



CITY OF SCOTTSDALE  
ARIZONA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011

**City of Scottsdale, Arizona**



**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2011**

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**Prepared by:**

Finance and Accounting Division  
David N. Smith  
City Treasurer/Chief Financial Officer  
Jeff Nichols, CPA  
Accounting Director



# City of Scottsdale, Arizona

## Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2011

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November 2, 2011

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, 2011, is submitted in accordance with Article 6, Section 14, of the City Charter. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based on a comprehensive framework of internal control established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

LarsonAllen, LLP has issued an unqualified (“clean”) opinion on the City’s financial statements for the year ended June 30, 2011. The independent auditors’ report is located at the front of the financial section of this report.

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

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

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

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

The City has experienced significant increases in population, with the 1950 census reporting 2,032 residents, and the 2000 census reporting 202,705. The City’s population, according to the 2010 Census, is 217,385.



## **Transmittal Letter**

For the Fiscal Year  
Ended June 30, 2011

City of Scottsdale  
Scottsdale, Arizona



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

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds; the maximum legal expenditure permitted for the fiscal year is the total budget as adopted. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments. In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year (FY) 2010/11, there were no such supplemental budgetary appropriations authorized.

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

### ***Local Economy***

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

#### Tourism

Tourism is one of Scottsdale's largest and most vibrant industries, and is a significant contributor to the City's economy. A variety of lodging properties, including several world-class resorts and "boutique" hotels, provide over 11,000 guest rooms, along with spectacular spas, trend-setting dining and one-of-a kind Sonoran desert golf courses. With over 17,000 retail shops, nearly 600 restaurants, national and international events, and spectacular southwest Sonoran desert setting, Scottsdale continues to be a popular destination for visitors year-round and is well-positioned as the economy emerges from the recent recession. Bed tax revenues to the City increased by 85 percent for fiscal year 2010/11, due largely to the an increase in the transient occupancy tax to 5% (a 66.7 percent increase over the previous rate of 3%) Scottsdale visitors contribute about 20 percent of the City's total privilege and use tax revenues.

## Retail Sales

Scottsdale's largest revenue source is sales tax generated from a balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities and rentals. Sales tax is generated directly from the City's own applied tax rate and indirectly as the City receives a share of sales tax generated from the State of Arizona applied tax rate. The City saw retail sales tax revenues increase by 3 percent in fiscal year 2010/11 after falling a total of 25 percent over previous two fiscal years.

## Employment

Scottsdale's unemployment rate was 8.4 percent in June 2011, significantly lower than the state level of 9.4 percent. Historically, Scottsdale's unemployment rate is about 2 percent lower than the state's average. Firms relocating to Scottsdale in fiscal year 2010/11 created approximately 500 new jobs over the past year. Major new employers to announce moves to Scottsdale last year included Trakka, AirSprint US, and Cold Plasma. In addition significant expansions of over 500 jobs were announced by I.C.E., Yelp, and Fitch.

## Commercial Vacancy Rates

Scottsdale's citywide office vacancy rate was about 22.8 percent for the third quarter of fiscal year 2010/11 – slightly higher than the Phoenix market average of 21 percent. There were only 5 commercial buildings under construction in the Phoenix market during the first quarter of 2011; none of the buildings were located in Scottsdale.

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

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

### Adopted Comprehensive Financial Policies

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has 45 adopted financial policies governing operations, capital management, debt management, reserves and financial reporting. Regular review and refinement of these policies is done in conjunction with financial plan development and are adopted annually by the City Council.

### Financial Resource Planning

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

## Multi-Year Operating Budget Planning

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

## Strategic Capital Improvement Project Planning

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

## Debt Management

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

The City retained credit ratings of "Aaa", "AAA", and "AAA" from the three major credit rating agencies (Moody's Investors Service, Standard and Poor's Rating Group, and Fitch Investors Services, respectively) on the City's outstanding general obligation bonds where debt service is supported by property taxes. These are the highest ratings possible. Ratings for the City's bonds where debt service is supported by enterprise revenues or excise taxes are also highly rated by the three major credit rating agencies. On August 6, 2011, S&P downgraded U.S. Treasury long-term securities from AAA to AA+. This action was followed by S&P downgrading agencies that have direct reliance on the U.S. government ("U.S. Government Agencies") from AAA to A+. However, none of the City's credit ratings were affected by these actions. A summary of the City's bond ratings are shown as follows:

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

**As of June 30, 2011**

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

## ***Major Initiatives***

The City of Scottsdale's adopted fiscal year 2011/12 budget reflects continued downward pressure on revenues in the local economy and City Council direction to reduce expenditures from the prior year's levels.

The adopted budget eliminated 92 positions (4.5 percent) in the General Fund. The greatest reductions were in Community Services and Community & Economic Development, but personnel reductions were in ten divisions citywide. The budget reduced staffing levels both in the General Fund and in All Funds combined to the lowest levels since before fiscal year 2005/06, when 260 Full-Time Equivalent positions were added to form a municipal fire department. Along with staffing reductions, spending was also down in the General Fund. Total division operating budgets dropped \$45 million since fiscal year 2008/09, which will take us to the lowest level since fiscal year 2005/06. There were cuts in every division and several division budgets were reduced by 10 percent or greater. The largest dollar reductions are in the largest divisions: Community Services, Community & Economic Development and Public Safety.

Even with these reductions, we believe the adopted budget still supports high quality essential services necessary to maintain a high standard of living in Scottsdale. Residents will continue to enjoy high quality services comparable or better to those in any of the surrounding communities.

The overarching goal was to exhaust all other cost-cutting measures before reducing service levels. Cutting the lowest priority expenditures was our first strategy in developing the budget. However, it wasn't enough. Additional strategies that were employed to balance the budget include:

1. Enhancing or maintaining existing revenues
2. Using prior-year savings to reduce debt
3. Using one-time monies for one-time costs
4. Reducing personnel costs
5. Reducing some enhanced levels of service
6. Reducing funding of city partners
7. Closing some facilities and offices

Additionally, the adopted budget does not include a property tax increase nor a water, wastewater or solid waste rate increase. Finally, the budgeted contingency was increased to ensure that there is budget flexibility given the uncertainty of the economy, which was offset in part by additional reductions and reorganizations, the elimination of newly vacated positions (with the work reassigned to existing staff), cuts to the take home vehicle program, and a phasing out of the executive car allowance program.

## ***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, 2010. This was the 38th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Scottsdale also received the “Distinguished Budget Presentation Award” for the fiscal year beginning July 1, 2010 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and we expect to receive this award again for the fiscal year beginning July 1, 2011.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David N. Smith", with a long horizontal flourish extending to the right.

David N. Smith  
City Treasurer/Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Scottsdale Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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.



President

Executive Director



**Comprehensive  
Annual  
Financial  
Report**

For the Fiscal Year  
Ended June 30, 2011

City of Scottsdale  
Scottsdale, Arizona

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

**City Council**

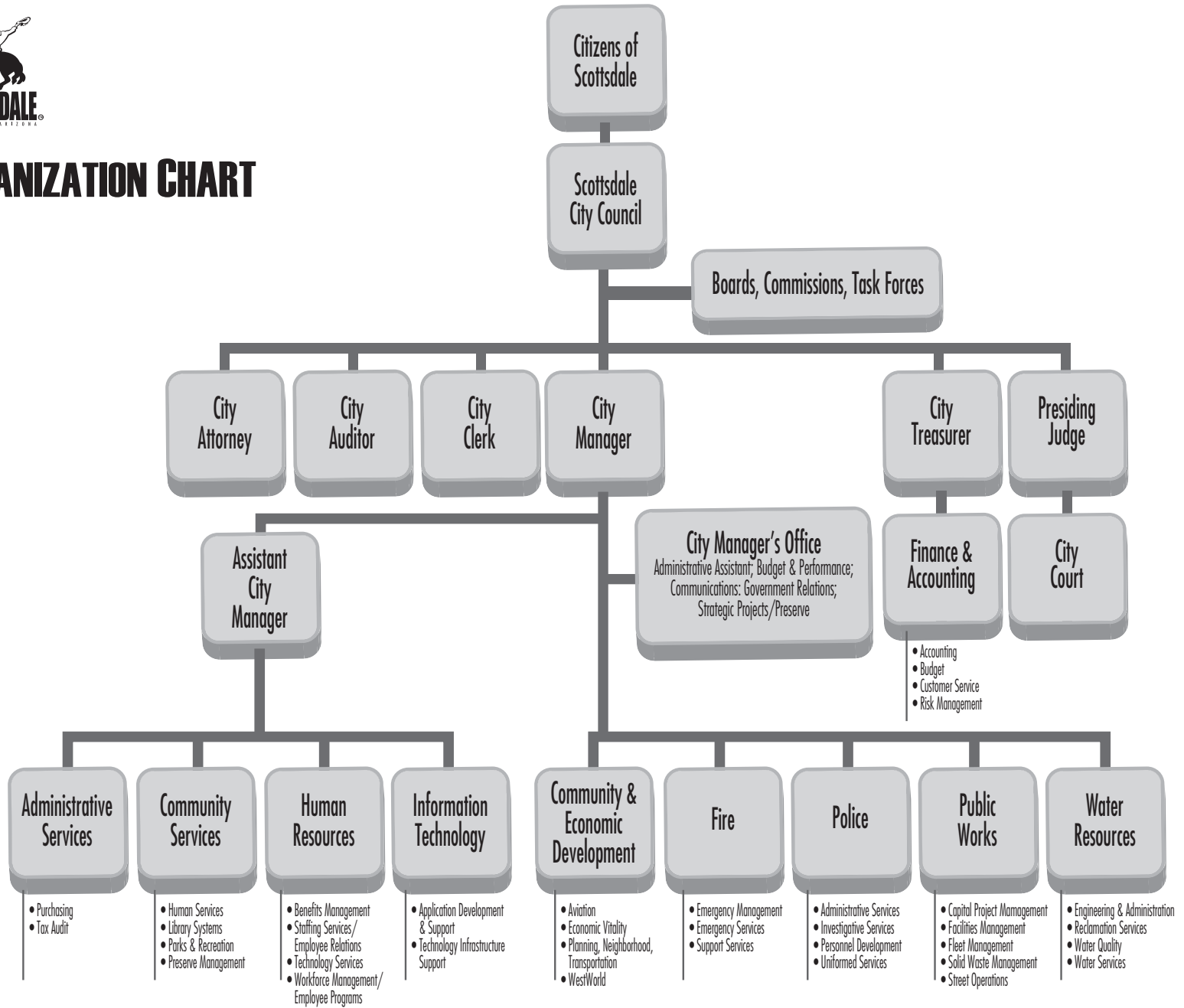
W.J. "Jim" Lane, Mayor  
Lisa M. Borowsky  
Susan Klapp  
Robert W. Littlefield  
Ron McCullagh  
Linda Milhaven  
Dennis Robbins

**Charter Offices**

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



# ORGANIZATION CHART







## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2011, 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. The financial statements of the component units were not audited in accordance with *Government Auditing Standards*. 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, 2011, 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.

As discussed in the notes to the financial statements, the City of Scottsdale, Arizona adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended June 30, 2011. This statement results in the City of Scottsdale, Arizona reporting nonspendable, restricted, committed, assigned, and unassigned fund balances in its governmental fund types. In addition, an adjustment was made to fund balance reported at the beginning of the year as a result of this change in accounting principle.



An independent member of Nexia International

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011 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 management's discussion and analysis on pages 13 through 30, the Public Safety Personnel Retirement System Schedule of Funding Progress on pages 102 and 103 and the Other Postemployment Benefit Plan Schedule of Funding Progress on page 104 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
November 2, 2011

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scottsdale, Arizona's (the City) Comprehensive Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal and the basic financial statements.

## FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

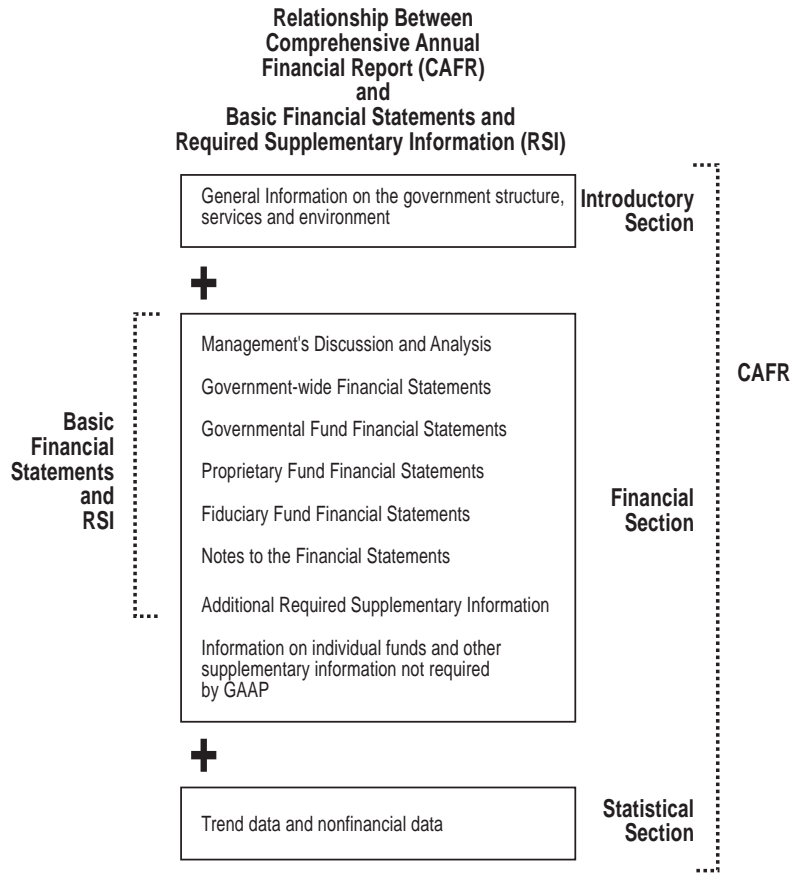
- The assets of the City exceeded its liabilities at the close of the fiscal years 2011 and 2010 by \$4.2 billion and \$4.2 billion (net assets), respectively. Of these amounts, \$477.9 million and \$395.0 million (unrestricted net assets), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$13.3 million and \$137.0 million during fiscal years 2011 and 2010, respectively.
- As of June 30, 2011 and 2010, the City's governmental funds had combined ending balances of \$203.2 million and \$205.8 million, respectively.
- At the close of the fiscal year, the unassigned fund balance for the General Fund was \$53.2 million or 24 percent of total General Fund expenditures of \$220.9 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



### Government-wide Financial Statements

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

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

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

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

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

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

### **Fund Financial Statements**

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

## Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 34-41 of this report.

## Proprietary Funds

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

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

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

The basic Proprietary Fund financial statements can be found on pages 42-46 of this report.

## **Fiduciary Funds**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. The City has one private-purpose trust fund and 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 can be found on pages 47-48 of this report.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 49-101 of this report.

## **Required Supplementary Information**

The required supplementary information (RSI) provides additional information regarding the City's other post-employment benefit (OPEB) and public safety personnel retirement plan. RSI can be found on pages 102-104.

## **Combining Statements**

The combining statements referred to earlier in connection with non-major Governmental Funds, Internal Service Funds, and Fiduciary Funds are presented on pages 107-133.

## **Other Supplementary Information**

The supplemental debt service schedule provides a comprehensive overview of the City's total debt and can be found on pages 135-137.

## **Statistical Information**

The statistical section, found on pages 140-169, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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



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

### Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$4.2 billion and \$4.2 billion at the close of the fiscal years 2011 and 2010, respectively.

#### Net Assets

June 30, 2011 and 2010 (in thousands of dollars)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$ 389,634	\$ 395,442	\$ 386,398	\$ 411,675	\$ 776,032	\$ 807,117
Capital Assets	3,523,879	3,528,042	1,358,710	1,322,357	4,882,589	4,850,399
Total Assets	3,913,513	3,923,484	1,745,108	1,734,032	5,658,621	5,657,516
<b>Liabilities</b>						
Long-term Liabilities Outstanding	851,993	849,069	392,803	408,023	1,244,796	1,257,092
Other Liabilities	156,426	159,433	47,650	44,602	204,076	204,035
Total Liabilities	1,008,419	1,008,502	440,453	452,625	1,448,872	1,461,127
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	2,704,433	2,729,334	1,009,973	941,884	3,714,406	3,671,218
Restricted	91,862	97,950	36,287	32,244	128,149	130,194
Unrestricted	108,799	87,698	258,395	307,279	367,194	394,977
Total Net Assets	\$ 2,905,094	\$ 2,914,982	\$ 1,304,655	\$ 1,281,407	\$ 4,209,749	\$ 4,196,389

The largest portion (88 percent) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, and equipment) less any related outstanding debt used to acquire those assets. These amounted to \$3.7 billion and \$3.7 billion at June 30, 2011 and 2010, respectively. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these assets to provide services to citizens and therefore cannot liquidate them.

A small portion (3 percent) of the City's net assets (\$128.1 million at June 30, 2011 and \$130.2 million at June 30, 2010) represents resources that are subject to external restrictions on how they may be used. The remaining balance (9 percent) of unrestricted net assets at June 30, 2011 and 2010, \$367.2 million and \$395.0 million, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

### Analysis of Changes in Net Assets

The City's total net assets increased by \$13.3 million and \$137.0 million during the fiscal years 2011 and 2010, respectively. These increases are explained in the government and business-type activities discussion herein, and are primarily a result of contributions from developers of infrastructure assets. Such amounts are included in Capital Grants and Contributions on the table which follows.

## Changes in Net Assets

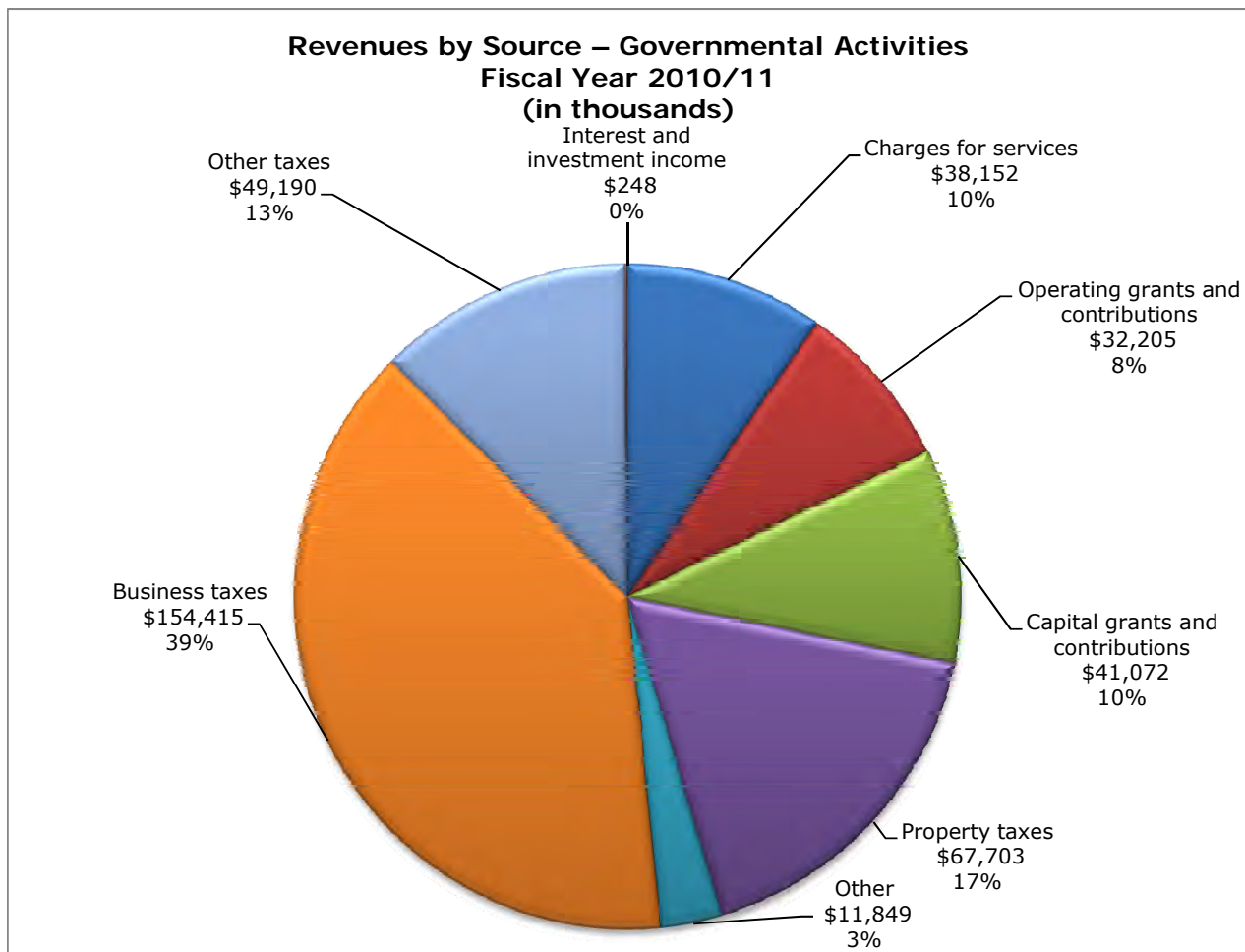
For the Years Ended June 30, 2011 and 2010 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 38,152	\$ 42,088	\$ 152,345	\$ 152,374	\$ 190,497	\$ 194,462
Operating Grants and Contributions	32,205	29,319	-	-	32,205	29,319
Capital Grants and Contributions	41,072	190,279	17,889	9,268	58,961	199,547
General Revenues						
Property Taxes	67,703	60,914	-	-	67,703	60,914
Business and Privilege Taxes	154,415	147,169	134	130	154,549	147,299
Intergovernmental Taxes	49,190	56,830	-	-	49,190	56,830
Interest and Investment Income	248	1,368	2,658	4,295	2,906	5,663
Other	11,849	6,730	1,355	430	13,204	7,160
Total Revenues	394,834	534,697	174,381	166,497	569,215	701,194
<b>Expenses</b>						
General Government	-	24,351	-	-	-	24,351
Mayor and City Council	612	-	-	-	612	-
City Clerk	934	-	-	-	934	-
City Attorney	5,499	-	-	-	5,499	-
City Auditor	717	-	-	-	717	-
City Court	5,602	-	-	-	5,602	-
City Manager	1,434	-	-	-	1,434	-
City Treasurer - Finance & Accounting	6,697	5,848	-	-	6,697	5,848
Public Works & Water Resources	35,605	37,143	-	-	35,605	37,143
Community and Economic Development	134,221	135,206	-	-	134,221	135,206
Public Safety	111,227	116,155	-	-	111,227	116,155
Human Resources	3,047	3,717	-	-	3,047	3,717
Community Services	51,974	53,596	-	-	51,974	53,596
Information Technology	13,491	14,876	-	-	13,491	14,876
Administrative Services	2,905	1,917	-	-	2,905	1,917
Streetlight and Services Districts	578	538	-	-	578	538
Interest on Long-term Debt	40,358	39,405	-	-	40,358	39,405
Water Utility	-	-	83,888	76,178	83,888	76,178
Sewer Utility	-	-	34,533	33,274	34,533	33,274
Airport	-	-	3,680	3,120	3,680	3,120
Solid Waste	-	-	18,853	18,889	18,853	18,889
Total Expenses	414,901	432,752	140,954	131,461	555,855	564,213
Increase in Net Assets Before Transfers	(20,067)	101,945	33,427	35,036	13,360	136,981
Transfers	10,179	10,690	(10,179)	(10,690)	-	-
Increase in Net Assets	(9,888)	112,635	23,248	24,346	13,360	136,981
Net Assets at Beginning of Year	2,914,982	2,802,347	1,281,407	1,257,061	4,196,389	4,059,408
Net Assets at End of Year	\$ 2,905,094	\$ 2,914,982	\$ 1,304,655	\$ 1,281,407	\$ 4,209,749	\$ 4,196,389

## Governmental Activities

Governmental activities decreased the City's net assets by \$9.9 million in fiscal year 2011 and increased the City's net assets by \$112.6 million in fiscal year 2010, thereby accounting for a 84 percent reduction in growth that would have occurred in fiscal year 2011 had governmental activities been stable. Governmental activities accounted for 82 percent of the total growth in the net assets of the City for fiscal year 2010. Capital grants and contributions continued to have a positive influence on net assets, despite a reduction of approximately 78 percent from the previous fiscal year. However, charges for services decreased approximately \$3.9 million, which represents approximately 39 percent of the decrease in governmental net assets in the fiscal year.

General revenues such as property, business, and privilege taxes are not shown by program, but are used to support program activities citywide. For governmental activities overall, without regard to program, business taxes, which includes sales and use taxes and franchise taxes (39 percent), are the largest single source of funds, followed by property taxes (17 percent), intergovernmental taxes, including state shared revenues (12 percent) followed by capital grants and contributions (10 percent), and charges for services (10 percent).



Property taxes increased by eleven percent from the previous year, due to an increase in both the primary (\$0.02) and secondary (\$0.13) tax rates. In addition, there was an increase in both the primary and secondary assessed valuations over the previous year.

Business taxes increased 5 percent from the previous year, primarily due to increased sales tax collections, an effect of the increase in the transient occupancy tax approved by voters in 2010.

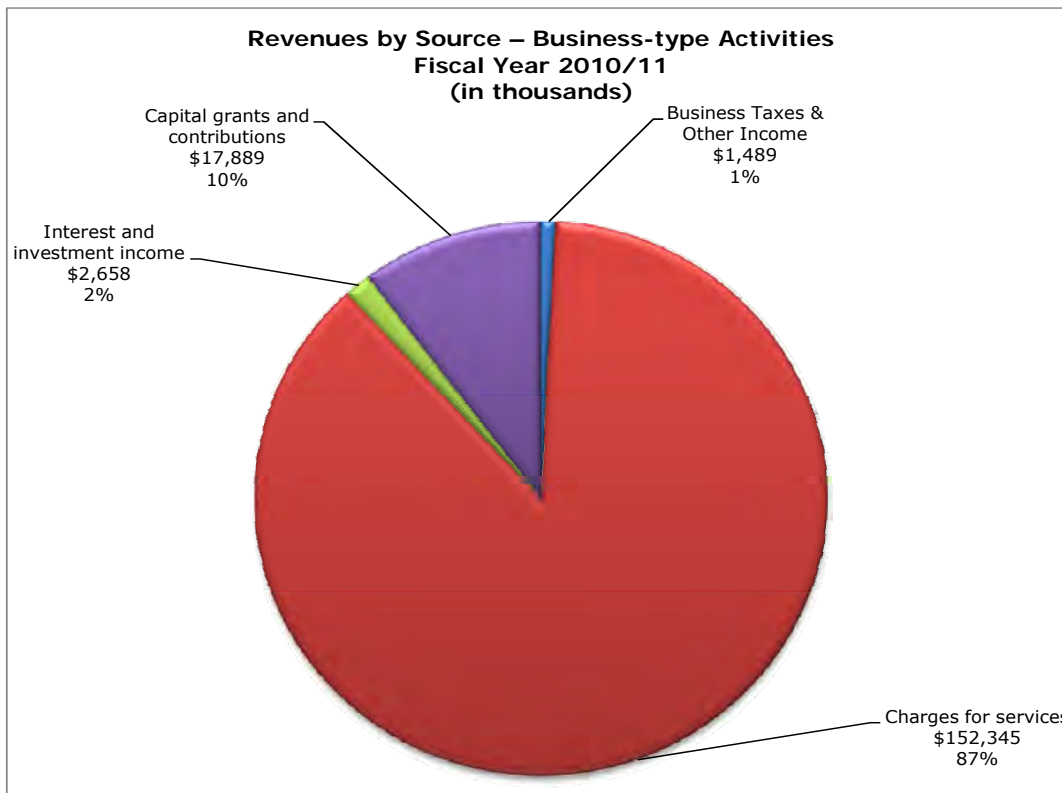
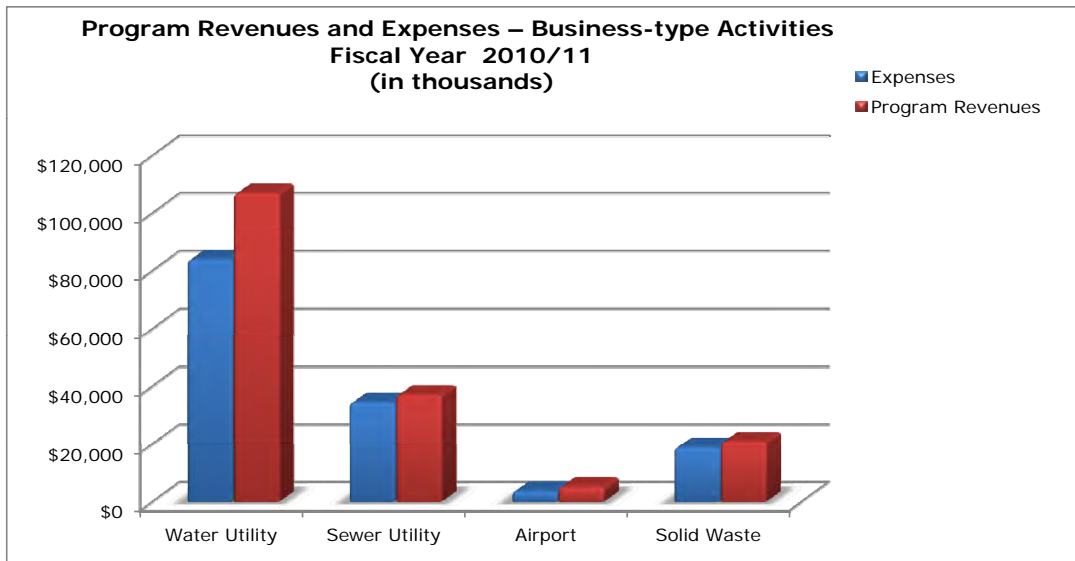
The Community and Economic Development Department is the largest expense function (32.4 percent) followed closely by the Scottsdale Police and Fire Departments, which together comprise the Public Safety Division (26.8 percent), and community services (12.5 percent).

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

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

## Business-type Activities

Business-type activities increased the City's net assets in fiscal years 2011 and 2010 by \$23.2 million and \$24.3 million, respectively, accounting for 100 percent and 18 percent, respectively, of the total growth in the City's net assets. The key factor of this increase was Water and Sewer Utility Fund capital contributions from developers and grantors, resulting in \$17.9 million and \$9.2 million for fiscal years 2011 and 2010, respectively. The majority of this amount was infrastructure donated by developers and development fees received.



As shown in “Program Revenues and Expenses for Business-type Activities” and the “Revenues by Source for Business-type Activities” charts, the largest of Scottsdale’s business-type activities, Water and Sewer utilities, had expenses of \$83.9 million and \$34.5 million, respectively, in fiscal year 2011, followed by Solid Waste with operating expenses of \$18.9 million and Aviation of \$3.7 million. Charges for services provided the largest share of revenues (87 percent) followed by capital grants and contributions (10 percent), which are principally developer contributions and development fees.

The City’s Water Resources Department plans, manages and operates a safe, reliable water supply and wastewater reclamation system and provides efficient, high quality customer service to Scottsdale citizens. The Water Resources Department provides water service connections to approximately 87,458 customers.

The Solid Waste Department provides delivery of safe, efficient and environmentally sound solid waste services to approximately 79,600 residential customers and 770 commercial customers.

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

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

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

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$203.2 million, a decrease of \$2.6 million in comparison to the balance at June 30, 2010 of \$205.8 million. Approximately \$52.6 million of the total at June 30, 2011 constitutes an unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for new spending.

Revenues for governmental functions overall totaled approximately \$388.2 million in fiscal year 2011, an increase of about 12.2 percent (\$42.1 million) from the previous year total of \$346.1 million. In fiscal year 2011 expenditures for governmental functions, totaled \$447.8 million, a increase of 6 percent (\$25.2

million) from the fiscal year 2010 total of \$422.6 million. In the fiscal years ended June 30, 2011 and 2010, expenditures for governmental functions exceeded revenues by approximately \$59.6 million and \$76.5 million respectively.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$53.2 million, while the total fund balance was \$53.7 million; the unreserved and total balances for the General Fund at the end of fiscal year 2010 were \$51.5 million and \$52.1 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned/unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24 percent of the total General Fund expenditures of \$220.9 million in fiscal year 2011 and unreserved fund balance represents 23 percent of the total General Fund expenditures of \$227.3 million in fiscal year 2010. Total fund balance represents 24 percent and 23 percent of total fund expenditures for fiscal years 2011 and 2010, respectively.

