



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
For the Fiscal Year Ended June 30, 1996

City of Scottsdale, Arizona

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**Rick Forgas
Graphic Designer
City of Scottsdale**

CITY OF SCOTTSDALE
COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

Fiscal Year Ended June 30, 1996

CITY COUNCIL
Sam Kathryn Campana, Mayor

Gregory S. Bielli

Mary Manross

Robert C. Pettycrew

Donald J. Prior
Vice Mayor

Dennis E. Robbins

Richard Thomas



CITY MANAGER
Richard A. Bowers

ASSISTANT CITY MANAGERS
Barbara A. Burns
Raymond L. Garrison

Prepared By
Financial Services Department
James A. Jenkins
Financial Services General Manager/City Treasurer

Craig Clifford, CPA
Accounting and Budget Director



Citizens of Scottsdale
1907 - 1901

City Council

Citizen Advisory Boards
Citizen Advisory Commissions

City Manager
Richard A. Bowers
994-2422

City Attorney - Fredda Bisman 994-2405
City Auditor - Cheryl Barcala 994-7867
City Clerk - Sonia Robertson 994-2754
City Judge - George Preston 994-2772

Assistant to City Manager
Don Logan 994-7738

Assistant City Manager
Barbara A. Burns
994-2599

Fire
(by contract)
Karl Keierleber
481-3220

Police
Michael Heidingsfield
391-5310

Redevelopment/Urban Design
Gary Roe
994-2318

Assistant City Manager
Raymond L. Garrison, Jr.
391-5830

Community Manning
Debbi Dollar
994-2635

Community Services
Bill Exham
994-2377

Financial Services
James Jenkins
994-2427

Information Systems
Greg Larson
994-2322

Organizational Effectiveness
994-2492

- Patrol
- Special Operations
- Technical Services
- Communications
- Professional Standards
- Emergency Services

- Redevelopment
- Urban Design Studio

- Citizen Service Centers
- Community Planning
- Environmental Management

- Parks and Recreation
- Library Systems
- Human Services
- Cultural Council Contract Admin.

- Accounting and Budget
- Risk Management
- Purchasing
- Customer Service

- Office of Management Systems
- Geographic Information Systems
- Advanced Technology

- Corporate Development
- Human Resources
- Quality Resource Management
- Strategic Initiatives

Communications & Public Affairs
Jer Inderieden
994-2336

Intergovernmental Relations
Pat Dodds
994-2423

Preservation
Bob Caffarella
994-2319

Economic Development
Dave Roderique
994-7601

Community Development
John Faramelli
994-2583

- Development Services
- Inspection Services
- Project Review
- Project Coordination

Municipal Services
Al Dreska
391-5555

- Facilities Management
- Capital Project Management
- Field Services
- Solid Waste Management
- Fleet Management

Transportation
Steve Hogan
994-2539

- Airport
- Transit
- Traffic Engineering
- Transportation Planning

Water Resources
Roger Klingler
391-5681

- Water Resources Operations
- Water Quality & Engineering

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Introductory Section

This section includes the transmittal letter from the General Manager and City Treasurer, and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting



• "Most Livable City" U.S. Conference of Mayors •

September 15, 1996

The Honorable Mayor and City Council
City of Scottsdale, Arizona

Dear Mayor and Members of the City Council:

The Comprehensive Annual Financial Report of the City of Scottsdale (the City), Arizona, for the fiscal year ended June 30, 1996, is submitted in accordance with Article 6, Section 14, of the City Charter. This report was prepared by the City's Accounting and Budget Division. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures that we believe are necessary to enable the reader to gain an understanding of the City's financial activities have been included.

