and Equipment					
Contributions from Developers	\$ 18,426	\$ -	\$ -	\$ 18,426	\$ -
Contributions from Other Government Units	-	-	-	-	2,021
Amortization of Deferred Charges	(154)	-	-	(154)	-
Loss on Sale of Capital Assets	(563)	-	-	(563)	-
<b>Total Non-Cash Financing Activities</b>	<b>\$ 17,709</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,709</b>	<b>\$ 2,021</b>

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

# Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2009 (in thousands of dollars)

---

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3	\$ 9,467
Total Assets	<u>3</u>	<u>9,467</u>
<b>LIABILITIES</b>		
Accounts Payable	-	127
Designated Escrow Payable	-	9,340
Total Liabilities	<u>-</u>	<u>9,467</u>
<b>NET ASSETS</b>		
Held in Trust for Other Purposes	<u>\$ 3</u>	<u>\$ -</u>

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

# Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

For the Year Ended June 30, 2009 (in thousands of dollars)

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

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

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

Component Unit	Description and Criteria for Inclusion	Reporting Method	For Separate Financial Statements
City of Scottsdale Municipal Property Corporation (MPC)	<ul style="list-style-type: none"> <li>• Non-profit corporation created in 1967.</li> <li>• Sole purpose is to construct, acquire, and equip buildings, structures or land improvements for the City.</li> <li>• Governed by Board of Directors appointed by the 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 Department Accounting Division 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 appointed by the 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 Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Scottsdale Mountain Community Facilities District (CFD)	<ul style="list-style-type: none"> <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 Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2009**

<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 Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>DC Ranch Community Facilities District (CFD)</p>	<ul style="list-style-type: none"> <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 Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>Via Linda Road Community Facilities District (CFD)</p>	<ul style="list-style-type: none"> <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 Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>Waterfront Commercial Community Facilities District (CFD)</p>	<ul style="list-style-type: none"> <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 Department Accounting Division 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>

## B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the 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 properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The *Transportation Privilege Tax Capital Projects Fund* accounts for the resources used to acquire, construct and improve transportation related capital projects.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All accounts, property tax and court receivables are shown net of an allowance for uncollectibles. All receivables in excess of one year comprise the allowance for uncollectibles at June 30, 2009.

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 renewal and replacement account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

### **5. Capital Assets**

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

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

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

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

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 on or after July 1, 1996, and who 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, 2009. 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 in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30 that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. 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. 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.

## **9. Net Assets**

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

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

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

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

**E. Implementation of New Accounting Principles**

**1. Governmental Accounting Standards Board Statement No. 49**

The City adopted the provisions of GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement establishes a framework for the recognition and measurement of pollution remediation liabilities. A pollution remediation obligation addresses the current or potential detrimental effects of existing pollution by participation in pollution remediation activities. This statement enhances the comparability of financial statements among governments by reporting pollution remediation obligations in the same manner. This statement also enhances the ability to assess the government's obligations by requiring timely and complete reporting of such obligations as the components are reasonably estimable.

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

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

The City's total governmental fund balances, \$221,266, differs from net assets of governmental activities, \$2,802,347, 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	\$ 249,010	\$ -	\$ 38,637	\$ -	\$ 287,647
Cash with Fiscal Agent	42,903	-	-	-	42,903
Receivables (net of allowance for uncollectibles)					
Interest	1,494	-	220	-	1,714
Privilege Tax	10,686	-	-	-	10,686
Hotel/Motel Tax	366	-	-	-	366
Property Tax	2,538	-	-	-	2,538
State Shared Sales Tax	1,521	-	-	-	1,521
Franchise Fee	2,786	-	-	-	2,786
Court Receivable	10,071	-	-	-	10,071
Highway User Tax	1,272	-	-	-	1,272
Auto Lieu Tax	817	-	-	-	817
Intergovernmental	25,294	-	-	-	25,294
Grants	479	-	-	-	479
Special Assessments	2,542	-	-	-	2,542
Miscellaneous	9,265	-	6	-	9,271
Due from Other Funds/Internal Balances	40	-	-	(40)	-
Prepaid Expenses	-	-	748	-	748
Supplies Inventory	205	-	574	-	779
Capital Assets (net of accumulated depreciation)	-	3,361,080	28,894	-	3,389,974
Deferred charges and other assets	-	3,371	-	-	3,371
Total Assets	<u>\$ 361,289</u>	<u>\$ 3,364,451</u>	<u>\$ 69,079</u>	<u>\$ (40)</u>	<u>\$ 3,794,779</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 23,261	\$ -	\$ 1,785	\$ -	\$ 25,046
Accrued Payroll and Benefits	16,399	(155)	354	-	16,598
Accrued Compensated Absences - Current	-	155	-	-	155
Accrued Compensated Absences - Due Within One Year	-	10,369	201	-	10,570
Accrued Compensated Absences - Due in More Than One Year	-	11,766	217	-	11,983
Claims Payable	-	-	11,530	-	11,530
Due to Other Funds	40	-	-	(40)	-
Matured Bond Interest Payable	19,140	-	-	-	19,140
Matured Bonds Payable	28,920	-	-	-	28,920
Deferred Revenue					
Property Tax	1,688	(1,688)	-	-	-
Special Assessments	2,542	(2,542)	-	-	-
Court	4,235	(4,235)	-	-	-
Tax Audit	4,526	(4,526)	-	-	-
Intergovernmental	26,223	(18,327)	-	-	7,896
Other	3,738	(425)	-	-	3,313
Due to Other Governments	3,856	-	-	-	3,856
Guaranty and Other Deposits	2,128	-	-	-	2,128
Other	3,327	-	-	-	3,327
Bonds, Loans, Capital Leases, and Other Payables	-	847,924	46	-	847,970
Total Liabilities	<u>140,023</u>	<u>838,316</u>	<u>14,133</u>	<u>(40)</u>	<u>992,432</u>
Fund Balances/Net Assets					
Total Fund Balances/Net Assets	221,266	2,526,135	54,946	-	2,802,347
Total Liabilities and Fund Balances/Net Assets	<u>\$ 361,289</u>	<u>\$ 3,364,451</u>	<u>\$ 69,079</u>	<u>\$ (40)</u>	<u>\$ 3,794,779</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	\$ 4,690,618
Accumulated depreciation	(1,329,538)
	<u>\$ 3,361,080</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 @ 7/1/08	\$ 3,664
Bond issuance cost for fiscal year 2009	-
Amortization of bond issuance costs	(293)
	<u>\$ 3,371</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, 2009 were:

Contract and capital lease payables	\$ (16,828)
Bonds payable	(820,525)
Deferred amount on refunding	8,112
Deferred issuance premium	(17,572)
Accrued vacation and sick leave pay	(22,135)
Post Employment - Implied Subsidy	(1,111)
	<u>\$ (870,059)</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	\$ 2,542
Deferred court revenue	4,235
Deferred tax revenue	6,214
Deferred intergovernmental revenue	18,327
Deferred other	425
	<u>\$ 31,743</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.

\$ 54,946

**B. Explanation of certain differences between the governmental fund 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 \$114,492, differs from the change in net assets for the governmental activities, \$168,602, 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	\$ 60,493	\$ 622	\$ -	\$ 23	\$ -	\$ -	\$ 61,138
Transaction Privilege	139,380	1,601	-	-	-	-	140,981
Transient Occupancy	7,577	-	-	-	-	-	7,577
Light and Power Franchise	7,831	-	-	-	-	-	7,831
Cable TV Franchise	3,606	-	-	-	-	-	3,606
Salt River Project In-Lieu	139	-	-	-	-	-	139
Other Taxes	820	-	-	-	-	-	820
Taxes - Intergovernmental:							
State-Shared Sales	18,677	-	-	-	-	-	18,677
State Revenue Sharing	35,103	-	-	-	-	-	35,103
Auto Lieu Tax	8,530	-	-	-	-	-	8,530
Highway User Tax	14,083	-	-	-	-	-	14,083
Local Transportation Assistance Fund	1,015	-	-	-	-	-	1,015
Business and Liquor Licenses	1,733	-	-	-	-	-	1,733
Charges for Current Services:							
Building and Related Permits	6,446	-	-	-	(53)	-	6,393
Fire Fees	2,275	-	-	-	-	-	2,275
Recreation Fees	4,316	-	-	-	-	-	4,316
Westworld Equestrian Facility Fees	2,682	-	-	-	-	-	2,682
Fines and Forfeitures:							
Court Fines	6,675	(4,964)	-	-	-	-	1,711
Parking	423	(271)	-	-	-	-	152
Photo Radar	2,466	(218)	-	-	-	-	2,248
Court Enhancement	967	-	-	-	-	-	967
Library	303	-	-	-	-	-	303
Police Fees	625	-	-	-	-	-	625
Special Assessments	821	(675)	-	-	-	-	146
Property Rental	3,527	-	-	-	-	-	3,527
Interest Earnings	13,491	-	-	1,162	-	-	14,653
Intergovernmental:							
Federal Grants	8,592	-	-	-	-	-	8,592
State Grants	720	-	-	-	-	-	720
Miscellaneous	22,501	14	-	-	-	-	22,515
Developer Contributions	9,425	-	-	-	-	-	9,425
Streetlight and Services Districts	599	-	-	-	-	-	599
Contributions and Donations	1,519	-	-	-	-	-	1,519
Reimbursements from Outside Sources	1,210	-	-	-	-	-	1,210
Indirect Costs	14,917	-	-	-	(1,980)	-	12,937
Other	991	(690)	-	-	-	-	301
Total	404,478	(4,581)	-	1,185	(2,033)	-	399,049

(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	Long-Term Debt Transactions (6)	Statement of of Activities
<b>EXPENDITURES/EXPENSES</b>							
Current:							
General Government	\$ 19,216	\$ (171)	\$ 1,543	\$ 107	\$ (49)	\$ -	\$ 20,646
Police	89,802	608	2,345	3	(228)	-	92,530
Financial Services	9,701	(81)	548	3	(258)	-	9,913
Transportation	15,580	56	72,666	37	(787)	-	87,552
Community Services	70,807	(201)	8,051	(93)	(41)	-	78,523
Information Systems	9,904	56	3,867	5	(109)	-	13,723
The Downtown Group	4,627	(29)	(2)	(1)	-	-	4,595
Fire	30,767	31	605	(197)	(32)	-	31,174
Municipal Services	18,800	143	4,996	(629)	(423)	-	22,887
Citizen and Neighborhood Resources	3,732	6	73	(9)	-	-	3,802
Human Resources	3,465	(2)	73	9	-	-	3,545
Economic Vitality	8,246	(7)	313	1	-	-	8,553
Planning and Development	16,671	200	12,262	2	(106)	-	29,029
WestWorld	3,704	(4)	(3,061)	(44)	-	-	595
Streetlight and Services Districts	632	-	-	(1)	-	-	631
Debt Service:							
Principal	31,308	-	-	-	-	(31,308)	-
Interest and Fiscal Charges	41,612	-	-	-	-	630	42,242
Capital Improvements	155,358	-	(155,358)	-	-	-	-
Total Expenditures/Expenses	533,932	605	(51,079)	(807)	(2,033)	(30,678)	449,940
<b>OTHER FINANCING USES/CHANGES</b>							
<b>IN NET ASSETS</b>							
Net Transfers (to) From Other Funds	14,962	-	(2,021)	(3,009)	-	-	9,932
Capital Contributions	-	-	209,561	-	-	-	209,561
Total	14,962	-	207,540	(3,009)	-	-	219,493
Net Change for the Year	\$ (114,492)	\$ (5,186)	\$ 258,619	\$ (1,017)	\$ -	\$ 30,678	\$ 168,602

(continued on next page)

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	\$ 622
Court revenue	(5,453)
Tax audit revenue	1,601
Special Assessment revenue	(675)
Intergovernmental revenue	14
Other Receivable revenue	(690)
	<u>\$ (4,581)</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	\$ (649)
Accrual for long-term post employment implied subsidy	44
	<u>\$ (605)</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	\$ 154,290
Depreciation Expenses	(102,923)
Loss on disposal of capital assets	(288)
Difference	<u>\$ 51,079</u>

Transfer of capital assets to Internal Service Fund \$ (2,021)

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

Capital Contributions	<u>\$ 209,561</u>
-----------------------	-------------------

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

Change in Net Assets	<u>\$ (1,017)</u>
----------------------	-------------------

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

Reduction in Revenues - Governmental Funds	\$ (2,033)
Reduction in Expenditures/Expenses - Governmental Funds	(2,033)
	<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 2009	\$ -
Amortization of bond issuance costs	<u>(293)</u>
Difference	<u>\$ (293)</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>\$ 31,308</u>
-------------------------	------------------

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

Amortization of deferred charges on refundings	\$ (1,298)
Interest accretion and amortization	(724)
Amortization of bond premium and discounts	<u>1,685</u>
	<u>\$ (337)</u>

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

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

The City prepared an annual budget that covered fiscal year 2008/09. The 2008/09 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 2008/09, 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 \$2,000. Administrative costs incurred which were not included in the expenditures appropriation were funded by available fund balance.

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

Only restrictions imposed by external sources are shown as restricted net assets on the government-wide financial statements. Reservations or designations of fund balances are shown in aggregate on the governmental fund financial statements, but not on the proprietary fund financial statements. The City does, however, reserve or designate portions of net assets in other funds to demonstrate the government's intended use of those net assets. Designations are created by administrative policy. The following are the reservations and designations of fund balance/net assets included in the unreserved fund balance/net assets at June 30, 2009:

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

<b>General Fund</b>	Major	Nonmajor
Reserved for Inventory	\$ 205	
Reserved\Restricted for Streetlight and Service Districts	630	
Designated for Operating Reserve\Contingency	30,860	
Total	\$ 31,695	
<b>Debt Service Fund</b>		
Reserved for Debt Service	\$ 10,841	\$ 13,395
<b>Capital Projects Fund</b>		
Reserved for Miscellaneous Receivable	\$ 3,000	
<b>Water and Sewer</b>		
Restricted for Repair and Replacement	\$ 26,568	
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	\$ 19,194	
<b>Airport</b>		
Designated for Operating Reserve	\$ 590	
<b>Solid Waste</b>		
Designated for Operating Reserve	\$ 5,017	
<b>Self-Insurance</b>		
Designated for General Liability Claims	\$ 2,961	
Designated for Health Care Benefits	7,177	
	\$ 10,138	

#### **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, 2009, the carrying amount of the City's deposits was \$90,821,942, and the bank balance was \$89,585,848. The \$1,236,094 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, 2009, in accordance with the City's policy, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus had no deposits that were exposed to custodial credit risk.

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

## Interest Rate Risk

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 2	2 - 3	3+
U.S. Government Securities	\$ 76,596	\$ 1,014	\$ 56,235	\$ 19,336	\$ 11
Federal Agency Securities	312,307	206,477 *	92,835 **	12,995 ***	-
Corporate Notes	18,359	-	8,160	10,199	-
Guaranteed Investment Contracts	275	275	-	-	-
<b>Total Investments</b>	<b>\$ 407,537</b>	<b>\$ 207,766</b>	<b>\$157,230</b>	<b>\$ 42,530</b>	<b>\$ 11</b>

\*\$12,002 of these bonds are callable July 7, 2009

\*\*\$21,124 of these bonds are callable between February 17, 2010 and April 20, 2010

\*\*\*\$12,995 of these bonds are callable between December 15, 2009 and December 29, 2009

## 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, 2009 for each investment type:

Investment Type	Total	A-1+	AAA	Exempt from	
				Disclosure	Not Rated
U.S. Government Securities	\$ 76,596	\$ -	\$ -	\$ 76,596	\$ -
Federal Agency Securities	312,307	5,748	306,559	-	-
Corporate Notes	18,359	-	18,359	-	-
Guaranteed Investment Contracts	275	-	-	-	275
<b>Total Investments</b>	<b>\$ 407,537</b>	<b>\$ 5,748</b>	<b>\$ 324,918</b>	<b>\$ 76,596</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, 2009:

(in thousands of dollars)

Issuer	Investment Type	Market Value	Percent of Holdings
U.S. Government	U.S. Government Securities	\$ 76,596	18.79%
Federal Home Loan Bank (FHLB)	Federal Agency Securities	113,129	27.76%
Federal Home Loan Mortgage Corp. (FHLMC)	Federal Agency Securities	91,555	22.46%
Federal National Mortgage Association (FNMA)	Federal Agency Securities	66,831	16.40%
Federal Farm Credit Bank (FFCB)	Federal Agency Securities	40,792	10.01%
General Electric Capital Corp.	Corporate Note	5,045	1.24%
Goldman Sachs	Corporate Note	3,115	0.76%
PNC Bank	Corporate Note	5,041	1.24%
SunTrust Bank	Corporate Note	5,158	1.27%
Pacific Life Insurance Company	Guaranteed Investment Contract	275	0.07%
<b>Total Investments</b>		<b>\$ 407,537</b>	<b>100.00%</b>

## Investments

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

Carrying Amount of City Deposits	\$ 90,822
Investments	<u>407,537</u>
Total Cash and Investments	<u><u>\$ 498,359</u></u>

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

Primary Government	
Cash and Investments	\$ 391,108
Cash with Fiscal Agent	61,188
Restricted Cash	36,593
Handicap Scholarship Private Purpose Trust Fund	3
Family Self-Sufficiency Agency Fund	127
Retainage Escrow Agency Fund	<u>9,340</u>
Total Cash and Investments	<u><u>\$ 498,359</u></u>

Investment income comprises the following for the year ended June 30, 2009 (in thousands of dollars):

Net Interest and Dividends	\$	17,071
Net Increase in the Fair Value of Investments		<u>2,540</u>
Total Net Investment Income	\$	<u><u>19,611</u></u>

The net increase in the fair value of investments during fiscal year 2008/09 was \$2,540,225. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2009, was \$2,287,483.