The General Fund Balance increased in fiscal year 2011 by \$1.4 million. Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2011, of \$8.0 million. The primary reason for the increased fund balance was budgetary reductions to operating expenditures.

The General Obligation Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt principal, interest and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$6.8 million, an increase of \$1.9 million from the \$4.9 million at the end of fiscal year 2010. The primary reasons for the increased fund balance were unspent bond premiums from refunding and an increase in the secondary property tax rate.

The General CIP Construction Capital Project Fund accounts for the resources used to acquire, construct and improve major capital facilities, other than those financed by Proprietary Funds. The fund balances were \$37.3 million and \$31.6 million at June 30, 2011 and 2010, respectively. Capital improvement expenditures in 2010 were \$56.4 million. The General CIP Construction Capital Project fund balance increased by 5.7 million during the year. The primary reason for the increase was unspent debt proceeds.

**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 2011 and 2010, the unrestricted net assets for the Water and Sewer Utility were \$263.5 million and \$293.2 million, respectively; Scottsdale Airport were \$5.0 million and \$6.1 million, respectively; and the Solid Waste Utility Fund were \$9.0 million and \$8.0 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, also had unrestricted net assets of \$26.9 million and \$29.4 million, respectively.

The total growth in net assets for the Enterprise Funds was \$23.2 million and \$24.3 million for fiscal years 2011 and 2010, 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 \$20.2 million due to capital contributions of \$15.5 million as well as increased revenues.

## General Fund Budgetary Highlights

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

The City's final year-end budget differs from the original adopted budget due to applying intra-year budget strategies to deal with the depth and duration of the economic recession. The major adjustments used to develop a revised budget included holding the expenditures to the prior year actual expenditures and only filling essential vacant positions.

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

Revenues and transfers in were \$1.4 million more than projected primarily because Transient Occupancy (Bed) Tax performed better than expected. Expenses and transfers out were \$8.0 million less than the revised budget. Specifically, overtime, professional services, utility services (electric), materials to maintain and repair machinery and equipment, and operating projects were all significantly less than the revised budget.

## Capital Assets and Debt Administration

### Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2011 and 2010, amount to \$4.9 billion and \$4.9 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. There was no increase in the City's capital assets (net of accumulated depreciation) between fiscal years 2011 and 2010, as shown in the table below.

#### Capital Assets, Net of Depreciation

June 30, 2011 and 2010 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,559,367	\$ 1,512,943	\$ 40,190	\$ 37,969	\$ 1,599,557	\$ 1,550,912
Buildings and Land Improvements	372,136	365,776	14,178	12,413	386,314	378,189
Streets and Storm Drains	1,401,526	1,475,341	-	-	1,401,526	1,475,341
Machinery and Equipment	22,343	24,894	13,789	12,224	36,132	37,118
Water Rights	-	-	89,701	89,701	89,701	89,701
Water System	-	-	806,046	665,879	806,046	665,879
Sewer System	-	-	333,954	301,897	333,954	301,897
Motor Vehicles and Maintenance by Fleet	20,380	23,471	-	-	20,380	23,471
Furniture, Fixtures and Office Equipment	-	-	198	-	198	-
Construction in Progress	148,127	125,617	60,654	202,274	208,781	327,891
Total	\$ 3,523,879	\$ 3,528,042	\$ 1,358,710	\$ 1,322,357	\$ 4,882,589	\$ 4,850,399

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

- Construction in progress of the Runway Safety Enhancements Phase 2 project that will enhance the runway safety at Scottsdale Airport by creating additional spacing between the aircraft that are waiting to take off and the aircraft that are using the runway. Expenditures totaled \$2 million this year against a budget of \$4.7 million. As of June 30, 2011, the inception to date expenditures total \$2.5 million, leaving a balance of \$2.2 million. The project is anticipated to be completed in fiscal year 2011/12.
- Construction in progress on the Eldorado Park Fire Station 1-Relocate Existing S. Quadrant project. Expenditures totaled \$2.1 million against a budget of \$6.3 million. As of June 30, 2011, the inception to date expenditures total \$3.0 million, leaving a balance of \$3.3 million. The project is anticipated to be completed in fiscal year 2011/12.
- Construction in progress on the 11,000 sq. ft. Cactus Acres Fire Station 8 project. Expenditures totaled \$2.6 million against a budget of \$9.1 million. As of June 30, 2011, the inception to date expenditures total \$5.2 million, leaving a balance of \$3.9 million. The project is anticipated to be completed in fiscal year 2011/12.
- Construction in progress on the renovation of the Corporation Yard Fleet Maintenance Facility Expansion project that will allow for the accommodation of customer base growth due primarily to the absorption of a City Fire Department in 2005. Expenditures totaled \$2.3 million this year against a budget of \$4.9 million. As of June 30, 2011, the inception to date expenditures total \$4.1 million, leaving a balance of \$755 thousand. The project is anticipated to be completed in fiscal year 2011/12.



- Construction in progress on the Troon North Park project. Expenditures totaled \$2.4 million against a budget of \$4.9 million. As of June 30, 2011, the inception to date expenditures total \$3.2 million, leaving a balance of \$1.7 million. The project is anticipated to be completed in fiscal year 2011/12.
- Construction in progress of the Scottsdale Road Pedestrian and Bicycle Improvements Phase I-Grant project with the purpose of improving the pedestrian environment. Expenditures totaled \$3.6 million this year against a budget of \$7.3 million. As of June 30, 2011, the inception to date expenditures total \$3.6 million, leaving a balance of 3.7 million. The project is anticipated to be completed in fiscal year 2011/12.
- Construction in progress on the replacement of police portable and vehicle radios. Portable radios are on an 8-year replacement plan and vehicle radios are on a 10-year replacement plan. Expenditures totaled \$3.9 million this year against a budget of \$4.0 million. As of June 30, 2011, the inception to date expenditures total \$3.9 million, leaving a balance of \$108 thousand. The project is anticipated to be completed in fiscal year 2011/12.
- Construction in progress on implementation of the Public Safety Radio System-Phase I project that will allow for a city owned microwave communications network. Expenditures totaled \$5.7 million this year against a budget of \$22.1 million. As of June 30, 2011, the inception to date expenditures total \$16.6 million, leaving a balance of \$5.5 million. The project is anticipated to be completed in fiscal year 2011/12.
- Construction in progress on design and construction of a six-lane parkway cross-section with landscaped median, turn lanes, grade-separated path crossing, bike lanes, sidewalks, curb and gutter, roadway drainage Intelligent Transportation System facilities and noise mitigation on the Pima Road – Thompson Peak to Pinnacle Peak Road project. Expenditures totaled \$14.6 million this year against a budget of \$23.0 million. As of June 30, 2011, the inception to date expenditures total \$21.2 million, leaving a balance of \$1.8 million. The project is currently in the construction phase and is anticipated to be completed in fiscal year 2011/12.
- Capitalization of preserve land purchase under the Expanded McDowell Sonoran Preserve project. Expenditures totaled \$22.8 million this year against a budget of \$273.5 million. As of June 30, 2011, the inception to date expenditures total \$121.6 million, leaving a balance of \$151.9 million. Preserve land will continue to be purchased in future years within the 36,400 acre planned preserve boundary, as approved by the voters in May 1995 and November 1998.
- Capitalization of preserve land purchase under the Growing Smarter fiscal year 2010 Grant project. Expenditures totaled \$22.5 million this year against a budget of \$22.5 million. The project was completed and closed when the state grant funds were spent with the land purchase.

- The City's water and sewer 5-year capital improvement plan includes significant cost impacts from "unfunded" federal water quality mandates for treatment of arsenic and disinfection by-product requirements, in addition to plant and infrastructure expansion to accommodate growth. The most significant CIP cash expenditures include:
  - o Central Arizona Project Plant expansion (\$6.5 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 \$96.1 million. As of June 30, 2011, the project was completed.
  - o Chaparral Water Treatment Plant Pretreatment (\$1.4 million) – This project will examine specific pretreatment processes to prevent Trihalomethanes (TTHMs) from being formed within water treatment plant prior to distribution into the distribution system. The project's budget totals \$10 million. As of June 30, 2011, the inception to date expenditures total \$1.4 million, leaving a balance of \$8.6 million. This project is anticipated to be completed in fiscal year 2014/15.
  - o Downtown Water Transmission Lines (\$3.2 million) – Upgrades to the existing water distribution systems to address the rapid growth in the downtown area. The project's budget totals \$6.4 million. As of June 30, 2011, the inception to date expenditures total \$3.4 million, leaving a balance of \$3 million. The project is anticipated to be completed in fiscal year 2014/15.
  - o Water Distribution System Improvements (\$3.9 million) – Provides for water distribution system improvements needed due to age of the system and increasing demand. Includes replacement of mains, meters and valves, as well as design and construction of new water mains at various locations throughout the distribution system to improve service and to reduce operating costs. The project's budget totals \$53.7 million. As of June 30, 2011, the inception to date expenditures total \$35.4 million, leaving a balance of \$18.3 million. The project is anticipated to be completed in fiscal year 2013/14.
  - o Sewer Collection System Improvements (\$10.4 million) – Design and construction of sewer lines and rehabilitation of sewer manholes in the aging sewer system per the Asset Management Program. The project's budget totals \$39.5 million. As of June 30, 2011, the inception to date expenditures total \$26.3 million, leaving a balance of \$13.2 million. The project is anticipated to be completed in fiscal year 2013/14.

- o Advanced Water Treatment – Phase 4 (\$24.2 million) – Design and construction of expansion of the advanced water treatment plant consistent with the capacity of the water reclamation plant as incorporated in the updated Water and Wastewater Master Plans. This expansion will help the City comply with sewer capacity regulatory requirements (CMOM) and minimize or eliminate the need for additional capacity in the SROG regional sewage transmission facilities. The project's budget totals \$59.3 million. As of June 30, 2011, the inception to date expenditures total \$30.5 million, leaving a balance of \$28.8 million. The project is in the construction phase and is anticipated to be complete in fiscal year 2011/12.

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 2011 and 2010, the City had total long-term obligations outstanding of \$1,281 million and \$1,287.0 million, respectively. Of these amounts, \$572.7 million and \$578.2 million, respectively, are General Obligation Bonds backed by the full faith and credit of the City. The remainder includes revenue bonds, municipal property corporation bonds, preserve authority bonds, certificates of participation, and other obligations of \$708.3 million and \$708.8 million for fiscal years 2011 and 2010, respectively.

#### Long-Term Liabilities

June 30, 2011 and 2010 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 572,740	\$ 578,190	\$ -	\$ -	\$ 572,740	\$ 578,190
Revenue Bonds	-	-	42,010	45,230	42,010	45,230
Municipal Property Corporation Bonds	147,459	148,212	308,525	316,780	455,984	464,992
Scottsdale Preserve Authority Bonds	59,920	67,870	-	-	59,920	67,870
Special Assessments Bonds	1,500	2,250	-	-	1,500	2,250
Certificates of Participation	23,409	4,194	-	-	23,409	4,194
Community Facilities Districts General						
Obligation Bonds	36,745	38,760	-	-	36,745	38,760
Add Deferred Issuance Premiums	25,123	17,136	22,082	23,562	47,205	40,698
Less Deferred Amounts on Refunding	(8,366)	(7,223)	(4,734)	(5,106)	(13,100)	(12,329)
Total Bonds Payable	858,530	849,389	367,883	380,466	1,226,413	1,229,855
Contracts Payable	14,582	15,732	-	-	14,582	15,732
Risk Management Claims	11,140	11,142	-	-	11,140	11,142
Capital Lease	-	-	-	7	-	7
Compensated Absences	25,182	25,617	3,289	3,223	28,471	28,840
Post Employment Benefit - Implied Subsidy	325	1,114	98	181	423	1,295
Total Long-Term Liabilities	\$ 909,759	\$ 902,994	\$ 371,270	\$ 383,877	\$ 1,281,029	\$ 1,286,871

During fiscal year 2011, the City's total long-term debt decreased approximately \$5.8 million. The City issued \$43.1 million of new general obligation refunding bonds (Governmental Activities). The Scottsdale Preserve Authority also issued \$44.9 million in excise tax refunding bonds. The general obligation bonds defeased was \$43.1 million and the amount of Scottsdale Preserve Authority bonds defeased equaled \$49.4 million.

The State constitution imposes debt limitations on the City equal to 6 percent and 20 percent of the assessed valuation of properties within the City. The City's available debt margin at June 30, 2011 and 2010 is \$368.3 million and \$426.1 million, respectively, in the 6 percent capacity and \$976.6 million and \$1,181.3 million, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.F of the Notes to the Financial Statements and also in Tables XVIIa and XVIIb in the Statistical Section of this report.

In accordance with Statement No. 45 of the Governmental Accounting Standards Board – GASB (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions), the Net Other Post-Employment Benefit Obligation (NOPEBO) included in the Outstanding Long-Term Liabilities represents the City's unfunded annual required contributions (ARC) pursuant to the actuarial calculations for the accrued cost of retiree health insurance as of June 30, 2011. The NOPEBO at the end of the fiscal years 2011 and 2010 were \$0.4 million and \$1.3 million, respectively.

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

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

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

The City of Scottsdale's fiscal year 2011/12 budget included funding for the highest priorities of the City Council and citizens. The budget is a maintenance budget. Staff was requested to maintain or reduce expenditures from the prior year's final approved budget; therefore, increases were only allowed where contractually required or prudent based on changed conditions.

The adopted budget reduces the number of divisions, reduces overall staffing and reduces the overall General Fund uses. While this is appropriate given the current economy, the General Fund adopted budget still includes the use of some prior year savings to balance the remaining deficit – if revenues and expenditures come in as projected.

This budget also includes a reorganization that reflects our ongoing effort to improve efficiency and reduce costs. Police and Fire are being combined into a unified Public Safety division. Administrative Services is being expanded to include Human Resources, Information Technology, and the Office of Communications.

Staffing levels are at the lowest point in seven years, down 353 full-time equivalents from the high point of 2,808 in fiscal year 2008/09. In the General Fund, there are 191 fewer positions than there were in fiscal year 2005/06 when the Scottsdale Fire Department was formed. With a smaller workforce, there are also lower personnel costs. Employees have been impacted significantly through this proposed budget. There are no cost of living increases, no merit increases, and the employees' share of retirement and health insurance costs are increasing.

Discretionary expenditure levels are also greatly reduced. In the General Fund, division operating expenditures are down approximately \$17 million from the prior year approved budget, and \$45 million from fiscal year 2008/09 actual expenditures. Overall, since fiscal year 2005/06, the net growth rate is only 4 percent.

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 2011/12 is \$572.4 million, which includes \$373.0 million (or 65 percent of the total) re-budgeted from the prior year. Under Arizona law, the City must re-budget for a capital project until it is completed. Some examples of major projects included in the CIP budget are:

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

The adopted budget continues the practice of maintaining 10 percent of the General Fund and Highway User Fund program budgets to ensure the City can provide basic services in the event of major emergencies. For fiscal year 2011/12, this amount is \$23.9 million and a \$5.0 million contingency is maintained as well.

### Requests For Information

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

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

Or visit our website at:

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

# **Basic Financial Statements**

## Statement of Net Assets

June 30, 2011 (in thousands of dollars)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 250,652	\$ 126,342	\$ 376,994
Cash with Fiscal Agent	56,626	39,372	95,998
Receivable (net of uncollectible amounts of \$ 26,442)			
Property Taxes and Penalties	13,850	-	13,850
Other Local Taxes	22,824	20	22,844
Intergovernmental	32,565	2,016	34,581
Charges for Services	-	15,934	15,934
Interest and Other	7,880	2,377	10,257
Supplies Inventory	909	-	909
<b>Restricted Cash, Cash Equivalents, and Investments:</b>			
Customer Advances and Deposits	-	1,930	1,930
Other Restricted Assets			
Joint Venture Construction Deposits	-	5,696	5,696
Total Current Assets	<u>385,306</u>	<u>193,687</u>	<u>578,993</u>
<b>Noncurrent Assets</b>			
Equity in Joint Venture	-	119,893	119,893
Deferred Charges	4,328	1,568	5,896
Pollution Remediation Recoveries	-	24,923	24,923
<b>Restricted Cash, Cash Equivalents, and Investments:</b>			
Deferred Revenue	-	10,040	10,040
Water and Sewer System Replacement	-	30,868	30,868
Revenue Bond Reserve	-	5,419	5,419
<b>Capital Assets</b>			
Land, Water Rights, and Construction in Progress	1,707,494	190,545	1,898,039
Facilities, Infrastructure, and Equipment (net of depreciation)	<u>1,816,385</u>	<u>1,168,165</u>	<u>2,984,550</u>
Total Capital Assets (net of accumulated depreciation)	<u>3,523,879</u>	<u>1,358,710</u>	<u>4,882,589</u>
Total Noncurrent Assets	<u>3,528,207</u>	<u>1,551,421</u>	<u>5,079,628</u>
Total Assets	<u>3,913,513</u>	<u>1,745,108</u>	<u>5,658,621</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	18,670	11,035	29,705
Accrued Payroll and Benefits	9,680	1,032	10,712
Accrued Compensated Absences-Current	297	-	297
Accrued Compensated Absences-Due within One Year	10,358	1,300	11,658
Claims Payable	5,504	-	5,504
Due to Other Governments	4,619	-	4,619
Customer Advances and Deposits	1,004	1,930	2,934
Matured Bonds, Loans, Other Payables	35,386	11,475	46,861
Matured Bonds, Loans, Other Interest Payable	18,096	8,748	26,844
Bonds, Loans, and Other Payables-Due within One Year	41,904	12,130	54,034
Unearned Revenue	7,680	-	7,680
Other Liabilities	3,228	-	3,228
Total Current Liabilities	<u>156,426</u>	<u>47,650</u>	<u>204,076</u>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences-Due in More Than One Year	14,824	1,989	16,813
Deferred Revenue	-	10,040	10,040
Bonds, Loans, and Other Payables-Due in More Than One Year	837,169	355,851	1,193,020
Accreted Interest Payable	-	-	-
Deferred Credits and Other Liabilities	-	-	-
Pollution Remediation Obligation	-	24,923	24,923
Total Noncurrent Liabilities	<u>851,993</u>	<u>392,803</u>	<u>1,244,796</u>
Total Liabilities	<u>1,008,419</u>	<u>440,453</u>	<u>1,448,872</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,704,433	1,009,973	3,714,406
<b>Restricted</b>			
Debt Service	32,285	5,419	37,704
Transportation and Preserve Privilege Tax Activities	29,125	-	29,125
Capital Projects	23,272	-	23,272
Grants	1,841	-	1,841
Special Programs	5,058	-	5,058
Streetlight and Service District	281	-	281
Repair and Replacement	-	30,868	30,868
Unrestricted	108,799	258,395	367,194
Total Net Assets	<u>\$ 2,905,094</u>	<u>\$ 1,304,655</u>	<u>\$ 4,209,749</u>

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

## Statement of Activities

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

Function/Programs	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<b>Governmental Activities</b>							
General Government							
Mayor and City Council	\$ 612	\$ 188	\$ -	\$ -	\$ (424)	\$ -	\$ (424)
City Clerk	934	243	-	-	(691)	-	(691)
City Attorney	5,499	889	4	-	(4,606)	-	(4,606)
City Auditor	717	214	-	-	(503)	-	(503)
City Court	5,602	-	13	-	(5,589)	-	(5,589)
City Manager	1,434	430	-	-	(1,004)	-	(1,004)
City Treasurer - Finance & Accounting	6,697	2,813	-	-	(3,884)	-	(3,884)
Public Works & Water Resources	35,605	4,666	727	6,022	(24,190)	-	(24,190)
Community and Economic Development	134,221	9,604	18,658	35,050	(70,909)	-	(70,909)
Public Safety	111,227	9,917	3,145	-	(98,165)	-	(98,165)
Human Resources	3,047	973	-	-	(2,074)	-	(2,074)
Community Services	51,974	4,617	9,658	-	(37,699)	-	(37,699)
Information Technology	13,491	2,485	-	-	(11,006)	-	(11,006)
Administrative Services	2,905	635	-	-	(2,270)	-	(2,270)
Streetlight and Services Districts	578	478	-	-	(100)	-	(100)
Interest on Long-term Debt	40,358	-	-	-	(40,358)	-	(40,358)
<b>Total Governmental Activities</b>	<b>414,901</b>	<b>38,152</b>	<b>32,205</b>	<b>41,072</b>	<b>(303,472)</b>	<b>-</b>	<b>(303,472)</b>
<b>Business-Type Activities</b>							
Water Utility	83,888	94,056	-	12,846	-	23,014	23,014
Sewer Utility	34,533	34,533	-	2,674	-	2,674	2,674
Airport	3,680	2,816	-	2,369	-	1,505	1,505
Solid Waste	18,853	20,940	-	-	-	2,087	2,087
<b>Total Business-Type Activities</b>	<b>140,954</b>	<b>152,345</b>	<b>-</b>	<b>17,889</b>	<b>-</b>	<b>29,280</b>	<b>29,280</b>
<b>Total Government</b>	<b>\$ 555,855</b>	<b>\$ 190,497</b>	<b>\$ 32,205</b>	<b>\$ 58,961</b>	<b>(303,472)</b>	<b>29,280</b>	<b>(274,192)</b>
<b>General Revenues</b>							
Taxes							
Property Taxes					67,703	-	67,703
Sales and Use Taxes					143,232	134	143,366
Franchise Taxes					11,183	-	11,183
Intergovernmental							
State Shared Sales					17,844	-	17,844
State Revenue Sharing					22,849	-	22,849
Other					8,497	-	8,497
Interest and Investment Income							
Other Revenue					248	2,658	2,906
Transfers							
					11,849	1,355	13,204
					10,179	(10,179)	-
<b>Total General Revenues and Transfers</b>					<b>293,584</b>	<b>(6,032)</b>	<b>287,552</b>
Change in Net Assets							
					(9,888)	23,248	13,360
Net Assets - Beginning					2,914,982	1,281,407	4,196,389
<b>Net Assets - Ending</b>					<b>\$ 2,905,094</b>	<b>\$ 1,304,655</b>	<b>\$ 4,209,749</b>

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



## Balance Sheet

### Governmental Funds

June 30, 2011 (in thousands of dollars)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 58,336	\$ 5,071	\$ 38,389	109,222	\$ 211,018
Cash with Fiscal Agent	667	41,672	-	14,287	56,626
Receivables (net of allowance for uncollectibles)					
Interest	132	-	33	111	276
Privilege Tax	13,780	-	-	3,406	17,186
Hotel/Motel Tax	642	-	-	-	642
Property Tax	1,359	1,945	-	165	3,469
State Shared Sales Tax	1,440	-	-	-	1,440
Franchise Fee	1,754	-	-	-	1,754
Court Receivable	10,381	-	-	-	10,381
Library Receivable	252	-	-	-	252
Highway User Tax	-	-	-	1,110	1,110
Auto Lieu Tax	692	-	-	-	692
Intergovernmental	11	-	-	25,768	25,779
Grants	-	-	160	6,626	6,786
Special Assessments	-	-	-	1,244	1,244
Miscellaneous	2,002	-	3,699	329	6,030
Due from Other Funds	104	-	-	-	104
Supplies Inventory	247	-	-	-	247
<b>Total Assets</b>	<b>\$ 91,799</b>	<b>\$ 48,688</b>	<b>\$ 42,281</b>	<b>\$ 162,268</b>	<b>\$ 345,036</b>

(continued)

## Balance Sheet

### Governmental Funds

June 30, 2011 (in thousands of dollars)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 6,501	\$ -	\$ 4,043	\$ 6,401	\$ 16,945
Accrued Payroll and Benefits	9,301	-	26	512	9,839
Due to Other Funds	-	-	-	104	104
Matured Bond Interest Payable	63	12,601	-	5,432	18,096
Matured Bonds Payable	396	27,975	-	7,015	35,386
Deferred Revenue					
Property Tax	921	1,325	-	102	2,348
Court	4,135	-	-	-	4,135
Library	252	-	-	-	252
Privilege Tax	6,590	-	-	-	6,590
Special Assessments	-	-	-	1,244	1,244
Intergovernmental	-	-	160	35,468	35,628
Other	1,154	-	739	524	2,417
Due to Other Governments	4,614	-	5	-	4,619
Guaranty and Other Deposits	917	-	-	87	1,004
Other	3,228	-	-	-	3,228
Total Liabilities	38,072	41,901	4,973	56,889	141,835
Fund Balances					
Nonspendable	247	-	3,000	-	3,247
Restricted	281	6,787	6,005	91,492	104,565
Committed	-	-	1,051	5,170	6,221
Assigned	-	-	27,252	9,357	36,609
Unassigned	53,199	-	-	(640)	52,559
Total Fund Balances	53,727	6,787	37,308	105,379	203,201
Total Liabilities and Fund Balances	\$ 91,799	\$ 48,688	\$ 42,281	\$ 162,268	\$ 345,036

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, 2011 (in thousands of dollars)

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Fund Balances - Total Governmental Funds	\$ 203,201
Amounts reported for governmental activities in the statement of net assets are different because (see Note II A):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	3,493,414
Bond issuance costs are not financial resources; therefore, are not reported in the funds.	4,328
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(898,186)
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.	44,934
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>57,403</u>
Net Assets of Governmental Activities	<u><u>\$ 2,905,094</u></u>

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

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

### Governmental Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes - Local					
Property	\$ 24,703	\$ 37,450	\$ -	\$ 3,817	\$ 65,970
Transaction Privilege	87,884	-	-	42,241	130,125
Transient Occupancy	13,126	-	-	-	13,126
Light and Power Franchise	7,842	-	-	-	7,842
Cable TV Franchise	3,163	-	-	-	3,163
Salt River Project In-Lieu	178	-	-	-	178
Other Taxes	832	-	-	-	832
Taxes - Intergovernmental					
State-Shared Sales	17,844	-	-	-	17,844
State Revenue Sharing	22,849	-	-	-	22,849
Auto Lieu Tax	7,665	-	-	-	7,665
Highway User Tax	-	-	-	13,396	13,396
Business and Liquor Licenses	1,745	-	-	-	1,745
Charges for Current Services					
Building and Related Permits	6,891	-	87	-	6,978
Recreation Fees	3,637	-	-	1,174	4,811
WestWorld Equestrian Facility Fees	2,550	-	-	-	2,550
Fire Fees	780	-	-	-	780
Fines, Fees and Forfeitures					
Court	4,312	-	-	2	4,314
Parking	287	-	-	-	287
Photo Radar	1,983	-	-	-	1,983
Court Enhancement	-	-	-	1,044	1,044
Library	424	-	-	-	424
Police Fees	-	-	-	527	527
Special Assessments	-	-	-	733	733
Property Rental	3,201	-	735	268	4,204
Interest Earnings	1,221	-	415	1,069	2,705
Investment Loss	(3,369)	-	(6)	(22)	(3,397)
Intergovernmental					
Federal Grants	-	-	142	16,577	16,719
State Grants	-	-	22,527	213	22,740
Miscellaneous	851	-	-	11,990	12,841
Developer Contributions	34	-	32	188	254
Streetlight and Services Districts	478	-	-	-	478
Contributions and Donations	1	-	-	1,156	1,157
Reimbursements from Outside Sources	3,374	1	890	408	4,673
Indirect Costs	13,932	-	-	868	14,800
Other	541	-	1,002	349	1,892
Total Revenues	228,959	37,451	25,824	95,998	388,232

(continued)

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

### Governmental Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>					
Current					
General Government					
Mayor and City Council	613	-	-	-	613
City Clerk	964	-	-	-	964
City Attorney	5,502	-	-	-	5,502
City Auditor	719	-	-	-	719
City Court	4,298	-	-	1,270	5,568
City Manager	1,518	-	-	-	1,518
City Treasurer & Finance	4,899	-	-	-	4,899
Public Works & Water Resources	15,888	-	-	15,575	31,463
Community & Economic Development	25,416	-	-	16,941	42,357
Public Safety	105,665	-	-	2,338	108,003
Human Resources	3,013	-	-	-	3,013
Community Services	34,498	-	-	9,469	43,967
Information Technology	9,357	-	-	-	9,357
Administrative Services	3,031	-	-	-	3,031
Streetlight and Services Districts	578	-	-	-	578
Debt Service					
Principal	1,105	27,975	-	8,597	37,677
Interest and Fiscal Charges	3,803	25,533	-	10,755	40,091
Bond Issuance Costs	56	538	-	463	1,057
Capital Improvements					
Total Expenditures	220,923	54,046	56,358	116,498	447,825
Excess (Deficiency) of Revenues Over Expenditures					
	8,036	(16,595)	(30,534)	(20,500)	(59,593)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	12,216	15,732	18,998	32,646	79,592
Transfers Out	(18,812)	-	(3,833)	(46,733)	(69,378)
Proceeds from Sale of Assets	-	-	1,091	-	1,091
Refunding Bonds Issued	-	43,115	-	44,870	87,985
Long-term Capital-Related Debt Issued	-	-	20,000	22,525	42,525
Premium on Long Term Debt	-	4,092	-	5,955	10,047
Payment to Bond Refunding Escrow Agent	-	(44,489)	-	(50,329)	(94,818)
Total Other Financing Sources and (Uses)	(6,596)	18,450	36,256	8,934	57,044
Net Change in Fund Balances					
	1,440	1,855	5,722	(11,566)	(2,549)
Fund Balances - Beginning, restated					
	52,287	4,932	31,586	116,945	205,750
Fund Balances - Ending					
	\$ 53,727	\$ 6,787	\$ 37,308	\$ 105,379	\$ 203,201

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 Fiscal Year Ended June 30, 2011 (in thousands of dollars)

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Net Change in Fund Balances - Total Governmental Funds	\$	(2,549)
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Amounts reported for governmental activities in the statement of activities  
are different because (see Note II B):

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		(2,642)
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Donations of capital assets are not capitalized on the governmental fund statements but are shown in the statement of activities.		39
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Transfer of capital asset to the Internal Service Fund.		(949)
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Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		1,175
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		5,395
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Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year bond issuance costs exceed amortization expense in the current period.		717
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any affect on net assets. This is the amount by which debt proceeds exceeded principal retirement in the current period.		(8,062)
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Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refunding.		73
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The net revenues of certain activities of internal service funds is reported with governmental activities.		<u>(3,085)</u>
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Changes in Net Assets of Governmental Activities	\$	<u><u>(9,888)</u></u>
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The notes to the financial statements are an integral part of this statement.