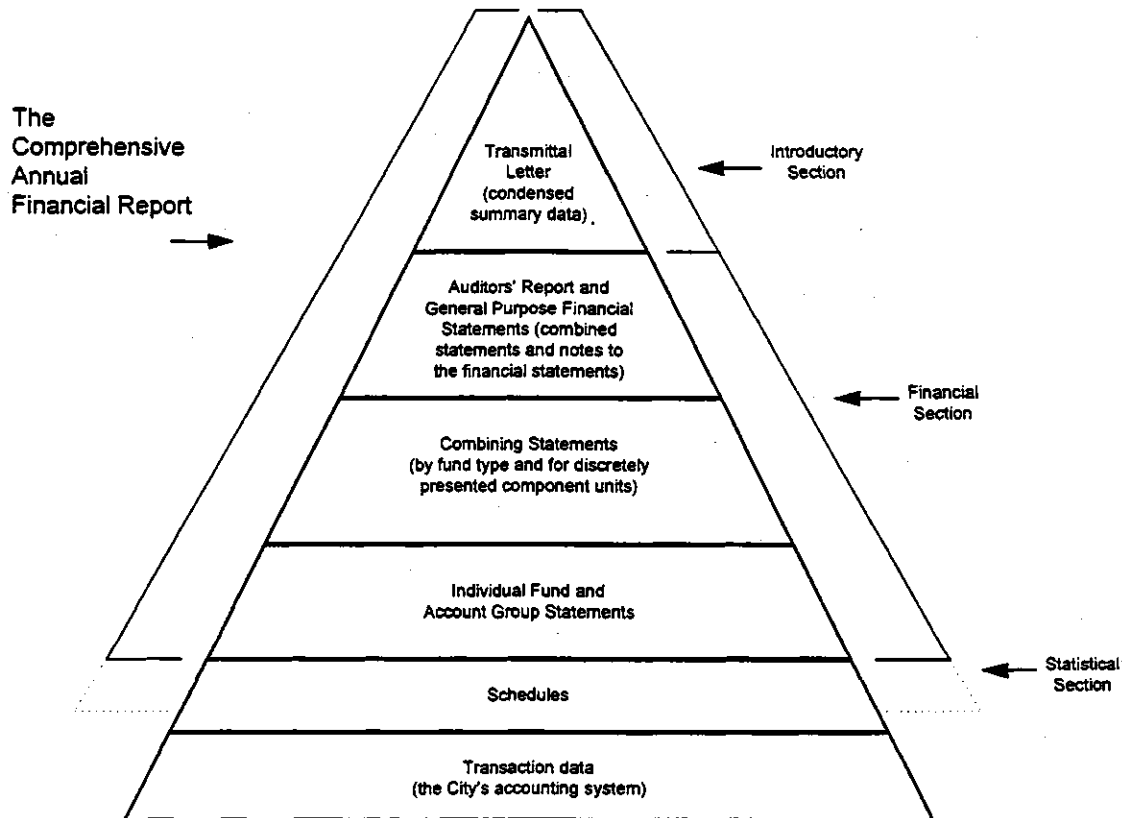
This report represents management's report to its governing body, constituents, legislative and oversight bodies, and investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, national repositories, and other agencies which have expressed an interest in Scottsdale's financial matters. Copies of this financial report will also be placed in the City library for use by the general public.

FINANCIAL REPORTING ENTITY

Scottsdale provides a full range of services including police and fire protection, sanitation/solid waste service, water and sewer services, construction and maintenance of streets, recreational activities, and cultural events. This report includes the financial data of all entities with which the City has a significant operational or financial relationship and which are consequently includable as component units in the City's financial reporting entity, in accordance with Governmental Accounting Standards Board *Statement No. 14*. The City's component units include the City of Scottsdale Municipal Property Corporation, Scottsdale Mountain Community Facilities District, McDowell Mountain Ranch Community Facilities District, and Scottswater Company, Inc. Note 1 to the financial statements discusses in more detail the financial reporting entity.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The Comprehensive Annual Financial Report (CAFR) is organized on the basis of what has come to be known as the financial reporting pyramid (see the following graphic). The principle underlying this method of presentation is that readers can move from summary information to more detailed information. The CAFR contains three sections: 1) the **Introductory Section**, which includes this transmittal letter, the City's organizational chart, and the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting; 2) the **Financial Section**, which includes the independent auditors' report, the general purpose financial statements, notes to the financial statements and financial policies of the City, and the combining and individual funds and account group financial statements and schedules; and 3) the **Statistical Section**, which includes selected financial and demographic information, generally presented on a multi-year basis.



ECONOMIC CONDITION AND OUTLOOK

The City of Scottsdale is centrally located in Maricopa County, with its boundaries encompassing an area of approximately 185 square miles. The City shares common borders with the incorporated communities of Phoenix, Tempe, Mesa, Fountain Hills and Carefree. Scottsdale, together with its neighboring cities, forms the greater metropolitan Phoenix area, which is the economic, political, and population center of the state.