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	Transportation Privilege Tax Capital Projects	Nonmajor and Other Funds	Total Governmental Funds
<b>Receivables</b>						
Property Taxes and Penalties:						
Property	\$ 902	\$ 1,418	\$ -	\$ -	\$ 218	\$ 2,538
Court	32,680	-	-	-	-	32,680
Subtotal Property Taxes and Penalties	33,582	1,418	-	-	218	35,218
Other local taxes:						
Privilege	7,252	-	-	-	3,434	10,686
Hotel/Motel	73	-	-	-	293	366
State Shared Sales Tax	1,521	-	-	-	-	1,521
Franchise Fee	2,786	-	-	-	-	2,786
Auto Lieu	817	-	-	-	-	817
Highway User	-	-	-	-	1,272	1,272
Subtotal Other Local Taxes	12,449	-	-	-	4,999	17,448
Intergovernmental/Grants	6	-	100	1,827	23,840	25,773
Interest and Other:						
Interest	624	-	321	72	697	1,714
Special Assessments	-	-	-	-	2,542	2,542
Miscellaneous	6,025	-	3,007	-	239	9,271
Subtotal Interest and Other	6,649	-	3,328	72	3,478	13,527
Gross Receivable	52,686	1,418	3,428	1,899	32,535	91,966
Less: Allowance for Uncollectibles	(22,609)	-	-	-	-	(22,609)
Net Total Receivables	\$ 30,077	\$ 1,418	\$ 3,428	\$ 1,899	\$ 32,535	\$ 69,357

**Enterprise Funds:**

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
<b>Receivables</b>				
Privilege Tax	\$ -	\$ 14	\$ -	\$ 14
Charges for services	14,084	-	1,921	16,005
Intergovernmental/Grants	-	176	-	176
Interest	876	30	40	946
Miscellaneous	1,188	148	41	1,377
Gross Receivable	16,148	368	2,002	18,518
Net Total Receivables	\$ 16,148	\$ 368	\$ 2,002	\$ 18,518

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	\$ 1,688	\$ -
Special Assessments	2,542	-
Court	4,235	-
Tax Audit	4,526	-
Intergovernmental	18,327	7,896
Other	425	3,313
<b>Total</b>	<b>\$ 31,743</b>	<b>\$ 11,209</b>

### C. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows (in thousands of dollars):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 1,221,868	\$ 158,387	\$ -	\$ 1,380,255
Construction In Progress	160,154	158,985	(60,766)	258,373
Total Capital Assets, not being depreciated:	1,382,022	317,372	(60,766)	1,638,628
<b>Capital Assets, being depreciated:</b>				
Buildings and Land Improvements	430,776	28,432	-	459,208
Streets and Storm Drains	2,442,854	74,114	-	2,516,968
Vehicles	60,791	3,962	(1,537)	63,216
Maintenance by Fleet	3,494	250	(122)	3,622
Machinery and Equipment	78,225	6,538	(2,433)	82,330
Total Capital Assets, being depreciated:	3,016,140	113,296	(4,092)	3,125,344
<b>Less Accumulated depreciation for:</b>				
Buildings and Land Improvements	170,772	16,115	-	186,887
Streets and Storm Drains	1,009,729	79,786	-	1,089,515
Vehicles	35,805	5,156	(1,367)	39,594
Maintenance by Fleet	3,082	164	(122)	3,124
Machinery and Equipment	49,871	7,153	(2,146)	54,878
Total Accumulated depreciation:	1,269,259	108,374	(3,635)	1,373,998
Total Capital Assets, being depreciated, net:	1,746,881	4,922	(457)	1,751,346
Governmental activities Capital Assets, net:	<b>\$ 3,128,903</b>	<b>\$ 322,294</b>	<b>\$ (61,223)</b>	<b>\$ 3,389,974</b>

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 37,969	\$ -	\$ -	\$ 37,969
Water Rights	90,173	6	(478)	89,701
Construction In Progress	80,097	94,506	(13,708)	160,895
Total Capital Assets, not being depreciated:	<u>208,239</u>	<u>94,512</u>	<u>(14,186)</u>	<u>288,565</u>
<b>Capital Assets, being depreciated:</b>				
Water System	897,724	13,366	(40)	911,050
Sewer System	409,637	7,715	-	417,352
Buildings and Land Improvements	18,909	3,391	-	22,300
Machinery and Equipment	17,234	878	(287)	17,825
Furniture, Fixtures and Office Equipment	621	-	-	621
Total Capital Assets, being depreciated:	<u>1,344,125</u>	<u>25,350</u>	<u>(327)</u>	<u>1,369,148</u>
<b>Less Accumulated depreciation for:</b>				
Water System	205,776	22,754	(40)	228,490
Sewer System	98,648	10,474	-	109,122
Buildings and Land Improvements	8,125	997	-	9,122
Machinery and Equipment	3,992	1,190	(287)	4,895
Furniture, Fixtures and Office Equipment	614	7	-	621
Total Accumulated depreciation:	<u>317,155</u>	<u>35,422</u>	<u>(327)</u>	<u>352,250</u>
Total Capital Assets, being depreciated, net:	<u>1,026,970</u>	<u>(10,072)</u>	<u>-</u>	<u>1,016,898</u>
Business-type activities capital assets, net	<u>\$ 1,235,209</u>	<u>\$ 84,440</u>	<u>\$ (14,186)</u>	<u>\$ 1,305,463</u>

During fiscal year 2008/09, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$5,949,519. Total interest expense in this fund before capitalization was \$15,360,886.

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

<b>Governmental Activities</b>	
General Government	\$ 8,565
Police	2,113
Financial Services	486
Transportation	77,262
Community Services	6,341
Information Services	3,858
Fire	782
Municipal Services	3,373
Citizen and Neighborhoods Resources	2
Human Resources	34
Economic Vitality	3
Planning and Development	104
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>5,451</u>
Total Depreciation Expense - Government Activities	<u>\$ 108,374</u>

<b>Business-type Activities</b>	
Water and Sewer System	\$ 34,253
Airport	971
Solid Waste	198
<hr/>	
Total Depreciation Expense - Business-type Activities	<u>\$ 35,422</u>

**Construction Commitments**

The City has active construction projects as of June 30, 2009. At year-end the government's commitments with contractors for specific projects are as follows (in thousands of dollars):

<b>Construction Commitments</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Streets	\$ 120,195	\$ 21,664
Traffic	16,178	757
Fire	12,243	735
Police	45,222	1,952
Drain/Flood Control	26,496	424
Community/Preserve	214,182	6,432
Parks/Recreation	33,209	1,379
Municipal Facilities	25,719	1,909
Technology	17,168	19,197
Libraries	19,778	3,861
Airport	6,356	242
Transit	22,558	1,081
Water System	375,943	16,925
Sewer System	125,124	7,810
<hr/>		<hr/>
Total Construction Commitments	<u>\$ 1,060,371</u>	<u>\$ 84,368</u>

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

**D. Interfund Balances and Interfund Transfers**

**Due To and Due From Other Funds**

“Due to” and “Due from” balances have been recorded to address temporary cash flow needs. The composition of interfund balances as of June 30, 2009, is as follows:

<b>Receivable Fund</b>		<b>Payable Fund</b>	
<b>(in thousands of dollars)</b>	<b>Amount</b>	<b>(in thousands of dollars)</b>	<b>Amount</b>
General	\$ 40	Nonmajor Governmental Funds	\$ 40
<hr/>		<hr/>	
Total	<u>\$ 40</u>	Total	<u>\$ 40</u>

The Community Develop Block Grant Special Revenue Fund had a deficit cash balance of \$35,000, due to grants being received on a reimbursement basis. The HOME Special Revenue Fund had a deficit cash balance of \$5,000, due to grants being received on a reimbursement basis.

**Interfund Transfers**

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

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

<b>Transfers Out</b>		<b>Transfers In</b>	
<b>From:</b>		<b>To:</b>	
<b>Major Governmental Funds</b>		<b>Major Governmental Funds</b>	
General	\$ 18,296	General	\$ 13,936
Capital Projects		Capital Projects	
General CIP Construction	14,787	General CIP Construction	12,279
Transportation Privilege Tax	8,600	Transportation Privilege Tax	622
		<b>Nonmajor Governmental Funds</b>	14,625
		<b>Enterprise Funds</b>	
		Water and Sewer	150
		Solid Waste	71
<b>Total Major Governmental Funds</b>	<b>41,683</b>	<b>Total Major Governmental Funds</b>	<b>41,683</b>
<b>Major Enterprise Funds</b>		<b>Major Governmental Funds</b>	
Water and Sewer	\$ 9,702	General	\$ 9,206
		Capital Projects	
		General CIP Construction	496
Airport	58	<b>Major Governmental Funds</b>	
		General	47
		Capital Projects	
		General CIP Construction	11
Solid Waste	393	<b>Major Governmental Funds</b>	
		General	11
		Capital Projects	
		General CIP Construction	48
		<b>Nonmajor Governmental Funds</b>	334
<b>Total Major Enterprise Funds</b>	<b>10,153</b>	<b>Total Major Enterprise Funds</b>	<b>10,153</b>

(continued)

<b>Transfers Out</b>		<b>Transfers In</b>	
<b>From:</b>		<b>To:</b>	
<b>Nonmajor Governmental Funds</b>	103,674	<b>Major Governmental Funds</b>	
		General	130
		Debt Service	
		General Obligation Bond	16,264
		Capital Projects	
		General CIP Construction	46,910
		Transportation Privilege Tax	21,985
		<b>Nonmajor Governmental funds</b>	18,385
<b>Total Nonmajor Governmental Funds</b>	<u>103,674</u>	<b>Total Nonmajor Governmental Funds</b>	<u>103,674</u>
<b>Internal Service</b>	5,030	<b>Major Governmental Funds</b>	
		Capital Projects	
		General	5,000
		General CIP Construction	30
<b>Total Internal Service Funds</b>	<u>5,030</u>	<b>Total Internal Service Funds</b>	<u>5,030</u>
<b>Total</b>	<u>\$ 160,540</u>	<b>Total</b>	<u>\$ 160,540</u>

**E. Leases**

**Operating Leases**

The City has entered into rental agreements of retail and parking facilities. Rental payments on these facilities during fiscal year 2008/2009 were \$2,193,207. Payments are contingent upon sales tax revenues received on the properties; thus, future payments cannot be determined.

**Capital Leases**

The City entered into a lease agreement as lessee for financing the fiscal year 2005/06 acquisition of a modular office building for its fire department training facility. The lease agreement qualified as a capital lease for accounting purposes and, therefore, has been recorded in the governmental activities 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 Fire System at historic cost, less accumulated depreciation. The outstanding debt of \$112,447 was paid in full in fiscal year 2008/09.

The City has entered into a lease agreement as lessee for financing the acquisition of a modular office building for its water operations. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded in the Water and Sewer Fund at the present value of the future minimum lease payments as of the inception date. The building acquired by this lease agreement is recorded in the Water System at a value of \$212,654, less accumulated depreciation of \$13,114.

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

The following are brief descriptions of bonds outstanding at June 30, 2009. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2009.

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, 2009, the City had \$57,200,000 of unissued various purpose GO bonds, which were authorized in September 2000. The City had no unissued Preservation GO bonds from the September 1999 authorization. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as, an additional 0.15% sales tax increase to be used to finance Preserve land acquisitions. At June 30, 2009, 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 one percent City sales tax approved by voters in September 1996 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 2001 MPC Scottswater bonds, the 2004 MPC bonds, the 2005E 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 \$584,900,322 in MPC bonds issued in 2001 through 2008. The bonds are payable through 2024, 2030, and 2035. The coverage ratio (revenues to debt service) for 2009 is 9.47. The total principal and interest remaining to be paid on the bonds is \$653,447,608. Principal and interest paid for the current year and total excise tax were \$27,559,635 and \$256,146,000 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 September 1996 to be used specifically for this purpose. In May 2004, voters approved an additional 0.15% 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 2009 is 23.21. The total principal and interest remaining to be paid on the bonds is \$100,969,049. Principal and interest paid for the current year and total sales tax were \$6,760,271 and \$29,121,000 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.

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 2009 is 12.49. The total principal and interest remaining to be paid on the bonds is \$67,421,375. Principal and interest paid for the current year and total customer net revenues were \$6,167,187 and \$77,716,000 respectively.

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, 2009, the funds reserved for this purpose were \$26,568,048.

### **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, 2009, 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, 2009, there were 2 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 2009 is 0.82 due to prepayment of amounts that are currently in fund balance. The total principal and interest remaining to be paid on the bonds is \$3,270,000. Principal and interest paid for the current year and total collections were \$1,003,000 and \$821,000 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 fiscal year 2008/09. 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, 2009.

Bonds payable at June 30, 2009, are comprised of the following:

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

<b>General Obligation Bonds</b>	<b>Bonds Outstanding (in thousands of dollars)</b>
	<u>                    </u>
1993 Refunding Bonds due in annual installments of \$1,010,000 to \$8,150,000 through July 1, 2009; interest at 4.0 percent to 5.5 percent. \$28,399,993 of these bonds are recorded in and paid out of the Water and Sewer Fund. On June 15, 2004, \$2,505,000 due 2007 through 2009 were defeased. The original issue amount for the 1993 Refunding Bonds was \$45,015,000.	\$ -
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.	9,400
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
1999A Transportation, Storm Sewer, Flood Protection and Pima Road Improvements Serial Bonds (issued June 29, 1999) due in annual installments of \$675,000 to \$1,900,000 through July 1, 2019; interest at 4.6 percent to 6.5 percent. On September 26, 2002, \$15,525,000 due 2010 through 2019 were refunded. Original issue amount \$25,200,000.	-
1999 Preservation Bonds (issued November 16, 1999) due in annual installments of \$800,000 to \$4,225,000 through July 1, 2024; interest at 7.5 percent to 5.0 percent. On July 18, 2001, \$32,375,000 due 2012 through 2022 were refunded, on September 26, 2002, an additional \$4,125,000 due 2010 and 2011 were refunded, and on March 29, 2005 an additional \$8,225,000 due 2023 and 2024 were refunded. Original issue amount \$59,600,000.	-
2001 Preservation Bonds (issued March 29, 2001) due in annual installments of \$920,000 to \$2,455,000 through July 1, 2024; interest at 4.0 percent to 6.0 percent. On September 26, 2002, \$3,920,000 due 2010 through 2012 were refunded, and on March 29, 2005 an additional \$22,680,000 due 2013 through 2024 were refunded. Original issue amount \$35,000,000.	-
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.	7,765

	<u>Bonds Outstanding (in thousands of dollars)</u>
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.	47,990
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.	10,020
2004 Various Purpose Bonds (issued May 13, 2004) due in annual installments of \$1,600,000 to \$30,300,000 through July 1, 2025; interest at 3 percent to 5 percent. Original issue amount \$113,400,000.	107,900
2005 Refunding Bonds (issued March 29, 2005) due in annual installments of \$2,715,000 to \$11,075,000 through July 1, 2024; interest at 3.85 percent to 5 percent. Original issue amount \$74,630,000.	74,630
2005A Various Purpose Bonds (issued December 1, 2005) due in annual installments of \$2,500,000 to \$10,750,000 through July 1, 2024; interest at 3.5 percent to 5 percent. Original issue amount \$125,000,000.	116,500
2005B Preservation Bonds (issued December 1, 2005) due in annual installments of \$775,000 to \$1,575,000 through July 1, 2024; interest at 3.5 percent to 5 percent. Original issue amount \$20,000,000.	17,575
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.	19,675
Total General Obligation Bonds Outstanding	<u>\$ 551,455</u>

The 1999 and 2001 Preservation Bonds of \$18,400,000 and \$29,210,000, respectively, and portions of the 2001 Refunding Bonds, 2002 Various Purpose Bonds, 2002 Refunding Bonds, 2004 Various Purpose Bonds and 2005 Refunding Bonds of \$33,235,000, \$40,000,000, \$8,100,000, \$65,400,000 and \$66,090,000, respectively, are paid from the .2% Preservation Sales Tax. The 2005B Preservation Bonds and the 2008B Preservation Bonds of \$20,000,000 and \$20,000,000, respectively, are paid from the .15% 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.	\$ 9,785
2005 Municipal Property Corporation Excise Tax Revenue Bonds (issued June 15, 2005) due in annual installments of \$35,026 to \$4,925,019 through July 1, 2021; interest at 3.22 percent to 5 percent. Original issue amount, \$19,945,322.	22,446
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.	19,925
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