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual For the Fiscal Year Ended June 30, 2011 (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	\$ 24,714	\$ 24,714	\$ 24,703	\$ -	\$ 24,703	\$ (11)
Transaction Privilege	88,325	85,886	87,884	-	87,884	1,998
Transient Occupancy Tax	10,592	12,481	13,126	-	13,126	645
Light and Power Franchise	8,200	8,200	7,842	-	7,842	(358)
Cable TV Franchise	3,300	3,300	3,163	-	3,163	(137)
Salt River Project In-Lieu	140	140	178	-	178	38
Other Taxes	889	889	832	-	832	(57)
Taxes - Intergovernmental						
State-Shared Sales	17,611	17,611	17,844	-	17,844	233
State Revenue Sharing	22,846	22,846	22,849	-	22,849	3
Auto Lieu Tax	8,157	8,157	7,665	-	7,665	(492)
Business and Liquor Licenses	1,709	1,709	1,745	-	1,745	36
Charges for Current Services						
Building and Related Permits	8,220	8,220	6,891	-	6,891	(1,329)
Recreation Fees	3,360	3,360	3,637	-	3,637	277
Westworld Equestrian Facility Fees	2,611	2,555	2,550	-	2,550	(5)
Fire Fees	645	642	780	-	780	138
Fines, Fees and Forfeitures						
Court	7,277	4,839	4,312	-	4,312	(527)
Parking	425	425	287	-	287	(138)
Net Decrease in Fund Balance - Budget to GAAP	1,757	1,757	1,983	-	1,983	226
Library	322	322	424	-	424	102
Property Rental	2,776	2,816	3,201	-	3,201	385
Interest Earnings	959	959	1,221	-	1,221	262
Investment Income	-	-	-	(3,369)	(3,369)	-
Intergovernmental						
Miscellaneous	850	850	851	-	851	1
Developer Contributions	-	-	34	-	34	34
Streetlight and Services Districts	574	483	478	-	478	(5)
Contributions and Donations	-	-	1	-	1	1
Reimbursements from Outside Sources	405	2,859	3,374	-	3,374	515
Indirect Costs	14,034	14,034	13,932	-	13,932	(102)
Other	500	503	541	-	541	38
Total Revenues	231,198	230,557	232,328	(3,369)	228,959	1,771
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	616	609	580	33	613	29
City Clerk	1,189	1,139	967	(3)	964	172
City Attorney	5,980	5,771	5,482	20	5,502	289
City Auditor	827	821	718	1	719	103
City Court	4,670	4,603	4,289	9	4,298	314
City Manager	1,407	1,407	1,396	122	1,518	11
City Treasurer - Finance & Accounting	3,691	4,842	4,877	22	4,899	(35)
Public Works & Water Resources	17,660	16,371	15,870	18	15,888	501
Community & Economic Development	29,957	27,384	25,282	134	25,416	2,102
Public Safety	110,886	107,845	105,592	73	105,665	2,253
Human Resources	3,525	3,295	2,994	19	3,013	301
Community Services	37,354	35,784	34,502	(4)	34,498	1,282
Information Technology	9,904	9,328	9,071	286	9,357	257
Administrative Services	2,816	2,961	3,025	6	3,031	(64)
Streetlight and Services Districts	574	624	578	-	578	46
Debt Service						
Principal	1,775	1,775	1,105	-	1,105	670
Interest and Fiscal Charges	2,723	2,723	3,803	-	3,803	(1,080)
Bond Issuance Costs	-	-	56	-	56	(56)
Total Expenditures	235,554	227,282	220,187	736	220,923	7,095
Excess (Deficiency) of Revenues Over Expenditures						
	(4,356)	3,275	12,141	(4,105)	8,036	8,866
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	12,592	12,592	12,216	-	12,216	(376)
Transfers Out	(16,716)	(19,679)	(18,812)	-	(18,812)	867
Total Other Financing Sources and (Uses)	(4,124)	(7,087)	(6,596)	-	(6,596)	491
Net Change in Fund Balance						
	(8,480)	(3,812)	5,545	(4,105)	1,440	9,357
Fund Balance - Beginning						
	37,186	37,186	47,012	5,275	52,287	9,826
Fund Balance - Ending						
	\$ 28,706	\$ 33,374	\$ 52,557	\$ 1,170	\$ 53,727	\$ 19,183

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 Fiscal Year Ended June 30, 2011 (in thousands of dollars)

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### Explanation of Differences:

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

Change in Fair Value of Investments	\$ (3,369)
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The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:

Payroll Accrual and Compensated Absences	705
Bad Debt Expense	1
Total Expenditure Reconciling Items:	<u>706</u>

Net Decrease in Fund Balance - Budget to GAAP	<u><u>\$ (4,075)</u></u>
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The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ 47,012
Fund Balance - Ending	<u><u>\$ 52,557</u></u>

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



## Statement of Net Assets

### Proprietary Funds

June 30, 2011 (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	\$ 113,900	\$ 3,476	\$ 8,966	\$ 126,342	\$ 39,634
Cash with Fiscal Agent	39,372	-	-	39,372	-
Receivables					
Privilege Tax	-	20	-	20	-
Charges for Services	14,131	-	1,803	15,934	-
Intergovernmental	121	1,895	-	2,016	-
Interest	199	4	10	213	42
Miscellaneous	1,837	74	253	2,164	36
Supplies Inventory	-	-	-	-	662
Restricted Cash, Cash Equivalents, and Investments:					
Customer Advances and Deposits	1,866	64	-	1,930	-
Other Restricted Assets					
Joint Venture Construction Deposits	5,696	-	-	5,696	-
<b>Total Current Assets</b>	<b>177,122</b>	<b>5,533</b>	<b>11,032</b>	<b>193,687</b>	<b>40,374</b>
Noncurrent Assets					
Equity in Joint Venture	119,893	-	-	119,893	-
Deferred Charges	1,568	-	-	1,568	-
Pollution Remediation Recoveries	24,923	-	-	24,923	-
Restricted Cash, Cash Equivalents, and Investments:					
Deferred Revenue	10,040	-	-	10,040	-
Water and Sewer System Replacement	30,868	-	-	30,868	-
Revenue Bond Reserve	5,419	-	-	5,419	-
Capital Assets					
Land	29,516	9,564	1,110	40,190	-
Water Rights	89,701	-	-	89,701	-
Water System	1,080,935	-	-	1,080,935	-
Sewer System	462,474	-	-	462,474	-
Buildings and Improvements	-	21,909	3,649	25,558	7,056
Motor Vehicles	-	-	-	-	65,423
Machinery and Equipment	17,167	956	1,933	20,056	977
Furniture and Fixtures	822	-	-	822	-
Construction in Progress	56,600	3,074	980	60,654	4,098
Less Accumulated Depreciation	(408,606)	(10,009)	(3,065)	(421,680)	(47,089)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>1,328,609</b>	<b>25,494</b>	<b>4,607</b>	<b>1,358,710</b>	<b>30,465</b>
<b>Total Noncurrent Assets</b>	<b>1,521,320</b>	<b>25,494</b>	<b>4,607</b>	<b>1,551,421</b>	<b>30,465</b>
<b>Total Assets</b>	<b>\$ 1,698,442</b>	<b>\$ 31,027</b>	<b>\$ 15,639</b>	<b>\$ 1,745,108</b>	<b>\$ 70,839</b>

(continued on next page)

## Statement of Net Assets

### Proprietary Funds

June 30, 2011 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ 10,142	\$ 351	\$ 542	\$ 11,035	\$ 1,725
Accrued Payroll and Benefits	675	34	323	1,032	138
Accrued Compensated Absences - Due Within One Year	854	49	397	1,300	185
Claims Payable - Due Within One Year	-	-	-	-	5,504
Customer Advances and Deposits	1,866	64	-	1,930	-
Matured Bonds Payable	11,475	-	-	11,475	-
Matured Bond Interest Payable	8,748	-	-	8,748	-
Bonds Payable and Other Payables - Due Within One Year	12,130	-	-	12,130	-
Total Current Liabilities	45,890	498	1,262	47,650	7,552
Noncurrent Liabilities					
Accrued Compensated Absences - Due in More Than One Year	1,239	49	701	1,989	233
Deferred Revenue	10,040	-	-	10,040	-
Bonds Payable and Other Payables - Due in More Than One Year	355,810	1	40	355,851	5,651
Pollution Remediation Obligation	24,923	-	-	24,923	-
Total Noncurrent Liabilities	392,012	50	741	392,803	5,884
Total Liabilities	437,902	548	2,003	440,453	13,436
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	979,872	25,494	4,607	1,009,973	30,465
Restricted for Water and Sewer System Replacement	30,868	-	-	30,868	-
Restricted for Debt Service	5,419	-	-	5,419	-
Unrestricted	244,381	4,985	9,029	258,395	26,938
Total Net Assets	\$ 1,260,540	\$ 30,479	\$ 13,636	\$ 1,304,655	\$ 57,403

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 Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Water and Sewer				Governmental Activities - Internal Service Funds
	Utility	Airport	Solid Waste	Total	
Operating Revenues					
Charges for Sales and Services					
Water Service Fees	\$ 86,490	\$ -	\$ -	\$ 86,490	\$ -
Sewer Service Fees	34,533	-	-	34,533	-
Proprietary - Non-Potable Water Fees	7,566	-	-	7,566	-
Solid Waste Fees	-	-	20,940	20,940	-
Airport Fees	-	2,816	-	2,816	-
Other Services	-	-	-	-	39,141
Other	1,353	-	2	1,355	798
<b>Total Operating Revenues</b>	<b>129,942</b>	<b>2,816</b>	<b>20,942</b>	<b>153,700</b>	<b>39,939</b>
Operating Expenses					
Costs for Sales and Services					
Water Operations	50,369	-	-	50,369	-
Sewer Operations	17,424	-	-	17,424	-
Solid Waste Operations	-	-	16,131	16,131	-
Airport Operations	-	1,907	-	1,907	-
Other Services	-	-	-	-	40,954
Indirect Costs	9,663	683	2,509	12,855	-
Depreciation	34,836	1,090	213	36,139	5,061
<b>Total Operating Expenses</b>	<b>112,292</b>	<b>3,680</b>	<b>18,853</b>	<b>134,825</b>	<b>46,015</b>
<b>Operating Income</b>	<b>17,650</b>	<b>(864)</b>	<b>2,089</b>	<b>18,875</b>	<b>(6,076)</b>
Non-Operating Revenues (Expenses)					
Property Tax	-	-	-	-	1,703
Transaction Privilege Tax	-	134	-	134	-
Investment Income	2,499	66	93	2,658	524
Interest Expense	(6,131)	-	-	(6,131)	-
Gain on Sale of Capital Assets	2	-	-	2	(150)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(3,630)</b>	<b>200</b>	<b>93</b>	<b>(3,337)</b>	<b>2,077</b>
<b>Income Before Contributions and Transfers</b>	<b>14,020</b>	<b>(664)</b>	<b>2,182</b>	<b>15,538</b>	<b>(3,999)</b>
Capital Contributions	15,520	2,369	-	17,889	949
Transfers Out	(9,377)	(11)	(791)	(10,179)	(35)
<b>Change in Net Assets</b>	<b>20,163</b>	<b>1,694</b>	<b>1,391</b>	<b>23,248</b>	<b>(3,085)</b>
<b>Total Net Assets - Beginning</b>	<b>1,240,377</b>	<b>28,785</b>	<b>12,245</b>	<b>1,281,407</b>	<b>60,488</b>
<b>Total Net Assets - Ending</b>	<b>\$ 1,260,540</b>	<b>\$ 30,479</b>	<b>\$ 13,636</b>	<b>\$ 1,304,655</b>	<b>\$ 57,403</b>

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

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Water and Sewer			Total	Governmental Activities - Internal Service Funds
	Utility	Airport	Solid Waste		
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 131,791	\$ 2,826	\$ 20,756	\$ 155,373	\$ 39,108
Cash Paid to Suppliers	(56,551)	(1,403)	(12,808)	(70,762)	(36,788)
Cash Paid to Employees	(17,250)	(1,068)	(5,657)	(23,975)	(4,018)
Other Operating	1,371	-	2	1,373	798
Net Cash Provided by Operating Activities	59,361	355	2,293	62,009	(900)
Cash Flows from Non-Capital Financing Activities					
Property Tax	-	-	-	-	1,703
Transaction Privilege Tax	-	130	-	130	-
Transfers Out	(9,377)	(11)	(791)	(10,179)	(35)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(9,377)	119	(791)	(10,049)	1,668
Cash Flows from Capital and Related Financing Activities					
Capital Contributions from Other					
Water and Sewer Development Fees	3,859	-	-	3,859	-
Capital Grants	829	885	-	1,714	-
Acquisition and Construction of Property and Equipment	(49,406)	(3,906)	(536)	(53,848)	(3,774)
Water and Sewer Development Fee Credit Agreements	(170)	-	-	(170)	-
Principal Payments on Capital Debt	(13,758)	-	-	(13,758)	-
Interest Paid on Capital Debt	(16,874)	-	-	(16,874)	-
Investment in Joint Venture & CIP Deposit	5,662	-	-	5,662	-
Sale of Capital Assets	-	-	-	-	125
Net Cash Used for Capital and Related Financing Activities	(69,858)	(3,021)	(536)	(73,415)	(3,649)
Cash Flows from Investing Activities					
Income Received on Investments	2,615	74	98	2,787	573
Net Cash Provided by Investing Activities	2,615	74	98	2,787	573
Net Increase (Decrease) in Cash and Cash Equivalents	(17,259)	(2,473)	1,064	(18,668)	(2,308)
Cash and Cash Equivalents at Beginning of Year	218,724	6,013	7,902	232,639	41,942
Cash and Cash Equivalents at End of Year	\$ 201,465	\$ 3,540	\$ 8,966	\$ 213,971	\$ 39,634

(continued)

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2011 (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	\$ 113,900	\$ 3,476	\$ 8,966	126,342	\$ 39,634
Deduction for Long-term Investments	-	-	-	-	-
Cash with Fiscal Agent	39,372	-	-	39,372	-
Cash on Deposit					
Restricted Cash and Investments	48,193	64	-	48,257	-
Total Cash and Cash Equivalents	<u>\$ 201,465</u>	<u>\$ 3,540</u>	<u>\$ 8,966</u>	<u>\$ 213,971</u>	<u>\$ 39,634</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$ 17,650	\$ (864)	\$ 2,089	\$ 18,875	\$ (6,076)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation and Amortization	34,836	1,090	213	36,139	5,061
Changes In Assets and Liabilities Sources (Uses) of Cash					
Accounts Receivable	(323)	-	7	(316)	-
Miscellaneous Receivables	18	51	(191)	(122)	(33)
Pollution Remediation Recoveries	2,682	-	-	2,682	-
Supplies Inventory	-	-	-	-	66
Accounts Payable	3,898	205	(64)	4,039	226
Accrued Payroll and Benefits	(177)	(78)	249	(6)	(115)
Claims Payable	-	-	-	-	(2)
Deferred Revenue	729	(41)	-	688	-
Other Liabilities	48	(8)	(10)	30	(27)
Total Adjustments	41,711	1,219	204	43,134	5,176
Net Cash Provided by Operating Activities	<u>\$ 59,361</u>	<u>\$ 355</u>	<u>\$ 2,293</u>	<u>\$ 62,009</u>	<u>\$ (900)</u>
Supplemental Disclosure of Non-Cash Financing Activities					
Additions to Property, Plant, and Equipment					
Contributions from Developers	\$ 10,919	\$ -	\$ -	\$ 10,919	\$ -
Contributions from Other Government Units	-	-	-	-	949
Amortization of Deferred Charges	(167)	-	-	(167)	-
Gain on Sale of Capital Assets	2	-	-	2	-
Total Non-Cash Financing Activities	<u>\$ 10,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,754</u>	<u>\$ 949</u>

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

# Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2011 (in thousands of dollars)

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4	\$ 899
Total Assets	<u>4</u>	<u>899</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 121
Designated Escrow Payable	-	778
Total Liabilities	<u>-</u>	<u>899</u>
<b>NET ASSETS</b>		
Held in Trust for Other Purposes	<u>\$ 4</u>	

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

## Statement of Changes in Fiduciary Net Assets

**Fiduciary Funds**

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

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

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

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

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

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

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



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

## B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Property taxes, other local taxes, 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 and is used to account for and report all financial resources not accounted for and reported in another fund.

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

The *General CIP Construction Capital Projects Fund* accounts and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition, construction and improvements to major capital facilities, other than those financed by proprietary funds. Capital Projects Funds allow the City to compile project cost data and demonstrate that legal or contractual requirements regarding the use of the resources are fully satisfied.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3. Inventories**

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

### **4. Restricted Assets**

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

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

### **5. Capital Assets**

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

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

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

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

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

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

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

## 6. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to a maximum number of hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount unused at the calendar year-end are forfeited. The City’s policy is to pay employees for unused accumulated vacation hours at termination or retirement. The City’s policy, however, is that only those employees hired full-time before July 1, 1982 are paid for unused sick leave at death or retirement. Prior to July 1, 2009, employees who retire and have accumulated 300 or more hours of sick leave, could only 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. Effective July 1, 2011 employees will be funded at 100% for any medical leave hours accrued prior to July 1, 2011. If an employee has not accrued 1,200 hours before July 1, 2011, the employee will be funded the unused medical leave accrued after July 1, 2011 at 50% of the employee’s hourly base rate at the time of retirement, up to and including 1,200 hours accrued both before and after July 1, 2011. Employees that work a 56 hour workweek, will have the same rules apply, except their cap is at 1,680 medical leave hours.

Vacation pay is calculated based on vacation taken and the medical leave conversion is based on an actuarial valuation dated January 1, 2011. 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, 2011 in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2011 that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. There is no long-term liability for compensated absences in the governmental funds.

## 7. Long-term Obligations

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

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

## 8. Development Impact Fee Revenue

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

## 9. Fund Balance Policies

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

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

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

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

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

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

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

## 10. Net Assets

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

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

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

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

## E. Implementation of New Accounting Principles

### 1. Governmental Accounting Standards Board (GASB) Statement No. 54

The City adopted the provisions of GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established new fund balance classifications for governmental funds to make the nature and extent of the constraints placed on fund balance more transparent. The statement changed the previous classifications of fund balance of Reserved and Unreserved to five new classifications, which are Nonspendable, Restricted, Committed, Assigned, and Unassigned. GASB Statement 54 added additional note disclosures for the new classifications and refined the definitions of the various governmental fund types.

### 2. Restatement of Fund Balance

For fiscal year ending June 30, 2011, GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* was implemented. This resulted in part of the beginning DC Ranch CFD Debt Service Fund Balance and Waterfront CFD Debt Service Fund Balance to be reclassified to the General Fund:

#### Restatement of Fund Balance (in thousands of dollars)

	General Fund	Waterfront CFD Debt Service Fund	DC Ranch CFD Debt Service Fund
Fund Balance July 1, 2010 as previously stated	\$ 52,104	\$ 750	\$ 623
Change in Accounting Principle – GASB 54	183	(77)	(106)
Fund Balance July 1, 2010, as restated	<u>\$ 52,287</u>	<u>\$ 673</u>	<u>\$ 517</u>



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

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

The City's total governmental fund balances, \$203,201, differs from net assets of governmental activities, \$2,905,094, 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	\$ 211,018	\$ -	\$ 39,634	\$ -	\$ 250,652
Cash with Fiscal Agent	56,626	-	-	-	56,626
Receivables (net of allowance for uncollectibles)					
Interest	276	-	42	-	318
Privilege Tax	17,186	-	-	-	17,186
Hotel/Motel Tax	642	-	-	-	642
Property Tax	3,469	-	-	-	3,469
State Shared Sales Tax	1,440	-	-	-	1,440
Franchise Fee	1,754	-	-	-	1,754
Court Receivable	10,381	-	-	-	10,381
Library Receivable	252	-	-	-	252
Highway User Tax	1,110	-	-	-	1,110
Auto Lieu Tax	692	-	-	-	692
Intergovernmental	25,779	-	-	-	25,779
Grants	6,786	-	-	-	6,786
Special Assessments	1,244	-	-	-	1,244
Miscellaneous	6,030	-	36	-	6,066
Due from Other Funds/Internal Balances	104	-	-	(104)	-
Supplies Inventory	247	-	662	-	909
Capital Assets (net of accumulated depreciation)	-	3,493,414	30,465	-	3,523,879
Deferred charges and other assets	-	4,328	-	-	4,328
Total Assets	<u>\$ 345,036</u>	<u>\$ 3,497,742</u>	<u>\$ 70,839</u>	<u>\$ (104)</u>	<u>\$ 3,913,513</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 16,945	\$ -	\$ 1,725	\$ -	\$ 18,670
Accrued Payroll and Benefits	9,839	(297)	138	-	9,680
Due to Other Funds	104	-	-	(104)	-
Accrued Compensated Absences - Current	-	297	-	-	297
Accrued Compensated Absences - Due Within One Year	-	10,173	185	-	10,358
Accrued Compensated Absences - Due in More Than One Year	-	14,591	233	-	14,824
Claims Payable	-	-	5,504	-	5,504
Matured Bonds Interest Payable	18,096	-	-	-	18,096
Matured Bonds Payable	35,386	-	-	-	35,386
Deferred Revenue					
Property Tax	2,348	(2,348)	-	-	-
Court	4,135	(4,135)	-	-	-
Library	252	(252)	-	-	-
Privilege Tax	6,590	(6,590)	-	-	-
Special Assessments	1,244	(1,244)	-	-	-
Intergovernmental	35,628	(28,655)	-	-	6,973
Other	2,417	(1,710)	-	-	707
Due to Other Governments	4,619	-	-	-	4,619
Guaranty and Other Deposits	1,004	-	-	-	1,004
Other	3,228	-	-	-	3,228
Bonds, Loans, Capital Leases, and Other Payables	-	873,422	5,651	-	879,073
Total Liabilities	<u>141,835</u>	<u>853,252</u>	<u>13,436</u>	<u>(104)</u>	<u>1,008,419</u>
Fund Balances/Net Assets					
Total Fund Balances/Net Assets	203,201	2,644,490	57,403	-	2,905,094
Total Liabilities and Fund Balances/Net Assets	<u>\$ 345,036</u>	<u>\$ 3,497,742</u>	<u>\$ 70,839</u>	<u>\$ (104)</u>	<u>\$ 3,913,513</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	\$ 5,034,893
Accumulated depreciation	(1,541,479)
	<u>\$ 3,493,414</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 @ 7/1/10	\$ 3,611
Bond issuance cost for fiscal year 2011	1,057
Amortization of bond issuance costs	(340)
	<u>\$ 4,328</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, 2011 were:

Contract and capital lease payables	\$ (14,582)
Bonds payable	(841,773)
Deferred amount on refunding	8,366
Deferred issuance premium	(25,123)
Accrued vacation and sick leave pay	(24,764)
Post Employment - Implied Subsidy	(310)
	<u>\$ (898,186)</u>

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

Deferred special assessment revenue	\$ 1,244
Deferred library revenue	252
Deferred court revenue	4,135
Deferred tax revenue	8,938
Deferred intergovernmental revenue	28,655
Deferred other	1,710
	<u>\$ 44,934</u>

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

	<u>\$ 57,403</u>
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**B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The net change in fund balances for governmental funds, a deficit of \$2,549, differs from the change in net assets for the governmental activities, a deficit of \$9,888, 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	\$ 65,970	\$ 30	\$ -	\$ 1,703	\$ -	\$ -	\$ 67,703
Transaction Privilege	130,125	411	-	-	-	-	130,536
Hotel/Motel Tax	13,126	(430)	-	-	-	-	12,696
Light and Power Franchise	7,842	-	-	-	-	-	7,842
Cable TV Franchise	3,163	-	-	-	-	-	3,163
Salt River Project In-Lieu	178	-	-	-	-	-	178
Other Taxes	832	-	-	-	-	-	832
Taxes - Intergovernmental:							
State-Shared Sales	17,844	-	-	-	-	-	17,844
State Revenue Sharing	22,849	-	-	-	-	-	22,849
Auto Lieu Tax	7,665	-	-	-	-	-	7,665
Highway User Tax	13,396	-	-	-	-	-	13,396
Business and Liquor Licenses	1,745	40	-	-	-	-	1,785
Charges for Current Services:							
Building and Related Permits	6,978	27	-	-	(34)	-	6,971
Recreation Fees	4,811	1	-	-	-	-	4,812
Westworld Equestrian Facility Fees	2,550	4	-	-	-	-	2,554
Fire Fees	780	12	-	-	-	-	792
Fines and Forfeitures:							
Court	4,314	(135)	-	-	-	-	4,179
Parking	287	(1)	-	-	-	-	286
Photo Radar	1,983	-	-	-	-	-	1,983
Court Enhancement	1,044	-	-	-	-	-	1,044
Library	424	(619)	-	-	-	-	(195)
Police Fees	527	-	-	-	-	-	527
Special Assessments	733	(653)	-	-	-	-	80
Property Rental	4,204	93	-	-	-	-	4,297
Interest Earnings	2,705	416	-	524	-	-	3,645
Investment Loss	(3,397)	-	-	-	-	-	(3,397)
Intergovernmental:							
Federal Grants	16,719	4,741	-	-	-	-	21,460
State Grants	22,740	7	-	-	-	-	22,747
Miscellaneous	12,841	683	-	-	-	-	13,524
Developer Contributions	254	-	-	-	-	-	254
Streetlight and Services Districts	478	-	-	-	-	-	478
Contributions and Donations	1,157	700	-	-	-	-	1,857
Reimbursements from Outside Sources	4,673	51	-	-	-	-	4,724
Indirect Costs	14,800	-	-	-	(1,944)	-	12,856
Other	1,892	17	-	(150)	(22)	-	1,737
Total	388,232	5,395	-	2,077	(2,000)	-	393,704

(continued)

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

	Total Governmental Funds	Long-Term Revenue/ Expenses (3)	Capital Related Items (4)	Internal Service Funds (5)	Reclassifications and Eliminations (6)	Long-Term Debt Transactions (7)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>							
Current:							
General Government							
Mayor and City Council	\$ 613	\$ (4)	\$ -	\$ 3	\$ -	\$ -	\$ 612
City Clerk	964	(35)	-	5	-	-	934
City Attorney	5,502	(38)	-	35	-	-	5,499
City Auditor	719	(6)	-	4	-	-	717
City Court	5,568	6	-	28	-	-	5,602
City Manager	1,518	(118)	22	12	-	-	1,434
City Treasurer & Finance	4,899	(8)	175	1,852	(221)	-	6,697
Public Works & Water Resources	31,463	(36)	3,729	795	(346)	-	35,605
Community & Economic Development	42,357	(146)	90,250	2,542	(782)	-	134,221
Public Safety	108,003	(252)	3,887	42	(453)	-	111,227
Human Resources	3,013	(38)	36	36	-	-	3,047
Community Services	43,967	(252)	7,683	636	(60)	-	51,974
Information Technology	9,357	(78)	4,296	54	(138)	-	13,491
Administrative Services	3,031	(170)	12	32	-	-	2,905
Streetlight and Services Districts	578	-	-	-	-	-	578
Debt Service:							
Principal	37,677	-	-	-	-	(37,677)	-
Interest and Fiscal Charges	40,091	-	-	-	-	267	40,358
Bond Issuance Costs	1,057	-	-	-	-	(1,057)	-
Capital Improvements	107,448	-	(107,448)	-	-	-	-
Total Expenditures/Expenses	447,825	(1,175)	2,642	6,076	(2,000)	(38,467)	414,901
<b>OTHER FINANCING USES/CHANGES</b>							
<b>IN NET ASSETS</b>							
Net Transfers (to) From Other Funds	10,214	-	(949)	914	-	-	10,179
Bonds Issued	-	-	-	-	-	-	-
Capital Contributions	-	-	39	-	-	-	39
Proceeds from Sale of Assets	1,091	-	-	-	-	-	1,091
Refunding Bonds Issued	87,985	-	-	-	-	(87,985)	-
Premium on Bonds Issued	10,047	-	-	-	-	(10,047)	-
Payment to Bond Refunding Escrow Agent	(94,818)	-	-	-	-	94,818	-
Proceeds from Long Term Debt Issued	42,525	-	-	-	-	(42,525)	-
Proceeds from Notes Payable	-	-	-	-	-	-	-
Total	57,044	-	(910)	914	-	(45,739)	11,309
Net Change for the Year	\$ (2,549)	\$ 6,570	\$ (3,552)	\$ (3,085)	\$ -	\$ (7,272)	\$ (9,888)

(continued)

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

**Reconciling Items Description:**

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

Property taxes	\$ 30
Court revenue	(135)
Library revenue	(619)
Privilege tax revenue	411
Transient Occupancy tax revenue	(430)
Special Assessment revenue	(653)
Intergovernmental revenue	5,431
Other Receivable revenue	1,360
	<u>\$ 5,395</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	\$ 413
Accrual for long-term post employment implied subsidy	762
	<u>\$ 1,175</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	\$ 107,448
Miscellaneous net capital expenditures	2,488
Depreciation Expenses	(111,542)
Loss on disposal of capital assets	(1,036)
Difference	<u>\$ (2,642)</u>

Transfer of capital assets to Internal Service Fund \$ (949)

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

Capital Contributions	<u>\$ 39</u>
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- (5) Internal Service funds are used by management to charge the costs of certain activities, such as insurance and motor pool, to the individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

Change in Net Assets	<u>\$ (3,085)</u>
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- (6) Interfund transactions between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of revenues and expenditures to eliminate the doubling up effect of these transactions within the governmental activities.

Reduction in Revenues - Governmental Funds	\$ (2,000)
Reduction in Expenditures/Expenses - Governmental Funds	(2,000)
	<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 2011	\$ 1,057
Amortization of bond issuance costs	(340)
Difference	<u>\$ 717</u>

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

Transferred to the paying agent:	
Payments to Bond Refunding Escrow	\$ 94,818
Principal payments made	<u>\$ 37,677</u>
	<u>\$ 132,495</u>

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

Amortization of deferred charges on refundings	\$ (646)
Interest accretion and amortization	(777)
Amortization of bond premium and discounts	1,496
	<u>\$ 73</u>

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

Refunding Revenue Bonds	\$ (87,985)
Long-Term Capital-Related Debt	(42,525)
Premium on Bonds	<u>(10,047)</u>
	<u>\$ (140,557)</u>

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

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

The City prepared an annual budget that covered fiscal year 2010/11. The 2010/11 budget appropriation is established and reflected in the financial statements as follows:

The City prepares its budget on a basis generally consistent with GAAP, with such exceptions as eliminating the Change in Fair Market Value activity.

Budgetary comparison statements for the general fund and major special revenue funds are presented in the basic financial statements. The City had no major special revenue funds for fiscal year 10/11. These statements display original budget, amended budget and actual results. Budgetary comparison schedules are also included as supplementary schedules for the other governmental funds.

The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Special Revenue Funds (Highway User Fuel Tax, Community Development Block Grant, HOME, Grants, Section 8, Preserve Privilege Tax, and Special Programs), 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.

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 2010/11, there were no supplemental budgetary appropriations to the original budget.

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

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

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

**B. Excess of Expenditures over Appropriations**

The Special Assessment Debt Service Fund exceeded its Debt Service Expenditure appropriation by \$3,000. The additional expenditures incurred were funded by available fund balance.

**C. Deficit Fund Equity**

The Community Development Block Grant and the Grants Special Revenue Funds had a deficit ending fund balance of \$247,000 and \$393,000 respectively, caused by certain grant reimbursements not being available. Revenue accruals were deferred in the current fiscal year due to the unavailability of the funds. These reimbursements due will be recognized as revenue when actually received.



## D. Fund Balance Classifications

The table below details the fund balance categories and classifications for Governmental Funds (in thousands of dollars):

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ 247	\$ -	\$ -	\$ -	\$ 247
Long-term Receivable	-	-	3,000	-	3,000
Total Nonspendable:	247	-	3,000	-	3,247
<b>Restricted:</b>					
Bed Tax for Tourism	-	-	2,007	-	2,007
Bureau of Reclamation Funds for Westworld & TPC Improvements	-	-	578	-	578
Certificates of Participation proceeds for Public Safety Project	-	-	3,420	-	3,420
Property Tax for Debt Service	-	6,787	-	-	6,787
Property Tax for District Improvements	-	-	-	2,050	2,050
Street Light Districts	281	-	-	-	281
General Government Special Programs	-	-	-	3,149	3,149
Community and Economic Development Special Programs	-	-	-	325	325
Community Service Special Programs	-	-	-	11	11
Transaction Privilege Tax for Transportation Improvements	-	-	-	4,699	4,699
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	24,401	24,401
Federal Grants for Section 8 Housing	-	-	-	1,200	1,200
Special Assessments for District Improvements	-	-	-	517	517
Transportation Tax for Transportation Capital Projects	-	-	-	11,572	11,572
Developer Contributions for Capital District Improvements	-	-	-	197	197
GO Bond Proceeds for Capital Improvements	-	-	-	43,371	43,371
Total Restricted:	281	6,787	6,005	91,492	104,565
<b>Committed:</b>					
Community and Economic Dev Special Programs	-	-	-	687	687
Public Safety Special Programs	-	-	-	474	474
Community Service Special Programs	-	-	-	4,009	4,009
In Lieu Stormwater Fees for Drainage Improvements	-	-	964	-	964
In Lieu Parking Fees for Parking Projects	-	-	87	-	87
Total Committed:	-	-	1,051	5,170	6,221
<b>Assigned:</b>					
Capital Projects for Capital Improvements	-	-	27,252	-	27,252
Excise Tax for MPC Capital Improvements	-	-	-	9,357	9,357
Total Assigned:	-	-	27,252	9,357	36,609
<b>Unassigned:</b>					
	53,199	-	-	(640)	52,559
<b>Total Fund Balances</b>	<b>\$ 53,727</b>	<b>\$ 6,787</b>	<b>\$ 37,308</b>	<b>\$ 105,379</b>	<b>\$ 203,201</b>

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

## E. Net Assets Reservations and Designations

Only restrictions imposed by external sources are shown as restricted net assets on the government-wide 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 for proprietary funds. Designations are created by administrative policy. Designations for operating reserves have been set in accordance with the City's financial policy. Unrestricted net assets for the City's internal service funds have been designated in accordance with the purpose of the funds. The following are the reservations and designations of net assets at June 30, 2011:

### Net Assets Reservations and Designations (in thousands of dollars)

#### Water and Sewer

Restricted for Repair and Replacement	\$ 30,868
Restricted for Debt Service	5,419
	<u>\$ 36,287</u>

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

#### Water and Sewer

Designated for Repair and Replacement	\$ 11,860
Designated for Operating Reserve	20,216
	<u>\$ 32,076</u>

#### Airport

Designated for Repair and Replacement	\$ 3,048
Designated for Operating Reserve	570
	<u>\$ 3,618</u>

#### Solid Waste

Designated for Operating Reserve	<u>\$ 4,566</u>
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#### Fleet Management

Designated for Acquisition and Maintenance of Vehicles	<u>\$ 14,086</u>
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#### Self-Insurance

Designated for General Liability Claims	\$ 9,968
Designated for Health Care Benefits	2,884
	<u>\$ 12,852</u>

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

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

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

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

##### **Deposits**

At June 30, 2011, the carrying amount of the City's deposits was \$202,134,545, and the bank balance was \$208,088,824. The \$5,954,279 difference represents outstanding checks, deposits in transit and other reconciling items.