Fiscal year 1995/96 was an extremely positive one for Scottsdale's economy. Local economic indicators continued to record excellent growth after the record-setting 1994/95 fiscal year, and in most instances exceeded the averages for metro Phoenix. Significant reasons for Scottsdale's positive economic condition at fiscal year end 1995/96 and continued favorable outlook for fiscal year 1996/97 include:

Retail Sales. Scottsdale's single largest revenue source is sales tax generated from a well-balanced variety of businesses which include automotive, construction, food stores, hotel/motels, restaurants, utilities, rentals, department stores, and miscellaneous retail stores. All categories of sales posted gains for the year; receipts for 1995/96 were up by 14 percent overall, and are projected to grow by 10 percent for 1996/97. A major redevelopment agreement was reached in 1995/96 for the construction of a large urban entertainment complex (the Scottsdale Waterfront) and an expansion of Fashion Square Mall (including a new Nordstrom's Department Store) in downtown Scottsdale. This additional 800,000 square feet of space is expected to open in mid-1998. Another 200,000 square feet of new retail space is currently under construction in north Scottsdale along with three new car dealerships.

Assessed Property Values. Assessed property values increased 9.4 percent, the second year of growth since recessionary declines, an outstanding sign of the resurgence of Scottsdale's economy. Assessed property values are expected to grow by 6.5 percent in 1996/97.

Job Growth. Scottsdale attracted 10 major new firms with over 1,300 new jobs in 1995/96. Additionally there are 27 active prospective firms looking at Scottsdale, with a potential for another 2,600 new jobs. Personal income growth also benefits not only from the strong influx of population but also from some gains in higher wage jobs. Employment growth is expected to remain strong in almost every area with the greatest growth occurring in the biomedical industries.

Employment. Scottsdale remains a net importer of labor, as the number of jobs physically located in the City (about 115,000) far outweighs the local labor force (about 90,000). Scottsdale's unemployment rate is the lowest of any major city in the valley (currently a record low 2.2 percent), and is expected to remain at this level through the end of 1996.

Construction. Single family building permits in Scottsdale mirrored the record pace set in the prior fiscal year with 3,074 permits issued in 1995/96 compared with 3,192 issued in 1994/95. Total value of all construction activity for 1995/96 was \$760 million. Scottsdale has historically represented 11 to 13 percent of the valley housing market share. This is projected to rise to 15 percent of the market share during 1996/97 due to the expanding presence of master planned community projects such as McDowell Mountain Ranch, D.C. Ranch, Grayhawk, Desert Mountain, St. Andrews, Corviglia, and Amberjack, which are increasingly attracting housing consumers. A total of 15,090 dwelling units are planned for these communities.

Commercial construction will increase this next year with the anticipated start of the Downtown Waterfront Project which will include Nordstrom's Department Store, various waterfront retail, restaurant, and entertainment establishments, and a pedestrian bridge link to the Fashion Square Mall which is also expanding its anchor tenants. The Downtown Galleria is also anticipated to redevelop for office use at a time when valley and Scottsdale office space is at an all-time low vacancy rate. The Four Seasons Resort at Crescent Moon (North Scottsdale) will also begin construction in 1996/97.

Tourism. Scottsdale's number one industry continues to post record gains. The number of visitors to Scottsdale rose by 13 percent last year to about 6.4 million annually, hotel occupancy rates rose to a record 78 percent, and hotel bed tax receipts were up 15 percent. Several new destination attractions opened in 1995/96 including the Heard Museum at El Pedregal. The tourism industry will likely post further records in 1996/97 with the addition of another six new hotels (which will increase the total room stock by 20 percent over two years), and with continued strong growth in national tourism trends.

Vacancy Rates. Commercial vacancy rates dropped substantially over the past year. Office vacancies are estimated very low at 5 percent, retail vacancies at 9 percent and industrial vacancies at about 5 percent. A small amount of speculative construction began in 1995, but demand remains strong, and therefore vacancy rates should remain low over the next year.

These factors contributed to Scottsdale's strong economy in 1995/96, and will likely continue into 1996/97. Much of the revenue growth attributable to the economic resurgence of the past three years has been invested in City reserves to provide funding to maintain citizen services during times of fiscal uncertainty and to build contingency funding for infrastructure deterioration. The outlook is for sustained growth in 1996/97, however, Scottsdale's five-year financial plans and biennial budget are premised upon conservative economic forecasts in anticipation of a softening economy late in the year and beyond. These factors, coupled with an emphasis on long-range strategic planning which balances desired results with available resources, will enable Scottsdale to continue to grow and prosper over the next several years.