	<u>Bonds Outstanding (in thousands of dollars)</u>
2006A Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$240,000 to \$625,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount, \$10,000,000.	9,110
2006B Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$950,000 to \$2,475,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount, \$32,500,000.	<u>32,500</u>
Total MPC Bonds Outstanding	<u>\$ 149,216</u>
<b>Scottsdale Preserve Authority Bonds</b>	
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.	14,290
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>20,220</u>
Total Scottsdale Preserve Authority Bonds	<u>\$ 71,235</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>\$ 3,000</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>\$ 4,954</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% to 5.5%. Original issue amount \$4,750,000.	\$ 3,905
1999 Via Linda Road Community Facilities District General Obligation Bonds due in annual installments of \$95,000 to \$255,000 beginning July 15, 2004 through July 15, 2023; interest at 5.0% to 5.75%. Original issue amount \$3,225,000.	2,580
1999 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds due in annual installments of \$320,000 to \$1,455,000 beginning July 15, 1999 through July 15, 2022; interest at 4.0% to 6.0%. Original issue amount \$20,245,000.	14,065

	<u>Bonds Outstanding (in thousands of dollars)</u>
1999 DC Ranch Community Facilities District General Obligation Bonds (issued November 1, 1999) due in annual installments of \$85,000 to \$260,000 beginning July 15, 2005 through July 15, 2011. Interest at 5.45% to 6.50%. Original issue amount \$3,085,000.	2,610
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.	3,350
2002 DC Ranch Community Facilities District General Obligation Bonds (issued December 17, 2002) due in annual installments of \$245,000 to \$1,395,000 beginning July 15, 2004 through July 15, 2027. Interest at 3% to 5%. Original issue amount \$12,165,000.	10,375
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% to 6.05%. Original issue amount \$3,805,000.	<u>3,780</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>\$ 40,665</u>
Total Bonds Payable Recorded in Governmental Activities	<u><u>\$ 820,525</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.	\$ 14,885
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>33,460</u>
Total Water and Sewer Revenue Bonds Outstanding	<u>\$ 48,345</u>

<b>Municipal Property Corporation Bonds</b>	<b>Bonds Outstanding (in thousands of dollars)</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.	\$ 16,520
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.	18,630
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.	<u>104,075</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 249,735</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 298,080</u>
Total Long-term Bonds Payable	<u><u>\$ 1,118,605</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, 2009 (in thousands of dollars):

<u>General Obligation Bonds Issued to Provide Water, Sewer, Light,</u>		<u>General Obligation Bonds Issued for All Other Purposes</u>	
20% Constitutional Limit	\$ 1,654,483	6% Constitutional Limit	\$ 496,345
Less General Obligation 20% Bonds Outstanding	<u>(413,095)</u>	Less General Obligation 6% Bonds Outstanding	<u>(138,360)</u>
Available 20% Limitation Borrowing Capacity	<u><u>\$ 1,241,388</u></u>	Available 6% Limitation Borrowing Capacity	<u><u>\$ 357,985</u></u>

## Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City's outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2009.

## 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 table below reflects refunded debt outstanding at June 30, 2009, net of any amounts to be paid or retired by the trustee on July 1, 2009 (in thousands of dollars).

<b>Refunded in Prior Years</b>	
<b>(in thousands of dollars)</b>	
1999A General Obligation Bonds	\$ 15,525
1999 Preservation General Obligation Bonds	44,725
2001 Preservation General Obligation Bonds	26,600
2002 General Obligation Bonds	42,665
1998 Water and Sewer Revenue Bonds	9,210
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
	<b>\$ 307,915</b>

**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, 2009.

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

	<u>Contracts Payable (in thousands of dollars)</u>
Contract payable to the U.S. Army Corps of Engineers for the construction of flood control and recreation facilities; due in annual installments through 2032; interest at 5.1 percent.	\$ 2,879
Contract payable for the maintenance of a federal patent; due in three year installments beginning January 1, 2001 through January 1, 2009; non-interest bearing.	3
Contract payable for the oversight and management of the Tournament Players Club Recreational Land Use Agreement; due in annual installments beginning March 1999 through June 2035; non-interest bearing.	5,635
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.	4,906
Contract payable for the undergrounding of 69kv power lines; due in annual installments beginning January 1999 through January 2010; interest at 10.0 percent.	20
Contract payable for the purchase of a portion of 2,685 acres of land for the McDowell Sonoran Preserve; due in fifteen annual installments beginning July 1, 1999 through July 1, 2013; interest from 3.75 percent to 6.0 percent.	<u>3,385</u>
Total Contracts Payable Recorded in Governmental Activities	<u><u>\$ 16,828</u></u>

## Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2009 (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	\$ 574,445	\$ -	\$ (22,990)	\$ 551,455	\$ 24,065
Municipal Property Corporation Bonds	149,007	724	(515)	149,216	1,703
Scottsdale Preserve Authority Bonds	74,495	-	(3,260)	71,235	3,365
Special Assessments Bonds	3,835	-	(835)	3,000	750
Certificates of Participation	5,689	-	(735)	4,954	759
Community Facilities Districts General Obligation Bonds	42,450	-	(1,785)	40,665	1,905
Add Deferred Issuance Premiums	19,257	-	(1,685)	17,572	-
Less Deferred Amounts on Refunding	(9,410)	-	1,298	(8,112)	-
Total Bonds Payable	<u>859,768</u>	<u>724</u>	<u>(30,507)</u>	<u>829,985</u>	<u>32,547</u>
Contracts Payable	17,875	-	(1,047)	16,828	1,105
Capital Lease	141	-	(141)	-	-
Compensated Absences	21,909	10,809	(10,165)	22,553	10,570
Post Employment Benefit - Implied Subsidy	1,179	-	(22)	1,157	-
Governmental Activity Long-term Liabilities	<u>\$ 900,872</u>	<u>\$ 11,533</u>	<u>\$ (41,882)</u>	<u>\$ 870,523</u>	<u>\$ 44,222</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, 2009, \$417,541 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 \$155,495 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	\$ 52,005	\$ -	\$ (3,660)	\$ 48,345	\$ 3,115
Municipal Property Corporation Bonds	256,790	-	(7,055)	249,735	7,955
Add Deferred Issuance Premiums	22,999	-	(1,467)	21,532	-
Less Deferred Amounts on Refunding	(6,439)	-	847	(5,592)	-
Total Bonds Payable	<u>325,355</u>	<u>-</u>	<u>(11,335)</u>	<u>314,020</u>	<u>11,070</u>
Capital Lease	97	-	(44)	53	46
Compensated Absences	2,556	1,387	(1,146)	2,797	1,179
Post Employment Benefit - Implied Subsidy	146	39	-	185	-
Business-type Activity Long-term Liabilities	<u>\$ 328,154</u>	<u>\$ 1,426</u>	<u>\$ (12,525)</u>	<u>\$ 317,055</u>	<u>\$ 12,295</u>

## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2009. Deferred issuance costs and deferred amounts on refunding are not included.

Fiscal Year	Governmental Activities (in thousands of dollars)								
	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
2010	\$ 13,950	\$ 18,877	\$ 32,827	\$ 10,115	\$ 6,262	\$ 16,377	\$ 24,065	\$ 25,139	\$ 49,204
2011	22,390	18,209	40,599	3,995	5,788	9,783	26,385	23,997	50,382
2012	21,730	17,174	38,904	4,500	5,627	10,127	26,230	22,801	49,031
2013	21,012	16,106	37,118	7,038	5,403	12,441	28,050	21,509	49,559
2014	20,070	15,091	35,161	11,675	5,078	16,753	31,745	20,169	51,914
2015-2019	99,443	62,466	161,909	66,312	16,201	82,513	165,755	78,667	244,422
2020-2024	155,925	34,515	190,440	16,775	6,420	23,195	172,700	40,935	213,635
2025-2029	52,825	5,626	58,451	17,950	2,228	20,178	70,775	7,854	78,629
2030-2034	5,750	799	6,549	-	-	-	5,750	799	6,549
2035-2039	-	-	-	-	-	-	-	-	-
Total	\$ 413,095	\$ 188,863	\$ 601,958	\$ 138,360	\$ 53,007	\$ 191,367	\$ 551,455	\$ 241,870	\$ 793,325

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

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
2010	\$ 1,703	\$ 6,191	\$ 7,894	\$ 3,365	\$ 3,367	\$ 6,732	\$ 750	\$ 118	\$ 868
2011	1,513	6,100	7,613	3,470	3,229	6,699	750	84	834
2012	3,091	6,229	9,320	3,625	3,061	6,686	750	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	2,698	6,663	-	-	-
2015-2019	30,846	32,904	63,750	23,180	10,311	33,491	-	-	-
2020-2024	32,038	23,512	55,550	29,840	4,184	34,024	-	-	-
2025-2029	33,920	13,475	47,395	-	-	-	-	-	-
2030-2034	32,860	5,114	37,974	-	-	-	-	-	-
2035-2039	3,625	163	3,788	-	-	-	-	-	-
Capital Appreciation **	2,740	(2,740)	-	-	-	-	-	-	-
Total	\$ 149,216	\$ 103,539	\$ 252,755	\$ 71,235	\$ 29,734	\$ 100,969	\$ 3,000	\$ 270	\$ 3,270

\*\* 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
2010	\$ 759	\$ 157	\$ 916	\$ 1,905	\$ 2,051	\$ 3,956	\$ 1,105	\$ 314	\$ 1,419
2011	785	132	917	2,015	1,966	3,981	1,152	272	1,424
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
2015-2019	895	22	917	12,795	6,530	19,325	2,151	560	2,711
2020-2024	-	-	-	11,315	3,204	14,519	2,750	391	3,141
2025-2029	-	-	-	5,115	874	5,989	3,459	174	3,633
2030-2034	-	-	-	850	105	955	3,004	9	3,013
2035-2039	-	-	-	-	-	-	373	-	373
Total	\$ 4,954	\$ 546	\$ 5,500	\$ 40,665	\$ 20,051	\$ 60,716	\$ 16,828	\$ 2,255	\$ 19,083

(continued)

**Governmental Activities (concluded)**

(in thousands of dollars)

Fiscal Year	Total		
	Principal	Interest	Total
2010	\$ 33,652	\$ 37,337	\$ 70,989
2011	36,070	35,780	71,850
2012	37,813	34,348	72,161
2013	40,056	32,382	72,438
2014	43,026	31,371	74,397
2015-2019	235,622	128,994	364,616
2020-2024	248,643	72,226	320,869
2025-2029	113,269	22,377	135,646
2030-2034	42,464	6,027	48,491
2035-2039	3,998	163	4,161
Capital Appreciation	2,740	(2,740)	-
Total	\$ 837,353	\$ 398,265	\$ 1,235,618

**Business-type Activities  
(in thousands of dollars)**

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 3,115	\$ 2,351	\$ 5,466	\$ 7,955	\$ 12,299	\$ 20,254
2011	3,220	2,199	5,419	8,255	11,926	20,181
2012	3,380	2,056	5,436	8,570	11,540	20,110
2013	3,115	1,891	5,006	8,920	11,112	20,032
2014	3,240	1,738	4,978	9,320	10,666	19,986
2015-2019	16,100	6,661	22,761	54,740	45,829	100,569
2020-2024	16,175	2,180	18,355	69,280	30,699	99,979
2025-2029	-	-	-	55,735	14,678	70,413
2030-2034	-	-	-	26,960	2,208	29,168
2035-2039	-	-	-	-	-	-
Total	\$ 48,345	\$ 19,076	\$ 67,421	\$ 249,735	\$ 150,957	\$ 400,692

Fiscal Year	Capital Lease			Total		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 46	\$ 1	\$ 47	\$ 11,116	\$ 14,651	\$ 25,767
2011	7	-	7	11,482	14,125	25,607
2012	-	-	-	11,950	13,596	25,546
2013	-	-	-	12,035	13,003	25,038
2014	-	-	-	12,560	12,404	24,964
2015-2019	-	-	-	70,840	52,490	123,330
2020-2024	-	-	-	85,455	32,879	118,334
2025-2029	-	-	-	55,735	14,678	70,413
2030-2034	-	-	-	26,960	2,208	29,168
2035-2039	-	-	-	-	-	-
Total	\$ 53	\$ 1	\$ 54	\$ 298,133	\$ 170,034	\$ 468,167

**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 six fiscal years have not exceeded the City's excess insurance coverage amounts for any claims.

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

The claims liabilities amount recorded in the accompanying financial statements is based on reported pending claims; and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims as well as a corridor reserve for the self-insured benefits. At June 30, 2009, the general liability claims payable totaled \$9,707,336 and the self-insured benefits claims payable totaled \$1,822,802. The City began to administer all self-insured health and dental plans in January of 2004.

	Years Ended June 30	
	2009	2008
(in thousands of dollars)		
Claims Payable, July 1	\$ 10,519	\$ 14,347
Current Year Claims Incurred	22,031	15,865
Current Year Claim Payments	<u>(21,020)</u>	<u>(19,693)</u>
Claims Payable, June 30	<u>\$ 11,530</u>	<u>\$ 10,519</u>

**B. Contingent Liabilities**

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

**C. Commitments and Subsequent Events**

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

The major conditions for closure are:

- Deposit of remaining cash balance into the City's Water and Sewer Fund.
- Arizona Department of Water Resources approval of sever and transfer and change of use of a portion of Planet Ranch water rights for habitat restoration.
- Arizona Department of Water Resources approval of sever and transfer and change of use of a Horseshoe Dam water credits to the City of Scottsdale water service area.
- Completion of assignment agreement for Horseshoe Dam water credits between the Corporation, the City and Salt River Project.
- Creation of a conservation easement on Planet Ranch property.
- Completion of Lower Colorado River Multi-Species Conservation Program habitat Development Agreement insuring use of Planet Ranch property for habitat restoration purposes.

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

The City has a Service Agreement with the Scottsdale Cultural Council (Council) that provides that the Council will manage the arts and cultural affairs within the Scottsdale community for a ten-year period, automatically renewable for two five-year periods. In return, the City will pay service fees to the Council based on the Service Agreement between the City and the Council. Payments to Scottsdale Cultural Council amounted to \$3,205,504 for the year ended June 30, 2009. Contractual payments due in fiscal year 2009/10 are budgeted for \$4,084,209.

The City has a Service Agreement with the Scottsdale Convention and Visitors' Bureau (SCVB) that provides that SCVB will manage the tourism promotion within the Scottsdale community for a ten-year period. In return, the City will pay service fees to SCVB based on the Service Agreement with the City. Payments to SCVB amounted to \$6,690,128 for the year ended June 30, 2009. Contractual payments due in fiscal year 2009/10 are budgeted for \$5,535,040.

The City has entered into several agreements whereby it will reimburse developers for construction costs of certain public infrastructure improvements. The funding source for the reimbursements will come from Water and Sewer development fees paid over the life of the development. Only amounts paid subsequent to January 13, 1997 are eligible for reimbursement. The City does not become liable under the agreements until the City has accepted the cost, a development fee has been paid and a water meter has been set. The City has limited its liability to the lesser of the cost accepted by the City or the development fees paid. The City's maximum contingent liability at June 30, 2009, is \$10,540,185.

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, 2009 is \$59,258,666.

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

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

The City records its share of SROG's cash operating expenses, and its equity in the joint venture in the City's Water and Sewer Fund. For the year ended June 30, 2008, (the latest audited information available from SROG), the City's net investment in SROG was \$115,686,000. SROG's net cash operating expenses for the year ended June 30, 2008, were \$36,862,428, of which the City's share was \$3,591,692, or 9.7 percent. For the year ended June 30, 2009, the City paid \$6,576,428 for SROG capital contributions, and \$5,935,818 for SROG operating expenses, including adjustments to the operating and replacement reserves.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008 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, five projected cash flows, based on the prior five 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 42 years; remediation began in 2001 and is estimated to be required for approximately 50 years.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. Fiscal year 2008/09 outlays for operating and monitoring the CGTF were \$703,574. The total liability is expected to be fully recovered by the participating companies and therefore a corresponding Pollution Remediation Recoveries receivable has been accrued. Since the realizable recoveries are equal to the estimated liability, a restatement of net assets at the beginning of the year was not necessary.

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

## **Arizona State Retirement System**

### **Plan Description**

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

### **Funding Policy**

The Arizona Revised Statutes (ARS) provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The actuarially determined contribution rate for the years ended June 30, 2009, 2008, and 2007, were 9.45% (8.95% retirement and .50% long-term disability) 9.60% and 9.10%, respectively, for both employers and employees. The City's contributions to the System for the years ending June 30, 2009, 2008, and 2007 were \$10,860,822, \$10,731,440, and \$9,226,983 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 229 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 Rd, 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% 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, 2009 was 20.46% of annual covered payroll. Contribution rates for police were 15.16% and 12.50% in 2008 and 2007, respectively. The City's contribution rate for fire for the fiscal year ended June 30, 2009 was 9.41% of annual covered payroll. The City's contribution rate for fire was 8.24% and 11.03% in 2008 and 2007, respectively.