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011, in accordance with the City's policy, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus had no deposits that were exposed to custodial credit risk.

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

## Interest Rate Risk

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

(in thousands of dollars)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 2	2 - 3	3+
U.S. Government Securities	\$ 124,596	\$ 57,601	\$ 66,995	\$ -	\$ -
Federal Agency Securities	176,977	38,059 *	138,912	2	4
Corporate Notes	10,153	10,153	-	-	-
Commercial Paper	7,999	7,999	-	-	-
Guaranteed Investment Contracts	275	275	-	-	-
<b>Total Investments</b>	<b>\$ 320,000</b>	<b>\$ 114,087</b>	<b>\$205,907</b>	<b>\$ 2</b>	<b>\$ 4</b>

\* \$9,010 of these bonds are callable on July 27, 2011

\* \$6,431 of these bonds are callable on May 18, 2012

\* \$22,618 of these bonds are callable between June 15, 2012 and June 20, 2012

## Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to invest in securities with the highest rating issued by NRSROs. Presented below is the rating as of June 30, 2011 for each investment type:

(in thousands of dollars)

Investment Type	Total	A-1+	AAA	Exempt from	
				Disclosure	Not Rated
U.S. Government Securities	\$ 124,596	\$ -	\$ -	\$ 124,596	\$ -
Federal Agency Securities	176,977	-	176,977	-	-
Corporate Notes	10,153	-	10,153	-	-
Commercial Paper	7,999	7,999	-	-	-
Guaranteed Investment Contracts	275	-	-	-	275
<b>Total Investments</b>	<b>\$ 320,000</b>	<b>\$ 7,999</b>	<b>\$ 187,130</b>	<b>\$ 124,596</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, 2011:

(in thousands of dollars)

Issuer	Investment Type	Market Value	Percent of Holdings
U.S. Government	U.S. Government Securities	\$ 124,596	38.94%
Federal Home Loan Bank (FHLB)	Federal Agency Securities	36,978	11.56%
Federal Home Loan Mortgage Corp. (FHLMC)	Federal Agency Securities	56,081	17.52%
Federal National Mortgage Association (FNMA)	Federal Agency Securities	83,912	26.22%
Government National Mortgage Association (GNMA)	Federal Agency Securities	6	0.00%
Barclays PLC	Commercial Paper	7,999	2.50%
PNC Bank	Corporate Note	5,101	1.59%
SunTrust Bank	Corporate Note	5,052	1.58%
Pacific Life Insurance Company	Guaranteed Investment Contract	275	0.09%
<b>Total Investments</b>		<b>\$ 320,000</b>	<b>100.00%</b>

## Investments

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

Cash on Hand	\$ 18
Carrying Amount of City Deposits	202,134
Investments	<u>320,000</u>
Total Cash and Investments	<u><u>\$ 522,152</u></u>

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

Primary Government	
Cash and Investments	\$ 376,994
Cash with Fiscal Agent	95,998
Restricted Cash	48,257
Handicap Scholarship Private Purpose Trust Fund	4
Family Self-Sufficiency Agency Fund	121
Retainage Escrow Agency Fund	<u>778</u>
Total Cash and Investments	<u><u>\$ 522,152</u></u>

Investment income comprises the following for the year ended June 30, 2011 (in thousands of dollars):

Net Interest and Dividends	\$ 6,354
Net Decrease in the Fair Value of Investments	<u>(3,448)</u>
Total Net Investment Income	<u><u>\$ 2,906</u></u>

The net decrease in the fair value of investments during fiscal year 2010/11 was \$3,448,000. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

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

## B. Receivables

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

### Governmental and Governmental Activities Internal Service Funds:

	General Fund	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
<b>Receivables</b>					
Property Taxes and Penalties:					
Property	\$ 1,359	\$ 1,945	\$ -	\$ 165	\$ 3,469
Court	39,348	-	-	-	39,348
Subtotal Property Taxes and Penalties	<u>40,707</u>	<u>1,945</u>	<u>-</u>	<u>165</u>	<u>42,817</u>
Other local taxes:					
Privilege	13,780	-	-	3,406	17,186
Hotel/Motel	642	-	-	-	642
State Shared Sales	1,440	-	-	-	1,440
Franchise Fee	1,754	-	-	-	1,754
Auto Lieu	692	-	-	-	692
Highway User	-	-	-	1,110	1,110
Subtotal Other Local Taxes	<u>18,308</u>	<u>-</u>	<u>-</u>	<u>4,516</u>	<u>22,824</u>
Intergovernmental/Grants	<u>11</u>	<u>-</u>	<u>160</u>	<u>32,394</u>	<u>32,565</u>
Interest and Other:					
Interest	132	-	33	153	318
Library	1,414	-	-	-	1,414
Special Assessments	-	-	-	1,244	1,244
Miscellaneous	2,002	-	3,699	365	6,066
Subtotal Interest and Other	<u>3,548</u>	<u>-</u>	<u>3,732</u>	<u>1,762</u>	<u>9,042</u>
Gross Receivable	62,574	1,945	3,892	38,837	107,248
Less: Allowance for Uncollectibles	<u>(30,129)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,129)</u>
Net Total Receivables	<u><u>\$ 32,445</u></u>	<u><u>\$ 1,945</u></u>	<u><u>\$ 3,892</u></u>	<u><u>\$ 38,837</u></u>	<u><u>\$ 77,119</u></u>

Business-Type Activities

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
<b>Receivables</b>				
Privilege Tax	\$ -	\$ 20	\$ -	\$ 20
Charges for services	14,131	-	1,803	15,934
Intergovernmental/Grants	121	1,895	-	2,016
Interest	199	4	10	213
Miscellaneous	1,837	74	253	2,164
Gross Receivable	<u>16,288</u>	<u>1,993</u>	<u>2,066</u>	<u>20,347</u>
Net Total Receivables	<u>\$ 16,288</u>	<u>\$ 1,993</u>	<u>\$ 2,066</u>	<u>\$ 20,347</u>

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

	Unavailable	Unearned
Property Tax	\$ 2,348	\$ -
Court	4,135	-
Library	252	-
Privilege Tax	6,590	-
Special Assessments	1,244	-
Intergovernmental	28,655	6,973
Other	1,710	707
Total	<u>\$ 44,934</u>	<u>\$ 7,680</u>

### C. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows (in thousands of dollars):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 1,512,943	\$ 46,855	\$ (431)	\$ 1,559,367
Construction In Progress	125,617	108,601	(86,091)	148,127
Total Capital Assets, not being depreciated:	<u>1,638,560</u>	<u>155,456</u>	<u>(86,522)</u>	<u>1,707,494</u>
<b>Capital Assets, being depreciated:</b>				
Buildings and Land Improvements	570,054	27,285	(1,120)	596,219
Streets and Storm Drains	2,646,373	11,513	(290)	2,657,596
Vehicles	63,387	2,057	(3,558)	61,886
Maintenance by Fleet	3,573	-	(36)	3,537
Machinery and Equipment	84,943	3,531	(2,759)	85,715
Total Capital Assets, being depreciated:	<u>3,368,330</u>	<u>44,386</u>	<u>(7,763)</u>	<u>3,404,953</u>
<b>Less Accumulated depreciation for:</b>				
Buildings and Land Improvements	204,278	20,752	(947)	224,083
Streets and Storm Drains	1,171,032	85,048	(10)	1,256,070
Vehicles	40,277	4,806	(3,283)	41,800
Maintenance by Fleet	3,212	67	(36)	3,243
Machinery and Equipment	60,049	5,930	(2,607)	63,372
Total Accumulated depreciation:	<u>1,478,848</u>	<u>116,603</u>	<u>(6,883)</u>	<u>1,588,568</u>
Total Capital Assets, being depreciated, net:	<u>1,889,482</u>	<u>(72,217)</u>	<u>(880)</u>	<u>1,816,385</u>
Governmental activities Capital Assets, net:	<u>\$ 3,528,042</u>	<u>\$ 83,239</u>	<u>\$ (87,402)</u>	<u>\$ 3,523,879</u>
<b>Business-type Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 37,969	\$ 2,221	\$ -	\$ 40,190
Water Rights	89,701	-	-	89,701
Construction In Progress	202,274	65,415	(207,035)	60,654
Total Capital Assets, not being depreciated:	<u>329,944</u>	<u>67,636</u>	<u>(207,035)</u>	<u>190,545</u>
<b>Capital Assets, being depreciated:</b>				
Water System	917,289	163,646	-	1,080,935
Sewer System	421,633	43,484	(2,643)	462,474
Buildings and Land Improvements	22,657	2,901	-	25,558
Machinery and Equipment	17,804	2,310	(58)	20,056
Furniture, Fixtures and Office Equipment	621	201	-	822
Total Capital Assets, being depreciated:	<u>1,380,004</u>	<u>212,542</u>	<u>(2,701)</u>	<u>1,589,845</u>
<b>Less Accumulated depreciation for:</b>				
Water System	251,411	23,478	-	274,889
Sewer System	119,736	10,776	(1,992)	128,520
Buildings and Land Improvements	10,244	1,136	-	11,380
Machinery and Equipment	5,579	746	(58)	6,267
Furniture, Fixtures and Office Equipment	621	3	-	624
Total Accumulated depreciation:	<u>387,591</u>	<u>36,139</u>	<u>(2,050)</u>	<u>421,680</u>
Total Capital Assets, being depreciated, net:	<u>992,413</u>	<u>176,403</u>	<u>(651)</u>	<u>1,168,165</u>
Business-type activities capital assets, net:	<u>\$ 1,322,357</u>	<u>\$ 244,039</u>	<u>\$ (207,686)</u>	<u>\$ 1,358,710</u>



During fiscal year 2010/11, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$11,224,945. Total interest expense in this fund before capitalization was \$18,284,173.

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

<b>Governmental Activities</b>	
City Court	\$ 11
Public Works	8,121
Community & Economic Development	88,521
Public Safety	4,139
City Treasurer - Finance & Accounting	154
Human Resources	36
Community Services	7,168
Information Technology	3,380
Administrative Services	12
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>5,061</u>
Total Depreciation Expense - Government Activities	<u><u>\$ 116,603</u></u>

<b>Business-type Activities</b>	
Water and Sewer System	\$ 34,836
Airport	1,090
Solid Waste	<u>213</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 36,139</u></u>

## Construction Commitments

The City has active construction projects as of June 30, 2011. At year-end the government's commitments with contractors for specific projects are as follows (in thousands of dollars):

Construction Commitments	Spent to Date	Remaining Commitment
Streets	\$ 118,617	\$ 3,015
Traffic	12,931	141
Fire	9,525	1,201
Police	51,514	67
Drain/Flood Control	17,032	1,816
Community/Preserve	234,927	1,139
Parks/Recreation	11,343	1,535
Municipal Facilities	17,389	825
Technology	35,157	1,579
Libraries	12,295	2
Airport	9,520	407
Transit	13,768	4,316
Water System	340,315	5,103
Sewer System	174,427	26,197
Total Construction Commitments	<u>\$ 1,058,760</u>	<u>\$ 47,343</u>

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

### D. Interfund Balances and Interfund Transfers

#### Due To and Due From Other Funds

“Due to” and “Due from” balances have been recorded to address temporary cash flow needs. The composition of interfund balances as of June 30, 2011, is as follows:

Receivable Fund (in thousands of dollars)	Amount	Payable Fund (in thousands of dollars)	Amount
General	\$ 104	Nonmajor Governmental Funds	\$ 104
Total	<u>\$ 104</u>	Total	<u>\$ 104</u>

The Community Develop Block Grant Special Revenue Fund had a deficit cash balance of \$97,500, due to grants being received on a reimbursement basis. The Grants Special Revenue Fund had a deficit cash balance of \$7,500, due to grants being received on a reimbursement basis.

## Interfund Transfers

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

### Net Transfers (in thousands of dollars)

	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Governmental Funds:</b>		
General	\$ 18,812	\$ 12,216
Debt Service - General Obligation Bond	-	15,732
Capital Projects - General CIP Construction	3,833	18,998
Nonmajor Governmental Funds	46,733	32,646
<b>Total Governmental Funds</b>	<u>69,378</u>	<u>79,592</u>
<b>Enterprise Funds:</b>		
Water and Sewer Utility	\$ 9,377	\$ -
Airport	11	-
Solid Waste	\$ 791	\$ -
<b>Total Enterprise Funds</b>	<u>10,179</u>	<u>-</u>
<b>Internal Service Funds</b>	\$ 35	\$ -
<b>Total Transfers</b>	<u>\$ 79,592</u>	<u>\$ 79,592</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 2010/11 were \$3,007,014. 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 acquisition of a modular office building for its water operations in fiscal year 2005/06. The lease agreement qualified as a capital lease for accounting purposes, and therefore, was 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 historic cost, less accumulated depreciation. The outstanding debt of \$7,865 was paid in full in fiscal year 2010/11.

## F. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding at June 30, 2011. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2011.

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, 2011, the City had \$6,400,000 of unissued various purpose GO bonds, which were authorized in September 2000. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as, an additional 0.15 percent sales tax increase to be used to finance Preserve land acquisitions. At June 30, 2011, the City had \$437,475,000 of unissued Preservation GO bonds from the May 2004 authorization. Preservation GO bonds are backed by the full faith and credit of the City, and are repaid through the Preserve sales tax approved by voters in May 1995 and May 2004 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve.

## Municipal Property Corporation Bonds

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

The City has pledged to repay \$659,900,322 in MPC bonds issued in 2004 through 2010. The bonds are payable through 2036. The coverage ratio (revenues to debt service) for 2011 is 5.32. The total principal and interest remaining to be paid on the bonds is \$735,762,570. Principal and interest paid for the current year and total excise tax were \$31,969,592 and \$170,082,000, respectively.

## Scottsdale Preserve Authority Bonds

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

The City has pledged to repay \$67,795,000 in SPA bonds issued in 2004 through 2011. The bonds are payable through 2024. The coverage ratio (revenues to debt service) for 2011 is 4.58. The total principal and interest remaining to be paid on the bonds is \$82,084,638. Principal and interest paid for the current year and total sales tax were \$5,933,851 and \$27,199,000, respectively.

## Water and Sewer Revenue Bonds

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

Water and sewer revenue bond covenants require that the City accumulate sufficient reserves to cover the eventual replacement of the water and sewer system. The City has continued to meet this reserve requirement. At June 30, 2011, the funds reserved for this purpose were \$30,868,162.

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 2011 is 10.86. The total principal and interest remaining to be paid on the bonds is \$56,536,063. Principal and interest for the current year and total customer net revenues were \$5,419,075 and \$58,844,000, respectively.

### **Special Assessment Bonds**

Special assessment bonds are issued by the City on behalf of improvement districts created by property owners for a specific purpose, such as to finance local street, water or sewer improvements, or to acquire an existing water or sewer operation. Property owners in the designated districts agree to be assessed for the principal and interest costs of repaying the bonds. As trustee for improvement districts, the City is responsible for collecting the assessments levied against the owners of property within the improvement districts and for disbursing these amounts to retire the bonds issued to finance the improvements. The receivables, revenues, and debt service expenses related to these bonds are recorded in the Special Assessments Debt Service Fund. At June 30, 2011, 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, 2011, there was one series of special assessment improvement bonds outstanding, issued as serial bonds to be repaid over 10 years. Bond was issued December 2001 totaling \$8,350,000 maturing January 2013. The coverage ratio (revenues to debt service) for 2011 is 0.87 due to prepayment of amounts that are currently in fund balance. The total principal and interest remaining to be paid on the bonds is \$1,567,500. Principal and interest paid for the current year and total collections were \$834,375 and \$733,000 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.

Bonds payable at June 30, 2011, 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>
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.	\$ 3,795
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.	32,330
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.	2,710
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.	100,200
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.	109,750
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.	15,800
2008A Various Purpose Bonds (issued May 13, 2008) due in annual installments of \$3,075,000 to \$9,800,000 through July 1, 2028; interest at 3.25 percent to 5 percent. Original issue amount \$100,000,000.	100,000
2008B Preservation Bonds (issued May 13, 2008) due in annual installments of \$325,000 to \$1,250,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$20,000,000.	18,675
2010 Various Purpose Bonds (issued April 7, 2010) due in annual installments of \$950,000 to \$4,800,000 through July 1, 2030; interest at 2 percent to 4 percent. Original issue amount of \$50,800,000.	49,850
2011 Preservation Bonds (issued February 9, 2011) due in annual installments of \$740,000 to \$1,705,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount of \$22,525,000.	22,525
2011 Refunding Bonds (issued April 6, 2011) due in annual installments of \$640,000 to \$7,265,000 through July 1, 2024; interest at 1 percent to 5 percent. Original issue amount of \$43,115,000	<u>42,475</u>
Total General Obligation Bonds Outstanding	<u>\$ 572,740</u>

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

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Portions of the 2001 Refunding Bonds, 2002 Various Purpose Bonds, 2002 Refunding Bonds, 2004 Various Purpose Bonds, 2005 Refunding Bonds, 2005B Preservation Bonds, 2008B Preservation Bonds, 2011 Bonds, and 2011 Refunding Bonds of \$28,715,000, \$5,755,000, \$8,100,000, \$55,900,000, \$66,090,000, \$17,575,000, \$19,675,000, \$22,525,000, and \$33,830,000 respectively, are paid from the .2 percent and .15 percent Preservation Sales Taxes.

**Municipal Property Corporation Bonds**

2004A Municipal Property Corporation Excise Tax Revenue Bonds (issued September 15, 2004) due in annual installments of \$920,000 to \$2,715,000 through July 1, 2034; interest at 3.25 percent to 5.25 percent. On November 29, 2006, \$30,975,000 due 2017 and 2020 through 2034 were refunded. Original issue amount \$40,760,000. \$ 7,915

2005 Municipal Property Corporation Excise Tax Revenue Bonds (issued June 15, 2005) due in annual installments of \$35,026 to \$4,925,019 through July 1, 2021; interest at 3.22 percent to 5 percent. Original issue amount \$19,945,322. 23,534

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. 19,475

2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,105,000 to \$2,730,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000. 55,450

2006A Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$240,000 to \$625,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount \$10,000,000. 8,585

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. 32,500

Total MPC Bonds Outstanding \$ 147,459

**Scottsdale Preserve Authority Bonds**

2004 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued March 30, 2004, due in annual installments of \$75,000 to \$3,315,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$22,925,000. 15,050

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

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

Total Scottsdale Preserve Authority Bonds \$ 59,920



	<u>Bonds Outstanding (in thousands of dollars)</u>
<b>Special Assessment Bonds</b>	
Special Assessment Bonds issued September 28, 1998, through December 20, 2001, maturing January 1, 2009, through January 1, 2013; due in annual installments of \$85,000 to \$750,000; interest at 4.5 percent to 4.625 percent. Total original issue amount \$8,350,000.	\$ 1,500
<b>Certificates of Participation</b>	
2005 Certificates of Participation issued January 26, 2005, due in annual installments of \$559,882 to \$894,622 beginning January 1, 2006, through July 1, 2015. Original issue amount \$7,650,000.	\$ 3,409
2010 Certificates of Participation issued August 24, 2010, due in annual installments of \$1,969,302 to \$2,493,145 beginning January 1, 2012, through July 1, 2020. Original issue amount \$20,000,000.	\$ 20,000
Total Certificates of Participation Bonds	\$ 23,409
<b>Community Facilities Districts General Obligation Bonds</b>	
1998 DC Ranch Community Facilities District General Obligation Bonds due in annual installments of \$155,000 to \$385,000 beginning July 15, 2005 through July 15, 2023; interest at 4.75 percent to 5.5 percent. Original issue amount \$4,750,000.	\$ 3,505
1999 Via Linda Road Community Facilities District General Obligation Bonds due in annual installments of \$95,000 to \$255,000 beginning July 15, 2004 through July 15, 2023; interest at 5.0 percent to 5.75 percent. Original issue amount \$3,225,000.	2,320
1999 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds due in annual installments of \$320,000 to \$1,455,000 beginning July 15, 1999 through July 15, 2022; interest at 4.0 percent to 6.0 percent. Original issue amount \$20,245,000.	12,430
1999 DC Ranch Community Facilities District General Obligation Bonds (issued November 1, 1999) due in annual installments of \$85,000 to \$260,000 beginning July 15, 2005 through July 15, 2024. Interest at 5.45 percent to 6.50 percent. Original issue amount \$3,085,000.	2,385
2002 Scottsdale Mountain Community Facilities District General Obligation Refunding Bonds (issued May 15, 2002) due in annual installments of \$160,000 to \$455,000 beginning July 15, 2003 through July 15, 2018; interest at 3.0 percent to 4.7 percent. Original issue amount \$5,375,000.	2,640
2002 DC Ranch Community Facilities District General Obligation Bonds (issued December 17, 2002) due in annual installments of \$245,000 to \$1,395,000 beginning July 15, 2004 through July 15, 2027. Interest at 3 percent to 5 percent. Original issue amount \$12,165,000.	9,770
2007 Waterfront Commercial Community Facilities District General Obligation Bonds (issued December 11, 2007) due in annual installments of \$25,000 to \$300,000 beginning July 15, 2009 through July 15, 2032. Interest at 4.85 percent to 6.05 percent. Original issue amount \$3,805,000.	3,695
Total Community Facilities Districts General Obligation Bonds Outstanding	\$ 36,745
Total Bonds Payable Recorded in Governmental Activities	\$ 841,773

**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.	\$ 8,945
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>33,065</u>
Total Water and Sewer Revenue Bonds Outstanding	<u>\$ 42,010</u>
<b>Municipal Property Corporation Bonds</b>	
2004 Municipal Property Corporation Excise Tax Revenue Bonds (Series 2004 issued May 13, 2004) due in annual installments of \$2,190,000 to \$5,435,000 through July 1, 2024; interest at 3.25 percent to 5.25 percent. These bonds are recorded and paid out of the Water and Sewer Enterprise Fund. On November 29, 2006, \$44,835,000 due 2015 through 2024 were refunded. Original issue amount \$75,000,000.	\$ 10,260
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.	13,930
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.	98,825
2010 Municipal Property Corporation Excise Tax Revenue Bonds (issued April 7, 2010) due in annual installments of \$180,000 to \$7,800,000 through July 1, 2036; interest at 3 percent to 5 percent. Original issue amount \$75,000,000.	<u>75,000</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 308,525</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 350,535</u>
Total Long-term Bonds Payable	<u><u>\$ 1,192,308</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, 2011 (in thousands of dollars):

<b>General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks and Open Spaces</b>		<b>General Obligation Bonds Issued for All Other Purposes</b>	
20% Constitutional Limit	\$ 1,475,082	6% Constitutional Limit	\$ 442,524
Less General Obligation 20% Bonds Outstanding	<u>(498,490)</u>	Less General Obligation 6% Bonds Outstanding	<u>(74,250)</u>
Available 20% Limitation Borrowing Capacity	<u><u>\$ 976,592</u></u>	Available 6% Limitation Borrowing Capacity	<u><u>\$ 368,274</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, 2011.

## Advance Refundings and Defeasances

The City issued \$43,115,000 of General Obligation Refunding Bonds, Series 2011, (advance refunding) dated April 6, 2011, with an average interest rate of 4.26% to refund \$43,115,000 of Series 1998, Series 2001 Refunding and Series 2002 Bonds with an average interest rate of 4.95%. The City will reduce its total debt service payments over the next 14 years by approximately \$5.1 million and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$4.7 million.

The SPA issued \$12,015,000 of Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds, Series 2011, (advance refunding) dated March 15, 2011, with an average interest rate of 4.5%, to refund \$12,625,000 of Series 2001 Refunding Bonds with an average interest rate of 5.0%. The SPA will reduce its total debt service payments over the next 12 years by approximately \$1,459,936, and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,262,936.

The SPA issued \$32,855,000 of Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds, Series 2010, (current refunding) dated October 5, 2010 with an average interest rate of 4.9% to refund \$36,725,000 of Series 1998 Refunding Bonds with an average interest rate of 4.6%. The SPA will reduce its total debt service payments over the next 14 years by approximately \$4,758,874 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$3,717,610

The proceeds from the refunding bonds have been deposited in irrevocable trusts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the financial statements.

The following table reflects refunded debt outstanding at June 30, 2011, net of any amounts to be paid or retired by the trustee on July 1, 2011.

<b>Refunded in Prior Years</b>	
<b>(in thousands of dollars)</b>	
2004 MPC Excise Tax Revenue Bonds	44,835
2004A MPC Excise Tax Revenue Bonds	30,975
2005D MPC Excise Tax Revenue Bonds	25,925
2005E MPC Excise Tax Revenue Bonds	67,455
	<u>\$ 169,190</u>

### Contracts Payable

The City has entered into various purchase contracts related to economic development, acquisition of water system facilities, acquisition of recreational facilities and patents. The contract for the acquisition of water system facilities is payable only from the operating revenue of the water and sewer utility system. The following is a summary of debt service to maturity for all long-term contracts payable at June 30, 2011.

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.	\$ 2,707
Contract payable for the maintenance of a federal patent; due in three year installments beginning January 1, 2001 through January 1, 2011; non-interest bearing.	-
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.	5,410
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.	4,680
Contract payable for the undergrounding of 69kv power lines; due in annual installments beginning January 1999 through January 2010; interest at 10.0 percent.	10
Contract payable for the purchase of a portion of 2,685 acres of land for the McDowell Sonoran Preserve; due in 15 annual installments beginning July 1, 1999 through July 1, 2013; interest from 3.75 percent to 6.0 percent.	<u>1,775</u>
Total Contracts Payable Recorded in Governmental Activities	<u>\$ 14,582</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, 2011 (in thousands of dollars).

	<u>Beginning Balance</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds payable:					
General Obligation Bonds	\$ 578,190	\$ 65,640	\$ (71,090)	\$ 572,740	\$ 28,315
Municipal Property Corporation Bonds	148,212	777	(1,530)	147,459	3,091
Scottsdale Preserve Authority Bonds	67,870	44,870	(52,820)	59,920	3,655
Special Assessments Bonds	2,250	-	(750)	1,500	750
Certificates of Participation	4,194	20,000	(785)	23,409	2,780
Community Facilities Districts General Obligation Bonds	38,760	-	(2,015)	36,745	2,105
Add Deferred Issuance Premiums	17,136	10,047	(2,060)	25,123	-
Less Deferred Amounts on Refunding	<u>(7,223)</u>	<u>(3,100)</u>	<u>1,957</u>	<u>(8,366)</u>	<u>-</u>
Total Bonds Payable	849,389	138,234	(129,093)	858,530	40,696
Contracts Payable	15,732	1	(1,151)	14,582	1,208
Risk Management Claims	11,142	25,526	(25,528)	11,140	5,504
Compensated Absences	25,617	9,972	(10,407)	25,182	10,358
Post Employment Benefit - Implied Subsidy	1,114	-	(789)	325	-
Governmental Activity Long-term Liabilities	<u>\$ 902,994</u>	<u>\$ 173,733</u>	<u>\$ (166,968)</u>	<u>\$ 909,759</u>	<u>\$ 57,766</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, 2011, \$417,546 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 \$297,451 in the governmental funds and \$0 in the Internal Service funds.

	<b>Beginning Balance</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>Business-type Activities:</b>					
Bonds Payable:					
Water and Sewer Revenue Bonds	\$ 45,230	\$ -	\$ (3,220)	\$ 42,010	\$ 3,380
Municipal Property Corporation Bonds	316,780	-	(8,255)	308,525	8,750
Add Deferred Issuance Premiums	23,562	-	(1,480)	22,082	-
Less Deferred Amounts on Refunding	(5,106)	-	372	(4,734)	-
Total Bonds Payable	<u>380,466</u>	<u>-</u>	<u>(12,583)</u>	<u>367,883</u>	<u>12,130</u>
Capital Lease	7	-	(7)	-	-
Compensated Absences	3,223	1,370	(1,304)	3,289	1,300
Post Employment Benefit - Implied Subsidy	181	-	(83)	98	-
Business-type Activity Long-term Liabilities	<u>\$ 383,877</u>	<u>\$ 1,370</u>	<u>\$ (13,977)</u>	<u>\$ 371,270</u>	<u>\$ 13,430</u>

## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2011. 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
2012	\$ 23,815	\$ 21,602	\$ 45,417	\$ 4,500	\$ 3,446	\$ 7,946	\$ 28,315	\$ 25,048	\$ 53,363
2013	24,585	20,654	45,239	5,500	3,221	8,721	30,085	23,875	53,960
2014	23,815	19,623	43,438	10,000	2,946	12,946	33,815	22,569	56,384
2015	19,945	18,598	38,543	11,975	2,446	14,421	31,920	21,044	52,964
2016	19,500	17,724	37,224	14,600	1,902	16,502	34,100	19,626	53,726
2017-2021	157,210	72,342	229,552	27,675	2,317	29,992	184,885	74,659	259,544
2022-2026	174,330	33,916	208,246	-	-	-	174,330	33,916	208,246
2027-2031	47,315	6,672	53,987	-	-	-	47,315	6,672	53,987
2032-2036	7,975	786	8,761	-	-	-	7,975	786	8,761
Total	\$ 498,490	\$ 211,917	\$ 710,407	\$ 74,250	\$ 16,278	\$ 90,528	\$ 572,740	\$ 228,195	\$ 800,935

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						
	2012	\$ 3,091	6,229	9,320	\$ 3,655	\$ 2,835	\$ 6,490	\$ 750	\$ 51	\$ 801					
2013	3,135	5,938	9,073	3,800	2,680	6,480	750	17	767						
2014	3,745	6,653	10,398	3,960	2,508	6,468	-	-	-						
2015	3,710	6,487	10,197	4,140	2,330	6,470	-	-	-						
2016	5,290	6,305	11,595	4,340	2,143	6,483	-	-	-						
2017-2021	37,544	32,113	69,657	22,875	7,831	30,706	-	-	-						
2022-2026	28,745	17,830	46,575	17,150	1,838	18,988	-	-	-						
2027-2031	37,620	10,175	47,795	-	-	-	-	-	-						
2032-2036	20,380	2,258	22,638	-	-	-	-	-	-						
Capital Appreciation **	4,199	(4,199)	-	-	-	-	-	-	-						
Total	\$ 147,459	\$ 89,789	\$ 237,248	\$ 59,920	\$ 22,165	\$ 82,085	\$ 1,500	\$ 68	\$ 1,568						

\*\* 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
	2012	\$ 2,780	\$ 685	\$ 3,465	\$ 2,105	1,874	3,979	\$ 1,208	\$ 227
2013	2,866	599	3,465	2,230	1,776	4,006	1,267	179	1,446
2014	2,955	511	3,466	2,335	1,671	4,006	370	129	499
2015	3,046	419	3,465	2,460	1,558	4,018	389	124	513
2016	2,216	333	2,549	2,585	1,438	4,023	409	118	527
2017-2021	9,546	648	10,194	13,165	5,232	18,397	2,373	497	2,870
2022-2026	-	-	-	8,905	2,068	10,973	3,033	310	3,343
2027-2031	-	-	-	2,660	399	3,059	3,464	86	3,550
2032-2036	-	-	-	300	19	319	2,069	-	2,069
Total	\$ 23,409	\$ 3,195	\$ 26,604	\$ 36,745	\$ 16,035	\$ 52,780	\$ 14,582	\$ 1,670	\$ 16,252

(continued)

**Governmental Activities (concluded)**

(in thousands of dollars)

Fiscal Year	Total		
	Principal	Interest	Total
2012	\$ 41,904	\$ 36,949	\$ 78,853
2013	44,133	35,064	79,197
2014	47,180	34,041	81,221
2015	45,665	31,962	77,627
2016	48,940	29,963	78,903
2017-2021	270,388	120,980	391,368
2022-2026	232,163	55,962	288,125
2027-2031	91,059	17,332	108,391
2032-2036	30,724	3,063	33,787
Capital Appreciation	4,199	(4,199)	-
<b>Total</b>	<b>\$ 856,355</b>	<b>\$ 361,117</b>	<b>\$ 1,217,472</b>

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

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 3,380	2,056	5,436	\$ 8,750	14,912	23,662
2013	3,115	1,891	5,006	9,220	14,478	23,698
2014	3,240	1,738	4,978	9,760	14,024	23,784
2015	2,940	1,599	4,539	10,240	13,540	23,780
2016	3,055	1,487	4,542	11,115	13,034	24,149
2017-2021	17,760	5,078	22,838	67,095	56,198	123,293
2022-2026	8,520	677	9,197	76,780	38,130	114,910
2027-2031	-	-	-	75,645	20,160	95,805
2032-2036	-	-	-	39,920	5,513	45,433
<b>Total</b>	<b>\$ 42,010</b>	<b>\$ 14,526</b>	<b>\$ 56,536</b>	<b>\$ 308,525</b>	<b>\$ 189,989</b>	<b>\$ 498,514</b>

Fiscal Year	Total		
	Principal	Interest	Total
2012	\$ 12,130	\$ 16,968	\$ 29,098
2013	12,335	16,369	28,704
2014	13,000	15,762	28,762
2015	13,180	15,139	28,319
2016	14,170	14,521	28,691
2017-2021	84,855	61,276	146,131
2022-2026	85,300	38,807	124,107
2027-2031	75,645	20,160	95,805
2032-2036	39,920	5,513	45,433
<b>Total</b>	<b>\$ 350,535</b>	<b>\$ 204,515</b>	<b>\$ 555,050</b>



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

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

The claims liabilities amount recorded in the accompanying financial statements is based on reported pending claims; and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. At June 30, 2011, the general liability claims payable totaled \$9,195,168 and the self-insured benefits claims payable totaled \$1,945,000. The City began to administer all self-insured health and dental plans in January of 2004.