MAJOR INITIATIVES and SERVICE EFFORTS & ACCOMPLISHMENTS

Emphasis during 1995/96 was placed on strengthening the organization through the introduction of a flatter, more flexible and team-based structure which responds quickly and proactively to changing demands and emerging issues. To accomplish this process, management teams were implemented throughout the organization to challenge underlying assumptions of current processes, then redesign the processes around more efficient and effective service delivery.

Emphasis was also placed on continuation of a comprehensive strategic planning process aligning organizational work plans and resources. A new two-year strategic planning cycle was developed, including our first biennial budget, and work has begun on a comparative, comprehensive cost-of-service analysis to facilitate an organizational focus and improved work management strategies aligned with critical city objectives and strategies. A strategic approach to land use and growth was also adopted and work has begun on updating the General Plan, using extensive community outreach and education, to ensure that every unit of growth adds value qualitatively, as well as economically, to the community.

The following are some of the service efforts and accomplishments of City staff during 1995/96:

City Clerk

- An electronic "voter lookup" system was installed, which provides the ability to verify registered Scottsdale voters and send early ballots when requested.
- Completed installation of a Document Imaging System. The system will increase our ability to maintain accurate public records and more quickly respond to customer requests regarding ordinances, resolutions and contracts.

City Attorney

- Established a Victims Assistance Program, using a combination of grant funds and monies contributed by the Police Department, City Court, Human Resources and the City Attorney's Office. The program offers victims assistance and information about the criminal process and has reduced court postponements.

Police

- Secured three grants under the Justice Department's Community Oriented Policing Services (COPS) Program resulting in 12 additional officer positions and funding for 55 laptop computers.
- Implemented the next phase of community policing through intensive crime prevention programs, public education, and crime target hardening. This enhances the community's ability to protect itself and fully engages community partnerships.
- Partnered in L.I.N.K.S., a collaborative effort of the City, school district, various nonprofit agencies, and businesses - all committed to sharing responsibilities and resources to create a community which is safe, healthy, and productive for children, adults, and families.

Financial Services

- Implemented the City's first two-year budget for 1995/97, aligned with organizational strategies, which saved over 14,000 hours of staff time and provided flexibility to pursue new initiatives during the second year (1996/97). The Purchasing Division implemented several process improvement team recommendations which resulted in \$300,000 of annual savings City-wide. The recommendations focused on mail delivery and use of credit cards.
- Water and Sewer Revenue bonds were refunded which provided the opportunity to eliminate a cash reserve requirement and replace it with a surety bond. This change will save approximately \$10 million over the next five years because of the anticipated Water and Sewer financing requirements.

Transportation

- Design work began on the Pima Freeway from 90th street through Shea Boulevard. Changes have been needed to accommodate safe geometric design to ensure neighborhood protection.
- Various communication methods, such as direct mail, Scottsdale Pride communication, novelty handouts, notices in utility bills, advertising and cable TV, have been used to increase transit ridership and reduce traffic congestion.

Community Services

- Opened Palomino Library, the first joint City/school library in the state, integrated into Desert Mountain High School, the newest high school in Scottsdale.
- Opened Paiute Neighborhood Center with assistance of community donations and established "Partners for Paiute", a non-profit fund-raising support organization, to assist with future financial needs of the Center.
- In partnership with local businesses, created a job development program for unemployed and under-employed citizens that includes life skills training, structured career planning and assistance in securing employment for program graduates.

Planning and Development

- The Planning and Development department was decentralized to provide a more proactive and comprehensive approach in four key areas: redevelopment and urban design, community planning, preservation and community development. Much of the realignment was achieved through strategic redeployment of current positions and budget.
- Completed 18 month citizen driven review of the City's general planning process known as CityShape 2020 - planning the physical form of Scottsdale's Shared Vision. The implementation of a character-based general plan format is now underway.
- In an effort to bring services to the diverse Scottsdale community, a multi-faceted Citizen Service Center, utilizing existing staff resources, opened at the City's Via Linda Complex Corporation Yard.

Water Resources

- Obtained Council adoption of the first comprehensive Water and Wastewater Master Plan update since 1988. The two master plan updates have provided the framework for the proper development of the City's water, wastewater and reclaimed water systems. Construction plans are premised upon the plans requirements.
- Completed Central Arizona Project (CAP) exchange agreements resulting in an additional 18,000 acre feet of water resources.
- Improved groundwater treatment facility and operating plans to maintain compliance with Arizona Department of Environmental Quality and federal EPA standards.