## Annual Pension Cost

For 2009, the City's annual pension costs of \$6,787,080 for police and \$1,766,321 for fire were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008 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
2006	\$ 2,905	100%	-
2007	3,468	100%	-
2008	4,855	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
2006	\$ 1,601	100%	-
2007	1,870	100%	-
2008	1,497	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% per year compounded annually, (b) projected salary increases of 5.50% per year compounded annually, attributable to inflation and other across-the-board factors, and (c) additional projected salary increases ranging from 0% to 3.00% per year, attributable to seniority/merit. Included in (b) is an inflation component of 5.00%. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over time. PSPRS' unfunded accrued liability is being amortized as a level percent of projected payroll over a closed period of 30 years, 28 years remaining as of June 30, 2008 (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, 2008, the most recent actuarial valuation dates, is as follows:

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

(in thousands of dollars)	
	June 30, 2008
Actuarial Accrued Liability	
Retired members and survivors	\$ 67,289
Former members with vested benefits	798
Active members	73,257
DROP members	17,801
Total	159,145
Valuation Assets*	111,692
Unfunded Actuarial Accrued Liability	47,453
Stabilization Reserve	-
Net Unfunded Actuarial Liability	\$ 47,453

\* This amount excludes the \$11,056 investment income reserve held for future pension increases pursuant to state statute.

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

(in thousands of dollars)	
	June 30, 2008
Actuarial Accrued Liability	
Retired members and survivors	\$ -
Former members with vested benefits	12
Active members	12,401
DROP members	-
Total	12,413
Valuation Assets*	15,509
Unfunded Actuarial Accrued Liability	(3,096)
Stabilization Reserve	1,492
Net Unfunded Actuarial Liability	\$ (1,604)

\* This amount excludes the \$2,522 investment income reserve held for future pension increases pursuant to state statute.

**Funding Progress**

The following schedules of funding progress, presented as required supplemental 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**

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2006	105,440	131,775	80.0%	26,335	25,435	103.5%
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%

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2006	7,860	5,996	131.1%	(1,864)	14,440	0.0%
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%

## **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% 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, 2009, 2008, and 2007, were 28%, 20.21%, and 18.55%, respectively. The City's contributions to EORP for the years ending June 30, 2009, 2008, and 2007, were \$40,902, \$29,103, and \$26,711, respectively, equal to the required contributions for each year.

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

In addition to the pension benefits described in G (above) the City provides an option of post-retirement health care benefits, in accordance with Chapter 14 of the City Code. At retirement, employees with medical leave accumulated prior to September 6, 1976 are eligible for payment of medical leave at one hundred percent cash value at current rate of pay. Employees hired before July 1, 1982 can elect to receive cash equal to fifty percent of the first five hundred twenty hours of unused medical leave plus twenty-five percent of all hours in excess of five hundred twenty. The conversion rate is the employee's average hourly base pay rate for the five years immediately preceding retirement. Any retiring employee with 300 or more hours of accumulated medical leave, who chooses to remain on the City medical plan, may elect to apply the value of the sick leave to the employee's portion of the health care premiums, up until age 65. The value of the accumulated medical leave is calculated at the employee's hourly rate of pay at the time of retirement. 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.

Twenty-four participants were added and twenty-six were removed during fiscal year 2008/09 for a total number of participants of 137 at June 30, 2009. The actual liability for retirees, as of June 30, 2009, for medical conversion was \$3,120,026. The projected liability for active employees, as of June 30, 2009, was \$11,813,641. Of this liability, \$104,263 was considered current and reflected in the governmental fund financial statements. The remaining \$11,709,377 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, 2009 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 2% to 3% based on years of service, d) traditional unit credit method based on participant data as of January 1, 2009.

**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, 2009, Membership Consisted of:	
Retirees and Beneficiaries Receiving Benefits	233
Terminated Employees Eligible for Benefits, But Not Yet Enrolled	-
Active Employees	2,536
Total	<u>2,769</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% 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, 2009, retirees contributed \$496,000 and the City contributed \$191,000 (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 thirty years. The City's annual OPEB cost for the current year and the related information for each plan are as follows at June 30, 2009 (dollar amounts in thousands):

Annual Required Contribution	\$ 206
Interest on Net OPEB Obligation	53
Adjusted to Annual Required Contribution	<u>(51)</u>
Annual OPEB Cost	208
Contributions Made	<u>(191)</u>
Increase in Net OPEB Obligation	17
Net OPEB Obligation - Beginning of year	<u>1,325</u>
Net OPEB Obligation - End of year	<u><u>\$ 1,342</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	208	191	91.8%	1,342

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2009 was as follows (dollar amounts in thousands):

Actuarial Accrued Liability	\$ 3,664
Actuarial Value of Plan Assets	-
Unfunded actuarial accrued liability	<u>\$ 3,664</u>
Funded ratio	0%
Covered payroll	\$ 52,675
Unfunded actuarial accrued liability as a percentage of covered payroll	7.0%

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

The following schedule of funding progress, presented as required supplementary information presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Required Supplementary Information**

**City of Scottsdale, Arizona  
Other Postemployment Benefit Plan  
Schedule of Funding Progress**

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2007	-	5,440	0.0%	5,440	134,280	4.1%
2008	-	6,822	0.0%	6,822	143,209	4.8%
2009	-	3,664	0.0%	3,664	52,675	7.0%

**City of Scottsdale, Arizona  
Other Postemployment Benefit Plan  
Schedule of Employer Contribution**

(in thousands of dollars)

Actuarial Valuation June 30	(1) Employer Contributions	(2) Annual Required Contribution (ARC)	(3) Percent Contributed (1)/(2)
2007	96	703	13.7%
2008	163	880	18.5%
2009	191	208	91.8%

**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, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed
Remaining Amortization Period	27
Asset Valuation Method	N/A
 Actuarial Assumptions:	
Investment Rate of Return	4%*
Projected Salary Increases	2-3% <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.

## Nonmajor Governmental Funds

---

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

#### **HOME Fund**

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

#### **Grants Fund**

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

#### **Section 8 Fund**

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

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

This fund receives a 0.35 percent Preservation Privilege (Sales) Tax revenue approved by the voters in 1995 (.2%) and 2004 (.15%). Revenues are transferred to Capital Projects Funds for land 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.

---

### **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.

### **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.

---

## **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, 2009 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 31,967	\$ 10,743	\$ 27,323	\$ 70,033
Cash with Fiscal Agent	-	14,117	197	14,314
Receivables				
Interest	278	-	199	477
Privilege Tax	3,434	-	-	3,434
Hotel/Motel Tax	293	-	-	293
Property Tax	-	218	-	218
Highway User Tax	1,272	-	-	1,272
Intergovernmental	5,134	18,327	-	23,461
Grants	379	-	-	379
Special Assessments	-	2,542	-	2,542
Miscellaneous	233	-	-	233
Total Assets	<u>\$ 42,990</u>	<u>\$ 45,947</u>	<u>\$ 27,719</u>	<u>\$ 116,656</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 2,674	\$ 16	\$ 616	\$ 3,306
Accrued Payroll and Benefits	1,116	-	4	1,120
Due to Other Funds	40	-	-	40
Matured Bond Interest Payable	-	5,960	-	5,960
Matured Bonds Payable	-	5,560	-	5,560
Deferred Revenue				
Property Tax	-	143	-	143
Special Assessments	-	2,542	-	2,542
Intergovernmental	7,896	18,327	-	26,223
Other	332	-	-	332
Guaranty and Other Deposits	222	-	-	222
Other	-	4	-	4
Total Liabilities	<u>12,280</u>	<u>32,552</u>	<u>620</u>	<u>45,452</u>
Fund Balances				
Reserved for				
Debt Service	-	13,395	-	13,395
Unreserved	<u>30,710</u>	<u>-</u>	<u>27,099</u>	<u>57,809</u>
Total Fund Balances	<u>30,710</u>	<u>13,395</u>	<u>27,099</u>	<u>71,204</u>
Total Liabilities and Fund Balances	<u>\$ 42,990</u>	<u>\$ 45,947</u>	<u>\$ 27,719</u>	<u>\$ 116,656</u>

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

### Nonmajor Governmental Funds

For the Year Ended June 30, 2009 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes - Local				
Property	\$ -	\$ 3,669	\$ -	\$ 3,669
Transaction Privilege	45,262	-	-	45,262
Transient Occupancy	6,062	-	-	6,062
Highway User Tax	14,083	-	-	14,083
Local Transportation Assistance Fund	1,015	-	-	1,015
Charges for Current Services				
Recreation Fees	1,130	-	-	1,130
Fines, Fees and Forfeitures				
Court Fines	4	-	-	4
Court Enhancement	967	-	-	967
Police Fees	625	-	-	625
Special Assessments	-	821	-	821
Property Rental	288	165	-	453
Interest Earnings	1,053	38	2,283	3,374
Intergovernmental				
Federal Grants	7,147	-	-	7,147
State Grants	593	-	127	720
Miscellaneous	1,690	964	-	2,654
Contributions and Donations	1,518	-	-	1,518
Reimbursements From Outside Sources	258	2	-	260
Indirect Costs	879	-	-	879
Other	344	-	-	344
Total Revenues	82,918	5,659	2,410	90,987

(continued)

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

### Nonmajor Governmental Funds

For the Year Ended June 30, 2009 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>EXPENDITURES</b>				
Current				
General Government	421	113	-	534
Police	1,387	-	-	1,387
Transportation	15,456	-	-	15,456
Community Services	10,302	-	-	10,302
The Downtown Group	152	-	-	152
Fire	80	-	-	80
Municipal Services	17,121	-	-	17,121
Citizen and Neighborhood Resources	11	-	-	11
Human Resources	18	-	-	18
Economic Vitality	6,909	-	-	6,909
Planning and Development	21	-	-	21
WestWorld	89	-	-	89
Debt Service				
Principal	750	6,405	-	7,155
Interest and Fiscal Charges	202	11,975	1	12,178
Capital Improvements	-	-	11,348	11,348
Total Expenditures	52,919	18,493	11,349	82,761
Excess (Deficiency) of Revenues Over Expenditures	29,999	(12,834)	(8,939)	8,226
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	9,165	13,149	11,030	33,344
Transfers Out	(43,633)	-	(60,041)	(103,674)
Total Other Financing Sources and (Uses)	(34,468)	13,149	(49,011)	(70,330)
Net Change in Fund Balances	(4,469)	315	(57,950)	(62,104)
Fund Balances - Beginning	35,179	13,080	85,049	133,308
Fund Balances - Ending	\$ 30,710	\$ 13,395	\$ 27,099	\$ 71,204

## Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds  
June 30, 2009 (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	\$ 3,135	\$ -	\$ -	\$ 425	\$ 546	\$ 14,681	\$ 13,180	\$ 31,967
Receivables	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	204	74	278
Privilege Tax	1,195	-	-	-	-	2,239	-	3,434
Hotel/Motel Tax	-	-	-	-	-	-	293	293
Highway User Tax	1,272	-	-	-	-	-	-	1,272
Intergovernmental	-	-	-	15	-	-	5,119	5,134
Grants	-	201	141	37	-	-	-	379
Miscellaneous	-	-	-	126	-	-	107	233
Total Assets	\$ 5,602	\$ 201	\$ 141	\$ 603	\$ 546	\$ 17,124	\$ 18,773	\$ 42,990
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts Payable	\$ 1,983	\$ 166	\$ 136	\$ 17	\$ 4	\$ -	\$ 368	\$ 2,674
Accrued Payroll and Benefits	1,017	-	-	14	17	-	68	1,116
Due to Other Funds	-	35	5	-	-	-	-	40
Deferred Revenue	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	7,896	7,896
Other	-	-	-	329	-	-	3	332
Guaranty and Other Deposits	135	-	-	-	-	-	87	222
Total Liabilities	3,135	201	141	360	21	-	8,422	12,280
Fund Balances								
Unreserved	2,467	-	-	243	525	17,124	10,351	30,710
Total Fund Balances	2,467	-	-	243	525	17,124	10,351	30,710
Total Liabilities and Fund Balances	\$ 5,602	\$ 201	\$ 141	\$ 603	\$ 546	\$ 17,124	\$ 18,773	\$ 42,990

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

Nonmajor Special Revenue Governmental Funds  
For the Year Ended June 30, 2009 (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	\$ 16,141	\$ -	\$ -	\$ -	\$ -	\$ 29,121	\$ -	\$ 45,262
Transient Occupancy							6,062	6,062
Highway User Tax	14,083	-	-	-	-	-	-	14,083
Local Transportation Assistance Fund	1,015	-	-	-	-	-	-	1,015
Charges for Current Services	-	-	-	-	-	-	1,130	1,130
Recreation Fees	-	-	-	-	-	863	188	1,053
Fines, Fees and Forfeitures	-	-	-	-	-	-	-	-
Court Fines	-	-	-	-	-	-	4	4
Court Enhancement Fee	-	-	-	-	-	-	967	967
Police Fees	-	-	-	-	-	-	625	625
Property Rental	-	-	-	-	-	-	288	288
Interest Earnings	-	-	-	-	2	-	188	1,053
Intergovernmental	-	-	-	-	-	-	-	-
Federal Grants	-	990	172	229	5,756	-	-	7,147
State Grants	432	-	-	161	-	-	-	593
Miscellaneous	377	-	-	205	-	-	1,108	1,690
Contributions and Donations	-	-	-	949	-	-	569	1,518
Reimbursements From Outside Sources	7	-	-	239	5	-	7	258
Indirect Costs	879	-	-	-	-	-	-	879
Other	248	-	-	-	21	-	75	344
<b>Total Revenues</b>	<b>33,182</b>	<b>990</b>	<b>172</b>	<b>1,783</b>	<b>5,784</b>	<b>29,984</b>	<b>11,023</b>	<b>82,918</b>
<b>EXPENDITURES</b>								
Current								
General Government	-	-	-	3	-	2	416	421
Police	-	-	-	446	-	-	941	1,387
Transportation	15,456	-	-	-	-	-	-	15,456
Community Services	-	952	180	966	6,236	-	1,968	10,302
The Downtown Group	-	-	-	-	-	-	152	152
Fire	-	-	-	80	-	-	-	80
Municipal Services	17,121	-	-	-	-	-	-	17,121
Citizen and Neighborhood Resources	-	-	-	11	-	-	-	11
Human Resources	-	-	-	-	-	-	18	18
Economic Vitality	-	-	-	45	-	-	6,864	6,909
Planning and Development	-	-	-	1	-	-	20	21
WestWorld	-	-	-	-	-	-	89	89
Debt Service	-	-	-	-	-	750	-	750
Principal	-	-	-	-	-	202	-	202
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>32,577</b>	<b>952</b>	<b>180</b>	<b>1,552</b>	<b>6,236</b>	<b>954</b>	<b>10,468</b>	<b>52,919</b>
Excess (Deficiency) of Revenues Over Expenditures	605	38	(8)	231	(452)	29,030	555	29,999
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	8,857	-	-	5	-	-	303	9,165
Transfers Out	(8,295)	-	-	-	-	(34,049)	(1,289)	(43,633)
<b>Total Other Financing Sources and (Uses)</b>	<b>562</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>(34,049)</b>	<b>(986)</b>	<b>(34,468)</b>
Net Change in Fund Balances	1,167	38	(8)	236	(452)	(5,019)	(431)	(4,469)
Fund Balances - Beginning	1,300	(38)	8	7	977	22,143	10,782	35,179
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ 243	\$ 525	\$ 17,124	\$ 10,351	\$ 30,710