	Years Ended June 30	
	2011	2010
(in thousands of dollars)		
Claims Payable, July 1	\$ 11,142	\$ 11,530
Current Year Claims Incurred	25,390	24,292
Current Year Claim Payments	(25,392)	(24,680)
Claims Payable, June 30	<u>\$ 11,140</u>	<u>\$ 11,142</u>

**B. Contingent Liabilities**

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

### C. Commitments and Subsequent Events

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

The major conditions for closure are:

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

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

The City has a Service Agreement with the Scottsdale Cultural Council (Council) that provides that the Council will manage the arts and cultural affairs within the Scottsdale community for a 10-year period, automatically renewable for two five-year periods. In return, the City will pay service fees to the Council based on the Service Agreement between the City and the Council. Payments to Scottsdale Cultural Council amounted to \$4,340,635 for the year ended June 30, 2011. Contractual payments due in fiscal year 2011/12 are budgeted for \$4,130,798.

The City has a Service Agreement with the Scottsdale Convention and Visitors' Bureau (SCVB) that provides that SCVB will manage the tourism promotion within the Scottsdale community for a 10-year period. In return, the City will pay service fees to SCVB based on the Service Agreement with the City. Payments to SCVB amounted to \$6,789,622 for the year ended June 30, 2011. Contractual payments due in fiscal year 2011/12 are budgeted for \$6,123,500.

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, 2011 is \$48,672,673.

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

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

The City records its share of SROG's cash operating expenses, and its equity in the joint venture in the City's Water and Sewer Fund. For the year ended June 30, 2010, (the latest audited information available from SROG), the City's net investment in SROG was \$124,053,000. SROG's net cash operating expenses for the year ended June 30, 2010, were \$41,890,203, of which the City's share was \$4,134,575, or 9.9 percent. For the year ended June 30, 2011, the City paid \$1,973,053 for SROG capital contributions, and \$4,796,362 for SROG operating expenses, including adjustments to the operating and replacement reserves.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010 for the multi-city Sub-Regional Operating Group (the latest SROG CAFR available) may be obtained from the Arizona Municipal Water Users Association, 4041 N. Central Avenue, Suite 900, Phoenix, AZ 85012.

## E. Pollution Remediation

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

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

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

The measurement of the City's pollution remediation obligation liability includes all remediation work that the City expects to perform; including work expected to be performed for the participating companies. In order to estimate the liability, six projected cash flows, based on the prior six years of historical costs and weighted equally, were used to calculate an average annual cost. This average cost was then projected over the remaining remediation period of 40 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 2010/11 outlays for operating and monitoring the CGTF were \$578,998. The City has a reimbursement agreement with the responsible parties and the total liability is expected to be fully recovered by the participating companies and therefore a corresponding Pollution Remediation Recoveries receivable has been accrued.

## **F. Related Organization**

The Industrial Development Authority (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 and City Council is also involved in granting or denying IDA bond applications.

## **G. Retirement and Pension Plans**

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

### **Arizona State Retirement System**

#### **Plan Description**

All benefitted City employees, except public safety personnel and the Mayor and City Council, 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, 2011, 2010, and 2009, were 9.85 percent (9.60 percent retirement and .25 percent long-term disability), 9.40 percent (9.0 percent retirement and .40 percent long-term disability), and 9.45 percent (8.95 percent retirement and .50 percent long-term disability, respectively, for both employers and employees. The City's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$9,824,677, \$9,859,954, and \$10,860,822, 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 234 local boards. PSPRS provides retirement benefits, as well as death and disability benefits. The Public Safety Personnel Retirement System of the State of Arizona issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

### Funding Policy

The System for both police and fire is funded through a member contribution of 7.65 percent of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's contribution rate for police for the fiscal year ended June 30, 2011 was 18.96 percent of annual covered payroll. Contribution rates for police were 19.64 percent and 20.46 percent in 2010 and 2009, respectively. The City's contribution rate for fire for the fiscal year ended June 30, 2011 was 10.05 percent of annual covered payroll. The City's contribution rate for fire was 8.68 percent and 9.41 percent in 2010 and 2009, respectively.

### Annual Pension Cost

For 2011, the City's annual pension costs of \$5,937,814 for police and \$1,726,225 for fire were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010 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
2008	\$ 4,855	100%	-
2009	7,237	100%	-
2010	6,331	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
2008	\$ 1,497	100%	-
2009	1,817	100%	-
2010	1,575	100%	-

**Actuarial Methods and Assumptions**

The actuarial assumptions for both police and fire include (a) a rate of return on the investment of present and future assets of 8.50 percent per year compounded annually, (b) projected salary increases of 5.50 percent per year compounded annually, attributable to inflation and other across-the-board factors, and (c) additional projected salary increases ranging from 0 percent to 3.00 percent per year, attributable to seniority/merit. The amortization method is a level percent of pay closed. The maximum amount of post retirement benefits is 4 percent of the average normal benefit. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over time. PSPRS' unfunded accrued liability is being amortized as a level percent of projected payroll over a closed period of 30 years, 26 years remaining as of June 30, 2010 (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, 2010, the most recent actuarial valuation dates, is as follows:

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

(in thousands of dollars)	
	June 30, 2010
Actuarial Accrued Liability	
Retired members and survivors	\$ 79,701
Former members with vested benefits	667
Active members	74,551
DROP members	18,053
Total	172,972
Valuation Assets	124,093
Unfunded Actuarial Accrued Liability	48,879
Stabilization Reserve	-
Net Unfunded Actuarial Liability	\$ 48,879

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

(in thousands of dollars)

	June 30, 2010
Actuarial Accrued Liability	
Retired members and survivors	\$ 312
Former members with vested benefits	15
Active members	19,064
DROP members	1,059
Total	20,450
Valuation Assets	25,668
Unfunded Actuarial Accrued Liability	(5,218)
Stabilization Reserve	4,063
Net Unfunded Actuarial Liability	\$ (1,155)

**Elected Officials' Retirement Plan**

**Plan Description**

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

**Funding Policy**

Covered employees are required by state statute to contribute an amount equal to 7.00 percent of gross salary. Incorporated city or town employers are required to contribute an amount sufficient to meet both the normal cost of a level-cost method attributable to the EORP, plus the amount required to amortize the unfunded accrued liability for the employer. Such amount is to be determined each year by actuarial valuation and paid as a level percent of compensation. The contribution requirements for plan members are established and may be amended by the Fund Manager, a five-member board. The City's rates for fiscal years ended June 30, 2011, 2010, and 2009, were 29.79 percent, 26.25 percent, and 28.0 percent, respectively. The City's contributions to EORP for the years ending June 30, 2011, 2010, and 2009, were \$43,310, \$37,800, and \$40,902, respectively, equal to the required contributions for each year.



## **H. Other Postemployment Benefits**

In addition to the pension benefits described in the previous section (G) the City provides an option of post-retirement health care benefits, in accordance with Chapter 14 of the City Code. At retirement, employees with medical leave accumulated prior to September 6, 1976 are eligible for payment of medical leave at 100 percent cash value at current rate of pay. Employees hired before July 1, 1982 can elect to receive cash equal to 50 percent of the first 520 hours of unused medical leave plus 25 percent of all hours in excess of 520. The conversion rate is the employee's average hourly base pay rate for the five years immediately preceding retirement. Any retiring employee with 300 or more hours of accumulated medical leave, who chooses to remain on the City medical plan, may elect to apply the value of the sick leave to the employee's portion of the health care premiums, up until age 65. Medical leave balances accumulated through June 30, 2011 will be paid at 100% of the employee's hourly rate at the time of retirement. Medical leave balances accumulated July 1, 2011 or after will be paid out at 50% of the employee's hourly rate at retirement. Additionally, the payout is limited to the value of 1,200 hours combined among hours earned both before and after July 1, 2011, unless more than 1,200 hours were accrued prior to July 1, 2011 then the total hours accrued before July 1, 2011 will be paid without limitation. Effective July 1, 2009, the City funds the value of the medical leave balances in a Retiree Health Savings account for the participant immediately upon retirement. The taxable portion of the accounts for participants hired before July 1, 1982 will be retained by the City and used to pay participant health premiums.

The taxable portion of the medical leave conversion program retained by the City included two participants added and seven removed during fiscal year 2010/11 for a total number of participants of 58 at June 30, 2011. The actual liability for retirees, as of June 30, 2011, for medical conversion was \$752,322. The projected liability for active employees, as of June 30, 2011, was \$14,826,981. Of this liability, \$307,077 was considered current and reflected in the governmental fund or proprietary fund financial statements accordingly. The remaining \$14,519,904 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, 2011 actuarial valuation include a) mortality rates based on the RP 2000 combined mortality projected to 2015 using Projection Scale AA, b) interest compounded 4.0 percent annually, c) salaries increase at a rate of 2 percent to 4 percent based on years of service, d) traditional unit credit cost method based on participant data as of January 1, 2011.

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

On April 5, 2011, the City Council approved the development of health plan rates, effective July 1, 2012, the City will require retirees to pay the premium that reflects the full expected cost of their coverage and thus eliminating the City subsidy.

As of June 30, 2011, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	336
Terminated Employees Eligible for Benefits, But Not Yet Enrolled	-
Active Employees	<u>2,480</u>
Total	<u><u>2,816</u></u>
 Participating Employers	 <u><u>1</u></u>

**Funding Policy**

The plan premium rates are determined annually in collaboration with an outside employee benefits actuarial and consulting firm, and approved by the Scottsdale City Council. City code requires the City Council to authorize the contribution rates for employee health benefits. The retiree’s contribution is 100 percent of the actuarially determined blended premium rate. The City makes no contribution to the retirees’ premiums other than allowing them to participate through the City’s pooled benefits. By providing retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because on average retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. For fiscal year ending June 30, 2011, retirees contributed \$695,880 and the City contributed \$900,677 (implied subsidy).

**Annual OPEB costs and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information for each plan are as follows at June 30, 2011 (dollar amounts in thousands):

Annual Required Contribution	\$ 34
Interest on Net OPEB Obligation	52
Adjusted to Annual Required Contribution	<u>(57)</u>
Annual OPEB Cost	29
Contributions Made	<u>(901)</u>
Change in Net OPEB Obligation	(872)
Net OPEB Obligation - Beginning of year	<u>1,295</u>
Net OPEB Obligation - End of year	<u><u>\$ 423</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 29	\$ 901	3106.9%	\$ 423
2010	180	227	126.1%	1,295
2009	208	191	91.8%	1,342

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Employer Contributions	(2) Annual Required Contribution (ARC)	(3) Percent Contributed (1)/(2)
2009	\$ 191	\$ 208	91.8%
2010	227	180	126.1%
2011	901	34	2650.0%

## Funded Status

The funded status of the plan as of June 30, 2011 was as follows (dollar amounts in thousands):

Actuarial Accrued Liability	\$ 746
Actuarial Value of Plan Assets	-
Unfunded actuarial accrued liability	<u>\$ 746</u>
Funded ratio	0%
Covered payroll	\$ 136,414
Unfunded actuarial accrued liability as a percentage of covered payroll	0.5%

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

## Actuarial Methods and Assumptions

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

Actuarial Valuation Date	June 30, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	26
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	4%*
Projected Salary Increases	2-4% <sup>+</sup>
Healthcare Inflation Rate	6% initial rate, 5% ultimate rate

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

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

## Medical Reimbursements

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

**Funding Progress**

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

**Required Supplementary Information**

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2008	\$ 111,692	\$ 153,785	72.6%	\$ 42,092	\$ 33,143	127.0%
2009	120,870	160,131	75.5%	39,261	33,650	116.7%
2010	124,093	168,084	73.8%	43,991	31,984	137.5%

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2008	\$ 15,509	\$ 12,207	127.1%	\$ (3,302)	\$ 18,162	0.0%
2009	21,436	16,998	126.1%	(4,438)	18,850	0.0%
2010	25,668	19,990	128.4%	(5,678)	17,607	0.0%

Required Supplementary Information

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

(in thousands of dollars)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation June 30	Actuarial Value of Assets	Projected Unit Credit Cost Actuarial Accrued Liability (AAL)	Percent Funded (1)/(2)	Unfunded AAL (2) - (1)	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2008	\$ -	\$ 5,361	0.0%	\$ 5,361	\$ 33,143	16.2%
2009	-	4,649	0.0%	4,649	33,650	13.8%
2010	-	4,888	0.0%	4,888	31,984	15.3%

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

(in thousands of dollars)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation June 30	Actuarial Value of Assets	Projected Unit Credit Cost Actuarial Accrued Liability (AAL)	Percent Funded (1)/(2)	Unfunded AAL (2) - (1)	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2008	\$ -	\$ 206	0.0%	\$ 206	\$ 18,162	1.1%
2009	-	373	0.0%	373	18,850	2.0%
2010	-	460	0.0%	460	17,607	2.6%

Required Supplementary Information

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Projected Unit Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2009	\$ -	\$ 3,664	0.0%	\$ 3,664	\$ 52,675	7.0%
2010	-	3,602	0.0%	3,602	48,285	7.5%
2011	-	746	0.0%	746	136,414	0.5%

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

(in thousands of dollars)

Actuarial Valuation June 30	(1) Employer Contributions	(2) Annual Required Contribution (ARC)	(3) Percent Contributed (1)/(2)
2009	\$ 191	\$ 208	91.8%
2010	227	180	126.1%
2011	901	34	2650.0%

## Nonmajor Governmental Funds

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### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

#### **HOME Fund**

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

#### **Grants Fund**

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

#### **Section 8 Fund**

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

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

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

#### **Special Programs Fund**

This fund receives monies from a variety of sources. The monies are either restricted by an outside source or committed by City Council and are required to be expended for specific purposes related to the intention of the center and the source of the revenue.

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### **DEBT SERVICE FUNDS**

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

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

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



### **Special Assessments Fund**

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

### **Community Facilities Districts Funds**

Scottsdale Mountain Community Facilities District Fund

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

Via Linda Road Community Facilities District Fund

Waterfront Commercial Community Facilities District Fund

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

### **Scottsdale Preserve Authority Fund**

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

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## **CAPITAL PROJECTS FUNDS**

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

### **General Obligation Bond Fund**

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

### **Preserve Privilege Tax Fund**

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

### **Transportation Privilege Tax Fund**

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

### **Community Facilities Districts Funds**

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

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

## Combining Balance Sheet

**Nonmajor Governmental Funds**  
June 30, 2011 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 39,188	\$ 10,218	\$ 59,816	\$ 109,222
Cash with Fiscal Agent	-	14,090	197	14,287
Receivables (net of allowance for uncollectibles)				
Interest	50	-	61	111
Privilege Tax	3,406	-	-	3,406
Property Tax	-	165	-	165
Highway User Tax	1,110	-	-	1,110
Intergovernmental	5,508	20,260	-	25,768
Grants	910	-	5,716	6,626
Special Assessments	-	1,244	-	1,244
Miscellaneous	288	41	-	329
Total Assets	<u>\$ 50,460</u>	<u>\$ 46,018</u>	<u>\$ 65,790</u>	<u>\$ 162,268</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 1,397	\$ -	\$ 5,004	\$ 6,401
Accrued Payroll and Benefits	475	-	37	512
Due to Other Funds	104	-	-	104
Matured Bonds Interest Payable	-	5,432	-	5,432
Matured Bonds Payable	-	7,015	-	7,015
Deferred Revenue				
Property Tax	-	102	-	102
Special Assessments	-	1,244	-	1,244
Intergovernmental	9,673	20,260	5,535	35,468
Other	409	41	74	524
Guaranty and Other Deposits	87	-	-	87
Total Liabilities	<u>12,145</u>	<u>34,094</u>	<u>10,650</u>	<u>56,889</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	33,785	2,567	55,140	91,492
Committed	5,170	-	-	5,170
Assigned	-	9,357	-	9,357
Unassigned	(640)	-	-	(640)
Total Fund Balances	<u>38,315</u>	<u>11,924</u>	<u>55,140</u>	<u>105,379</u>
Total Liabilities and Fund Balances	<u>\$ 50,460</u>	<u>\$ 46,018</u>	<u>\$ 65,790</u>	<u>\$ 162,268</u>

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes - Local				
Property	\$ -	\$ 3,817	\$ -	\$ 3,817
Transaction Privilege	42,241	-	-	42,241
Taxes - Intergovernmental				
Highway User Tax	13,396	-	-	13,396
Charges for Current Services				
Recreation Fees	1,174	-	-	1,174
Fines, Fees and Forfeitures				
Court	2	-	-	2
Court Enhancement	1,044	-	-	1,044
Police Fees	527	-	-	527
Special Assessments	-	733	-	733
Property Rental	117	151	-	268
Interest Earnings	370	19	680	1,069
Investment Income	(10)	-	(12)	(22)
Intergovernmental				
Federal Grants	13,003	-	3,574	16,577
State Grants	213	-	-	213
Miscellaneous	2,145	10	9,835	11,990
Developer Contributions	-	-	188	188
Contributions and Donations	1,156	-	-	1,156
Reimbursements From Outside Sources	141	-	267	408
Indirect Costs	868	-	-	868
Other	349	-	-	349
Total Revenues	<u>76,736</u>	<u>4,730</u>	<u>14,532</u>	<u>95,998</u>

(continued)

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>EXPENDITURES</b>				
Current				
General Government				
City Court	1,270			1,270
Public Works & Water Resources	15,575	-	-	15,575
Community and Economic Development	16,941	-	-	16,941
Public Safety	2,338	-	-	2,338
Community Services	9,469	-	-	9,469
Debt Service				
Principal	825	7,772	-	8,597
Interest and Fiscal Charges	129	10,626	-	10,755
Bond Issuance Costs	-	463	-	463
Capital Improvements	-	-	51,090	51,090
Total Expenditures	46,547	18,861	51,090	116,498
Excess (Deficiency) of Revenues Over Expenditures	30,189	(14,131)	(36,558)	(20,500)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	8,705	13,481	10,460	32,646
Transfers Out	(31,542)	-	(15,191)	(46,733)
Premium on Bonds Issued	-	5,955	-	5,955
Refunding Bonds Issued	-	44,870	-	44,870
Payment to Bond Refunding Escrow Agent	-	(50,329)	-	(50,329)
Long-Term Capital-Related Debt Issued	-	-	22,525	22,525
Total Other Financing Sources and (Uses)	(22,837)	13,977	17,794	8,934
Net Change in Fund Balances	7,352	(154)	(18,764)	(11,566)
Fund Balances - Beginning, restated	30,963	12,078	73,904	116,945
Fund Balances - Ending	\$ 38,315	\$ 11,924	\$ 55,140	\$ 105,379

## Combining Balance Sheet

### Nonmajor Special Revenue Governmental Funds

June 30, 2011 (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	\$ 3,428	-	105	\$ -	\$ 1,229	\$ 22,217	\$ 12,209	\$ 39,188
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	-	40	10	50
Privilege Tax	1,214	-	-	-	-	2,192	-	3,406
Highway User Tax	1,110	-	-	-	-	-	-	1,110
Intergovernmental	-	-	-	-	-	-	5,508	5,508
Grants	25	247	-	638	-	-	-	910
Miscellaneous	-	-	-	27	-	-	261	288
Total Assets	\$ 5,777	\$ 247	\$ 105	\$ 665	\$ 1,229	\$ 24,449	\$ 17,988	\$ 50,460
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts Payable	\$ 594	\$ 140	\$ -	\$ 32	\$ 11	\$ -	\$ 620	\$ 1,397
Accrued Payroll and Benefits	372	10	1	-	18	-	74	475
Due to Other Funds	-	97	-	7	-	-	-	104
Deferred Revenue								
Intergovernmental	25	247	104	751	-	-	8,546	9,673
Other	-	-	-	268	-	48	93	409
Guaranty and Other Deposits	87	-	-	-	-	-	-	87
Total Liabilities	1,078	494	105	1,058	29	48	9,333	12,145
Fund Balances								
Restricted	4,699	-	-	-	1,200	24,401	3,485	33,785
Committed	-	-	-	-	-	-	5,170	5,170
Unassigned	-	(247)	-	(393)	-	-	-	(640)
Total Fund Balances	4,699	(247)	-	(393)	1,200	24,401	8,655	38,315
Total Liabilities and Fund Balances	\$ 5,777	\$ 247	\$ 105	\$ 665	\$ 1,229	\$ 24,449	\$ 17,988	\$ 50,460

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

### Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2011 (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	\$ 15,042	\$ -	\$ -	\$ -	\$ -	\$ 27,199	\$ -	\$ 42,241
Taxes - Intergovernmental								
Highway User Tax	13,396	-	-	-	-	-	-	13,396
Charges for Current Services								
Recreation Fees	-	-	-	-	-	-	1,174	1,174
Fines, Fees and Forfeitures								
Court Fines	-	-	-	-	-	-	2	2
Court Enhancement Fee	-	-	-	-	-	-	1,044	1,044
Police Fees	-	-	-	-	-	-	527	527
Property Rental	-	-	-	-	-	-	117	117
Interest Earnings	-	-	-	-	1	297	72	370
Investment Income	-	-	-	-	-	(8)	(2)	(10)
Intergovernmental								
Federal Grants	4,218	862	22	1,489	6,412	-	-	13,003
State Grants	196	-	-	17	-	-	-	213
Miscellaneous	624	-	-	110	-	-	1,411	2,145
Contributions and Donations	-	-	-	644	-	-	512	1,156
Reimbursements From Outside Sources	139	-	-	-	2	-	-	141
Indirect Costs	868	-	-	-	-	-	-	868
Other	13	-	-	-	12	-	324	349
Total Revenues	34,496	862	22	2,260	6,427	27,488	5,181	76,736
<b>EXPENDITURES</b>								
Current								
General Government								
City Court	-	-	-	3	-	-	1,267	1,270
Public Works and Water Resources	14,881	-	-	694	-	-	-	15,575
Community and Economic Development	10,329	-	-	197	-	-	6,415	16,941
Public Safety	-	-	-	951	-	-	1,387	2,338
Community Service	-	956	20	546	6,029	2	1,916	9,469
Debt Service								
Principal	-	-	-	-	-	825	-	825
Interest and Fiscal Charges	-	-	-	-	-	129	-	129
Total Expenditures	25,210	956	20	2,391	6,029	956	10,985	46,547
Excess (Deficiency) of Revenues Over Expenditures	9,286	(94)	2	(131)	398	26,532	(5,804)	30,189
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	629	-	-	-	-	1,348	6,728	8,705
Transfers Out	(7,622)	-	-	(5)	(6)	(22,956)	(953)	(31,542)
Total Other Financing Sources and (Uses)	(6,993)	-	-	(5)	(6)	(21,608)	5,775	(22,837)
Net Change in Fund Balances	2,293	(94)	2	(136)	392	4,924	(29)	7,352
Fund Balances - Beginning	2,406	(153)	(2)	(257)	808	19,477	8,684	30,963
Fund Balances - Ending	\$ 4,699	\$ (247)	\$ -	\$ (393)	\$ 1,200	\$ 24,401	\$ 8,655	\$ 38,315

## Highway User Fuel Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ 15,217	\$ 14,814	\$ 15,042	\$ -	\$ 15,042	\$ 228
Taxes - Intergovernmental						
Highway User Tax	13,815	13,815	13,396	-	13,396	(419)
Intergovernmental						
Federal Grants	1,995	1,995	4,218	-	4,218	2,223
State Grants	-	-	196	-	196	196
Miscellaneous	300	300	624	-	624	324
Reimbursement From Outside Sources	8	8	139	-	139	131
Indirect Costs	820	820	868	-	868	48
Other	12	415	13	-	13	(402)
Total Revenues	<u>32,167</u>	<u>32,167</u>	<u>34,496</u>	<u>-</u>	<u>34,496</u>	<u>2,329</u>
<b>EXPENDITURES</b>						
Current						
Public Works and Water Resources	14,889	15,328	14,877	4	14,881	451
Community and Economic Development	12,018	12,066	10,327	2	10,329	1,739
Total Expenditures	<u>26,907</u>	<u>27,394</u>	<u>25,204</u>	<u>6</u>	<u>25,210</u>	<u>2,190</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,260</u>	<u>4,773</u>	<u>9,292</u>	<u>(6)</u>	<u>9,286</u>	<u>4,519</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	2,447	2,447	629	-	629	(1,818)
Transfers Out	(7,707)	(7,707)	(7,622)	-	(7,622)	85
Total Other Financing Sources and Uses	<u>(5,260)</u>	<u>(5,260)</u>	<u>(6,993)</u>	<u>-</u>	<u>(6,993)</u>	<u>(1,733)</u>
Net Change in Fund Balance	-	(487)	2,299	(6)	2,293	2,786
Fund Balance - Beginning	-	-	2,399	7	2,406	2,399
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (487)</u>	<u>\$ 4,698</u>	<u>\$ 1</u>	<u>\$ 4,699</u>	<u>\$ 5,185</u>

### Explanation of Differences:

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

Payroll Accrual and Compensated Absences	<u>\$ 6</u>
--	-------------

The beginning balance for Actual Amounts Budgetary Basis was adjusted  
to reflect a change in the budget basis to modified accrual basis,  
to include only the exceptions listed above:

Fund Balance - Beginning	<u>\$ 2,399</u>
Fund Balance - Ending	<u>\$ 4,698</u>

## Community Development Block Grant – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
 For the Fiscal Year Ended June 30, 2011 (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>						
Intergovernmental						
Federal Grants	\$ 2,291	\$ 2,291	\$ 862	\$ -	\$ 862	\$ (1,429)
Total Revenues	<u>2,291</u>	<u>2,291</u>	<u>862</u>	<u>-</u>	<u>862</u>	<u>(1,429)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	2,291	2,291	953	3	956	1,338
Total Expenditures	<u>2,291</u>	<u>2,291</u>	<u>953</u>	<u>3</u>	<u>956</u>	<u>1,338</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(91)	(3)	(94)	(91)
Fund Balance - Beginning	-	-	(146)	(7)	(153)	(146)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (237)</u>	<u>\$ (10)</u>	<u>\$ (247)</u>	<u>\$ (237)</u>

Explanation of Differences:

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

Payroll Accrual and Compensated Absences	<u>\$ 3</u>
--	-------------

The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ (146)
Fund Balance - Ending	<u>\$ (237)</u>



## HOME – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (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>						
Intergovernmental						
Federal Grants	\$ 1,160	\$ 1,160	\$ 22	\$ -	\$ 22	\$ (1,138)
Total Revenues	<u>1,160</u>	<u>1,160</u>	<u>22</u>	<u>-</u>	<u>22</u>	<u>(1,138)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	1,160	1,160	20	-	20	1,140
Total Expenditures	<u>1,160</u>	<u>1,160</u>	<u>20</u>	<u>-</u>	<u>20</u>	<u>1,140</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	2	-	2	2
Fund Balance - Beginning	-	-	(1)	(1)	(2)	(1)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ (1)
Fund Balance - Ending	<u>\$ 1</u>

## Grants – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (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>						
Intergovernmental						
Federal Grants	\$ 13,000	\$ 13,000	\$ 1,489	\$ -	\$ 1,489	\$ (11,511)
State Grants	250	250	17	-	17	(233)
Miscellaneous	200	200	110	-	110	(90)
Contributions and Donations	1,500	1,500	644	-	644	(856)
Total Revenues	<u>14,950</u>	<u>14,950</u>	<u>2,260</u>	<u>-</u>	<u>2,260</u>	<u>(12,690)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Court	3	3	3	-	3	-
City Treasurer - Finance and Accounting	2,949	2,877	-	-	-	2,877
Public Works & Water Resources	873	873	694	-	694	179
Community and Economic Development	197	279	197	-	197	82
Public Safety	216	1,593	951	-	951	642
Community Services	302	784	546	-	546	238
Total Expenditures	<u>4,540</u>	<u>6,409</u>	<u>2,391</u>	<u>-</u>	<u>2,391</u>	<u>4,018</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,410</u>	<u>8,541</u>	<u>(131)</u>	<u>-</u>	<u>(131)</u>	<u>(8,672)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(5)	-	(5)	(5)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Net Change in Fund Balance	10,410	8,541	(136)	-	(136)	(8,677)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>(263)</u>	<u>6</u>	<u>(257)</u>	<u>(263)</u>
Fund Balance - Ending	<u>\$ 10,410</u>	<u>\$ 8,541</u>	<u>\$ (399)</u>	<u>\$ 6</u>	<u>\$ (393)</u>	<u>\$ (8,940)</u>

Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ (263)
Fund Balance - Ending	<u>\$ (399)</u>

## Section 8 – Special Revenue Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
 For the Fiscal Year Ended June 30, 2011 (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>						
Intergovernmental						
Federal Grants	\$ 6,624	\$ 6,624	\$ 6,412	\$ -	\$ 6,412	\$ (212)
Interest Earnings	-	-	1	-	1	1
Reimbursements From Outside Sources	-	-	2	-	2	2
Other	18	18	12	-	12	(6)
Total Revenues	<u>6,642</u>	<u>6,642</u>	<u>6,427</u>	<u>-</u>	<u>6,427</u>	<u>(215)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	6,642	6,642	6,019	10	6,029	623
Total Expenditures	<u>6,642</u>	<u>6,642</u>	<u>6,019</u>	<u>10</u>	<u>6,029</u>	<u>623</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	408	(10)	398	408
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(6)	-	(6)	(6)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>
Net Change in Fund Balance	-	-	402	(10)	392	402
Fund Balance - Beginning	-	-	800	8	808	800
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202</u>	<u>\$ (2)</u>	<u>\$ 1,200</u>	<u>\$ 1,202</u>

## Explanation of Differences:

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

    Payroll Accrual and Compensated Absences \$ 10

The beginning balance for Actual Amounts Budgetary Basis was adjusted  
to reflect a change in the budget basis to modified accrual basis,  
to include only the exceptions listed above:

Fund Balance - Beginning \$ 800  
Fund Balance - Ending \$ 1,202



## Special Programs – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (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>						
Charges for Current Services						
Recreation Fees	\$ 1,130	\$ 1,130	\$ 1,174	\$ -	\$ 1,174	\$ 44
Fines, Fees and Forfeitures						
Court Fines	3	3	2	-	2	(1)
Court Enhancement Fee	1,076	1,076	1,044	-	1,044	(32)
Police Fees	630	630	527	-	527	(103)
Property Rental	392	392	117	-	117	(275)
Interest Earnings	-	-	72	-	72	72
Investment Income	-	-	-	(2)	(2)	-
Intergovernmental						
Miscellaneous	2,956	2,956	1,411	-	1,411	(1,545)
Contributions and Donations	578	578	512	-	512	(66)
Other	-	463	324	-	324	(139)
Total Revenues	<u>6,765</u>	<u>7,228</u>	<u>5,183</u>	<u>(2)</u>	<u>5,181</u>	<u>(2,045)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Court	1,363	1,358	1,263	4	1,267	95
Community and Economic Development	5,497	6,534	6,419	(4)	6,415	115
Public Safety	1,860	1,806	1,395	(8)	1,387	411
Human Resources	5	5	-	-	-	5
Community Services	2,336	2,337	1,909	7	1,916	428
Total Expenditures	<u>11,061</u>	<u>12,040</u>	<u>10,986</u>	<u>(1)</u>	<u>10,985</u>	<u>1,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,296)</u>	<u>(4,812)</u>	<u>(5,803)</u>	<u>(1)</u>	<u>(5,804)</u>	<u>(991)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	5,226	6,263	6,728	-	6,728	465
Transfers Out	(1,589)	(1,589)	(953)	-	(953)	636
Total Other Financing Sources and Uses	<u>3,637</u>	<u>4,674</u>	<u>5,775</u>	<u>-</u>	<u>5,775</u>	<u>1,101</u>
Net Change in Fund Balance	(659)	(138)	(28)	(1)	(29)	110
Fund Balance - Beginning	<u>8,692</u>	<u>8,692</u>	<u>8,719</u>	<u>(35)</u>	<u>8,684</u>	<u>27</u>
Fund Balance - Ending	<u>\$ 8,033</u>	<u>\$ 8,554</u>	<u>\$ 8,691</u>	<u>\$ (36)</u>	<u>\$ 8,655</u>	<u>\$ 137</u>
Explanation of Differences:						
Items recorded as revenues for GAAP purposes that are not recorded for budget purposes:						
Change in Fair Value of Investments		<u>(2)</u>				
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:						
Payroll Accrual and Compensated Absences		<u>(1)</u>				
Net Increase in Fund Balance - Budget to GAAP		<u>(1)</u>				
The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:						
Fund Balance - Beginning		\$ 8,719				
Fund Balance - Ending		<u>\$ 8,691</u>				

## Combining Balance Sheet

Nonmajor Debt Service Governmental Funds  
June 30, 2011 (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	\$ 9,357	\$ 516	\$ -	\$ -	\$ -	\$ -	\$ 321	\$ 24	\$ 10,218
Cash with Fiscal Agent	4,572	34	622	1,382	1,451	621	551	4,857	14,090
Receivables (net of allowance for uncollectibles)									
Property Tax	-	-	12	28	90	12	23	-	165
Intergovernmental	20,260	-	-	-	-	-	-	-	20,260
Special Assessments	-	1,244	-	-	-	-	-	-	1,244
Miscellaneous	41	-	-	-	-	-	-	-	41
Total Assets	<u>\$ 34,230</u>	<u>\$ 1,794</u>	<u>\$ 634</u>	<u>\$ 1,410</u>	<u>\$ 1,541</u>	<u>\$ 633</u>	<u>\$ 895</u>	<u>\$ 4,881</u>	<u>\$ 46,018</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Bond Interest Payable	3,042	33	66	319	419	70	109	1,374	5,432
Matured Bonds Payable	1,530	-	365	835	630	135	50	3,470	7,015
Deferred Revenue									
Property Tax	-	-	8	15	49	7	23	-	102
Special Assessments	-	1,244	-	-	-	-	-	-	1,244
Intergovernmental	20,260	-	-	-	-	-	-	-	20,260
Other	41	-	-	-	-	-	-	-	41
Total Liabilities	<u>24,873</u>	<u>1,277</u>	<u>439</u>	<u>1,169</u>	<u>1,098</u>	<u>212</u>	<u>182</u>	<u>4,844</u>	<u>34,094</u>
Fund Balances									
Restricted	-	517	195	241	443	421	713	37	2,567
Assigned	9,357	-	-	-	-	-	-	-	9,357
Total Fund Balances	<u>9,357</u>	<u>517</u>	<u>195</u>	<u>241</u>	<u>443</u>	<u>421</u>	<u>713</u>	<u>37</u>	<u>11,924</u>
Total Liabilities and Fund Balances	<u>\$ 34,230</u>	<u>\$ 1,794</u>	<u>\$ 634</u>	<u>\$ 1,410</u>	<u>\$ 1,541</u>	<u>\$ 633</u>	<u>\$ 895</u>	<u>\$ 4,881</u>	<u>\$ 46,018</u>

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

### Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2011 (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	\$ -	\$ -	\$ 454	\$ 1,424	\$ 1,395	\$ 235	\$ 309	\$ -	\$ 3,817
Special Assessments	-	733	-	-	-	-	-	-	733
Property Rental	151	-	-	-	-	-	-	-	151
Interest Earnings	-	-	-	-	-	14	-	5	19
Intergovernmental									
Miscellaneous	10	-	-	-	-	-	-	-	10
Total Revenues	161	733	454	1,424	1,395	249	309	5	4,730
<b>EXPENDITURES</b>									
Debt Service									
Principal	1,530	757	365	835	630	135	50	3,470	7,772
Interest and Fiscal Charges	6,095	86	134	640	839	142	219	2,471	10,626
Bond Issuance Costs	-	-	-	-	-	-	-	463	463
Total Expenditures	7,625	843	499	1,475	1,469	277	269	6,404	18,861
Excess (Deficiency) of Revenues Over Expenditures	(7,464)	(110)	(45)	(51)	(74)	(28)	40	(6,399)	(14,131)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	7,541	-	-	-	-	-	-	5,940	13,481
Refunding Bonds Issued	-	-	-	-	-	-	-	44,870	44,870
Premium on Bonds Issued	-	-	-	-	-	-	-	5,955	5,955
Payment to Bond Refunding Escrow Agent	-	-	-	-	-	-	-	(50,329)	(50,329)
Total Other Financing Sources and (Uses)	7,541	-	-	-	-	-	-	6,436	13,977
Net change in Fund Balances	77	(110)	(45)	(51)	(74)	(28)	40	37	(154)
Fund Balances - Beginning, restated	9,280	627	240	292	517	449	673	-	12,078
Fund Balances - Ending	\$ 9,357	\$ 517	\$ 195	\$ 241	\$ 443	\$ 421	\$ 713	\$ 37	\$ 11,924

## General Obligation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (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	\$ 37,910	\$ 37,910	\$ 37,450	\$ -	\$ 37,450	\$ (460)
Reimbursements from Outside Sources	-	-	1	-	1	1
Total Revenues	<u>37,910</u>	<u>37,910</u>	<u>37,451</u>	<u>-</u>	<u>37,451</u>	<u>(459)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	27,335	27,335	27,975	-	27,975	(640)
Interest and Fiscal Charges	30,185	30,185	25,533	-	25,533	4,652
Bond Issuance Costs	-	-	538	-	538	(538)
Total Expenditures	<u>57,520</u>	<u>57,520</u>	<u>54,046</u>	<u>-</u>	<u>54,046</u>	<u>3,474</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,610)</u>	<u>(19,610)</u>	<u>(16,595)</u>	<u>-</u>	<u>(16,595)</u>	<u>3,015</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	19,610	19,610	15,732	-	15,732	(3,878)
Refunding Bonds Issued	-	-	43,115	-	43,115	43,115
Premium on Long Term Debt Issued	-	-	4,092	-	4,092	4,092
Payment to Bond Refunding Escrow Agent	-	-	(44,489)	-	(44,489)	(44,489)
Total Other Financing Sources and Uses	<u>19,610</u>	<u>19,610</u>	<u>18,450</u>	<u>-</u>	<u>18,450</u>	<u>(1,160)</u>
Net Change in Fund Balance	-	-	1,855	-	1,855	1,855
Fund Balance - Beginning	<u>4,305</u>	<u>4,932</u>	<u>4,932</u>	<u>-</u>	<u>4,932</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,305</u>	<u>\$ 4,932</u>	<u>\$ 6,787</u>	<u>\$ -</u>	<u>\$ 6,787</u>	<u>\$ 1,855</u>

### Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ 4,932
Fund Balance - Ending	<u>\$ 6,787</u>



## Municipal Property Corporation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Property Rental	\$ 145	\$ 145	\$ 151	\$ -	\$ 151	\$ 6
Intergovernmental	337	337	10	-	10	(327)
Total Revenues	<u>482</u>	<u>482</u>	<u>161</u>	<u>-</u>	<u>161</u>	<u>(321)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	1,659	1,659	1,530	-	1,530	129
Interest and Fiscal Charges	<u>6,219</u>	<u>6,219</u>	<u>6,095</u>	<u>-</u>	<u>6,095</u>	<u>124</u>
Total Expenditures	<u>7,878</u>	<u>7,878</u>	<u>7,625</u>	<u>-</u>	<u>7,625</u>	<u>253</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,396)</u>	<u>(7,396)</u>	<u>(7,464)</u>	<u>-</u>	<u>(7,464)</u>	<u>(68)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	<u>7,433</u>	<u>7,433</u>	<u>7,541</u>	<u>-</u>	<u>7,541</u>	<u>108</u>
Total Other Financing Sources and Uses	<u>7,433</u>	<u>7,433</u>	<u>7,541</u>	<u>-</u>	<u>7,541</u>	<u>108</u>
Net Change in Fund Balance	37	37	77	-	77	40
Fund Balance - Beginning	<u>9,808</u>	<u>9,280</u>	<u>9,280</u>	<u>-</u>	<u>9,280</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 9,845</u>	<u>\$ 9,317</u>	<u>\$ 9,357</u>	<u>\$ -</u>	<u>\$ 9,357</u>	<u>\$ 40</u>

### Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ 9,280
Fund Balance - Ending	<u>\$ 9,357</u>

## Special Assessments Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (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	\$ 840	\$ 840	\$ 733	\$ -	\$ 733	\$ (107)
Total Revenues	840	840	733	-	733	(107)
<b>EXPENDITURES</b>						
Debt Service						
Principal	755	755	757	-	757	(2)
Interest and Fiscal Charges	85	85	86	-	86	(1)
Total Expenditures	840	840	843	-	843	(3)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(110)	-	(110)	(110)
Fund Balance - Beginning	1,627	627	627	-	627	-
Fund Balance - Ending	\$ 1,627	\$ 627	\$ 517	\$ -	\$ 517	\$ (110)

### Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ 627
Fund Balance - Ending	\$ 517

## Scottsdale Preserve Authority Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Interest Earnings	\$ -	\$ -	\$ 5	\$ -	\$ 5	\$ 5
Total Revenues	-	-	5	-	5	5
<b>EXPENDITURES</b>						
Debt Service						
Principal	3,470	3,470	3,470	-	3,470	-
Interest and Fiscal Charges	3,231	3,231	2,471	-	2,471	760
Bond Issuance Costs	-	-	463	-	463	(463)
Total Expenditures	6,701	6,701	6,404	-	6,404	297
Excess (Deficiency) of Revenues Over Expenditures	(6,701)	(6,701)	(6,399)	-	(6,399)	302
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	6,701	6,701	5,940	-	5,940	(761)
Refunding bonds issued	-	-	44,870	-	44,870	44,870
Premium on Bonds Issued	-	-	5,955	-	5,955	5,955
Payment to Bond Refunding Escrow Agent	-	-	(50,329)	-	(50,329)	(50,329)
Total Other Financing Sources and Uses	6,701	6,701	6,436	-	6,436	(265)
Net Change in Fund Balance	-	-	37	-	37	37
Fund Balance - Beginning	-	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 37	\$ -	\$ 37	\$ 37

### Explanation of Differences:

The beginning balance for Actual Amounts Budgetary Basis was adjusted to reflect a change in the budget basis to modified accrual basis, to include only the exceptions listed above:

Fund Balance - Beginning	\$ -
Fund Balance - Ending	\$ 37

## Combining Balance Sheet

### Nonmajor Capital Projects Governmental Funds

June 30, 2011 (in thousands of dollars)

	General Obligation Bond	Preserve Privilege Tax	Transportation Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Total
<b>ASSETS</b>						
Cash and Investments	\$ 43,381	\$ 77	\$ 16,358	\$ -	\$ -	\$ 59,816
Cash with Fiscal Agent	-	-	-	110	87	197
Receivables (net of allowance for uncollectibles)						
Interest	50	-	11	-	-	61
Grants	-	-	5,716	-	-	5,716
Total Assets	<u>\$ 43,431</u>	<u>\$ 77</u>	<u>\$ 22,085</u>	<u>\$ 110</u>	<u>\$ 87</u>	<u>\$ 65,790</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts Payable	\$ -	\$ 58	\$ 4,946	\$ -	\$ -	\$ 5,004
Accrued Payroll and Benefits	-	19	18	-	-	37
Deferred Revenue						
Intergovernmental	-	-	5,535	-	-	5,535
Other	60	-	14	-	-	74
Total Liabilities	<u>60</u>	<u>77</u>	<u>10,513</u>	<u>-</u>	<u>-</u>	<u>10,650</u>
Fund Balances						
Restricted	43,371	-	11,572	110	87	55,140
Total Fund Balances	<u>43,371</u>	<u>-</u>	<u>11,572</u>	<u>110</u>	<u>87</u>	<u>55,140</u>
Total Liabilities and Fund Balances	<u>\$ 43,431</u>	<u>\$ 77</u>	<u>\$ 22,085</u>	<u>\$ 110</u>	<u>\$ 87</u>	<u>\$ 65,790</u>

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

### Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	General Obligation Bond	Preserve Privilege Tax	Transportation Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Total
<b>REVENUES</b>						
Interest Earnings	\$ 506	\$ -	\$ 174	\$ -	\$ -	\$ 680
Investment Income	(10)	-	(2)	-	-	(12)
Intergovernmental						
Federal Grants	-	-	3,574	-	-	3,574
Miscellaneous	-	-	9,835	-	-	9,835
Developer Contributions	-	-	188	-	-	188
Reimbursements from Outside Sources	-	-	267	-	-	267
Total Revenues	496	-	14,036	-	-	14,532
<b>EXPENDITURES</b>						
Current:						
Capital Improvements	-	23,640	27,450	-	-	51,090
Total Expenditures	-	23,640	27,450	-	-	51,090
Excess (Deficiency) of Revenues Over Expenditures	496	(23,640)	(13,414)	-	-	(36,558)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	4	1,284	9,172	-	-	10,460
Transfers Out	(13,008)	(1,348)	(835)	-	-	(15,191)
Long-Term Capital-Related Debt Issued	-	22,525	-	-	-	22,525
Total Other Financing Sources and (Uses)	(13,004)	22,461	8,337	-	-	17,794
Net Change in Fund Balances	(12,508)	(1,179)	(5,077)	-	-	(18,764)
Fund Balances - Beginning	55,879	1,179	16,649	110	87	73,904
Fund Balances - Ending	\$ 43,371	\$ -	\$ 11,572	\$ 110	\$ 87	\$ 55,140

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## INTERNAL SERVICE FUNDS

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

### **Fleet Management Fund**

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

### **Self-Insurance Fund**

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

## Combining Statement of Net Assets

### Internal Service Funds

June 30, 2011 (in thousands of dollars)

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 15,247	\$ 24,387	\$ 39,634
Receivables (net of allowance for uncollectibles)			
Interest	16	26	42
Miscellaneous	-	36	36
Supplies Inventory	662	-	662
	<u>15,925</u>	<u>24,449</u>	<u>40,374</u>
Total Current Assets			
Noncurrent Assets			
Capital Assets			
Buildings and Improvements	7,056	-	7,056
Motor Vehicles	65,423	-	65,423
Machinery and Equipment	977	-	977
Construction in Progress	4,098	-	4,098
Less Accumulated Depreciation	(47,089)	-	(47,089)
	<u>30,465</u>	<u>-</u>	<u>30,465</u>
Total Capital Assets (net of accumulated depreciation)			
	<u>30,465</u>	<u>-</u>	<u>30,465</u>
Total Noncurrent Assets			
	<u>30,465</u>	<u>-</u>	<u>30,465</u>
Total Assets			
	<u>46,390</u>	<u>24,449</u>	<u>70,839</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	1,360	365	1,725
Accrued Payroll and Benefits	108	30	138
Accrued Compensated Absences - Due Within One Year	152	33	185
Claims Payable - Due Within One Year	-	5,504	5,504
	<u>1,620</u>	<u>5,932</u>	<u>7,552</u>
Total Current Liabilities			
Noncurrent Liabilities			
Accrued Compensated Absences - Due in More Than One Year	204	29	233
Other Payables - Due in More Than One Year	15	5,636	5,651
	<u>219</u>	<u>5,665</u>	<u>5,884</u>
Total Noncurrent Liabilities			
	<u>219</u>	<u>5,665</u>	<u>5,884</u>
Total Liabilities			
	<u>1,839</u>	<u>11,597</u>	<u>13,436</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	30,465	-	30,465
Unrestricted	14,086	12,852	26,938
	<u>44,551</u>	<u>12,852</u>	<u>57,403</u>
Total Net Assets			
	<u>\$ 44,551</u>	<u>\$ 12,852</u>	<u>\$ 57,403</u>

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

### Internal Service Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for Sales and Services			
Billings To User Programs	\$ 14,068	\$ 19,783	\$ 33,851
Self Insurance Contributions-Employee	-	4,016	4,016
State Contributions	-	1,274	1,274
Other	16	782	798
	<u>14,084</u>	<u>25,855</u>	<u>39,939</u>
<b>Operating Expenses</b>			
Costs of Sales and Services			
Fleet Management Operations	11,184	-	11,184
Self-Insurance Administration	-	3,004	3,004
Self-Insurance Claims	-	2,964	2,964
Self-Insurance Benefits	-	22,310	22,310
Insurance and Bond Premiums	-	1,492	1,492
Depreciation	5,061	-	5,061
	<u>16,245</u>	<u>29,770</u>	<u>46,015</u>
Total Operating Expenses	<u>16,245</u>	<u>29,770</u>	<u>46,015</u>
Operating Income (Loss)	<u>(2,161)</u>	<u>(3,915)</u>	<u>(6,076)</u>
<b>Non-Operating Revenues</b>			
Property Tax	-	1,703	1,703
Investment Income	197	327	524
Loss on Sale of Capital Assets	(150)	-	(150)
	<u>47</u>	<u>2,030</u>	<u>2,077</u>
Total Non-Operating Revenues	<u>47</u>	<u>2,030</u>	<u>2,077</u>
Income Before Contributions and Transfers	<u>(2,114)</u>	<u>(1,885)</u>	<u>(3,999)</u>
Capital Contributions	949	-	949
Transfers Out	(28)	(7)	(35)
Change in Net Assets	<u>(1,193)</u>	<u>(1,892)</u>	<u>(3,085)</u>
Total Net Assets - Beginning	<u>45,744</u>	<u>14,744</u>	<u>60,488</u>
Total Net Assets - Ending	<u>\$ 44,551</u>	<u>\$ 12,852</u>	<u>\$ 57,403</u>



## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 14,068	\$ 25,040	\$ 39,108
Cash Paid to Suppliers	(7,747)	(29,041)	(36,788)
Cash Paid to Employees	(3,354)	(664)	(4,018)
Other Operating	16	782	798
Net Cash Provided (Used) by Operating Activities	<u>2,983</u>	<u>(3,883)</u>	<u>(900)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Property Tax	-	1,703	1,703
Transfers Out	(28)	(7)	(35)
Net Cash (Provided)/Used by Non-Capital Financing Activities	<u>(28)</u>	<u>1,696</u>	<u>1,668</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and Construction of Property and Equipment	(3,774)	-	(3,774)
Sale of Capital Assets	125	-	125
Net Cash Used for Capital and Related Financing Activities	<u>(3,649)</u>	<u>-</u>	<u>(3,649)</u>
<b>Cash Flows from Investing Activities</b>			
Income Received on Investments	214	359	573
Net Decrease in Cash and Cash Equivalents	(480)	(1,828)	(2,308)
Cash and Cash Equivalents at Beginning of Year	15,727	26,215	41,942
Cash and Cash Equivalents at End of Year	<u>\$ 15,247</u>	<u>\$ 24,387</u>	<u>\$ 39,634</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating Loss	\$ (2,161)	\$ (3,915)	\$ (6,076)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities			
Depreciation	5,061	-	5,061
Changes in Assets and Liabilities Sources (Uses) of Cash			
Miscellaneous Receivables	-	(33)	(33)
Supplies Inventory	66	-	66
Accounts Payable	101	125	226
Accrued Payroll and Benefits	(63)	(52)	(115)
Other Payables	(21)	(6)	(27)
Claims Payable	-	(2)	(2)
Total Adjustments	<u>5,144</u>	<u>32</u>	<u>5,176</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,983</u>	<u>\$ (3,883)</u>	<u>\$ (900)</u>
<b>Supplemental Disclosure of Noncash Financing Activities</b>			
Additions to Property, Plant, and Equipment	\$ 949	\$ -	\$ 949
Contributions from Other Government Units	\$ 949	\$ -	\$ 949
Total Non-Cash Financing Activities	<u>\$ 949</u>	<u>\$ -</u>	<u>\$ 949</u>

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## FIDUCIARY FUNDS

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

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

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

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

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

### **Retainage Escrow Agency Fund**

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

## Combining Statement of Fiduciary Net Assets

### Fiduciary Funds

June 30, 2011 (in thousands of dollars)

	Private Purpose Trust Funds		Agency Funds		
	Handicap Scholarship Private Purpose Trust Fund	Total	Family Self-Sufficiency Agency Fund	Retainage Escrow Agency Fund	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4	\$ 4	\$ 121	\$ 778	\$ 899
Total Assets	4	4	121	778	899
<b>LIABILITIES</b>					
Accounts Payable	-	-	121	-	121
Designated Escrow Payable	-	-	-	778	778
Total Liabilities	-	-	121	778	899
<b>NET ASSETS</b>					
Held in Trust for Other Purposes	\$ 4	\$ 4	\$ -	\$ -	\$ -

## Combining Statement of Changes in Assets and Liabilities

### Fiduciary Funds

For the Fiscal Year Ended June 30, 2011 (in thousands of dollars)

	Family Self-Sufficiency				Retainage Escrow			
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 126	\$ 53	\$ 58	\$ 121	\$ 4,720	\$ 778	\$ 4,720	\$ 778
Total Assets	\$ 126	\$ 53	\$ 58	\$ 121	\$ 4,720	\$ 778	\$ 4,720	\$ 778
<b>LIABILITIES</b>								
Accounts Payable	\$ 126	\$ 53	\$ 58	\$ 121	\$ -	\$ -	\$ -	\$ -
Designated Escrow Payable	-	-	-	-	4,720	778	4,720	778
Total Liabilities	\$ 126	\$ 53	\$ 58	\$ 121	\$ 4,720	\$ 778	\$ 4,720	\$ 778

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## OTHER SUPPLEMENTARY INFORMATION

### Debt Requirements

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

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

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

For the Year Ended June 30, 2011 (in thousands of dollars)

	July 1, 2010	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2011	Governmental Activities	Business-type Activities	Final Payment Date
<b>GENERAL OBLIGATION BONDS</b>										
Governmental Fund Type:										
1997 GO Refunding	\$ 5,890	\$ -	\$ 2,095	\$ -	\$ -	\$ -	\$ 3,795	\$ 3,795	\$ -	07/01/14
1989 Series I (1998)	4,445	-	-	-	4,445	-	-	-	-	07/01/18
2001 GO Refunding Various Purpose	6,840	-	2,640	-	4,200	-	-	-	-	07/01/22
2001 GO Refunding Preservation	28,715	-	-	-	28,715	-	-	-	-	07/01/22
2002 GO Various Purpose	1,560	-	1,560	-	-	-	-	-	-	07/01/24
2002 GO Preservation	5,755	-	-	-	5,755	-	-	-	-	07/01/24
2002 GO Refunding Various Purpose	33,025	-	8,795	-	-	-	24,230	24,230	-	07/01/19
2002 GO Refunding Preservation	8,100	-	-	-	-	-	8,100	8,100	-	07/01/19
2003 GO Refunding Various Purpose	4,505	-	1,795	-	-	-	2,710	2,710	-	07/01/13
2004 GO Various Purpose	48,000	-	-	-	-	-	48,000	48,000	-	07/01/25
2004 GO Preservation	56,800	-	4,600	-	-	-	52,200	52,200	-	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	113,250	-	3,500	-	-	-	109,750	109,750	-	07/01/24
2005B GO Preservation	16,700	-	900	-	-	-	15,800	15,800	-	07/01/24
2008A GO Various Purpose	100,000	-	-	-	-	-	100,000	100,000	-	07/01/28
2008B GO Preservation	19,175	-	500	-	-	-	18,675	18,675	-	07/01/34
2010 GO Various Purpose Bonds	50,800	-	950	-	-	-	49,850	49,850	-	07/01/30
2011 GO Preserve	-	22,525	-	-	-	-	22,525	22,525	-	07/01/34
2011 GO Refunding Various Purpose	-	-	-	8,645	-	-	8,645	8,645	-	07/01/18
2011 GO Refunding Preservation	-	-	640	34,470	-	-	33,830	33,830	-	07/01/24
2001 GO Refunding Series Deferred Issuance Premium	490	-	-	-	-	(490)	-	-	-	-
2001 GO Series Deferred Amount on Refunding	(803)	-	-	-	-	803	-	-	-	-
2004 GO Series Deferred Issuance Premium	720	-	-	-	-	(51)	669	669	-	-
2005 GO Series Deferred Amount on Refunding	(2,552)	-	-	-	-	278	(2,274)	(2,274)	-	-
2005 GO Refunding Series Deferred Issuance Premium	1,960	-	-	-	-	(213)	1,747	1,747	-	-
2005A GO Series Deferred Issuance Premium	1,820	-	-	-	-	(136)	1,684	1,684	-	-
2005B GO Series Deferred Issuance Premium	290	-	-	-	-	(22)	268	268	-	-
2008A GO Series Deferred Issuance Premium	1,995	-	-	-	-	(112)	1,883	1,883	-	-
2008B GO Series Deferred Issuance Premium	129	-	-	-	-	(5)	124	124	-	-
2010 GO Bonds Deferred Issuance Premium	832	-	-	-	-	(42)	790	790	-	-
2011 GO Preserve Series Deferred Issuance Premium	-	263	-	-	-	(5)	258	258	-	-
2011 GO Series Deferred Amount on Refunding	-	-	-	(1,687)	-	14	(1,673)	(1,673)	-	-
2011 GO Refunding Series Deferred Issuance Premium	-	-	-	3,829	-	(73)	3,756	3,756	-	-
Total General Obligation Bonds	\$ 583,071	\$ 22,788	\$ 27,975	\$ 45,257	\$ 43,115	\$ (54)	\$ 579,972	\$ 579,972	\$ -	-
<b>REVENUE BONDS</b>										
Business Type - Revenue Bonds										
2004 Utility Revenue Series Refunding	11,975	-	3,030	-	-	-	8,945	-	8,945	07/01/16
2008 Utility Revenue Series Refunding	33,255	-	190	-	-	-	33,065	-	33,065	07/01/23
2004 Revenue Series Deferred Amount on Refunding	(134)	-	-	-	-	134	-	-	-	-
2004 Refunding Series Deferred Issuance Premium	149	-	-	-	-	(149)	-	-	-	-
2008 Revenue Series Deferred Amount on Refunding	(621)	-	-	-	-	49	(572)	-	(572)	-
2008 Refunding Series Deferred Issuance Premium	3,626	-	-	-	-	(288)	3,338	-	3,338	-
Total Revenue Bonds	\$ 48,250	\$ -	\$ 3,220	\$ -	\$ -	\$ (254)	\$ 44,776	\$ -	\$ 44,776	-

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

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

(continued here and on following page)

For the Year Ended June 30, 2011 (in thousands of dollars)

	July 1, 2010	Issued	Retired	Refunding Bonds Issued	Bonds Deceased	Accretions, & Contract Adjustments	June 30, 2011	Governmental Activities	Business-type Activities	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Fund Type:										
2004A MPC	\$ 8,865	\$ -	\$ 950	\$ -	\$ -	\$ -	\$ 7,915	\$ 7,915	\$ -	07/01/19
2005 MPC	22,842	-	85	-	-	777	23,534	23,534	-	07/01/21
2005D MPC	19,700	-	225	-	-	-	19,475	19,475	-	07/01/35
2006 MPC Refunding	55,450	-	-	-	-	-	55,450	55,450	-	07/01/34
2006A MPC	8,855	-	270	-	-	-	8,585	8,585	-	07/01/30
2006B MPC	32,500	-	-	-	-	-	32,500	32,500	-	07/01/31
2004A Series Deferred Issuance Premium	156	-	-	-	-	(17)	139	139	-	-
2005 Series Deferred Issuance Premium	263	-	-	-	-	(24)	239	239	-	-
2005D Series Deferred Issuance Premium	950	-	-	-	-	(38)	912	912	-	-
2006 Series Deferred Amount on Refunding	(2,214)	-	-	-	-	89	(2,125)	(2,125)	-	-
2006 Refunding Series Deferred Issuance Premium	5,930	-	-	-	-	(247)	5,683	5,683	-	-
2006A Series Deferred Issuance Premium	101	-	-	-	-	(5)	96	96	-	-
2006B Series Deferred Issuance Premium	184	-	-	-	-	(9)	175	175	-	-
Subtotal	153,582	-	1,530	-	-	526	152,578	152,578	-	-
Business Type - Municipal Property Corporation Bonds										
2004 Water/Sewer	13,440	-	3,180	-	-	-	10,260	-	10,260	07/01/14
2005E Water/Sewer	16,330	-	2,400	-	-	-	13,930	-	13,930	07/01/16
2006 MPC Refunding	110,510	-	-	-	-	-	110,510	-	110,510	07/01/30
2008A Water/Sewer	101,500	-	2,675	-	-	-	98,825	-	98,825	07/01/32
2010 MPC Bonds Water/Sewer	75,000	-	-	-	-	-	75,000	-	75,000	07/01/36
2004 Water/Sewer Deferred Issuance Premium	717	-	-	-	-	(181)	536	-	536	-
2005E Water Deferred Issuance Premium	475	-	-	-	-	(79)	396	-	396	-
2006 Refunding Series Deferred Issuance Premium	10,819	-	-	-	-	(451)	10,368	-	10,368	-
2006 Series Deferred Amount on Refunding	(4,351)	-	-	-	-	189	(4,162)	-	(4,162)	-
2008A Series Deferred Issuance Premium	4,278	-	-	-	-	(196)	4,082	-	4,082	-
2010 Water/Sewer Deferred Issuance Premium	3,498	-	-	-	-	(136)	3,362	-	3,362	-
Subtotal	332,216	-	8,255	-	-	(854)	323,107	-	323,107	-
Total Municipal Property Corporation Bonds	\$ 485,798	\$ -	\$ 9,785	\$ -	\$ -	\$ (328)	\$ 475,685	\$ 152,578	\$ 323,107	-
<b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>										
Governmental Fund Type:										
1998 Excise Tax Revenue	\$ 36,725	\$ -	\$ -	\$ -	\$ 36,725	\$ -	\$ -	\$ -	\$ -	07/01/24
2001 Excise Tax Refunding	13,475	-	850	-	12,625	-	-	-	-	07/01/22
2004 Excise Tax Refunding	17,670	-	2,620	-	-	-	15,050	15,050	-	07/01/16
2010 Excise Tax Refunding	-	-	-	32,855	-	-	32,855	32,855	-	07/01/24
2011 Excise Tax Refunding	-	-	-	12,015	-	-	12,015	12,015	-	07/01/22
2001 Excise Tax Revenue Deferred Issuance Premium	74	-	-	-	-	(74)	-	-	-	-
2001 Excise Tax Revenue Deferred Amount on Refunding	(444)	-	-	-	-	444	-	-	-	-
2004 Excise Tax Revenue Deferred Issuance Premium	1,187	-	-	-	-	(237)	950	950	-	-
2004 Excise Tax Revenue Deferred Amount on Refunding	(1,120)	-	-	-	-	223	(897)	(897)	-	-
2010 Excise Tax Revenue Deferred Issuance Premium	-	-	-	4,838	-	(230)	4,608	4,608	-	-
2010 Excise Tax Revenue Deferred Amount on Refunding	-	-	-	(668)	-	32	(636)	(636)	-	-
2011 Excise Tax Revenue Deferred Issuance Premium	-	-	-	1,117	-	(25)	1,092	1,092	-	-
2011 Excise Tax Revenue Deferred Amount on Refunding	-	-	-	(745)	-	17	(728)	(728)	-	-
Total Scottsdale Preserve Authority Bonds	\$ 67,567	\$ -	\$ 3,470	\$ 49,412	\$ 49,350	\$ 150	\$ 64,309	\$ 64,309	\$ -	-
<b>SPECIAL ASSESSMENT BONDS</b>										
Governmental Fund Type:										
Bell Road II Series 106	2,250	-	750	-	-	-	1,500	1,500	-	01/01/13
Total Special Assessment Bonds	\$ 2,250	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500	\$ -	-
<b>CERTIFICATES OF PARTICIPATION</b>										
Governmental Fund Type:										
2005 Certificates of Participation	\$ 4,194	\$ -	\$ 785	\$ -	\$ -	\$ -	\$ 3,409	\$ 3,409	\$ -	01/01/15
Series 2010-Public Safety Communications Project	-	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ -	07/01/20
Total Certificates of Participation	\$ 4,194	\$ 20,000	\$ 785	\$ -	\$ -	\$ -	\$ 23,409	\$ 23,409	\$ -	-

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

(continued)

For the Year Ended June 30, 2011 (in thousands of dollars)

	July 1, 2010	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2011	Governmental Activities	Business-type Activities	Final Payment Date
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Fund Type:										
McDowell Mtn Ranch Refunding Series 1999	\$ 13,265	\$ -	\$ 835	\$ -	\$ -	\$ -	\$ 12,430	\$ 12,430	\$ -	07/15/22
DC Ranch Series 1998	3,710	-	205	-	-	-	3,505	3,505	-	07/15/23
Via Linda Road Series 1999	2,455	-	135	-	-	-	2,320	2,320	-	07/15/23
DC Ranch Series 1999	2,500	-	115	-	-	-	2,385	2,385	-	07/15/24
Scottsdale Mountain Refunding Series 2002	3,005	-	365	-	-	-	2,640	2,640	-	07/15/18
DC Ranch Series 2002	10,080	-	310	-	-	-	9,770	9,770	-	07/15/27
Waterfront Commercial Series 2007	3,745	-	50	-	-	-	3,695	3,695	-	07/15/32
Scottsdale Mountain 2002 Deferred Issuance Premium	10	-	-	-	-	(2)	8	8	-	-
Scottsdale Mountain 2002 Deferred Amount on Refunding	(90)	-	-	-	-	57	(33)	(33)	-	-
DC Ranch 2002 Deferred Issuance Premium	45	-	-	-	-	(3)	42	42	-	-
Total Community Facilities District Bonds	38,725	-	2,015	-	-	52	36,762	36,762	-	-
Total Bonds	\$ 1,229,855	\$ 42,788	\$ 48,000	\$ 94,669	\$ 92,465	\$ (434)	\$ 1,226,413	\$ 858,530	\$ 367,883	-
<b>CONTRACTS PAYABLE</b>										
Governmental Fund Type:										
US Corps of Engineers	\$ 2,795	\$ -	\$ 88	\$ -	\$ -	\$ -	\$ 2,707	\$ 2,707	\$ -	2032
US Patent Office	3	-	-	-	-	(3)	-	-	-	2009
McDowell Sonoran Preserve	2,600	-	825	-	-	-	1,775	1,775	-	2013
Bureau of Reclamation\Westworld	4,796	-	116	-	-	-	4,680	4,680	-	2033
Bureau of Reclamation\TPC	5,525	-	115	-	-	-	5,410	5,410	-	2035
Underground Improvement District Series 104	13	-	7	-	-	4	10	10	-	2013
Total Contracts	\$ 15,732	\$ -	\$ 1,151	\$ -	\$ -	\$ 1	\$ 14,582	\$ 14,582	\$ -	-
<b>CAPITAL LEASES</b>										
Business Type:										
Modular Building - Water Operations	7	-	7	-	-	-	-	-	-	2010
	\$ 7	\$ -	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
TOTAL BONDS, CONTRACTS AND CAPITAL LEASES	\$ 1,245,594	\$ 42,788	\$ 49,158	\$ 94,669	\$ 92,465	\$ (433)	\$ 1,240,995	\$ 873,112	\$ 367,883	-
Compensated Absences								25,182	3,289	
Other Post Employment Benefit - Implied Subsidy								325	98	
Risk Management Claims								11,140	-	
Total Long-Term Debt							\$ 909,759	\$ 371,270		

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





## Statistical Section

### Contents

### Page

#### Financial Trends

140

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

#### Revenue Capacity

150

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

#### Debt Capacity

157

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### Demographic and Economic Information

163

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

#### Operating Information

165

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year and consistently present information beginning with fiscal year 2002, when the City implemented Statement 34.