Municipal Resources

- Completed citywide study of maintenance services (Maintenance 2000) and finalized recommendations for the integration of all grounds and facilities maintenance into geographic service areas. The results are expected to reduce staff drive time and integrate skills into maintenance teams.
- Completed construction and began use of a new Solid Waste Transfer Station. The new station allows consolidation of three collection vehicle loads into one tractor trailer for long-range transport. The results are reduced costs, reduced overtime and greater disposal flexibility.
- Citywide household recycling program initiated with plans to divert 35 percent of total residential refuse by 1999/00. The goals of the program are environmental sensitivity and reduced landfill disposal costs.

FOR THE FUTURE

Plans articulated in the 1995/97 Biennial Budget continue to support basic government services (roads, water, sewer, solid waste management, public transit, parks and recreation, police, fire, etc.), while building on long-term community priorities established in previous years. Goals established for 1995/97:

Further improve Scottsdale's fiscal strength and stability by implementing long-term financial strategies.

- *Continue to adhere to adopted comprehensive financial policies.*
- *Set financial planning targets.*
- *Examine service costs.*
- *Prioritize capital expenditures.*
- *Ensure fair and responsible capital expenditures.*
- *Maintain sufficient reserves.*

Facilitate a sustainable community by continuing to integrate departmental services and actively involve citizens in public-policy discussions.

- *Call citizens to action.*
- *Forge partnerships to create a "systems view" of issues.*
- *Promote neighborhood outreach and collaboration.*
- *Encourage environmental sensitivity.*

Foster a strategic approach to land use and service delivery through conclusion and application of key financial studies and CityShape 2020 (Scottsdale's General Plan update).

- *Study fiscal impacts of development.*
- *Complete General Plan update.*
- *Involve citizens in public policy discussions.*

Maximize organizational resources through innovation, strategic planning and greater use of emerging technologies.

- *Build organizational capacity.*
- *Implement service and quality improvements.*
- *Promote more flexible and responsive organizational structures.*
- *Leverage use of emerging technologies.*
- *Pursue excellence.*

FINANCIAL INFORMATION

Internal Control. Management of the City of Scottsdale is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to be adequate to safeguard the assets and provide reasonable assurance of proper recording of financial transactions.

Single Audit. As a recipient of federal, state, and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As part of the single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs. The City's single audit for the fiscal year ended June 30, 1996, provided no instances of material weaknesses in the internal control structure, or significant violations of applicable laws and regulations.

Budgetary Control. The City also maintains budgetary controls. The objective of these controls is to ensure compliance with budgetary and legal provisions embodied in the annual appropriated budget approved by the City Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the total budget, as adopted. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the release of a purchase order. Encumbered appropriations are carried forward at the end of each fiscal year.

Expenditure budgets are presented on a non-GAAP basis. This basis includes items that are not included on a GAAP basis, such as encumbrances, and excludes such items as accruals and depreciation.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Government Functions. The following schedule presents a summary of the General, Special Revenue, Debt Service, and Capital Projects Funds revenues for the fiscal year ended June 30, 1996, and the amount and percentage of increases and decreases in relation to prior year revenues.

| Classification | Revenues | | | |
|--|--------------------------|---------------------|--|--|
| | 1996 Amount (000s) | Percent of Total | Increase (Decrease) From 1995 Restated Amounts (000s) | Percentage Increase (Decrease) From 1995 Restated Amounts |
| Taxes | \$99,996 | 52.8% | \$19,879 | 24.8% |
| Intergovernmental | 34,649 | 18.3 | 1,818 | 5.6 |
| Grants | 5,785 | 3.1 | 1,967 | 5.2 |
| Special Assessments | 7,895 | 4.2 | 2,381 | 43.2 |
| Licenses | 1,055 | 0.6 | 105 | 11.1 |
| Charges for Current Services | 12,587 | 6.7 | 177 | 1.4 |
| Fines and Forfeitures | 2,748 | 1.5 | 758 | 38.1 |
| Use of Money and Property | 9,133 | 4.8 | 110 | 1.2 |
| Reimbursements from Outside Sources | 3,280 | 1.7 | (423) | (11.4) |
| Streetlight Districts | 474 | .2 | (69) | (12.7) |
| Other | 11,617 | 6.1 | 538 | 4.9 |
| Total | \$189,219 | 100.0% | \$27,241 | 16.8% |

Scottsdale's economy continued to be healthy in fiscal year 1996. As a result, the City continued to have significant increases in sales tax and construction related revenues. The metropolitan area was also host to Super Bowl XXX which had a positive impact on tax revenues. Special assessments revenue increased due to billing for additional improvement districts. Alarm permit and false alarm fees were responsible for the increase in licenses revenue. Fines and forfeitures continued to increase in relation to additional police authorized by the City and partially funded by the President's "Cops Ahead" program. Streetlight districts revenue decreased as a result of lower property tax levies required to meet utility bill expense.