## 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, 2009 (in thousands of dollars)

	Budgeted Amounts			Actual Amounts			Actual Amounts			Variance Between	
	Original	Final		Budgetary Basis	GAAP Basis		Budget to GAAP Differences	Budgetary Basis		Actual Amounts	Budgetary Basis
<b>REVENUES</b>											
Taxes - Local											
Transaction Privilege	\$ 20,091	\$ 16,696	\$ 16,474	\$ 16,141	\$ (333)	\$ 16,141	\$ (222)				
Taxes - Intergovernmental											
Highway User Tax	16,900	13,500	14,143	14,083	(60)	14,083	643				
Local Transportation Assistance Fund	1,088	1,069	1,015	1,015	-	1,015	(54)				
Intergovernmental											
State Grants	305	432	432	432	-	432	-				
Miscellaneous	-	305	377	377	-	377	72				
Reimbursement From Outside Sources	-	-	7	7	-	7	7				
Indirect Costs	-	836	879	879	-	879	43				
Other	180	121	248	248	-	248	127				
Total Revenues	<u>38,564</u>	<u>32,959</u>	<u>33,575</u>	<u>33,182</u>	<u>(393)</u>	<u>33,182</u>	<u>616</u>				
<b>EXPENDITURES</b>											
Current											
Transportation	15,805	14,878	15,436	15,456	20	15,456	(558)				
Municipal Services	19,600	18,158	17,109	17,121	12	17,121	1,049				
Total Expenditures	<u>35,405</u>	<u>33,036</u>	<u>32,545</u>	<u>32,577</u>	<u>32</u>	<u>32,577</u>	<u>491</u>				
Excess (Deficiency) of Revenues Over Expenditures	<u>3,159</u>	<u>(77)</u>	<u>1,030</u>	<u>605</u>	<u>(425)</u>	<u>605</u>	<u>1,107</u>				
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers In	9,534	10,139	8,857	8,857	-	8,857	(1,282)				
Transfers Out	(10,103)	(10,103)	(8,295)	(8,295)	-	(8,295)	1,808				
Total Other Financing Sources and Uses	<u>(569)</u>	<u>36</u>	<u>562</u>	<u>562</u>	<u>-</u>	<u>562</u>	<u>526</u>				
Net Change in Fund Balance	2,590	(41)	1,592	1,167	(425)	1,167	1,633				
Fund Balance - Beginning	<u>(2,671)</u>	<u>(1,686)</u>	<u>(1,560)</u>	<u>1,300</u>	<u>2,860</u>	<u>1,300</u>	<u>126</u>				
Fund Balance - Ending	<u>\$ (81)</u>	<u>\$ (1,727)</u>	<u>\$ 32</u>	<u>\$ 2,467</u>	<u>\$ 2,435</u>	<u>\$ 2,467</u>	<u>\$ 1,759</u>				

**Explanation of Differences:**

The City budgets revenues on the cash basis, rather than on the modified Change in Receivables \$ (393)

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 (425)

The beginning balance for Actual Amounts Budgetary Basis was adjusted to the fiscal year ending fund balance amounts for fiscal year 2007/08 in the City of Scottsdale Adopted Fiscal Year 2009/10 Budget:

Fund Balance - Beginning	2,860
Fund Balance - Ending	<u>2,435</u>

## Preserve Privilege Tax - Special Revenue Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2009 (in thousands of dollars)

	Budgeted Amounts							Variance Between	
	Original	Final						Actual Amounts Budgetary Basis	Budget to GAAP Differences
<b>REVENUES</b>									
Taxes - Local									
Transaction Privilege	\$ 35,573	\$ 30,389			\$ 29,596	\$ (475)	\$ 29,121	\$ (793)	
Interest Earnings	1,120	1,120			1,100	(237)	863	(20)	
Total Revenues	<u>36,693</u>	<u>31,509</u>			<u>30,696</u>	<u>(712)</u>	<u>29,984</u>	<u>(813)</u>	
<b>EXPENDITURES</b>									
Current									
General Government	2	-	2				2	(2)	
Debt Service									
Principal	750	750	750				750	-	
Interest and Fiscal Charges	202	202	202				202	-	
Total Expenditures	<u>954</u>	<u>952</u>	<u>954</u>				<u>954</u>	<u>(2)</u>	
Excess (Deficiency) of Revenues Over Expenditures	35,739	30,557	29,742			(712)	29,030	(815)	
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers Out	(23,282)	(23,282)	(34,049)				(34,049)	(10,767)	
Total Other Financing Sources and Uses	<u>(23,282)</u>	<u>(23,282)</u>	<u>(34,049)</u>				<u>(34,049)</u>	<u>(10,767)</u>	
Net Change in Fund Balance	12,457	7,275	(4,307)			(712)	(5,019)	(11,582)	
Fund Balance - Beginning	18,382	19,045	19,045			3,098	22,143	-	
Fund Balance - Ending	<u>\$ 30,839</u>	<u>\$ 26,320</u>	<u>\$ 14,738</u>			<u>\$ 2,386</u>	<u>\$ 17,124</u>	<u>\$ (11,582)</u>	

**Explanation of Differences:**

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

(656)

Net Decrease in Fund Balance - Budget to GAAP

(712)

The beginning balance for Actual Amounts Budgetary Basis was adjusted to the fiscal year ending fund balance amounts for fiscal year 2007/08 in the City of Scottsdale Adopted Fiscal Year 2009/10 Budget :

Fund Balance - Beginning

3,098

Fund Balance - Ending

2,386

## Combining Balance Sheet

Nonmajor Debt Service Governmental Funds  
June 30, 2009 (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	9,664	758	-	-	-	-	-	-	10,743
Cash with Fiscal Agent	3,593	68	768	1,659	1,709	733	-	5,010	14,117
Receivables (net of allowance for uncollectibles)									
Property Tax	-	-	16	29	147	11	15	-	218
Intergovernmental	18,327	-	-	-	-	-	-	-	18,327
Special Assessments	-	2,542	-	-	-	-	-	-	2,542
Total Assets	<u>\$ 31,584</u>	<u>\$ 3,368</u>	<u>\$ 784</u>	<u>\$ 1,688</u>	<u>\$ 1,856</u>	<u>\$ 744</u>	<u>\$ 913</u>	<u>\$ 5,010</u>	<u>\$ 45,947</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Accounts Payable	-	11	1	1	1	1	1	-	16
Matured Bond Interest Payable	3,078	68	79	352	446	76	111	1,750	5,960
Matured Bonds Payable	515	-	335	730	575	120	25	3,260	5,560
Deferred Revenue									
Property Tax	-	-	6	17	105	7	8	-	143
Intergovernmental	18,327	-	-	-	-	-	-	-	18,327
Special Assessments	-	2,542	-	-	-	-	-	-	2,542
Other	-	-	-	-	-	-	-	-	4
Total Liabilities	<u>\$ 21,920</u>	<u>\$ 2,625</u>	<u>\$ 421</u>	<u>\$ 1,100</u>	<u>\$ 1,127</u>	<u>\$ 204</u>	<u>\$ 145</u>	<u>\$ 5,010</u>	<u>\$ 32,552</u>
Fund Balances									
Reserved for Debt Service	9,664	743	363	588	729	540	768	-	13,395
Total Fund Balances	<u>\$ 9,664</u>	<u>\$ 743</u>	<u>\$ 363</u>	<u>\$ 588</u>	<u>\$ 729</u>	<u>\$ 540</u>	<u>\$ 768</u>	<u>\$ -</u>	<u>\$ 13,395</u>
Total Liabilities and Fund Balances	<u>\$ 31,584</u>	<u>\$ 3,368</u>	<u>\$ 784</u>	<u>\$ 1,688</u>	<u>\$ 1,856</u>	<u>\$ 744</u>	<u>\$ 913</u>	<u>\$ 5,010</u>	<u>\$ 45,947</u>

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

Nonmajor Debt Service Governmental Funds  
For the Year Ended June 30, 2009 (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	\$ -	\$ -	418	1,272	1,493	185	301	-	\$ 3,669
Special Assessments	-	821	-	-	-	-	-	-	821
Property Rental	165	-	-	-	-	-	-	-	165
Interest Earnings	-	-	5	5	6	17	4	1	38
Intergovernmental	964	-	-	-	-	-	-	-	964
Miscellaneous	-	-	-	-	1	1	-	-	2
Reimbursements from Outside Sources	-	-	-	-	-	-	-	-	-
Total Revenues	1,129	821	423	1,277	1,500	203	305	1	5,659
<b>EXPENDITURES</b>									
Current									
General Government	-	1	11	10	70	11	10	-	113
Debt Service									
Principal	515	845	335	730	575	120	25	3,260	6,405
Interest and Fiscal Charges	6,167	158	158	703	907	155	225	3,502	11,975
Total Expenditures	6,682	1,004	504	1,443	1,552	286	260	6,762	18,493
Excess (Deficiency) of Revenues Over Expenditures	(5,553)	(183)	(81)	(166)	(52)	(83)	45	(6,761)	(12,834)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	6,388	-	-	-	-	-	-	6,761	13,149
Total Other Financing Sources and (Uses)	6,388	-	-	-	-	-	-	6,761	13,149
Net change in Fund Balances	835	(183)	(81)	(166)	(52)	(83)	45	-	315
Fund Balances - Beginning	8,829	926	444	754	781	623	723	-	13,080
Fund Balances - Ending	\$ 9,664	\$ 743	\$ 363	\$ 588	\$ 729	\$ 540	\$ 768	\$ -	\$ 13,395

## General Obligation Bond Debt Service

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2009 (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	\$ 35,796	\$ 35,796	\$ 34,887	\$ 45	\$ 34,932	\$ (909)
Total Revenues	<u>35,796</u>	<u>35,796</u>	<u>34,887</u>	<u>45</u>	<u>34,932</u>	<u>(909)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	22,990	22,990	22,990	-	22,990	-
Interest and Fiscal Charges	27,845	26,894	26,885	-	26,885	9
Total Expenditures	<u>50,835</u>	<u>49,884</u>	<u>49,875</u>	<u>-</u>	<u>49,875</u>	<u>9</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(15,039)</u>	<u>(14,088)</u>	<u>(14,988)</u>	<u>45</u>	<u>(14,943)</u>	<u>(900)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	15,040	15,040	16,264	-	16,264	1,224
Total Other Financing Sources and Uses	<u>15,040</u>	<u>15,040</u>	<u>16,264</u>	<u>-</u>	<u>16,264</u>	<u>1,224</u>
Net Change in Fund Balance	1	952	1,276	45	1,321	324
Fund Balance - Beginning	7,733	9,088	9,088	432	9,520	-
Fund Balance - Ending	<u>\$ 7,734</u>	<u>\$ 10,040</u>	<u>\$ - 10,364</u>	<u>\$ 477</u>	<u>\$ 10,841</u>	<u>\$ 324</u>

**Explanation of Differences:**

The City budgets for certain revenues on the cash basis, rather than on the modified accrual basis.  
Change in Receivables \$ 45

Net Increase in Fund Balance - Budget to GAAP 45

The beginning balance for Actual Amounts Budgetary Basis was adjusted to the fiscal year ending fund balance amounts for fiscal year 2007/08 in the City of Scottsdale Adopted Fiscal Year 2009/10 Budget :

Fund Balance - Beginning 432

Fund Balance - Ending \$ 477

## Municipal Property Corporation Bond Debt Service

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
For the Year Ended June 30, 2009 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts		Budget to GAAP Differences	Actual Amounts GAAP Basis	Actual Amounts Budgetary Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final	Budgetary Basis	Budgetary Basis				
<b>REVENUES</b>								
Property Rental	\$ 140	\$ 140	\$ 165	\$ 165	\$ -	\$ 165	\$ 25	
Intergovernmental	292	292	964	964	-	964	672	
Total Revenues	<u>432</u>	<u>432</u>	<u>1,129</u>	<u>1,129</u>	-	<u>1,129</u>	<u>697</u>	
<b>EXPENDITURES</b>								
Debt Service								
Principal	677	677	515	515	-	515	162	
Interest and Fiscal Charges	6,300	6,300	6,167	6,167	-	6,167	133	
Total Expenditures	<u>6,977</u>	<u>6,977</u>	<u>6,682</u>	<u>6,682</u>	-	<u>6,682</u>	<u>295</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,545)</u>	<u>(6,545)</u>	<u>(5,553)</u>	<u>(5,553)</u>	-	<u>(5,553)</u>	<u>992</u>	
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	6,685	6,685	6,388	6,388	-	6,388	(297)	
Total Other Financing Sources and Uses	<u>6,685</u>	<u>6,685</u>	<u>6,388</u>	<u>6,388</u>	-	<u>6,388</u>	<u>(297)</u>	
Net Change in Fund Balance	140	140	835	835	-	835	695	
Fund Balance - Beginning	7,588	8,832	8,829	8,829	-	8,829	(3)	
Fund Balance - Ending	<u>\$ 7,728</u>	<u>\$ 8,972</u>	<u>\$ 9,664</u>	<u>\$ 9,664</u>	\$ -	<u>\$ 9,664</u>	<u>\$ 692</u>	

### Special Assessments Bond Debt Service

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
For the Year Ended June 30, 2009 (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	\$ 1,005	\$ 1,005	\$ 822	\$ (1)	\$ 821	\$ (183)
Total Revenues	<u>1,005</u>	<u>1,005</u>	<u>822</u>	<u>(1)</u>	<u>821</u>	<u>(183)</u>
<b>EXPENDITURES</b>						
Current:						
General Government	-	-	1	-	1	(1)
Debt Service						
Principal	850	850	845	-	845	5
Interest and Fiscal Charges	155	155	158	-	158	(3)
Total Expenditures	<u>1,005</u>	<u>1,005</u>	<u>1,004</u>	<u>-</u>	<u>1,004</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(182)	(1)	(183)	(182)
Fund Balance - Beginning	1,092	941	941	(15)	926	-
Fund Balance - Ending	<u>\$ 1,092</u>	<u>\$ 941</u>	<u>\$ 759</u>	<u>\$ (16)</u>	<u>\$ 743</u>	<u>\$ (182)</u>

**Explanation of Differences:**

The City budgets for certain revenues on the cash basis, rather than on the modified accrual basis.  
Change in Receivables \$ (1)

Net Decrease in Fund Balance - Budget to GAAP (1)

The beginning balance for Actual Amounts Budgetary Basis was adjusted to the fiscal year ending fund balance amounts for fiscal year 2007/08 in the City of Scottsdale Adopted Fiscal Year 2009/10 Budget :

Fund Balance - Beginning	<u>(15)</u>
Fund Balance - Ending	<u>\$ (16)</u>

## Scottsdale Preserve Authority Bond Debt Service

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2009 (in thousands of dollars)

	Budgeted Amounts		Final	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	-	-	-	1	-	1	1
Total Revenues	-	-	-	1	-	1	1
	\$	\$	\$	\$	\$	\$	\$
<b>EXPENDITURES</b>							
Debt Service							
Principal	3,260	3,260	3,260	3,260	-	3,260	-
Interest and Fiscal Charges	3,508	3,508	3,508	3,502	-	3,502	6
Total Expenditures	6,768	6,768	6,768	6,762	-	6,762	6
	(6,768)	(6,768)	(6,768)	(6,761)	-	(6,761)	7
Excess (Deficiency) of Revenues Over Expenditures							
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	6,768	6,768	6,768	6,761	-	6,761	(7)
Total Other Financing Sources and Uses	6,768	6,768	6,768	6,761	-	6,761	(7)
	-	-	-	-	-	-	-
Net Change in Fund Balance							
Fund Balance - Beginning	-	-	-	-	-	-	-
Fund Balance - Ending	-	-	-	-	-	-	-
	\$	\$	\$	\$	\$	\$	\$

## Combining Balance Sheet

### Nonmajor Capital Projects Governmental Funds June 30, 2009 (in thousands of dollars)

		General Obligation Bond	Preserve Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Total
<b>ASSETS</b>						
Cash and Investments	\$	26,346	\$ 977	\$ -	-	\$ 27,323
Cash with Fiscal Agent		-	-	110	87	197
Receivables						
Interest		199	-	-	-	199
<b>Total Assets</b>	<b>\$</b>	<b>26,545</b>	<b>\$ 977</b>	<b>\$ 110</b>	<b>\$ 87</b>	<b>\$ 27,719</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$	-	\$ 616	\$ -	-	\$ 616
Accrued Payroll and Benefits		-	4	-	-	4
<b>Total Liabilities</b>		<b>-</b>	<b>\$ 620</b>	<b>-</b>	<b>-</b>	<b>\$ 620</b>
<b>Fund Balances</b>						
Unreserved		26,545	357	110	87	27,099
<b>Total Fund Balances</b>		<b>26,545</b>	<b>357</b>	<b>110</b>	<b>87</b>	<b>27,099</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>26,545</b>	<b>\$ 977</b>	<b>\$ 110</b>	<b>\$ 87</b>	<b>\$ 27,719</b>

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

**Nonmajor Capital Projects Governmental Funds**  
For the Year Ended June 30, 2009 (in thousands of dollars)

		General Obligation Bond	Preserve Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Total
<b>REVENUES</b>						
Interest Earnings	\$	2,198	\$ 84	1	\$ -	\$ 2,283
Intergovernmental						
State Grants		-	127	-	-	127
Total Revenues		2,198	211	1	-	2,410
<b>EXPENDITURES</b>						
Debt Service						
Interest and Fiscal Charges		-	-	1	-	1
Capital Improvements		-	11,348	-	-	11,348
Total Expenditures		-	11,348	1	-	11,349
Excess (Deficiency) of Revenues Over Expenditures		2,198	(11,137)	-	-	(8,939)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In		6	11,024	-	-	11,030
Transfers Out		(60,041)	-	-	-	(60,041)
Total Other Financing Sources and (Uses)		(60,035)	11,024	-	-	(49,011)
Net Change in Fund Balances		(57,837)	(113)	-	-	(57,950)
Fund Balances - Beginning		84,382	470	110	87	85,049
Fund Balances - Ending	\$	26,545	\$ 357	\$ 110	\$ 87	\$ 27,099