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

Table I

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 1,429,495	\$ 1,497,575	\$ 1,548,486	\$ 1,877,955	\$ 2,029,375	\$ 2,198,130	\$ 2,353,573	\$ 2,586,731	\$ 2,729,334	\$ 2,704,433
Restricted	133,460	117,801	199,767	78,794	102,293 (2)	108,686	189,540	131,732	97,950	91,862
Unrestricted	152,731	165,209	127,017	195,887	172,530 (2)	206,386	90,632	83,884	87,698	108,799
Total Governmental Activities Net Assets	<u>\$ 1,715,686</u>	<u>\$ 1,780,585</u>	<u>\$ 1,875,270</u>	<u>\$ 2,152,636</u>	<u>\$ 2,304,198</u>	<u>\$ 2,513,202</u>	<u>\$ 2,633,745</u>	<u>\$ 2,802,347</u>	<u>\$ 2,914,982</u>	<u>\$ 2,905,094</u>
<b>Business-type Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 629,106	\$ 659,130	\$ 653,351	\$ 756,433	\$ 806,749	\$ 895,636	\$ 909,632	\$ 991,390	\$ 941,884	\$ 1,009,973
Restricted	16,399	16,721	20,842	23,472	27,000	33,649	26,147	26,568	32,244	36,287
Unrestricted	175,624	186,147	272,431 (1)	212,957	239,535	224,607	293,090	239,103	307,279	258,395
Total Business-type Activities Net Assets	<u>\$ 821,129</u>	<u>\$ 861,998</u>	<u>\$ 946,624</u>	<u>\$ 992,862</u>	<u>\$ 1,073,284</u>	<u>\$ 1,153,892</u>	<u>\$ 1,228,869</u>	<u>\$ 1,257,061</u>	<u>\$ 1,281,407</u>	<u>\$ 1,304,655</u>
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	\$ 2,058,601	\$ 2,156,705	\$ 2,201,837	\$ 2,634,388	\$ 2,836,124	\$ 3,093,766	\$ 3,263,205	\$ 3,578,121	\$ 3,671,218	\$ 3,714,406
Restricted	149,859	134,522	220,609	102,266	129,293	142,335	215,687	158,300	130,194	128,149
Unrestricted	328,355	351,356	399,448	408,844	412,065	430,993	383,722	322,987	394,977	367,194
Total Primary Government Net Assets	<u>\$ 2,536,815</u>	<u>\$ 2,642,583</u>	<u>\$ 2,821,894</u>	<u>\$ 3,145,498</u>	<u>\$ 3,377,482</u>	<u>\$ 3,667,094</u>	<u>\$ 3,862,614</u>	<u>\$ 4,059,408</u>	<u>\$ 4,196,389</u>	<u>\$ 4,209,749</u>

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

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

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

Table IIa

	Fiscal Year												
	2002	2003	2004	2005	(1)	2006	2007	2008	2009	2010	(2)	2011	(3)
<b>Expenses</b>													
Governmental Activities:													
General Government	\$ 26,982	\$ 22,776	\$ 23,839	\$ 30,943		\$ 42,729	\$ 45,682	\$ 40,698	\$ 20,646	\$ 24,351		\$ 21,495	
Public Works and Water Resources	-	-	-	-		-	-	-	-	37,143		35,605	
Community and Economic Development	-	-	-	-		-	-	-	-	-		134,221	
Public Safety	-	-	-	-		-	-	-	-	116,155		111,227	
Human Resources	-	3,601	3,462	3,333		3,615	3,800	4,790	3,545	3,717		3,047	
Community Services	53,325	52,222	55,087	57,519		57,931	70,527	78,285	78,523	53,596		51,974	
Information Technology	-	-	-	-		-	-	-	-	14,876		13,491	
Administrative Services	-	-	-	-		-	-	-	-	1,917		2,905	
Citizen and Neighborhood Resources	2,484	2,433	2,812	3,496		3,419	3,727	3,663	3,802	-		-	
Economic Vitality	-	6,421	6,130	8,026		7,549	9,475	9,711	8,553	20,676		-	
Finance and Accounting	-	-	-	-		-	-	-	-	5,848		-	
Financial Services	7,464	7,883	7,655	8,315		8,343	9,843	10,930	9,913	-		-	
Fire	16,494	18,127	19,570	28,620		26,943	28,054	31,943	31,174	-		-	
Information Services	10,821	11,901	11,135	7,941		14,589	13,329	13,704	13,723	-		-	
Municipal Services	11,482	12,290	13,024	16,520		14,746	17,698	20,153	22,887	-		-	
Planning and Development	18,269	11,908	11,697	12,522		12,883	15,133	31,933	29,029	-		-	
Planning, Neighborhood and Transportation	-	-	-	-		-	-	-	-	114,530		-	
Police	52,719	54,469	60,027	63,076		74,408	81,375	91,102	92,530	-		-	
The Downtown Group	-	-	-	-		-	-	-	4,595	-		-	
Transportation	72,159	71,837	78,373	85,835		82,047	95,214	90,039	87,552	-		-	
WestWorld	-	-	-	-		-	-	-	595	-		-	
Streetlight and Service Districts	1,044	1,099	1,024	1,094		617	597	712	631	538		578	
Interest on Long-term Debt	28,063	27,786	28,028	32,466		37,192	38,981	39,457	42,242	39,405		40,358	
Total Governmental Activities Expenses	301,306	304,753	321,863	359,706	-	387,011	433,435	467,120	449,940	432,752		414,901	
Business-type Activities:													
Water Utility	51,125	50,406	51,095	59,723		53,961	64,915	71,140	81,391	76,178		83,888	
Sewer Utility	24,007	22,862	24,678	28,324		27,854	26,089	26,947	33,509	33,274		34,533	
Airport	2,648	2,476	2,622	3,346		2,922	2,958	3,343	3,482	3,120		3,680	
Solid Waste	14,071	13,783	15,153	15,508		16,412	17,895	18,772	19,650	18,889		18,853	
Total Business-type Activities Expenses	91,851	89,527	93,548	106,901		101,149	111,857	120,202	138,032	131,461		140,954	
Total Primary Government Expenses	\$ 393,157	\$ 394,280	\$ 415,411	\$ 466,607		\$ 488,160	\$ 545,292	\$ 587,322	\$ 587,972	\$ 564,213		\$ 555,855	

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

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

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

In addition, Finance & Accounting was merged into General Government

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

Table IIb

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Program Revenue</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 11,243	\$ 11,402	\$ 12,742	\$ 12,106	\$ 13,783	\$ 14,102	\$ 15,581	\$ 14,670	\$ 13,982	\$ 4,777
Public Works & Water Resources	-	-	-	-	-	-	-	-	-	4,666
Community and Economic Development	-	-	-	-	-	-	-	-	-	9,604 (4)
Public Safety	-	-	-	-	-	-	-	-	12,655	9,917
Human Resources	-	-	-	-	-	-	-	-	-	973
Community Services	3,229	3,405	3,759	3,914	4,028	4,388	4,637	4,619	5,773	4,617
Information Technology	-	-	-	-	-	-	-	-	-	2,485
Administrative Services	-	-	-	-	-	-	-	-	-	635
Planning, Neighborhood and Transportation	-	-	-	-	-	-	-	-	6,837	-
Citizen and Neighborhood Resources	-	-	-	-	163	228	21	-	-	-
Economic Vitality	-	-	-	-	-	-	-	-	2,552	-
Fire	-	-	-	-	1,010 (1)	1,155	1,095	2,275	-	-
Planning and Development	15,764	15,449	17,314	18,188	20,515	16,128	12,800	6,393	-	-
Police	5,706	4,227	6,760	11,514	9,938	15,071	16,664	5,703	-	-
Transportation	-	-	-	-	277	326	-	-	-	-
WestWorld	-	-	-	-	-	-	-	2,682	-	-
Streetlight and Service Districts	1,012	1,018	1,000	998	511	546	595	599	289	478
Operating Grants and Contributions	22,200	21,219	24,508	26,865	26,355	29,293	28,409	26,272	29,319	32,205
Capital Grants and Contributions	77,412	70,369	105,794	73,092	136,745 (2)	211,707 (3)	157,808	240,289	190,279	41,072
Total Governmental Activities Program Revenues	<u>136,566</u>	<u>127,089</u>	<u>171,877</u>	<u>146,677</u>	<u>213,325</u>	<u>292,944</u>	<u>237,610</u>	<u>303,502</u>	<u>261,686</u>	<u>111,429</u>
Business-type Activities:										
Charges for Services:										
Water Utility	68,064	66,626	70,613	72,612	81,517	84,381	90,741	91,546	94,199	94,056
Sewer Utility	24,017	25,316	25,587	27,503	27,119	32,250	33,930	34,198	35,027	34,533
Airport	1,689	2,424	2,936	3,162	3,342	3,451	3,380	2,813	2,879	2,816
Solid Waste	15,796	16,250	16,488	16,984	17,163	18,490	19,824	20,049	20,269	20,940
Capital Grants and Contributions	38,733	28,487	71,709	38,313	55,580	55,111	50,679	22,067	9,268	17,889
Total Business-type Activities Revenues	<u>148,299</u>	<u>139,103</u>	<u>187,333</u>	<u>158,574</u>	<u>184,721</u>	<u>193,683</u>	<u>198,554</u>	<u>170,673</u>	<u>161,642</u>	<u>170,234</u>
Total Primary Government Revenues	<u>\$ 284,865</u>	<u>\$ 266,192</u>	<u>\$ 359,210</u>	<u>\$ 305,251</u>	<u>\$ 398,046</u>	<u>\$ 486,627</u>	<u>\$ 436,164</u>	<u>\$ 474,175</u>	<u>\$ 423,328</u>	<u>\$ 281,663</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (164,740)	\$ (177,664)	\$ (149,986)	\$ (213,029)	\$ (173,686)	\$ (140,491)	\$ (229,510)	\$ (146,438)	\$ (171,066)	\$ (303,472)
Business-type Activities	56,448	49,576	93,785	51,673	83,572	81,826	78,352	32,641	30,181	29,280
Total Primary Government Net Expense	<u>\$ (108,292)</u>	<u>\$ (128,088)</u>	<u>\$ (56,201)</u>	<u>\$ (161,356)</u>	<u>\$ (90,114)</u>	<u>\$ (58,665)</u>	<u>\$ (151,158)</u>	<u>\$ (113,797)</u>	<u>\$ (140,885)</u>	<u>\$ (274,192)</u>

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

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

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

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

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

Table IIc

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Revenues and Other Changes in Net Assets</b>										
Governmental Activities:										
Taxes	\$ 167,105	\$ 167,153	\$ 183,039	\$ 217,325 <sup>(1)</sup>	\$ 240,731	\$ 249,411	\$ 246,330	\$ 221,272	\$ 208,083	\$ 222,118
Intergovernmental	44,918	46,971	45,163	48,346	54,481	60,520	65,933	64,145	56,830	49,190
Interest and Investment Income	11,485	4,108	2,655	6,765	13,714	23,013	19,187	14,653	1,368	248
Miscellaneous and Special Items	5,382	4,760	2,777	4,100	5,786	5,377	7,606	5,038	6,730	11,849
Transfers	6,288	10,955	11,037	9,567	10,536	11,174	10,997	9,932	10,690	10,179
Total Governmental Activities	<u>235,178</u>	<u>233,947</u>	<u>244,671</u>	<u>286,103</u>	<u>325,248</u>	<u>349,495</u>	<u>350,053</u>	<u>315,040</u>	<u>283,701</u>	<u>293,584</u>
Business-type Activities:										
Taxes	-	-	-	-	119	195	195	117	130	134
Interest and Investment Income	5,820	1,493	973	4,288	6,581	9,265	6,910	4,958	4,295	2,658
Miscellaneous	874	755	905	(156)	686	496	517	408	430	1,355
Transfers	(6,289)	(10,955)	(11,037)	(9,567)	(10,536)	(11,174)	(10,997)	(9,932)	(10,690)	(10,179)
Total Business-type Activities	<u>405</u>	<u>(8,707)</u>	<u>(9,159)</u>	<u>(5,435)</u>	<u>(3,150)</u>	<u>(1,218)</u>	<u>(3,375)</u>	<u>(4,449)</u>	<u>(5,835)</u>	<u>(6,032)</u>
Total Primary Government	<u>\$ 235,583</u>	<u>\$ 225,240</u>	<u>\$ 235,512</u>	<u>\$ 280,668</u>	<u>\$ 322,098</u>	<u>\$ 348,277</u>	<u>\$ 346,678</u>	<u>\$ 310,591</u>	<u>\$ 277,866</u>	<u>\$ 287,552</u>
<b>Change in Net Assets</b>										
Governmental Activities	\$ 70,438	\$ 56,283	\$ 94,685	\$ 73,074	\$ 151,562	\$ 209,004	\$ 120,543	\$ 168,602	\$ 112,635	\$ (9,888)
Business-type Activities	56,853	40,869	84,626	46,238	80,422	80,608	74,977	28,192	24,346	23,248
Total Primary Government	<u>\$ 127,291</u>	<u>\$ 97,152</u>	<u>\$ 179,311</u>	<u>\$ 119,312</u>	<u>\$ 231,984</u>	<u>\$ 289,612</u>	<u>\$ 195,520</u>	<u>\$ 196,794</u>	<u>\$ 136,981</u>	<u>\$ 13,360</u>

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

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

Table III

Fiscal Year	Sales and Use Taxes					
	Property	Privilege & Use - General	Privilege & Use - McDowell Mtn (1)	Privilege & Use - Transportation	Privilege & Use - Public Safety (1)	Transient Occupancy
2002	\$ 39,485	\$ 81,871	\$ 15,814	\$ 15,587	\$ -	\$ 6,691
2003	42,218	79,483	15,645	15,335	-	6,688
2004	46,371	87,422	16,981	16,628	-	7,227
2005	48,416	94,407	31,301	18,115	8,491	7,939
2006	50,610	106,019	35,483	20,020	9,978	8,970
2007	50,961	109,143	37,281	20,910	10,578	9,723
2008	54,139	105,277	35,604	19,823	10,145	9,621
2009	61,138	87,430	29,121	16,141	8,289	7,577
2010	60,914	79,767	26,416	14,608	7,541	7,543
2011	67,703	80,563	27,199	15,042	7,765	12,696 (2)

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light & Power Franchise	State Shared Sales	State Revenue Sharing	Other
2002	\$ 2,223	\$ 5,238	\$ 15,621	\$ 21,142	\$ 512
2003	2,440	5,147	15,853	21,574	611
2004	2,740	5,488	17,054	18,278	663
2005	2,859	5,596	18,779	18,634	1,337
2006	3,157	6,308	21,664	21,223	962
2007	3,355	7,284	22,312	26,653	929
2008	3,544	8,030	21,575	33,037	957
2009	3,606	7,831	18,677	35,103	959
2010	3,317	7,834	17,227	30,309	979
2011	3,163	7,842	17,844	22,849	1,010

(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.

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

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

Table IV

	Fiscal Year										(3)
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
General Fund											
Non Spendable										\$	247
Restricted											281
Committed											-
Assigned											-
Unassigned											53,199
Reserved	\$ 2,006	\$ 1,992	\$ 2,153	\$ 872	\$ 805	\$ 754	\$ 924	\$ 835	\$ 586		-
Unreserved	74,363	71,236	59,707 (1)	72,772	93,243	89,534	61,379	59,587	51,518		-
Total General Fund	<u>\$ 76,369</u>	<u>\$ 73,228</u>	<u>\$ 61,860</u>	<u>\$ 73,644</u>	<u>\$ 94,048</u>	<u>\$ 90,288</u>	<u>\$ 62,303</u>	<u>\$ 60,422</u>	<u>\$ 52,104</u>	<u>\$</u>	<u>53,727</u>
All Other Governmental Funds											
Non Spendable										\$	3,000
Restricted											104,284
Committed											6,221
Assigned											36,609
Unassigned											-
Unassigned, Reported in:											
Special Revenue Funds											(640)
Reserved	\$ 12,880	\$ 13,670	\$ 9,122	\$ 10,613	\$ 23,142	\$ 21,249	\$ 25,600	\$ 27,236	\$ 20,193		-
Unreserved, Reported in:											
Special Revenue Funds	25,775	24,553	22,122	31,873	40,952	52,484	35,179	30,710	30,963		-
Capital Project Funds	168,550	159,421	224,422 (2)	148,626	189,905	179,477	212,676	102,898	102,490		-
Total All Other Governmental Funds	<u>\$ 207,205</u>	<u>\$ 197,644</u>	<u>\$ 255,666</u>	<u>\$ 191,112</u>	<u>\$ 253,999</u>	<u>\$ 253,210</u>	<u>\$ 273,455</u>	<u>\$ 160,844</u>	<u>\$ 153,646</u>	<u>\$</u>	<u>149,474</u>

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

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

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



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

Table Va

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes - Local	\$ 164,775	\$ 167,153	\$ 182,362	\$ 218,189	\$ 239,478	\$ 251,017	\$ 246,175	\$ 219,846	\$ 204,040	\$ 221,236
Taxes - Intergovernmental	57,176	59,694	58,716	61,948	69,413	76,545	81,246	77,408	69,336	61,754
Business and Liquor Licenses	1,815	1,816	1,813	1,633	1,572	1,626	1,761	1,733	1,787	1,745
Charges for Current Services	20,038	19,990	22,401	23,300	27,260	23,291	20,376	15,719	15,322	15,119
Fines, Fees and Forfeitures	5,234	6,047	6,921	9,649	10,260	14,779	15,210	11,459	11,637	8,579
Special Assessments	2,339	1,970	2,558	2,029	1,106	1,825	895	821	765	733
Property Rental	2,835	2,836	3,212	3,617	4,173	3,868	3,733	3,527	3,353	4,204
Interest Earnings	10,300	3,830	2,385	6,053	12,518	21,083	17,298	13,491	5,014	2,705
Investment Income	-	-	-	-	-	-	-	-	(4,696)	(3,397)
Intergovernmental	12,892	9,609	11,810	11,771	13,129	15,763	15,552	31,813	17,756	52,300
Developer Contributions	799	762	762	4,708	392	2,024	7,775	9,425	2,518	254
Streetlight and Services Districts	1,012	1,018	1,000	998	511	546	595	599	289	478
Contributions and Donations	367	439	647	917	835	1,878	1,673	1,519	1,275	1,157
Reimbursements from Outside Sources	118	1,032	1,659	461	969	568	1,824	1,210	2,852	4,673
Indirect Costs	7,960	8,045	8,729	8,635	9,898	10,208	11,577	14,917	14,159	14,800
Other	2,260	850	2,110	9,079	644	700	934	991	644	1,892
<b>Total Revenues</b>	<b>\$ 289,920</b>	<b>\$ 285,091</b>	<b>\$ 307,085</b>	<b>\$ 362,987</b>	<b>\$ 392,158</b>	<b>\$ 425,721</b>	<b>\$ 426,624</b>	<b>\$ 404,478</b>	<b>\$ 346,051</b>	<b>\$ 388,232</b>

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

Table Vb

	Fiscal Year											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	(2)	2011	(3)
<b>Expenditures</b>												
General Government	\$ 19,528	\$ 16,010	\$ 16,121	\$ 21,793	\$ 23,516	\$ 24,938	\$ 26,633	\$ 19,216	\$ 17,030	\$ 19,783		
Public Works and Water Resources	-	-	-	-	-	-	-	-	31,391	31,463		
Community and Economic Development	-	-	-	-	-	-	-	-	-	42,357		
Public Safety	-	-	-	-	-	-	-	-	111,459	108,003		
Human Resources	-	3,375	3,290	3,261	3,507	3,855	3,854	3,465	3,657	3,013		
Community Services	49,276	48,950	50,494	49,941	53,535	61,778	69,200	70,807	45,655	43,967		
Information Technology	-	-	-	-	-	-	-	-	9,469	9,357		
Administrative Services	-	-	-	-	-	-	-	-	1,859	3,031		
Finance and Accounting	-	-	-	-	-	-	-	-	6,059	-		
Economic Vitality	-	6,268	6,199	6,506	7,510	9,016	9,373	8,246	17,110	-		
Planning, Neighborhood and Transportation	-	-	-	-	-	-	-	-	27,447	-		
Planning and Development	18,040	11,746	11,218	12,111	12,436	14,331	15,012	16,671	-	-		
WestWorld	-	-	-	-	-	-	-	3,704	-	-		
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	-	-		
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	-	-		
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	-	-		
Streetlight and Services Districts	1,044	1,099	1,024	1,094	617	597	712	632	538	578		
Debt Service:												
Principal	26,216	30,305	31,905	33,173	27,632	34,252	33,043	31,308	33,701	37,677		
Interest and Fiscal Charges	29,062	29,759	25,452	31,948	36,382	38,279	38,651	41,612	38,782	40,091		
Bond Issuance Costs	597	1,046	586	878	351	735	1,028	-	497	1,057		
Advance Refunding Escrow	339	-	-	-	-	-	-	-	-	-		
Capital Improvements	68,638	68,338	81,149	213,585 (1)	218,897	147,367	196,976	155,358	77,929	107,448		
<b>Total Expenditures</b>	<b>\$ 316,363</b>	<b>\$ 327,018</b>	<b>\$ 337,690</b>	<b>\$ 494,193</b>	<b>\$ 512,998</b>	<b>\$ 484,419</b>	<b>\$ 570,636</b>	<b>\$ 533,932</b>	<b>\$ 422,583</b>	<b>\$ 447,825</b>		
Excess of Revenues over (under) Expenditures	\$ (26,443)	\$ (41,927)	\$ (30,605)	\$ (131,206)	\$ (120,840)	\$ (58,698)	\$ (144,012)	\$ (129,454)	\$ (422,583)	\$ (59,593)		

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

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

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

In addition, Finance & Accounting was merged into General Government

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

Table Vc

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 71,095	\$ 107,441	\$ 137,043	\$ 141,783	\$ 147,643	\$ 162,965	\$ 195,170	\$ 160,319	\$ 108,066	\$ 79,592
Transfers Out	(60,408)	(91,582)	(126,269)	(133,284)	(140,513)	(155,295)	(185,082)	(145,357)	(98,693)	(69,378)
Refunding Bonds Issued	74,025	102,570	39,190	74,630	-	55,450	-	-	-	87,985
Long-term Capital-Related Debt Issued	75,500	12,165	113,400	68,355	191,500	42,500	123,805	-	-	42,525
Premium on Long Term Debt	2,390	6,284	4,429	4,536	5,501	7,199	2,379	-	843	10,047
Payment to Bond Refunding Escrow Agent	(75,025)	(108,077)	(90,534)	(77,584)	-	(61,845)	-	-	-	(94,818)
Proceeds from Capital Lease	-	-	-	-	-	175	-	-	-	-
Proceeds of Long-term Debt	-	-	-	-	-	-	-	-	50,800	-
Proceeds from Notes Payable	-	-	-	-	-	3,000	-	-	-	-
Proceeds from Sale of Assets	-	424	-	-	-	-	-	-	-	1,091
<b>Total Other Financing Sources and (Uses)</b>	<b>87,577</b>	<b>29,225</b>	<b>77,259</b>	<b>78,436</b>	<b>204,131</b>	<b>54,149</b>	<b>136,272</b>	<b>14,962</b>	<b>61,016</b>	<b>57,044</b>
<b>Net Change in Fund Balances</b>	<b>\$ 61,134</b>	<b>\$ (12,702)</b>	<b>\$ 46,654</b>	<b>\$ (52,770) (1)</b>	<b>\$ 83,291</b>	<b>\$ (4,549)</b>	<b>\$ (7,740)</b>	<b>\$ (114,492)</b>	<b>\$ 61,016</b>	<b>\$ (2,549)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>22.7%</b>	<b>23.6%</b>	<b>22.6%</b>	<b>23.5%</b>	<b>21.9%</b>	<b>21.7%</b>	<b>19.5%</b>	<b>19.3%</b>	<b>21.2%</b>	<b>22.8%</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 Ten Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table VI

Fiscal Year	Sales and Use Taxes					
	Property	Privilege & Use - General	Privilege & Use - McDowell Mtn (1)	Privilege & Use - Transportation	Privilege & Use - Public Safety (1)	Transient Occupancy
2002	\$ 38,413	\$ 80,297	\$ 15,814	\$ 15,587	\$ -	\$ 6,691
2003	41,583	79,704	15,645	15,335	-	6,688
2004	46,088	86,547	16,981	16,628	-	7,227
2005	48,249	94,302	31,301	18,115	8,491	7,939
2006	49,651	104,949	35,483	20,020	9,978	8,970
2007	50,732	110,225	37,281	20,910	10,578	9,723
2008	53,778	104,673	35,604	19,823	10,145	9,621
2009	60,493	85,829	29,121	16,141	8,289	7,577
2010	58,354	77,878	26,416	14,608	7,541	7,113
2011	65,970	80,119	27,199	15,042	7,765	13,126 (2)

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light & Power Franchise	State Shared Sales	State Revenue Sharing	Other
2002	\$ 2,223	\$ 5,238	\$ 15,621	\$ 21,142	\$ 512
2003	2,440	5,147	15,853	21,574	611
2004	2,740	5,488	17,054	18,278	663
2005	2,859	5,596	18,779	18,634	1,337
2006	3,157	6,308	21,664	21,223	962
2007	3,355	7,284	22,312	26,653	929
2008	3,544	8,030	21,575	33,037	957
2009	3,606	7,831	18,677	35,103	959
2010	3,317	7,834	17,227	30,309	979
2011	3,163	7,842	17,844	22,849	1,010

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

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

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

Table VII

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Automotive	\$ 1,501,832	\$ 1,499,864	\$ 1,525,050	\$ 1,557,909	\$ 1,662,604	\$ 1,622,601	\$ 1,370,365	\$ 918,219	\$ 818,517	\$ 862,091
Construction	1,573,073	1,213,352	1,432,006	1,703,826	2,046,791	2,208,957	1,932,043	1,251,432	754,583	718,652
Food Stores	503,057	518,665	550,704	562,877	584,706	626,083	652,226	624,917	611,083	611,825
Hotel Motel	372,610	373,375	400,836	432,006	497,804	533,055	529,862	416,216	395,229	401,413
Major Department Stores	748,732	795,091	871,244	959,361	1,012,906	1,011,240	974,330	864,676	865,614	882,376
Miscellaneous Retail Stores	1,035,590	1,059,857	1,138,028	1,248,228	1,413,445	1,478,112	1,364,347	1,078,674	1,107,272	1,194,790
Other Taxable Activity	341,314	360,991	416,514	457,819	513,553	551,095	532,751	556,842	449,455	502,739
Rentals	910,184	955,494	977,379	1,054,666	1,102,152	1,211,551	1,308,247	1,217,688	1,144,939	1,113,821
Restaurants	524,241	551,806	604,652	661,542	726,122	774,598	754,103	684,188	670,311	713,420
Utilities	389,409	376,319	368,442	380,043	398,204	418,460	435,415	432,570	436,010	429,035
<b>Total</b>	<b>\$ 7,900,042</b>	<b>\$ 7,704,814</b>	<b>\$ 8,284,855</b>	<b>\$ 9,018,277</b>	<b>\$ 9,958,287</b>	<b>\$ 10,435,752</b>	<b>\$ 9,853,689</b>	<b>\$ 8,045,422</b>	<b>\$ 7,253,013</b>	<b>\$ 7,430,161</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 Ten Fiscal Years**

Table VIII

<b>Privilege (Sales) Tax Rates</b>				<b>Use Tax Rates</b>			
<b>City Direct</b>				<b>City Direct</b>			
<b>Fiscal Year</b>	<b>Rate</b>	<b>County Rate</b>	<b>State Rate</b>	<b>Fiscal Year</b>	<b>Rate</b>	<b>County Rate</b>	<b>State Rate</b>
2002	1.40%	0.70%	5.60%	2002	1.20%	0.00%	5.60%
2003	1.40%	0.70%	5.60%	2003	1.20%	0.00%	5.60%
2004	1.40%	0.70%	5.60%	2004	1.20%	0.00%	5.60%
2005	1.65%	0.70%	5.60%	2005	1.45%	0.00%	5.60%
2006	1.65%	0.70%	5.60%	2006	1.45%	0.00%	5.60%
2007	1.65%	0.70%	5.60%	2007	1.45%	0.00%	5.60%
2008	1.65%	0.70%	5.60%	2008	1.45%	0.00%	5.60%
2009	1.65%	0.70%	5.60%	2009	1.45%	0.00%	5.60%
2010	1.65%	0.70%	6.60% (1)	2010	1.45%	0.00%	6.60% (1)
2011	1.65%	0.70%	6.60%	2011	1.45%	0.00%	6.60%