The following schedule presents a summary of General, Special Revenue, Debt Service, and Capital Projects Funds expenditures for the fiscal year ended June 30, 1996, and the amount and percentage of increases and decreases in relation to prior year expenditures.

| Department | Expenditures | | | |
|------------------------|--------------------------|---------------------|--|--|
| | 1996 Amount (000s) | Percent of Total | Increase (Decrease) From 1995 Restated Amounts (000s) | Percentage Increase (Decrease) From 1995 Restated Amounts |
| General Government | \$16,797 | 8.6% | \$2,820 | 20.2% |
| Police | 27,253 | 13.9 | 3,027 | 12.5 |
| Financial Services | 4,967 | 2.5 | 471 | 10.5 |
| Transportation | 4,870 | 2.5 | 992 | 25.6 |
| Community Services | 19,937 | 10.1 | 1,681 | 9.2 |
| Planning & Development | 16,553 | 8.4 | 2,551 | 18.2 |
| Fire | 10,132 | 5.2 | 1,697 | 20.1 |
| Municipal Services | 16,405 | 8.3 | 2,122 | 14.9 |
| Streetlight Districts | 486 | .2 | 28 | 6.1 |
| Capital Improvements | 42,841 | 21.8 | (26,944) | (38.6) |
| Debt Service | 36,440 | 18.5 | 4,075 | 12.6 |
| Total | \$196,681 | 100.0% | (\$7,480) | (4.0%) |

The increases in expenditures are attributable to the addition of a new Citizen Service Center, continued emphasis on public safety, expansion of bus services and recreational services, the installation and upgrades of computer networks and other automation needs. Capital improvement expenditures decreased due to decreased construction activity for the year.

General Government Fund Balances: Fund balances reflect the accumulated excess of revenues and other financing sources over expenditures and other financing uses for general government functions. Unencumbered appropriations lapse at the close of the fiscal year and revert to unreserved fund balance. Encumbered amounts are reported as reservations of fund balance. The following schedule presents increases (decreases) in total fund balances at June 30, 1996, compared to the prior year.

| Fund | Total Fund Balances (Deficit) | | |
|-----------------------|-------------------------------|----------------------|------------------------|
| | June 30, 1995 (Restated) | June 30, 1996 | Increase (Decrease) |
| General | \$61,870,041 | \$66,254,895 | \$4,384,854 |
| Special Revenue: | | | |
| Highway User | 328,834 | 48,980 | (279,854) |
| Community Development | 123,128 | 97,067 | (26,061) |
| Grants | 180,642 | 665,091 | 484,449 |
| Section 8 | (89,457) | (221,773) | (132,316) |
| Debt Service | 5,582,912 | 6,743,676 | 1,160,764 |
| Capital Projects | 32,954,420 | 38,956,552 | 6,002,132 |
| Total | \$100,950,520 | \$112,544,488 | \$11,593,968 |

The General Fund balance increased primarily as a result of revenue increases (especially privilege tax and construction permits). The Grants Fund balance increased due to the City receiving several grants to be expended in future years. The Debt Service Fund balance increased as a result of increased revenue for payment of Special Assessment debt. The Capital Projects Fund balance increased due to unexpended new bond funds. The Highway User Fund balance decreased because of increased transit payments. The Community Development and Section 8 fund decreases were the result of an acceleration of expenditures.

Proprietary Funds. The City's proprietary funds consist of Enterprise Funds and Internal Service Funds. The Enterprise Funds are comprised of the Water and Sewer Utility Fund, the Airport Fund, and the Solid Waste Fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to proprietary (private business) enterprises where the intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges, or (b) it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, or accountability.

The Internal Service Funds consist of the Motor Pool Fund and the Self-Insurance Fund. Internal Service Funds account for services and/or commodities provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis.