---

## 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, 2009 (in thousands of dollars)

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 16,589	\$ 22,048	\$ 38,637
Receivables (net of allowance for uncollectibles)			
Interest	94	126	220
Miscellaneous	-	6	6
Prepaid Expenses	748	-	748
Supplies Inventory	574	-	574
	<u>18,005</u>	<u>22,180</u>	<u>40,185</u>
Total Current Assets			
Noncurrent Assets			
Capital Assets			
Buildings and Improvements	1,847	-	1,847
Motor Vehicles	66,838	-	66,838
Machinery and Equipment	768	-	768
Construction in Progress	3,901	-	3,901
Less Accumulated Depreciation	(44,460)	-	(44,460)
	<u>28,894</u>	<u>-</u>	<u>28,894</u>
Total Capital Assets (net of accumulated depreciation)			
	<u>28,894</u>	<u>-</u>	<u>28,894</u>
Total Noncurrent Assets			
	<u>28,894</u>	<u>-</u>	<u>28,894</u>
Total Assets			
	<u>46,899</u>	<u>22,180</u>	<u>69,079</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	1,523	262	1,785
Accrued Payroll and Benefits	174	180	354
Accrued Compensated Absences - Due Within One Year	165	36	201
Claims Payable	-	11,530	11,530
	<u>1,862</u>	<u>12,008</u>	<u>13,870</u>
Total Current Liabilities			
Noncurrent Liabilities			
Accrued Compensated Absences - Due in More Than One Year	191	26	217
Other Payables - Due in More Than One Year	38	8	46
	<u>229</u>	<u>34</u>	<u>263</u>
Total Noncurrent Liabilities			
	<u>2,091</u>	<u>12,042</u>	<u>14,133</u>
Total Liabilities			
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	28,894	-	28,894
Unrestricted	15,914	10,138	26,052
	<u>\$ 44,808</u>	<u>\$ 10,138</u>	<u>\$ 54,946</u>
Total Net Assets			

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

### Internal Service Funds

For the Year Ended June 30, 2009 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total
Operating Revenues			
Charges for Sales and Services			
Billings To User Programs	\$ 18,299	\$ 26,030	\$ 44,329
Self Insurance Contributions-Employee	-	4,669	4,669
State Contributions	-	646	646
Other	190	1,115	1,305
Total Operating Revenues	<u>18,489</u>	<u>32,460</u>	<u>50,949</u>
Operating Expenses			
Costs of Sales and Services			
Fleet Management Operations	11,124	-	11,124
Self-Insurance Administration	-	3,555	3,555
Self-Insurance Claims	-	6,109	6,109
Self-Insurance Benefits	-	22,031	22,031
Insurance and Bond Premiums	-	1,829	1,829
Depreciation	5,451	-	5,451
Total Operating Expenses	<u>16,575</u>	<u>33,524</u>	<u>50,099</u>
Operating Income (Loss)	<u>1,914</u>	<u>(1,064)</u>	<u>850</u>
Non-Operating Revenues			
Property Tax	-	23	23
Investment Income	429	733	1,162
Loss on Sale of Capital Assets	(43)	-	(43)
Total Non-Operating Revenues	<u>386</u>	<u>756</u>	<u>1,142</u>
Income Before Contributions and Transfers	2,300	(308)	1,992
Capital Contributions	2,021	-	2,021
Transfers Out	(23)	(5,007)	(5,030)
Change in Net Assets	4,298	(5,315)	(1,017)
Total Net Assets - Beginning	<u>40,510</u>	<u>15,453</u>	<u>55,963</u>
Total Net Assets - Ending	<u>\$ 44,808</u>	<u>\$ 10,138</u>	<u>\$ 54,946</u>

## Combining Statement of Cash Flows

### Internal Service Funds

For the Year Ended June 30, 2009 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 18,299	\$ 31,343	\$ 49,642
Cash Paid to Suppliers	(7,608)	(31,442)	(39,050)
Cash Paid to Employees	(3,576)	(1,031)	(4,607)
Other Operating	190	1,115	1,305
Net Cash Provided (Used) by Operating Activities	<u>7,305</u>	<u>(15)</u>	<u>7,290</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Property Tax	-	23	23
Transfers Out	(23)	(5,007)	(5,030)
Net Cash Used by Non-Capital Financing Activities	<u>(23)</u>	<u>(4,984)</u>	<u>(5,007)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and Construction of Property and Equipment	(6,093)	-	(6,093)
Sale of Capital Assets	168	-	168
Net Cash Used for Capital and Related Financing Activities	<u>(5,925)</u>	<u>-</u>	<u>(5,925)</u>
<b>Cash Flows from Investing Activities</b>			
Income Received on Investments	447	844	1,291
Net Increase in Cash and Cash Equivalents	1,804	(4,155)	(2,351)
Cash and Cash Equivalents at Beginning of Year	14,785	26,203	40,988
Cash and Cash Equivalents at End of Year	<u>\$ 16,589</u>	<u>\$ 22,048</u>	<u>\$ 38,637</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 1,914	\$ (1,064)	\$ 850
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities			
Depreciation	5,451	-	5,451
Changes in Assets and Liabilities			
Sources (Uses) of Cash			
Miscellaneous Receivables	-	2	2
Prepaid Expenses	(748)	-	(748)
Supplies Inventory	218	-	218
Accounts Payable	349	(100)	249
Accrued Payroll and Benefits	103	136	239
Deferred Revenue	-	(4)	(4)
Other Payables	18	4	22
Claims Payable	-	1,011	1,011
Total Adjustments	<u>5,391</u>	<u>1,049</u>	<u>6,440</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,305</u>	<u>\$ (15)</u>	<u>\$ 7,290</u>
<b>Supplemental Disclosure of Noncash Financing Activities</b>			
Additions to Property, Plant, and Equipment	\$ 2,021	\$ -	\$ 2,021
Contributions from Other Government Units	\$ 2,021	\$ -	\$ 2,021
Total Non-Cash Financing Activities	<u>\$ 2,021</u>	<u>\$ -</u>	<u>\$ 2,021</u>

---

## **FIDUCIARY FUNDS**

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

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

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

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

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

### **Retainage Escrow Agency Fund**

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

## Combining Statement of Fiduciary Net Assets

### Fiduciary Funds

June 30, 2009 (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	\$ 3	\$ 3	\$ 127	\$ 9,340	\$ 9,467
Total Assets	3	3	127	9,340	9,467
<b>LIABILITIES</b>					
Accounts Payable	-	-	127	-	127
Designated Escrow Payable	-	-	-	9,340	9,340
Total Liabilities	-	-	127	9,340	9,467
<b>NET ASSETS</b>					
Held in Trust for Other Purposes	\$ 3	\$ 3	-	-	-

## Combining Statement of Changes in Assets and Liabilities

### Fiduciary Funds

For the Year Ended June 30, 2009 (in thousands of dollars)

	Family Self-Sufficiency				Retainage Escrow			
	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 112	\$ 75	\$ 60	\$ 127	\$ 10,136	\$ 9,340	\$ 10,136	\$ 9,340
Total Assets	\$ 112	\$ 75	\$ 60	\$ 127	\$ 10,136	\$ 9,340	\$ 10,136	\$ 9,340
<b>LIABILITIES</b>								
Accounts Payable	\$ 112	\$ 69	\$ 54	\$ 127	\$ -	\$ -	\$ -	\$ -
Designated Escrow Payable	-	-	-	-	10,136	9,340	10,136	9,340
Total Liabilities	\$ 112	\$ 69	\$ 54	\$ 127	\$ 10,136	\$ 9,340	\$ 10,136	\$ 9,340

---

## 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, 2009 (in thousands of dollars)

Governmental Fund Type:	July 1, 2008	Issued	Retired	Refunding Bonds		Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2009	Governmental Activities	Business-type Activities	Final Payment Date
				Issued	Retired						
<b>GENERAL OBLIGATION BONDS</b>											
1993 Refunding	\$ 2,550	\$ -	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/09
1997 GO Refunding	12,685	-	3,285	-	-	-	-	9,400	9,400	-	07/01/14
1989 Series I (1998)	4,445	-	-	-	-	-	-	4,445	4,445	-	07/01/18
1999A GO / Pima Road	1,200	-	1,200	-	-	-	-	-	-	-	07/01/09
1999 GO Preservation	1,925	-	1,925	-	-	-	-	-	-	-	07/01/09
2001 GO Preservation	1,200	-	1,200	-	-	-	-	-	-	-	07/01/09
2001 GO Refunding Various Purpose	7,765	-	925	-	-	-	-	6,840	6,840	-	07/01/22
2001 GO Refunding Preservation	28,715	-	-	-	-	-	-	28,715	28,715	-	07/01/22
2002 GO Various Purpose	4,355	-	2,345	-	-	-	-	2,010	2,010	-	07/01/24
2002 GO Preservation	5,755	-	-	-	-	-	-	5,755	5,755	-	07/01/24
2002 GO Refunding Various Purpose	43,585	-	3,695	-	-	-	-	39,890	39,890	-	07/01/19
2002 GO Refunding Preservation	8,100	-	-	-	-	-	-	8,100	8,100	-	07/01/19
2003 GO Refunding Various Purpose	11,710	-	1,690	-	-	-	-	10,020	10,020	-	07/01/13
2004 GO Various Purpose	48,000	-	-	-	-	-	-	48,000	48,000	-	07/01/25
2004 GO Preservation	59,900	-	-	-	-	-	-	59,900	59,900	-	07/01/25
2005 GO Refunding Various Purpose	8,540	-	-	-	-	-	-	8,540	8,540	-	07/01/24
2005 GO Refunding Preservation	66,090	-	-	-	-	-	-	66,090	66,090	-	07/01/24
2005A GO Various Purpose	119,500	-	3,000	-	-	-	-	116,500	116,500	-	07/01/24
2005B GO Preservation	18,425	-	850	-	-	-	-	17,575	17,575	-	07/01/24
2008A GO Various Purpose	100,000	-	-	-	-	-	-	100,000	100,000	-	07/01/28
2008B GO Preservation	20,000	-	325	-	-	-	-	19,675	19,675	-	07/01/34
2001 GO Refunding Series Deferred Issuance Premium	720	-	-	-	-	-	(115)	605	605	-	-
2001 GO Series Deferred Amount on Refunding	(1,177)	-	-	-	-	-	187	(990)	(990)	-	-
2002 GO Refunding Series Deferred Issuance Premium	361	-	-	-	-	-	(361)	-	-	-	-
2002 GO Series Deferred Amount on Refunding	(369)	-	-	-	-	-	369	-	-	-	-
2003 GO Series Deferred Amount on Refunding	(76)	-	-	-	-	-	58	(18)	(18)	-	-
2003 GO Refunding Series Deferred Issuance Premium	106	-	-	-	-	-	(80)	26	26	-	-
2004 GO Series Deferred Issuance Premium	822	-	-	-	-	-	(51)	771	771	-	-
2004 GO Series Deferred Amount on Refunding	(3,108)	-	-	-	-	-	278	(2,830)	(2,830)	-	-
2005 GO Refunding Series Deferred Issuance Premium	2,386	-	-	-	-	-	(213)	2,173	2,173	-	-
2005A GO Series Deferred Issuance Premium	2,092	-	-	-	-	-	(136)	1,956	1,956	-	-
2005B GO Series Deferred Issuance Premium	334	-	-	-	-	-	(22)	312	312	-	-
2008A GO Series Deferred Issuance Premium	2,219	-	-	-	-	-	(112)	2,107	2,107	-	-
2008B GO Series Deferred Issuance Premium	139	-	-	-	-	-	(5)	134	134	-	-
Total General Obligation Bonds	\$ 578,894	\$ -	\$ 22,990	\$ -	\$ -	\$ -	\$ (203)	\$ 555,701	\$ 555,701	\$ -	-
<b>REVENUE BONDS</b>											
Business Type - Revenue Bonds											
1996 Utility Revenue Series Refunding	-	-	-	-	-	-	-	-	-	-	07/01/14
1989 Utility Series D (1998)	-	-	-	-	-	-	-	-	-	-	07/01/22
1989 Utility Series E (1998)	-	-	-	-	-	-	-	-	-	-	07/01/23
2004 Utility Revenue Series Refunding	17,670	-	2,785	-	-	-	-	14,885	14,885	-	07/01/16
2008 Utility Revenue Series Refunding	34,335	-	875	-	-	-	-	33,460	33,460	-	07/01/23
1996 Revenue Series Deferred Amount on Refunding	(630)	-	-	-	-	-	248	(382)	(382)	-	-
2004 Revenue Series Deferred Amount on Refunding	695	-	-	-	-	-	(273)	422	422	-	-
2008 Revenue Series Deferred Issuance Premium	(719)	-	-	-	-	-	49	(670)	(670)	-	-
2008 Refunding Series Deferred Issuance Premium	4,202	-	-	-	-	-	(288)	3,914	3,914	-	-
Total Revenue Bonds	\$ 55,553	\$ -	\$ 3,660	\$ -	\$ -	\$ -	\$ (264)	\$ 51,629	\$ 51,629	\$ -	-

\*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, 2009 (in thousands of dollars)

(continued here and on following page)

	July 1, 2008	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2009	Governmental Activities	Business-type Activities	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Fund Type:										
2004A MPC	9,785	-	-	-	-	-	9,785	9,785	-	07/01/19
2005 MPC	21,762	-	40	-	-	724	22,446	22,446	-	07/01/21
2005D MPC	20,150	-	225	-	-	-	19,925	19,925	-	07/01/35
2006 MPC Refunding	55,450	-	-	-	-	-	55,450	55,450	-	07/01/34
2006A MPC	9,360	-	250	-	-	-	9,110	9,110	-	07/01/30
2006B MPC	32,500	-	-	-	-	-	32,500	32,500	-	07/01/31
2004A Series Deferred Issuance Premium	190	-	-	-	-	(17)	173	173	-	-
2005 Series Deferred Issuance Premium	311	-	-	-	-	(24)	287	287	-	-
2005D Series Deferred Issuance Premium	1,026	-	-	-	-	(36)	988	988	-	-
2006 Series Deferred Amount on Refunding	(2,392)	-	-	-	-	89	(2,303)	(2,303)	-	-
2006 Refunding Series Deferred Issuance Premium	6,424	-	-	-	-	(247)	6,177	6,177	-	-
2006A Series Deferred Issuance Premium	111	-	-	-	-	(5)	106	106	-	-
2006B Series Deferred Issuance Premium	202	-	-	-	-	(9)	193	193	-	-
Subtotal	154,879	-	515	-	-	473	154,837	154,837	-	-
<b>Business Type - Municipal Property Corporation Bonds</b>										
2004 Water/Sewer	19,500	-	2,980	-	-	-	16,520	-	16,520	07/01/14
2005E Water/Sewer	20,905	-	2,275	-	-	-	18,630	-	18,630	07/01/16
2006 MPC Refunding	110,510	-	-	-	-	-	110,510	-	110,510	07/01/30
2008A Water/Sewer	105,875	-	1,800	-	-	-	104,075	-	104,075	07/01/32
2004 Water/Sewer Deferred Issuance Premium	1,078	-	-	-	-	(180)	898	-	898	-
2005E Water Deferred Issuance Premium	633	-	-	-	-	(79)	554	-	554	-
2006 Refunding Series Deferred Issuance Premium	11,721	-	-	-	-	(451)	11,270	-	11,270	-
2006 Series Deferred Amount on Refunding	(5,090)	-	-	-	-	550	(4,540)	-	(4,540)	-
2008A Series Deferred Issuance Premium	4,670	-	-	-	-	(195)	4,474	-	4,474	-
Subtotal	269,802	-	7,055	-	-	(356)	262,391	-	262,391	-
Total Municipal Property Corporation Bonds	\$ 424,681	\$ -	\$ 7,570	\$ -	\$ -	\$ 117	\$ 417,228	\$ 154,837	\$ 262,391	-
<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	15,070	-	780	-	-	-	14,290	14,290	-	07/01/22
2004 Excise Tax Refunding	22,700	-	2,480	-	-	-	20,220	20,220	-	07/01/16
2001 Excise Tax Revenue Deferred Issuance Premium	86	-	-	-	-	(6)	80	80	-	-
2001 Excise Tax Revenue Deferred Amount on Refunding	(518)	-	-	-	-	37	(481)	(481)	-	-
2004 Excise Tax Revenue Deferred Issuance Premium	1,661	-	-	-	-	(237)	1,424	1,424	-	-
2004 Excise Tax Revenue Deferred Amount on Refunding	(1,966)	-	-	-	-	223	(1,343)	(1,343)	-	-
Total Scottsdale Preserve Authority Bonds	\$ 74,158	\$ -	\$ 3,260	\$ -	\$ -	\$ 17	\$ 70,915	\$ 70,915	\$ -	-
<b>SPECIAL ASSESSMENT BONDS</b>										
Governmental Fund Type:										
Pima Acres Paving & Drainage Series 105	\$ 85	\$ -	\$ 85	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	01/01/09
Bell Road II Series 106	3,750	-	750	-	-	-	3,000	3,000	-	01/01/13
Total Special Assessment Bonds	\$ 3,835	\$ -	\$ 835	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000	\$ -	-
<b>CERTIFICATES OF PARTICIPATION</b>										
Governmental Fund Type:										
2005 Certificates of Participation	\$ 5,689	\$ -	\$ 735	\$ -	\$ -	\$ -	\$ 4,954	\$ 4,954	\$ -	01/01/15
Total Certificates of Participation	\$ 5,689	\$ -	\$ 735	\$ -	\$ -	\$ -	\$ 4,954	\$ 4,954	\$ -	-