<b>Transient Occupancy Tax Rates</b>				<b>Jet Fuel Tax Rates (cents per gallon)</b>			
<b>City Direct</b>				<b>City Direct</b>			
<b>Fiscal Year</b>	<b>Rate</b>	<b>County Rate</b>	<b>State Rate</b>	<b>Fiscal Year</b>	<b>Rate</b>	<b>County Rate</b>	<b>State Rate</b>
2002	3.00%	1.77%	5.50%	2002	1.80%	0.46%	2.90%
2003	3.00%	1.77%	5.50%	2003	1.80%	0.46%	2.90%
2004	3.00%	1.77%	5.50%	2004	1.80%	0.46%	2.90%
2005	3.00%	1.77%	5.50%	2005	1.80%	0.46%	2.90%
2006	3.00%	1.77%	5.50%	2006	1.80%	0.46%	2.90%
2007	3.00%	1.77%	5.50%	2007	1.80%	0.46%	2.90%
2008	3.00%	1.77%	5.50%	2008	1.80%	0.46%	2.90%
2009	3.00%	1.77%	5.50%	2009	1.80%	0.46%	2.90%
2010	3.00%	1.77%	6.50% (1)	2010	1.80%	0.46%	2.90%
2011	5.00%	1.77%	6.50% (2)	2011	1.80%	0.46%	2.90%

Source: City Tax Audit Section

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

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

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

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

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

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

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

**City of Scottsdale, Arizona**  
**Sales Tax Revenue Payers by Industry**  
**Fiscal Years 2011 and 2002**  
(in thousands)

Table IX

	Fiscal Year 2011				Fiscal Year 2002			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	494	2.28%	\$ 14,711	11.51%	632	3.04%	\$ 20,741	18.79%
Construction	7,554	34.84%	12,570	9.84%	6,640	31.97%	21,576	19.55%
Food Stores	169	0.78%	10,110	7.91%	185	0.89%	7,269	6.59%
Hotel Motel	66	0.30%	6,812	5.33%	66	0.32%	5,405	4.90%
Major Department Stores	29	0.13%	14,686	11.49%	25	0.12%	8,743	7.92%
Miscellaneous Retail Stores	4,754	21.93%	21,355	16.71%	6,413	30.88%	15,515	14.06%
Other Taxable Activity	3,699	17.06%	9,262	7.25%	2,691	12.96%	6,094	5.52%
Rentals	3,786	17.46%	19,274	15.08%	2,933	14.12%	12,219	11.07%
Restaurants	870	4.01%	12,053	9.43%	912	4.39%	7,271	6.59%
Utilities	261	1.20%	6,941	5.43%	271	1.30%	5,530	5.01%
Total	21,682	100.00%	\$ 127,774	100.00%	20,768	100.00%	\$ 110,361	100.00%

## Note:

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

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

Table X

Fiscal Year	City Direct Rate			Overlapping Rates			
	Operating Rate	Debt Service Rate	Total City Rate	Scottsdale Unified School District			
				Operating Rate	Debt Service Rate	EVIT Rate	Total School Rate
2002	\$ 0.49	\$ 0.67	1.16	\$ 4.08	\$ 1.36	\$ 0.11	\$ 5.55
2003	0.51	0.65	1.15	3.94	1.36	0.11	5.41
2004	0.48	0.64	1.12	3.89	1.30	0.10	5.29
2005	0.45	0.62	1.07	3.77	1.26	0.10	5.13
2006	0.44	0.60	1.04	3.46	1.22	0.06	4.74
2007	0.42	0.55	0.97	3.45	1.26	0.05	4.76
2008	0.38	0.41	0.79	3.42	1.26	0.05	4.73
2009	0.35	0.43	0.79	2.82	1.07	0.05	3.94
2010	0.36	0.38	0.74	2.44	1.34	0.05	3.83
2011	0.38	0.51	0.90	2.40	1.35	0.05	3.80

Fiscal Year	Overlapping Rates											Total Direct & Overlapping
	County-Wide Jurisdictions											
	County Operating	County Debt Service	Community College	County Flood	County Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	County Special Health Care	Total County		
2002	\$ 1.18	\$ 0.09	\$ 1.11	\$ 0.23	\$ 0.50	\$ 0.01	\$ 0.13	\$ 0.04	\$ -	\$ 3.29	\$ 10.00	
2003	1.21	0.08	1.11	0.21	0.49	0.01	0.13	0.04	-	3.28	9.85	
2004	1.21	0.07	1.08	0.21	0.47	0.01	0.12	0.05	-	3.22	9.63	
2005	1.21	-	1.04	0.21	0.46	0.01	0.12	0.05	-	3.09	9.30	
2006	1.20	-	1.03	0.21	0.44	0.01	0.12	0.05	0.12	3.18	8.96	
2007	1.18	-	1.06	0.20	-	0.01	0.12	0.05	0.12	2.74	8.47	
2008	1.10	-	0.98	0.15	-	0.01	0.10	0.04	0.09	2.47	7.99	
2009	1.03	-	0.94	0.14	-	0.01	0.10	0.04	0.09	2.33	7.06	
2010	0.99	-	0.88	0.14	0.33	0.01	0.10	0.04	0.09	2.58	7.15	
2011	1.05	-	0.97	0.15	0.36	0.01	0.10	0.04	0.11	2.79	7.49	

**Source:** Maricopa County Department of Finance Publications On-Line "Tax Rate 2010"

**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 2010/11 the rates were as follows: Scottsdale Mountain CFD - \$1.0889, McDowell Mountain CFD - \$.7497, DC Ranch CFD - \$0.4487, Via Linda Road CFD - \$1.1793 and the Waterfront Commercial CFD - \$2.30.



**City of Scottsdale, Arizona**  
**Principal Property Taxpayers**  
**June 30, 2011 and 2002**  
(in thousands)

Table XI

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 61,569	1	0.835%	\$ 46,335	1	1.410%
Scottsdale Fashion Square LLC	61,195	2	0.830%	45,331	2	1.380%
General Dynamics Decision Systems, Inc.	29,275	3	0.397%	-	-	-
Scottsdale Princess Partnership	26,579	4	0.360%	-	-	-
Portales Corporate Center LLC/Etal	24,597	5	0.334%	-	-	-
Gainey Drive Associates	23,045	6	0.312%	18,339	6	0.560%
Blackwell Robert L/Etal	21,764	7	0.295%	-	-	-
Qwest Corporation*	20,456	8	0.277%	27,960	3	0.850%
Pacific Promenade LLC	17,008	9	0.231%	-	-	-
JEMB Scottsdale LLC	15,750	10	0.214%	-	-	-
Scottsdale Fiesta Retail Center LLC	-	-	-	12,218	8	0.370%
First American Title	-	-	-	23,113	4	0.710%
Motorola, Inc.	-	-	-	23,012	5	0.700%
Massachusetts Mutual Life Ins. Co.	-	-	-	9,842	9	0.300%
Southwest Gas Corporation	-	-	-	12,123	7	0.370%
Wyndham International	-	-	-	9,276	10	0.280%

Source: The Maricopa County Assessor's Office.

The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in lieu of ad valorem taxation. The 2010/11 secondary assessed valuation of the SRP within the City is \$19,783,931 as provided by SRP.

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

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

Table XII

Fiscal Year Ended June 30th		Real Property				Personal Property:		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Residential Property	Commercial Property	Vacant Land	Historic & Special Use	Assessed Value				
2002	P	\$ 1,699,156	\$ 815,273	\$ 355,384	\$ 675	\$ 242,757	\$ (166,942)	\$ 2,946,303	\$ 0.49	
2002	S	1,815,234	923,764	520,604	1,091	242,768	(225,510)	3,277,951	0.67	
2003	P	1,870,142	913,222	400,448	878	266,959	(220,195)	3,231,454	0.51	
2003	S	1,921,093	1,045,249	615,184	1,484	266,959	(323,364)	3,526,605	0.65	
2004	P	2,148,272	968,183	473,966	1,100	277,334	(269,136)	3,599,719	0.48	
2004	S	2,373,446	1,043,487	656,600	1,575	277,334	(376,920)	3,975,522	0.64	
2005	P	2,370,252	1,071,915	572,909	1,374	257,783	(285,524)	3,988,709	0.45	
2005	S	2,460,307	1,203,844	809,560	2,214	277,482	(409,953)	4,343,454	0.62	
2006	P	2,622,605	1,220,872	614,301	1,507	225,683	(320,326)	4,364,642	0.44	
2006	S	2,792,337	1,309,263	784,962	2,136	246,619	(404,264)	4,731,053	0.60	
2007	P	2,846,492	1,347,926	674,315	1,474	238,279	(322,012)	4,786,474	0.42	
2007	S	2,919,838	1,545,559	921,888	1,797	240,843	(420,481)	5,209,444	0.55	
2008	P	3,358,045	1,406,676	787,106	1,645	388,502	(442,551)	5,499,423	0.38	
2008	S	4,583,036	1,711,178	1,193,455	1,888	402,675	(648,410)	7,243,822	0.41	
2009	P	3,947,876	1,584,811	950,456	1,727	403,064	(559,516)	6,328,418	0.35	
2009	S	5,237,939	1,987,377	1,505,737	2,073	427,495	(888,204)	8,272,417	0.43	
2010	P	4,409,444	1,879,139	1,177,944	1,845	259,145	(717,210)	7,010,307	0.36	
2010	S	4,989,883	2,436,470	1,765,907	2,070	259,145	(1,047,474)	8,406,001	0.38	
2011	P	4,212,414	1,980,853	1,170,054	4,822	242,654	(724,635)	6,886,163	0.38	
2011	S	4,261,972	2,312,814	1,458,512	5,622	242,654	(906,165)	7,375,408	0.51	

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

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

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

Table 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%	1,821	57,698	99.2%
2010	57,380	55,221	96.2%	1,661	56,882	99.1%
2011	64,327	62,237	96.8%	-	62,237	96.8%

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 Ten Fiscal Years**  
(in thousands)

Table XIV

<b>Governmental Activities</b>									
Fiscal Year Ended June 30	General Obligation Bonds	Revenue Bonds	Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Capital Lease
2002	\$ 319,657	\$ 13,385	\$ 49,870	\$ 90,585	\$ 13,061	\$ -	\$ 34,935	\$ 21,416	\$ -
2003	305,003	10,990	41,955	88,270	11,140	-	46,355	19,627	-
2004	389,598	8,475	4,850	85,980	8,755	-	44,950	13,702	-
2005	372,070	5,815	61,253	83,385	6,340	7,650	43,480	14,324	-
2006	499,365	2,990	108,225	80,570	5,505	7,090	41,945	13,136	-
2007	476,200	-	149,176	77,605	4,670	6,401	40,330	19,819	172
2008	574,445	-	149,007	74,495	3,835	5,689	42,450	17,875	141
2009	551,455	-	149,216	71,235	3,000	4,954	40,665	16,828	-
2010	578,190	-	148,212	67,870	2,250	4,194	38,760	15,732	-
2011	572,740	-	147,459	59,920	1,500	23,409	36,745	14,582	-

<b>Business-type Activities</b>							
Fiscal Year Ended June 30	General Obligation Bonds	Revenue Bonds	Municipal Property Corporation Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
2002	\$ 18,315	\$ 73,945	\$ 11,555	\$ -	\$ 646,724	7.70%	\$ 3,080
2003	14,323	71,230	10,010	-	618,903	7.04%	2,891
2004	10,651	68,365	83,365	-	718,691	7.85%	3,303
2005	6,515	65,735	79,430	-	745,997	7.84%	3,374
2006	-	62,405	161,965	179	983,375	9.94%	4,344
2007	-	58,930	155,650	139	989,092	9.54%	4,151
2008	-	52,005	256,790	97	1,176,829	10.39%	4,901
2009	-	48,345	249,735	53	1,135,486	10.79%	4,686
2010	-	45,230	316,780	7	1,217,225	10.21%	4,999
2011	-	42,010	308,525	-	1,206,890	11.45%	5,552

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 Ten Fiscal Years**

Table XV

Fiscal Year Ended June 30	Governmental Activities General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Total Taxable Assessed Value of Property (1)	Per Capita
2002	\$ 319,657,000	\$ 8,448,962	\$ 311,208,038	9.5%	\$ 1,482.23
2003	305,003,000	9,006,329	295,996,671	8.4%	1,382.58
2004	389,598,000	3,468,780	386,129,220	9.7%	1,774.86
2005	372,070,000	5,601,739	366,468,261	8.4%	1,657.25
2006	499,365,000	12,435,797	486,929,203	10.3%	2,150.84
2007	476,200,000	9,382,702	466,817,298	9.0%	1,959.19
2008	574,445,000	9,520,257	564,924,743	7.8%	2,352.62
2009	551,455,000	10,841,183	540,613,817	6.5%	2,230.83
2010	578,190,000	4,932,433	573,257,567	6.8%	2,354.23
2011	572,740,000	6,787,123	565,952,877	7.7%	2,603.46

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

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

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

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

**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2011**  
(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	\$ -	14.2650%	\$ -
Maricopa County Community College District	587,930	14.2665%	83,877
Tempe Elementary School District No. 3	124,850	0.0002%	-
Balsz Elementary School District No. 31	6,280	4.7528%	298
Scottsdale Unified School District No. 48	239,630	69.9434%	167,605
Paradise Valley Unified School District No. 69	261,120	32.8795%	85,855
Cave Creek Unified School District No. 93	18,410	62.6405%	11,532
Fountain Hills Unified School District No. 98	16,205	3.1612%	512
Phoenix Union High School District No. 210	266,380	0.2930%	780
Tempe Union High School District No 213	85,410	0.0001%	-
East Valley Institute of Technology District No. 401	-	19.4538%	-
Scottsdale Mountain Community Facilities District	3,005	100.0000%	3,005
McDowell Mountain Community Facilities District	13,265	100.0000%	13,265
DC Ranch Community Facilities District	16,290	100.0000%	16,290
Via Linda Road Community Facilities District	2,455	100.0000%	2,455
Waterfront Community Facilities District	3,745	100.0000%	3,745
<b>Subtotal, overlapping debt</b>			389,221
<b>City direct debt</b>	376,855	100.0000%	376,855
<b>Total direct and overlapping debt</b>			<u>\$ 766,076</u>

Source: Maricopa County Assessor's Office

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

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

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

Table XVIIa

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>20% Limitation</b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 655,590	\$ 705,321	\$ 795,104	\$ 868,691	\$ 947,151	\$ 1,041,889	\$ 1,448,765	\$ 1,654,483	\$ 1,681,200	\$ 1,475,082
Total Net Debt Applicable to 20% Limit	245,209	237,400	319,765	313,786	372,545	363,455	424,865	413,095	499,945	498,490
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 410,381	\$ 467,921	\$ 475,339	\$ 554,905	\$ 574,606	\$ 678,434	\$ 1,023,900	\$ 1,241,388	\$ 1,181,255	\$ 976,592
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	37.40%	33.66%	40.22%	36.12%	39.33%	34.88%	29.33%	24.97%	29.74%	33.79%
<b>6% Limitation</b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 196,677	\$ 211,596	\$ 238,531	\$ 260,607	\$ 284,145	\$ 312,567	\$ 434,629	\$ 496,345	\$ 504,360	\$ 442,524
Total Net Debt Applicable to 6% Limit	81,757	71,695	74,984	64,799	126,820	112,745	149,580	138,360	78,245	74,250
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 114,920	\$ 139,901	\$ 163,547	\$ 195,808	\$ 157,325	\$ 199,822	\$ 285,049	\$ 357,985	\$ 426,115	\$ 368,274
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	41.57%	33.88%	31.44%	24.86%	44.63%	36.07%	34.42%	27.88%	15.51%	16.78%

**City of Scottsdale, Arizona**  
**Legal Debt Margin Information**  
**As of June 30, 2011**  
(in thousands)

**Table XVIIb**

**Legal Debt Margin Calculation for Fiscal Year 2011**

Net Secondary Assessed Valuation as of June 30, 2011	\$	7,375,408
<b><u>20% Limitation</u></b>		
Debt Limit Equal to 20% of Assessed Valuation		1,475,082
Debt applicable to limit:		
General Obligation Bonds		498,490
Legal 20% Debt Margin (Available Borrowing Capacity)	<b>\$</b>	<b>976,592</b>
<b><u>6% Limitation</u></b>		
Debt Limit Equal to 6% of Assessed Valuation	\$	442,524
Debt applicable to limit:		
General Obligation Bonds		74,250
Legal 6% Debt Margin (Available Borrowing Capacity)	<b>\$</b>	<b>368,274</b>

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 Ten Fiscal Years**  
(in thousands)

Table XVIII

Water and Sewer Revenue Bonds										Highway User Revenue Bonds				
Fiscal Year Ended June 30	Operating Revenue(1)	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service		Coverage	Highway User Tax Revenue	Debt Service		Coverage		
						Principal	Interest			Principal	Interest			
2002	\$ 97,802	\$ 49,840	\$ 47,962	\$ 15,087	\$ 63,049	\$ 2,595	\$ 3,937	9.65	\$ 12,574	\$ 2,275	\$ 828	4.05		
2003	95,064	46,991	48,073	17,648	65,721	2,715	3,792	10.10	13,137	2,395	715	4.22		
2004	97,813	49,662	48,151	21,574	69,725	2,860	3,159	11.58	14,034	2,515	592	4.52		
2005	105,078	56,413	48,665	20,155	68,820	2,630	3,570	11.10	14,738	2,660	460	4.72		
2006	115,374	56,329	59,045	24,071	83,116	3,330	3,182	12.76	15,708	2,825	317	5.00		
2007	125,880	64,089	61,791	17,878	79,669	3,475	2,997	12.31	16,778	2,990	165	5.32		
2008	131,553	66,077	65,476	15,280	80,756	3,640	2,582	12.98	16,123	-	-	N/A		
2009	130,782	71,236	59,546	3,043	62,589	3,660	2,507	10.15	14,083	-	-	N/A		
2010	133,624	70,165	63,459	3,126	66,585	3,115	2,351	12.18	13,342	-	-	N/A		
2011	132,441	77,456	54,985	3,859	58,844	3,220	2,199	10.86	13,396	-	-	N/A		

Special Assessment Bonds					Scottsdale Preserve Authority Bonds				Municipal Property Corporation Bonds			
Fiscal Year Ended June 30	Special Assessment Collections	Debt Service		Coverage (2)	0.2% and 0.15% Sales Tax (3)	Debt Service		Coverage	Excise Tax (5)	Debt Service (4)		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2002	\$ 2,339	\$ 2,208	\$ 393	0.90	\$ 15,814	\$ 2,185	\$ 4,704	2.30	\$ 156,069	\$ 8,325	\$ 3,775	12.90
2003	1,970	1,990	279	0.87	13,377	2,315	4,566	1.94	157,302	9,145	3,045	12.90
2004	2,558	2,425	492	0.88	16,981	2,445	3,825	2.71	165,799	7,170	1,108	20.03
2005	2,016	2,448	360	0.72	31,301	2,595	4,437	4.45	180,005	8,265	6,413	12.26
2006	1,106	851	275	0.98	35,483	2,815	3,997	5.21	202,081	5,995	10,017	12.62
2007	1,825	848	235	1.69	37,281	2,965	3,843	5.48	218,205	5,305	10,057	14.20
2008	895	846	197	0.86	35,604	3,110	3,676	5.25	216,066	5,584	13,988	11.04
2009	821	845	158	0.82	29,121	3,260	3,502	4.31	185,801	7,570	19,482	6.87
2010	765	757	121	0.87	26,416	3,365	3,374	3.92	170,638	9,715	18,415	6.07
2011	733	757	86	0.87	27,199	3,470	2,471	4.58	170,082	9,785	22,185	5.32

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

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

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

Table XIX

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2) (in thousands)</b>	<b>Per Capita Personal Income (3)</b>	<b>Median Age (4)</b>	<b>Education Level in Years of Schooling (5)</b>	<b>School Enrollment (6)</b>	<b>Unemployment Rate (7)</b>
2002	209,960	\$ 8,396,720	\$ 39,992	41.1	13 to 16	27,436	4.3%
2003	214,090	8,787,110	41,044	40.5	13 to 16	27,479	4.1%
2004	217,555	9,158,195	42,096	40.2	13 to 16	27,328	3.3%
2005	221,130	9,515,538	43,148	39.9	13 to 16	26,559	3.0%
2006	226,390	9,896,159	43,713	39.5	13 to 16	27,000	2.7%
2007	238,270	10,367,366	43,511	41.0	13 to 16	26,653	2.3%
2008	240,126	11,329,384	47,181	40.2	13 to 16	26,567	3.8%
2009	242,337	10,526,392	43,437	40.6	13 to 16	27,029	6.6%
2010	243,501	11,920,591	48,955	40.6	13 to 16	27,093	6.6%
2011	217,385	10,543,607	48,502	45.4	13 to 16	27,116	6.2%

(8)

## Data Sources:

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

## Note:

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

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

Table XX

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>
Scottsdale Healthcare	6,650	1	3.64%	-	-	
Mayo Clinic <sup>(2)</sup>	2,951	4	1.61%	3,000	3	2.36%
General Dynamics C4 Systems <sup>(3)</sup>	4,279	2	2.34%	3,600	2	2.84%
Scottsdale Unified School District <sup>(4)</sup>	3,500	3	1.91%	2,700	4	2.13%
City of Scottsdale <sup>(5)</sup>	2,939	5	1.61%	1,700	6	1.34%
The Vanguard Group	1,900	6	1.04%	1,118	7	0.88%
CVS - CareMark	1,802	7	0.99%	-	-	
Scottsdale Insurance Company	1,385	8	0.76%	959	10	0.76%
McKesson Speciality Care Solutions	740	9	0.40%	-	-	
Go Daddy Group	730	10	0.40%	-	-	
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>26,876</b>		<b>14.70%</b>	<b>22,330</b>		<b>17.59%</b>

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

(1) 2011 total Scottsdale employment = 182,771; 2002 total employment- 126,918

(2) Includes Mayo Clinic employees within the City of Scottsdale

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

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

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

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

Table XXI

Function	Full-time Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	(1) 2010	2011
Administrative Services								38.5	35.0	35.0
Aviation	11.9	12.4	12.4	12.4	13.0	15.0	15.0	16.0	14.0	14.0
Citizen and Neighborhood Resources	35.0	35.0	32.0	36.0	39.0	40.0				
Communications & Public Affairs						14.7				
Community and Economic Development										214.5
Community Services	516.1	516.1	506.1	512.6	559.4	580.3	546.1	543.1	489.3	487.6
Economic Vitality	10.0	10.0	8.0	10.0	11.0	40.0	77.0	54.0	47.0	
Financial Services	144.5	144.5	139.5	143.0	149.0	151.0	134.0	110.5		
Finance & Accounting									92.5	95.5
General Government	196.5	195.5	196.5	215.0	217.0	172.6	172.6	167.1	155.0	153.0
Human Resources	36.5	35.5	34.5	35.5	35.5	36.5	53.5	35.5	30.0	30.5
Information Technology	73.8	73.8	74.8	78.8	80.8	83.8	91.8	81.8	78.8	75.8
Municipal Services	132.7	132.7	135.7	139.7	151.7	170.5				
Planning and Development	157.0	151.0	140.0	140.0	144.0	167.0				
Planning/Neighborhood/Transportation							205.2	224.0	167.5	
Public Safety							999.6	981.6	953.6	957.6
Public Safety - Fire	2.7	2.7	3.7	260.7	259.0	268.0				
Public Safety - Police	574.1	590.1	590.1	630.1	676.1	705.6				
Public Works							248.5	233.0	197.0	206.0
Solid Waste	77.3	80.3	79.3	79.3	83.3	85.3	85.8	89.0	89.0	89.0
Transportation	35.0	34.0	24.0	25.0	27.0	30.0				
Water Resources	140.0	139.0	136.0	139.0	152.5	162.0	169.0	180.0	189.0	189.0
<b>Total</b>	<b>2,143.0</b>	<b>2,152.5</b>	<b>2,112.5</b>	<b>2,457.0</b>	<b>2,598.3</b>	<b>2,722.2</b>	<b>2,797.9</b>	<b>2,754.1</b>	<b>2,537.7</b>	<b>2,547.5</b>

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

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

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

Table XXII

Division	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010 (2)	2011
<b>General Government</b>										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	20%	26%	30%	30%	32%	34%	35%	34%	32%	40%
<i>City Auditor</i>										
# of reports performed	3	6	9	10	15	10	11	13	16	17
<i>City Clerk</i>										
# of legal postings	518	466	456	651	1,011	1,138	1,173	1,158	1,301	1,241
# of minutes				79	99	90	90	71	87	66
<i>City Court</i>										
Charges filed / charges adjudicated (resolved)	79,638 / 114,514	96,995 / 94,045	121,560 / 129,888	136,747 / 134,793	156,051 / 132,096	201,866 / 216,000	221,400 / 219,980	115,319 / 137,887	107,720 / 113,382	104,301 / 108,003
<i>Finance &amp; Accounting (3)</i>										
# of Accounts Payable checks issued	35,636	35,344	34,547	37,954	41,194	42,000	38,000	36,442	33,620	45,592
# of water meters read annually	943,212	971,508	986,080	1,000,870	1,015,662	1,030,368	1,044,205	1,049,008	1,050,067	1,051,089
# of customer contacts (utilities, taxes & licensing)	212,787	218,185	218,185	208,037	212,888	216,764	230,143	176,680	175,918	255,124
<i>Strategic Resources Group - City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent	No Survey	No Survey	90%	93%	No Survey	90%	No Survey	No Survey	No Survey	94%
News releases, media updates, traffic alerts, construction updates released to news media	277	267	182	247	205	220	220	NA	240	281
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	514	660	450	2,600	138	251	648	25	399	2,000.6
<b>Administrative Services</b>										
# of purchase orders	8,531	10,212	12,254	9,611	10,778	9,460	8,224	6,234	5,748	5,310
<b>Community Services</b>										
# attending Parks & Recreation facilities, Human Services facilities and Libraries annually	6,797,090	7,485,295	7,565,511	7,573,369	7,877,216	7,838,000	7,940,283	8,747,495	8,634,522	8,855,120
# of square feet of medians and rights of way maintained	13,168,516	13,229,497	13,949,440	14,569,062	15,188,684	15,460,961	16,918,438	17,000,000	17,000,000	23,168,510
<b>Human Resources</b>										
Citywide turnover	6.0%	6.7%	6.8%	7.3%	11.1%	9.0%	12.0%	6.0%	9.5%	7.3%
HR operating cost as a % of City payroll	3.1%	2.6%	2.4%	2.3%	2.3%	2.0%	2.1%	2.1%	1.6%	1.8%
<b>Information Technology</b>										
# of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)	n/a	32,244	129,000	2,319,000	25,400,000	654,100	1,200,000	2,200,000	2,100,000	1,775,000
Annual Disk Storage size (DAS, NAS, and SAN) (Terabytes)	2.5	4.0	5.0	7.0	30.0	30.0	80.0	147.8	170.0	266.0

(continued)

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

Table XXII

Division	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010 (2)	2011
<b>Community and Economic Development</b>										
<i>Planning, Neighborhood and Transportation</i>										
Customer wait-time (in minutes) at One Stop Shop	n/a	n/a	45	25	15	20	20	7	7	6
Provide applicant with pre-application meeting within 30 days of submitting request.	n/a	n/a	90%	100%	100%	100%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	n/a	n/a	97%	98%	99%	99%	99%	100%	100%	100%
# of new Code Enforcement cases processed per year	7,357	10,000	10,000	11,336	13,137	16,900	15,570	20,568	16,452	16,000
% increase of Neighborhood Watch groups annually (4)	n/a	15%	15%	37%	5%	5%	5%	-56%	5%	5%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent	No Survey	No Survey	86%	89%	No Survey	94%	No Survey	No Survey	No Survey	No Survey
Total citywide transit ridership	1,780,578	1,917,011	1,917,000	1,969,512	2,104,382	2,365,204	2,584,837	3,472,828	3,103,185	2,539,744
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) (5)	76	124	150	270	322	375	475	NA	8,578	10,397
<i>Economic Vitality</i>										
Targeted job creation - number of companies / number of jobs	17 / 1,716	23 / 2,032	23 / 1,800	10 / 1,443	11 / 1,275	7 / 1,800	5 / 1,374	7 / 394	10 / 731	7 / 450
Hotel/Motel average occupancy rate	59.5%	61.3%	57.5%	60.0%	69.0%	69.0%	65.0%	59.2%	58.0%	58.8%
Bed Tax growth (% annual change)	- 13%	0%	+ 3%	+ 5%	+ 5%	+9%	-2%	-21%	-6%	8%
# of Downtown special events coordinated	N/A	N/A	41	58	62	71	65	100	110	120
<i>Aviation</i>										
Scottsdale Airport - Takeoffs and Landings	181,657	197,483	195,276	208,106	210,481	185,241	201,958	169,972	156,896	136,089
<i>WestWorld</i>										
# of special events at WestWorld	30	47	53	57	49	43	44	31	28	22
<b>Public Safety</b>										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand)										
Scottsdale	44.3	44.8	45.5	42.3	34.9	37.1	35.6	34.3	29.6	28.2
Valley Average	72.0	80.1	60.2	56.5	51.0	51.0	51.0	NA	NA	NA
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	6:41	6:30	6:27	6:12	NA	6:06	5:07	5:07	5:01	4:57
Provide initial contact to 100% of citizen traffic concerns within seven days	43%	60%	96%	98%	98%	100%	100%	100%	100%	100%
<i>Fire</i>										
# of responses to calls for emergency services	21,877	21,162	21,756	23,102	23,952	22,894	22,936	23,953	23,996	25,586
Responses per capita	0.10	0.09	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Average response time to urban calls for service (minutes)	4:02	4:01	4:20	4:23	4:20	4:15	4:21	4:23	4:28	4:22

(continued)

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

Table XXII

Division	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010 (2)	2011
<b>Public Works and Water Resources</b>										
<i>Public Works</i>										
Facility inventory maintained (square feet)	1,551,620	1,551,780	1,807,298	1,825,564	2,166,650	2,221,650	2,271,550	2,334,310	2,929,802	3,006,106
# of active Capital Projects	101	118	116	183	219	202	180	178	168	152
# of homes serviced by Residential Refuse Collection	70,546	72,166	73,602	74,850	76,300	77,206	78,024	78,607	79,006	79,342
# of citizens serviced annually by Household Hazardous Waste collection program (6)	1,708	1,900	1,514	1,718	2,000	2,100	2,200	1,923	1,497	2,573
<i>Water Resources</i>										
Water Service Connections	79,052	80,454	81,947	83,511	86,399	86,728	87,248	87,349	87,409	87,458
Drinking Water Supplied (million gallons per day)	70.4	67.6	70.0	67.7	73.1	72.1	73.7	69.4	68.4	67.9
Reclaimed Water Supplied (million gallons per day)	11.8	14.2	11.8	11.6	11.5	11.4	11.7	9.6	11.2	8.7
Sewer Service Connections	69,121	70,732	72,034	73,232	74,143	76,092	76,849	77,363	77,605	77,850
Sewage Treated (million gallons per day)	24.0	24.5	24.2	25.5	24.2	25.3	23.9	19.7	21.0	21.1

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

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

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

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

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

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

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

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

Table XXIII

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police:										
Stations	3	3	3	3	3	3	3	4	4	4
Police Vehicles	261	295	286	290	345	375	383	363	357	352
Fire Stations	10	12	12	13	13	13	13	14	14	15
Highways and Streets										
Square Yards of Pavement	19,100,000	19,100,000	19,231,553	19,231,553	19,660,273	20,393,288	20,562,017	20,644,388	20,873,951	20,828,414
Equivalent 12' Wide Lane Miles	2,713	2,713	2,732	2,732	2,793	2,897	2,921	2,932	2,965	2,959
Streetlights	9,510	10,300	10,500	10,650	10,828	11,022	11,132	9,134	8,257	8,224
Traffic Signals	250	253	258	262	276	276	285	295	289	289
Culture and Recreation										
Parks	40	40	40	40	40	40	43	41	41	41
Parks Acreage	869	869	849	849	937	937	962	931	941	941
Swimming Pools	3	3	3	3	3	4	4	4	4	4
Tennis Courts	49	49	49	49	49	51	55	55	55	55
Community Centers	6	6	6	6	6	5	5	5	5	5
Water										
Water Mains (miles)	1,738	1,815	1,854	1,897	1,933	1,997	2,030	2,044	2,061	2,059
Fire Hydrants	8,659	8,928	9,193	9,541	9,839	10,147	10,367	10,365	10,664	10,687
Sewer										
Sanitary Sewers (miles)	1,155.0	1,262.0	1,280.0	1,287.4	1,309.0	1,350.0	1,353	1,360	1,421	1,421
Storm Sewers (miles)	68.7	68.7	137.7	142.8	148.0	153.5	157.2	166.9	164.0	163.0

Source: City of Scottsdale, Arizona departments.





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Finance and Accounting Division  
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