The following schedule presents retained earnings (accumulated deficits) for the year compared to the prior year for the proprietary funds.

| Fund | Retained Earnings (Accumulated Deficit) | | |
|-------------------------|---|----------------------|------------------------|
| | June 30, 1995 (Restated) | June 30, 1996 | Increase (Decrease) |
| Water and Sewer Utility | \$109,436,856 | \$137,348,289 | \$27,911,433 |
| Airport | 441,980 | 951,081 | 509,101 |
| Solid Waste | 1,128,085 | 896,809 | (231,276) |
| Motor Pool | 4,733,813 | 5,812,472 | 1,078,659 |
| Self-Insurance | (2,155,876) | (3,909,624) | (1,753,748) |
| Total | \$113,584,858 | \$141,099,027 | \$27,514,169 |

Retained earnings of the Water and Sewer Utility Fund increased as a result of customer base increases, service rate increases and increased usage because of dry weather. Water and Sewer retained earnings are intended to provide financial reserves for infrastructure repair and replacement as well as funding for significant infrastructure expansion needs for the future. Retained earnings of the Airport Fund increased due to an increase in airport operating revenue. The Solid Waste Fund retained earnings decrease is due to operating expenses relating to a new curb-side recycling program. The Motor Pool Fund retained earnings increased because of a change in policy that requires operating transfers to fund new vehicle purchases. Retained earnings of the Self-Insurance Fund decreased due to payments for claims in excess of the amounts anticipated.

The City Council is committed to a policy of maintaining the enterprise operations of the Water and Sewer Utility, the Airport, and the Solid Waste Funds on a self-supporting basis, adjusting user rates as necessary.

Fiduciary Fund. The Fiduciary Funds consist of miscellaneous expendable and nonexpendable trust funds and the Deferred Compensation Agency Fund. All amounts of compensation deferred and recorded in the agency fund are the property of the City, subject to the claims of general creditors. The City has the duty of due care. Investments are managed by an independent plan administrator. The balance in the agency fund had a net increase of \$3,016,243 due to employees' continued contributions to the deferred compensation plan.

Debt Administration. At June 30, 1996, the City had outstanding debt issues of \$359,733,380. The breakdown was:

| Debt | Principal Balance June 30, 1996 |
|---|---------------------------------------|
| General Obligation Bonds * | \$160,950,000 |
| Revenue Bonds | 46,805,000 |
| Scottsdale Municipal Property Corporation Bonds | 89,130,000 |
| Special Assessment Bonds | 32,765,789 |
| Community Facilities District Bonds | 17,400,000 |
| Contracts | 12,682,591 |
| Total | \$359,733,380 |

* Net of accretions on capital appreciation bonds

During the 1995/96 fiscal year, \$15,000,000 general obligation bonds and \$3,500,000 Municipal Property Corporation bonds were issued, as well as \$2,100,000 in contract debt. In addition, the City issued \$9,815,000 Water and Sewer revenue refunding bonds, effectively refunding \$9,325,000 outstanding revenue bonds, resulting in an economic savings to the City of \$235,450. The City maintained its Aa1 bond rating from Moody's Investor Service, AA+ rating from Fitch Investors Service, Inc., and AA+ rating by Standard and Poor's for general obligation bonds this past fiscal year, representing the highest combined rating of any city in Arizona. The City also received upgrades in the last fiscal year for Municipal Property Corporation and Revenue bonds. General obligation debt is serviced by secondary property taxes. Revenue-supported debt is serviced with the user fees associated with the particular fund activity.

Under Arizona law, cities can issue general obligation bonds for purposes of water, sewer, artificial light, open space, parks, playground, and recreational facilities up to an amount not exceeding 20 percent of the secondary assessed valuation of all properties in the City, and general obligation bonds for all purposes other than those listed up to an amount not exceeding 6 percent of the secondary assessed valuation. At June 30, 1996, the City's 20 percent debt limitation was \$306,017,663, providing a debt margin of \$203,757,263, and the 6 percent debt limitation was \$91,805,299, providing a debt margin of \$33,115,699.

Cash Management. Cash temporarily idle during the year, excluding that of the Municipal Property Corporation (MPC), Scottsdale Mountain and McDowell Mountain Ranch Community Facilities Districts, and Deferred Compensation Agency Fund investments, was invested primarily in the State Treasurer's Local Government Investment Pool and mutual funds whose portfolios consist solely of U.S. Government Treasury and Agency securities. In addition, amounts were directly invested in obligations of the U.S. Treasury and its agencies, demand deposits, and repurchase agreements. The City utilizes a pooled cash concept in order to invest greater amounts of cash at one time and therefore receives more favorable interest rates. The average yield on pooled investments for the 1995/96 fiscal year was 5.65 percent, and the average daily investment balance was \$234,337,898.