\*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, 2009 (in thousands of dollars)

(continued)

	July 1, 2008	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2009	Governmental Activities	Business-type Activities	Final Payment Date
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Fund Type:										
McDowell Min Ranch Refunding Series 1999	\$ 14,795	\$ -	\$ 730	\$ -	\$ -	\$ -	\$ 14,065	\$ 14,065	\$ -	07/15/22
DC Ranch Series 1998	4,090	-	185	-	-	-	3,905	3,905	-	07/15/23
Via Linda Road Series 1999	2,700	-	120	-	-	-	2,580	2,580	-	07/15/23
DC Ranch Series 1999	2,715	-	105	-	-	-	2,610	2,610	-	07/15/24
Scottsdale Mountain Refunding Series 2002	3,685	-	335	-	-	-	3,350	3,350	-	07/15/18
DC Ranch Series 2002	10,660	-	285	-	-	-	10,375	10,375	-	07/15/27
Waterfront Commercial Series 2007	3,805	-	25	-	-	(4)	3,780	3,780	-	07/15/32
Scottsdale Mountain 2002 Deferred Issuance Premium	16	-	-	-	-	12	12	12	-	-
Scottsdale Mountain 2002 Deferred Amount on Refunding	(204)	-	-	-	-	57	(147)	(147)	-	-
DC Ranch 2002 Deferred Issuance Premium	51	-	-	-	-	(3)	48	48	-	-
Total Community Facilities District Bonds	42,313	-	1,785	-	-	50	40,578	40,578	-	-
Total Bonds	\$ 1,185,123	\$ -	\$ 40,835	\$ -	\$ -	(283)	\$ 1,144,005	\$ 829,985	\$ 314,020	-
<b>CONTRACTS PAYABLE</b>										
Governmental Fund Type:										
US Corps of Engineers	\$ 2,959	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 2,879	\$ 2,879	\$ -	2032
US Patent Office	3	-	-	-	-	-	3	3	-	2009
McDowell Sonoran Preserve	4,135	-	750	-	-	-	3,385	3,385	-	2013
Bureau of Reclamation\Westworld	5,011	-	105	-	-	-	4,906	4,906	-	2033
Bureau of Reclamation\TPC	5,740	-	105	-	-	-	5,635	5,635	-	2035
Underground Improvement District Series 104	27	-	7	-	-	-	20	20	-	01/01/10
Total Contracts	\$ 17,875	\$ -	\$ 1,047	\$ -	\$ -	\$ -	\$ 16,828	\$ 16,828	\$ -	-
<b>CAPITAL LEASES</b>										
Governmental Fund Type:										
Modular Building - Fire Department Training Facility	\$ 141	\$ -	\$ 141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2012
Business Type:	97	-	44	-	-	-	53	-	-	2010
Modular Building - Water Operations	238	-	185	-	-	-	53	-	-	53
TOTAL BONDS, CONTRACTS AND CAPITAL LEASES	\$ 1,203,236	\$ -	\$ 42,067	\$ -	\$ -	(283)	\$ 1,160,886	\$ 846,813	\$ 314,073	-
Compensated Absences								22,553	2,797	
Other Post Employment Benefit - Implied Subsidy								1,157	185	
Total Long-Term Debt								\$ 870,523	\$ 317,055	

\*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 Eight Fiscal Years**  
 (accrual basis of accounting)  
 (in thousands)

Table I

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<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
Restricted	133,460	117,801	199,767	78,794	102,293	108,686	189,540	131,732
Unrestricted	152,731	165,209	127,017	195,887	172,530	206,386	90,632	83,884
Total Governmental Activities Net Assets	\$ 1,715,686	\$ 1,780,585	\$ 1,875,270	\$ 2,152,636	\$ 2,304,198	\$ 2,513,202	\$ 2,633,745	\$ 2,802,347
<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
Restricted	16,399	16,721	20,842	23,472	27,000	33,649	26,147	26,568
Unrestricted	175,624	186,147	272,431	212,957	239,535	224,607	293,090	239,103
Total Business-type Activities Net Assets	\$ 821,129	\$ 861,998	\$ 946,624	\$ 992,862	\$ 1,073,284	\$ 1,153,892	\$ 1,228,869	\$ 1,257,061
<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
Restricted	149,859	134,522	220,609	102,266	129,293	142,335	215,687	158,300
Unrestricted	328,355	351,356	399,448	408,844	412,065	430,993	383,722	322,987
Total Primary Government Net Assets	\$ 2,536,815	\$ 2,642,583	\$ 2,821,894	\$ 3,145,498	\$ 3,377,482	\$ 3,667,094	\$ 3,862,614	\$ 4,059,408

(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 Eight Fiscal Years  
 (accrual basis of accounting)  
 (in thousands)

Table IIa

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>								
Governmental Activities:								
General Government	\$ 26,982	\$ 22,776	\$ 23,839	\$ 30,943	\$ 42,729	\$ 45,682	\$ 40,698	\$ 20,646
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
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
Economic Vitality	-	6,421	6,130	8,026	7,549	9,475	9,711	8,553
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
Interest on Long-term Debt	28,063	27,786	28,028	32,466	37,192	38,981	39,457	42,242
Total Governmental Activities Expenses	301,306	304,753	321,863	359,706	387,011	433,435	467,120	449,940
Business-type Activities:								
Water Utility	51,125	50,406	51,095	59,723	53,961	64,915	71,140	81,391
Sewer Utility	24,007	22,862	24,678	28,324	27,854	26,089	26,947	33,509
Airport	2,648	2,476	2,622	3,346	2,922	2,958	3,343	3,482
Solid Waste	14,071	13,783	15,153	15,508	16,412	17,895	18,772	19,650
Total Business-type Activities Expenses	91,851	89,527	93,548	106,901	101,149	111,857	120,202	138,032
Total Primary Government Expenses	\$ 393,157	\$ 394,280	\$ 415,411	\$ 466,607	\$ 488,160	\$ 545,292	\$ 587,322	\$ 587,972

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

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

Table IIb

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<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
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
Fire	-	-	-	-	1,010	1,155	1,095	2,275
Citizen and Neighborhood Resources	-	-	-	-	163	228	21	-
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
Operating Grants and Contributions	22,200	21,219	24,508	26,865	26,355	29,293	28,409	26,272
Capital Grants and Contributions	77,412	70,369	105,794	73,092	136,745	211,707	157,808	240,289
Total Governmental Activities Program Revenues	136,566	127,089	171,877	146,677	213,325	292,944	237,610	303,502
Business-type Activities:								
Charges for Services:								
Water Utility	68,064	66,626	70,613	72,612	81,517	84,381	90,741	91,546
Sewer Utility	24,017	25,316	25,587	27,503	27,119	32,250	33,930	34,198
Airport	1,689	2,424	2,936	3,162	3,342	3,451	3,380	2,813
Solid Waste	15,796	16,250	16,488	16,984	17,163	18,490	19,824	20,049
Capital Grants and Contributions	38,733	28,487	71,709	38,313	55,580	55,111	50,679	22,067
Total Business-type Activities Revenues	148,299	139,103	187,333	158,574	184,721	193,683	198,554	170,673
Total Primary Government Revenues	\$ 284,865	\$ 266,192	\$ 359,210	\$ 305,251	\$ 398,046	\$ 486,627	\$ 436,164	\$ 474,175
Net (Expense)/Revenue								
Governmental Activities	\$ (164,740)	\$ (177,664)	\$ (149,986)	\$ (213,029)	\$ (173,686)	\$ (140,491)	\$ (229,510)	\$ (146,438)
Business-type Activities	56,448	49,576	93,785	51,673	83,572	81,826	78,352	32,641
Total Primary Government Net Expense	\$ (108,292)	\$ (128,088)	\$ (56,201)	\$ (161,356)	\$ (90,114)	\$ (58,665)	\$ (151,158)	\$ (113,797)

(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 Eight Fiscal Years  
 (accrual basis of accounting)  
 (in thousands)

Table IIc

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

(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 Eight 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				

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	

(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 Eight Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table IV

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

(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 Eight Fiscal Years**

(modified accrual basis of accounting)  
(in thousands)

**Table Va**

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

**City of Scottsdale, Arizona**  
**Changes in Fund Balances of Governmental Funds**

**Last Eight Fiscal Years**

(modified accrual basis of accounting)  
(in thousands)

**Table Vb**

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenditures</b>								
General Government	\$ 19,528	\$ 16,010	\$ 16,121	\$ 21,793	\$ 23,516	\$ 24,938	\$ 26,633	\$ 19,216
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
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
Economic Vitality	-	6,268	6,199	6,506	7,510	9,016	9,373	8,246
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
Debt Service:								
Principal	26,216	30,305	31,905	33,173	27,632	34,252	33,043	31,308
Interest and Fiscal Charges	29,062	29,759	25,452	31,948	36,382	38,279	38,651	41,612
Bond Issuance Costs	597	1,046	586	878	351	735	1,028	-
Advance Refunding Escrow	339	-	-	-	-	-	-	-
Capital Improvements	68,638	68,338	81,149	213,585	218,897	147,367	196,976	155,358
<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>Excess of Revenues over (under) Expenditures</b>	<b>\$ (26,443)</b>	<b>\$ (41,927)</b>	<b>\$ (30,605)</b>	<b>\$ (131,206)</b>	<b>\$ (120,840)</b>	<b>\$ (58,698)</b>	<b>\$ (144,012)</b>	<b>\$ (129,454)</b>

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

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

Table Vc

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Other Financing Sources (Uses)</b>								
Transfers in	\$ 71,095	\$ 107,441	\$ 137,043	\$ 141,783	\$ 147,643	\$ 162,965	\$ 195,170	\$ 160,319
Transfers out	(60,408)	(91,582)	(126,269)	(133,284)	(140,513)	(155,295)	(185,082)	(145,557)
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	-
Payment to Bond Refunding Escrow Agent	(75,025)	(108,077)	(90,534)	(77,584)	-	(61,845)	-	-
Proceeds from Capital Lease	-	-	-	-	-	175	-	-
Proceeds from Notes Payable	-	-	-	-	-	3,000	-	-
Sale of Capital Assets	-	424	-	-	-	-	-	-
<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>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>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>

(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 Eight Fiscal Years  
 (modified accrual basis of accounting)  
 (in thousands)

Table VI

Fiscal Year	Sales and Use Taxes						
	Property	Privilege & Use -	Public Safety (1)	Transient Occupancy			
		General	McDowell Mtn (1)	Transportation	Transportation		
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	8,491	7,939
2006	49,651	104,949	35,483	20,020	9,978	9,978	8,970
2007	50,732	110,225	37,281	20,910	10,578	10,578	9,723
2008	53,778	104,673	35,604	19,823	10,145	10,145	9,621
2009	60,493	85,829	29,121	16,141	8,289	8,289	7,577

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

(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 Eight Fiscal Years  
 (in thousands)

Table VII

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Automotive	\$ 1,501,832	\$ 1,499,864	\$ 1,525,050	\$ 1,557,909	\$ 1,662,604	\$ 1,622,601	\$ 1,370,365	\$ 918,219
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
Food Stores	503,057	518,665	550,704	562,877	584,706	626,083	652,226	624,917
Hotel Motel	372,610	373,375	400,836	432,006	497,804	533,055	529,862	416,216
Major Department Stores	748,732	795,091	871,244	959,361	1,012,906	1,011,240	974,330	864,676
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
Other Taxable Activity	341,314	360,991	416,514	457,819	513,553	551,095	532,751	556,842
Rentals	910,184	955,494	977,379	1,054,666	1,102,152	1,211,551	1,308,247	1,217,688
Restaurants	524,241	551,806	604,652	661,542	726,122	774,598	754,103	684,188
Utilities	389,409	376,319	368,442	380,043	398,204	418,460	435,415	432,570
<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>

**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 Eight Fiscal Years

Table VIII

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

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

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.

**City of Scottsdale, Arizona**  
**Sales Tax Revenue Payers by Industry**  
**Fiscal Years 2009 and 2000**  
(in thousands)

Table IX

	Fiscal Year 2009			Fiscal Year 2000		
	Number of Filers	Percentage of Total	Tax Revenue \$	Number of Filers	Percentage of Total	Tax Revenue \$
Automotive	534	2.40%	15,255	614	3.00%	18,434
Construction	8,214	36.91%	20,834	6,929	33.89%	23,855
Food Stores	148	0.67%	10,201	230	1.12%	7,133
Hotel Motel	64	0.29%	7,140	70	0.34%	5,827
Major Department Stores	29	0.13%	14,381	14	0.07%	7,966
Miscellaneous Retail Stores	4,813	21.63%	19,411	6,059	29.64%	16,464
Other Taxable Activity	3,690	16.58%	10,113	2,855	13.98%	6,572
Rentals	3,681	16.54%	20,669	2,568	12.56%	10,214
Restaurants	835	3.75%	11,261	829	4.05%	6,521
Utilities	245	1.10%	7,725	277	1.35%	4,799
<b>Total</b>	<b>22,253</b>	<b>100.00%</b>	<b>\$ 136,990</b>	<b>20,445</b>	<b>100.00%</b>	<b>\$ 107,785</b>

**Note:**

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

The industry classifications were based on Standard Industrial Classification (SIC) in 2000 and the North American Industry Classification System (NAICS) classifications in 2009.

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

Table X

Fiscal Year	City Direct Rate			Overlapping Rates						
	Operating Rate	Debt Service Rate	Total City Rate	Operating Rate	Debt Service Rate	EVIT Rate	Health Care	Special Care	County	Total
2002	\$ 0.49	\$ 0.67	1.16	\$ 4.08	\$ 1.36	\$ 0.11	\$ -	\$ -	\$ 0.04	\$ 3.29
2003	0.51	0.65	1.15	3.94	1.36	0.11	-	-	0.04	3.28
2004	0.48	0.64	1.12	3.89	1.30	0.10	-	-	0.05	3.22
2005	0.45	0.62	1.07	3.77	1.26	0.10	-	-	0.05	3.09
2006	0.44	0.60	1.04	3.46	1.22	0.06	-	-	0.05	3.18
2007	0.42	0.55	0.97	3.45	1.26	0.05	-	-	0.05	3.18
2008	0.38	0.41	0.79	3.42	1.26	0.05	-	-	0.04	2.74
2009	0.35	0.43	0.79	2.82	1.07	0.05	-	-	0.04	2.47

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

**Source:** Maricopa County Department of Finance Publications On-Line "Tax Levy 2008"

**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 2008/09 the rates were as follows: Scottsdale Mountain CFD - \$0.75, McDowell Mountain CFD - \$0.50, DC Ranch CFD - \$0.44, and Via Linda Road CFD - \$0.70 and the Waterfront Commercial CFD - \$2.30.

**City of Scottsdale, Arizona**  
**Principal Property Taxpayers**  
**June 30, 2009 and 2000**  
 (in thousands)

**Table XI**

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 60,195	1	0.728%	\$ 46,153	1	1.870%
Scottsdale Fashion Square Partnership	43,295	2	0.523%	29,037	3	1.180%
Qwest Corporation	27,807	3	0.336%	41,806	2	1.690%
Scottsdale Fashion Square LLC	22,666	4	0.274%	-	-	-
Blackwell Robert L/Etal	22,652	5	0.274%	-	-	-
Gainey Drive Associates	22,341	6	0.270%	12,014	8	0.490%
DC Ranch LLC	21,159	7	0.256%	-	-	-
PR Hotel LLC	19,026	8	0.230%	-	-	-
Portales Corporate Center LLC/Etal	17,222	9	0.208%	-	-	-
DTR5 LLC	16,215	10	0.196%	-	-	-
Motorola, Inc.	-	-	-	23,914	4	0.970%
Scottsdale Princess Partnership	-	-	-	18,681	5	0.760%
Mayo Clinic Arizona	-	-	-	18,191	6	0.740%
Nationwide Realty Investors Ltd.	-	-	-	12,627	7	0.510%
PCS Inc.	-	-	-	11,797	9	0.480%
Southwest Gas Corporation	-	-	-	11,068	10	0.450%

Source: 2009 information - The Maricopa County Assessor's Office & ADOR Abstract for 2008 Property Tax Year.

Source: 2000 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 2008/09 secondary assessed valuation of the SRP within the City is \$17,703,543 as provided by SRP. The secondary in lieu contribution received by the City of Scottsdale for 2008/09 was \$139,220.

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

Table XII

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

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 Eight 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%

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 Eight Fiscal Years**  
(in thousands)

Table XIV

Fiscal Year Ended June 30	Governmental Activities									
	Municipal			Scottsdale			Community			
	General Obligation Bonds	Revenue Bonds	Property Corporation Bonds	Preserve Authority Bonds	Special Assessment Bonds	Certificates of Participation	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	-	

Business-Type Activities						
Fiscal Year Ended June 30	Municipal		Total			
	General Obligation Bonds	Revenue Bonds	Property Corporation Bonds	Capital Lease	Percentage of Personal Income	Per Capita
2002	\$ 18,315	\$ 73,945	\$ 11,555	\$ -	7.70%	\$ 3,080
2003	14,323	71,230	10,010	-	7.04%	2,891
2004	10,651	68,365	83,365	-	7.85%	3,303
2005	6,515	65,735	79,430	-	7.84%	3,374
2006	-	62,405	161,965	179	9.94%	4,344
2007	-	58,930	155,650	139	9.54%	4,151
2008	-	52,005	256,790	97	10.39%	4,901
2009	-	48,345	249,735	53	10.79%	4,686

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 Eight 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		Per Capita
				Value of Property	Value of Property	
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	10.8%		2,352.62
2009	551,455,000	10,841,183	540,613,817	10.4%		2,230.83

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

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Table XII for property value data.  
 See the Schedule of Demographic and Economic Statistics (Table XIX) for population data.

**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2009**  
(in thousands)

Table XVI

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Maricopa County	\$ -	14.2655%	-
Maricopa County Community College District	727,390	14.2655%	103,766
Tempe Elementary School District No. 3	110,975	0.0002%	0
Balsz Elementary School District No. 31	10,200	4.7528%	485
Scottsdale Unified School District No. 48	319,805	69.9434%	223,682
Paradise Valley Unified School District No. 69	344,440	32.8795%	113,250
Cave Creek Unified School District No. 93	22,795	62.6405%	14,279
Fountain Hills Unified School District No. 98	24,035	3.1612%	760
Phoenix Union High School District No. 210	304,795	0.2930%	893
Tempe Union High School District No 213	128,000	0.0001%	0
East Valley Institute of Technology District No. 401	-	19.4538%	-
Scottsdale Mountain Community Facilities District	3,685	100.0000%	3,685
McDowell Mountain Community Facilities District	14,795	100.0000%	14,795
DC Ranch Community Facilities District	17,465	100.0000%	17,465
Via Linda Road Community Facilities District	2,700	100.0000%	2,700
Waterfront Community Facilities District	3,780	100.0000%	3,780
<b>Subtotal, overlapping debt</b>	<b>345,645</b>	<b>100.0000%</b>	<b>499,540</b>
<b>City direct debt</b>			<b>345,645</b>
<b>Total direct and overlapping debt</b>			<b>\$ 845,185</b>

Source: Maricopa County Assessor's Office

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

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

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

Table XVIIIa

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<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
Total Net Debt Applicable to 20% Limit	245,209	237,400	319,765	313,786	372,545	363,455	424,865	413,095
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
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%
<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
Total Net Debt Applicable to 6% Limit	81,757	71,695	74,984	64,799	126,820	112,745	149,580	138,360
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 114,920	\$ 139,901	\$ 163,547	\$ 195,808	\$ 157,325	\$ 199,822	\$ 285,049	\$ 357,985
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%

**City of Scottsdale, Arizona**  
**Legal Debt Margin Information**  
**As of June 30, 2009**  
(in thousands)

**Table XVIIb**

**Legal Debt Margin Calculation for Fiscal Year 2009**

Net Secondary Assessed Valuation as of June 30, 2009	\$ 8,272,417
<b><u>20% Limitation</u></b>	
Debt Limit Equal to 20% of Assessed Valuation	1,654,483
Debt applicable to limit:	
General Obligation Bonds	413,095
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 1,241,388
<b><u>6% Limitation</u></b>	
Debt Limit Equal to 6% of Assessed Valuation	\$ 496,345
Debt applicable to limit:	
General Obligation Bonds	138,360
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 357,985

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 Eight Fiscal Years  
(in thousands)

Table XVIII

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

Fiscal Year Ended June 30	Special Assessment Bonds					Scottsdale Preserve Authority Bonds					Municipal Property Corporation Bonds				
	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage (2)	0.2% and 0.15% Sales Tax (3)	Excise Tax	Debt Service Principal	Debt Service Interest	Coverage						
2002	\$ 2,339	\$ 2,208	\$ 393	0.90	\$ 15,814	\$ 188,548	\$ 8,325	\$ 3,775	15.58						
2003	1,970	1,990	279	0.87	13,377	189,516	9,145	3,045	15.55						
2004	2,558	2,425	492	0.88	16,981	199,889	7,170	1,108	24.15						
2005	2,016	2,448	360	0.72	31,301	239,284	8,265	6,413	16.30						
2006	1,106	851	275	0.98	35,483	268,134	5,995	10,017	16.75						
2007	1,825	848	235	1.69	37,281	277,366	5,305	10,057	18.06						
2008	895	846	197	0.86	35,604	271,560	5,584	13,988	13.87						
2009	821	845	158	0.82	29,121	256,146	7,570	19,482	9.47						

(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 and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

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

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

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

**Table XIX**

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (3)	Median Age (4)	Education		Unemployment Rate (7)
					Level in Years of Schooling (5)	School Enrollment (6)	
2002	209,960	\$ 8,396,720	\$ 39,992	41.1	13 to 16	27,436	4.1%
2003	214,090	8,787,110	41,044	40.5	13 to 16	27,479	3.6%
2004	217,555	9,158,195	42,096	40.2	13 to 16	27,328	3.9%
2005	221,130	9,515,538	43,148	39.9	13 to 16	26,559	2.9%
2006	226,390	9,896,159	43,713	39.5	13 to 16	27,000	3.0%
2007	238,270	10,367,366	43,511	41.0	13 to 16	26,653	2.6%
2008	240,126	11,329,384	47,181	40.2	13 to 16	26,567	2.4%
2009	242,337	10,526,392	43,437	40.6	13 to 16	27,029	3.6%

Data Sources:

- 1 Arizona Department of Economic Security
- 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

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

**Table XX**

Employer	2009			2000****		
	Employees	Rank	Percentage of Total City Employment*	Employees	Rank	Percentage of Total City Employment*
Scottsdale Healthcare	6,650	1	3.53%	-	-	-
Mayo Clinic***	4,900	2	2.60%	3,000	3	2.36%
General Dynamics	3,600	3	1.91%	3,600	2	2.84%
Scottsdale Unified School District**	3,126	4	1.66%	2,700	4	2.13%
City of Scottsdale**	2,808	5	1.49%	1,700	6	1.34%
CVS - CareMark	2,048	6	1.09%	-	-	-
Go Daddy Group***	1,915	7	1.02%	-	-	-
The Vanguard Group	1,899	8	1.01%	1,118	7	0.88%
Troon Golf LLC***	1,539	9	0.82%	-	-	-
Scottsdale Insurance Company	1,400	10	0.74%	959	10	0.76%
Scottsdale Memorial Health Systems	-	-	-	4,473	1	3.52%
Advanced PCS	-	-	-	2,700	5	2.13%
Scottsdale Princess Resort	-	-	-	1,080	8	0.85%
Hickey Mitchell Insurance	-	-	-	1,000	9	0.79%
<b>Total</b>	<b>29,885</b>		<b>15.86%</b>	<b>22,330</b>		<b>17.60%</b>

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

\* 2009 total Scottsdale employment = 188,488 (Source: SitesUSA); 2000 total employment- 126,918

\*\* Full-time Equivalents (FTE)

\*\*\*Includes all Metro Phoenix employees

\*\*\*\*The 2000 Principal Employer information was presented as this information was unavailable for 1999.

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

Table XXI

	<b>Full-time Equivalent Employees as of June 30</b>							
<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General Government	196.5	195.5	196.5	202.0	217.0	222.2	222.7	214.9
Police	574.1	591.1	590.1	631.1	676.1	705.6	721.6	723.6
Financial Services	144.5	144.5	139.5	143.0	149.0	151.0	152.0	153.0
Transportation	35.0	34.0	24.0	25.0	27.0	30.0	32.0	32.0
Community Services	516.1	516.1	506.1	513.6	559.4	580.3	605.1	605.1
Information Systems	73.8	73.8	74.8	78.8	80.8	83.8	85.8	86.8
Fire	2.7	2.7	3.7	3.7	259.0	268.0	274.0	273.0
Municipal Services	132.8	132.8	135.8	139.8	151.8	170.5	182.0	183.0
Citizen and Neighborhood Resources	35.0	35.0	32.0	37.0	39.0	40.0	40.0	40.0
Human Resources	36.5	35.5	34.5	36.5	35.5	36.5	37.5	36.5
Economic Vitality	10.0	10.0	8.0	10.0	11.0	11.0	11.0	11.0
Planning and Development	157.0	151.0	140.0	140.0	144.0	161.0	164.0	168.0
Water Resources	139.0	136.0	136.0	139.0	152.5	162.0	169.0	176.0
Aviation	11.9	12.4	12.4	12.4	13.0	15.0	15.0	16.0
Solid Waste	77.3	80.3	79.3	79.3	83.3	85.3	85.8	89.0
<b>Total</b>	<b>2,142.2</b>	<b>2,150.5</b>	<b>2,112.5</b>	<b>2,191.0</b>	<b>2,598.3</b>	<b>2,722.2</b>	<b>2,797.5</b>	<b>2,807.8</b>

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

City of Scottsdale, Arizona  
Operating Indicators by Function  
Last Eight Fiscal Years

Table XXII

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Government</b>								
<i>Legislative and Constituent/ Gov. Relations</i>								
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent	No Survey	No Survey	90%	93%	No Survey	90%	N/A	90%
<i>City Clerk's Office</i>								
# of legal postings	518	466	456	651	890	974	1,000	1,150
<i>City Attorney's Office</i>								
% of cases resolved at first court appearance (arraignment)	20%	26%	30%	30%	32%	35%	35%	35%
<i>City Auditor's Office</i>								
# of audits performed	60	6	11	11	17	22	25	13
<i>City Court</i>								
Charges filed / charges adjudicated (resolved)	79,638 / 114,514	96,995 / 94,045	121,560 / 129,888	136,747 / 134,793	153,320 / 156,292	201,866 / 216,000	221,400 / 218,000	225,828 / 224,380
<i>City Manager's Office</i>								
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent	No Survey	No Survey	86%	89%	No Survey	90%	N/A	90%
<i>Communications &amp; Public Affairs</i>								
News releases, media updates, traffic alerts, construction updates released to news media	277	215	182	247	250	220	220	230
<i>Weather and</i>								
# of special events	49	55	53	57	59	46	50	45
<i>The Downtown Group</i>								
# of downtown special events coordinated	N/A	N/A	41	58	62	71	84	100
<i>Preservation</i>								
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	514	660	450	2,600	40	259	612	612
<b>Police</b>								
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand)								
Scottsdale	44.9	44.3	45.5	42.3	37.1	35.0	35.0	38.2
Valley Average	70.5	72.0	60.2	56.5	51.0	51.0	51.0	57.8
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	600	629	587	612	600	610	600	642
Provide initial contact to 100% of citizen traffic concerns within seven days	50%	60%	96%	98%	98%	100%	100%	100%
<b>Financial Services</b>								
# of Accounts Payable checks issued	35,636	35,344	34,547	37,954	38,371	37,398	38,662	43,000
# of purchase orders	8,531	10,212	12,254	9,611	10,600	12,000	13,000	9,600
# of water meters read annually	943,212	971,508	986,080	1,000,870	1,033,600	1,030,368	1,050,975	1,059,080
# of customer contacts (utilities, taxes & licensing)	212,787	218,185	221,900	229,500	230,000	216,764	220,259	220,500

(continued)

**City of Scottsdale, Arizona**  
**Operating Indicators by Function**  
**Last Eight Fiscal Years**

Table XXII

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Transportation</b>								
Total citywide transit ridership	1,780,578	1,917,011	1,917,000	1,969,512	2,255,450	2,321,073	2,626,893	2,985,375
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)	76	124	150	270	322	375	475	475
Scottsdale Airport - Takeoffs and Landings	181,657	197,483	195,276	208,106	210,481	185,241	201,958	169,972
<b>Community Services</b>								
# attending Parks & Recreation facilities, Human Services facilities and Libraries annually	6,817,413	7,485,295	7,565,511	7,573,369	7,717,000	7,925,000	8,100,000	8,100,000
# of square feet of medians and rights of way maintained	13,168,516	13,253,516	13,949,440	14,509,062	15,188,684	15,460,961	16,727,490	18,553,414
Facility inventory maintained (square feet)	1,551,620	1,755,162	1,807,298	1,825,564	2,166,650	2,221,650	2,271,550	2,334,310
<b>Information Systems</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	46,100,000	94,187,000	113,024,000	9,670,000
Annual Disk Storage size (DAS, NAS, and SAN) (Terabytes)	2.5	4.0	5.0	7.0	30.0	30.0	80.0	110.0
<b>Fire</b>								
# of responses to calls for emergency services	21,877	21,162	21,756	23,102	23,572	22,894	22,936	23,000
Responses per capita	0.10	0.09	0.09	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	4:23	4:15	4:10	4:10
<b>Water Service</b>								
Water Service Connections	79,052	80,454	81,947	83,511	86,399	86,728	87,248	87,349
Drinking Water Supplied (million gallons per day)	70.4	67.6	70.0	67.7	73.1	72.1	73.7	69.4
Reclaimed Water Supplied (million gallons per day)	11.8	14.2	11.8	11.6	11.5	11.4	11.7	9.6
<b>Sewer Service</b>								
Sewer Service Connections	69,121	70,732	72,034	73,232	74,143	76,092	76,849	77,363
Sewage Treated (million gallons per day)	24.0	24.5	24.2	25.5	24.2	25.3	23.9	19.7
<b>Municipal Services</b>								
# of active Capital Projects	101	118	116	183	199	202	202	180
# of homes serviced by Residential Refuse Collection	70,546	72,166	73,602	74,850	76,300	77,800	78,994	79,456
# of citizens serviced annually by Household Hazardous Waste collection program	1,708	1,900	2,201	1,718	1,900	2,100	2,100	2,300

(continued)

**City of Scottsdale, Arizona**  
**Operating Indicators by Function**  
**Last Eight Fiscal Years**

Table XXII

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Citizen &amp; Neighborhood Resources</b>								
% increase of Neighborhood Watch groups annually	n/a	15%	37%	37%	25%	5%	5%	10%
# of new Code Enforcement cases processed per year	7,357	10,000	10,000	11,336	14,000	16,900	15,570	160,000
<b>Human Resources</b>								
Citywide turnover	120	6.8%	7.3%	7.9%	11.1%	11.5%	12.0%	8.5%
HR operating cost as a % of City payroll	3.1%	2.6%	2.4%	2.3%	2.0%	2.0%	2.1%	2.0%
<b>Economic Vitality</b>								
Targeted job creation - number of companies / number of jobs	10 / 1,305	17 / 1,716	23 / 1,800	10 / 1,443	10 / 1,200	10 / 1,000	10 / 900	8 / 800
Hotel/Motel average occupancy rate	-2%	55.0%	57.5%	60.0%	69.0%	70.0%	71.0%	67.0%
Bed Tax growth (% annual change)	-13%	0%	+3%	+5%	+5%	4%	5%	-6%
<b>Planning &amp; Development Services</b>								
Customer wait-time (in minutes) at One Stop Shop	n/a	n/a	45	25	15	20	20	20
Provide applicant with pre-application meeting within 30 days of submitting request.	n/a	n/a	90%	100%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	99%	99%	97%	98%	99%	99%	99%	99%

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

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

Table XXIII

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety								
Police:								
Stations	3	3	3	3	3	3	3	4
Police Vehicles	261	295	286	290	345	375	383	363
Fire Stations	10	12	12	13	13	13	13	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
Equivalent 12' Wide Lane Miles	2,713	2,713	2,732	2,732	2,793	2,897	2,921	2,932
Streetlights	9,510	10,300	10,500	10,650	10,828	11,022	11,132	9,134
Traffic Signals	250	253	258	262	276	276	285	295
Culture and Recreation								
Parks	40	40	40	40	40	40	43	41
Parks Acreage	869	869	849	849	937	937	962	931
Swimming Pools	3	3	3	3	3	4	4	4
Tennis Courts	49	49	49	49	49	51	55	55
Community Centers	6	6	6	6	6	5	5	5
Water								
Water Mains (miles)	1,738	1,815	1,854	1,897	1,933	1,997	2,030	2,044
Fire Hydrants	8,659	8,928	9,193	9,541	9,839	10,147	10,367	10,365
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
Storm Sewers (miles)	68.7	68.7	137.7	142.8	148.0	153.5	157.2	166.9

Source: City of Scottsdale, Arizona departments.