The City's investment policy is to invest all of the City funds at the highest available interest rate, assuring that all monies are fully secured with emphasis on safety of principal, liquidity, and financial return on principal, in that order.

Risk Management. The City is exposed to various risks of loss related to public, property, and aviation liability, and workers compensation. Public liability includes public officials' errors and omissions, automobile and general liability. The City is self-insured for the first \$1,000,000 of public liability, the first \$50,000 of property liability, the first \$5,000 of aviation liability and the first \$300,000 of workers compensation. Coverage in excess of these respective amounts is provided through the purchase of commercial insurance. During the fiscal year ending June 30, 1996 there was no significant reduction in excess insurance coverage. Additionally, settlements for each of the past three fiscal years have not exceeded the City's excess insurance coverage amounts.

The City has an aggressive safety program which promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses. In addition to the safety program's preventative measure, the Risk Management division investigates every claim and arbitrates each loss in order to minimize the City's liability exposure.

OTHER INFORMATION

Independent Audit. City Charter requires an annual audit by independent certified public accountants. The accounting firm of Deloitte & Touche LLP has been selected by the City Council to audit from 1996 to 1998. The auditors' report is included in the financial section of this report.

In addition to this report, the auditors were also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements of the Federal Single Audit Act of 1984 and the related OMB Circular A-128. Due to the size and complexity of the City's financial system, the single audit report is issued separately from this financial report. Copies are available upon request.

Awards. 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 for its comprehensive annual financial report for the fiscal year ended June 30, 1995, marking twenty-three consecutive years Scottsdale has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current report is believed to conform to Certificate of Achievement program requirements and will be submitted to the GFOA in order to determine its eligibility for a certificate.

The City also received the GFOA's award for Distinguished Budget Presentation for our 1996/97 Biennial Budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient as a Policy Document, as a Financial Plan, as an Operation Guide and as a Communication Device.

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

Respectfully submitted,

A handwritten signature in black ink that reads "James A. Jenkins". The signature is written in a cursive style with a large initial "J" and "A".

James A. Jenkins, General Manager
Financial Services/City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Scottsdale,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1995

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.



Timothy H. Rivdan
President

Jeffrey L. Esler
Executive Director

Financial Section

This section includes the independent auditors' report, the general purpose financial statements, and the combining and individual funds and account group financial statements and schedules



INDEPENDENT AUDITORS' REPORT

Honorable Mayor
Members of the City Council
City of Scottsdale, Arizona

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements of the City of Scottsdale, Arizona, as of June 30, 1996, and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the City of Scottsdale, Arizona. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Scottsdale Water Service Company Limited Partnership which were combined with Scottswater Company, Inc., a component unit. Those statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for Scottswater Company, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. The financial statements of Scottsdale Water Service Company Limited Partnership which were combined with Scottswater Company, Inc. a component unit, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to that component unit. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, based on our audit and the report of the other auditors, such general purpose financial statements present fairly, in all material respects, the financial position of the City of Scottsdale, Arizona, as of June 30, 1996, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Scottsdale, Arizona, as of June 30, 1996, and the results of operations of such funds and the cash flows of individual proprietary and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements and on the combining and individual fund and account group financial statements taken as a whole. The accompanying financial information listed as supplemental schedules in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Scottsdale, Arizona. The financial statements and schedules are also the responsibility of the management of the City of Scottsdale, Arizona. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose, combining, and individual fund and account group financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements of each of the respective individual funds and accounts groups taken as a whole.

The statistical data listed in the Statistical Section of the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Scottsdale, Arizona. Such additional information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 1996, on our consideration of the City's internal control structure and a report dated September 13, 1996, on its compliance with laws and regulations.

Deloitte & Touche LLP
September 13, 1996



CITY OF SCOTTSDALE, ARIZONA

COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNIT

EXHIBIT A-1

JUNE 30, 1988

WITH COMPARATIVE TOTALS FOR JUNE 30, 1985 (PRIMARY GOVERNMENT ONLY)

| | GOVERNMENTAL FUND TYPES | | | | PROPRIETARY FUND TYPES | |
|---|-------------------------|---------------------|----------------------|----------------------|------------------------|----------------------|
| | GENERAL | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS | ENTERPRISE | INTERNAL SERVICE |
| ASSETS AND OTHER DEBITS | | | | | | |
| Cash and Short-Term Investments | \$ 30,667,943 | \$ 2,216,022 | \$ 23,329,928 | \$ 39,713,066 | \$ 44,155,305 | \$ 6,984,686 |
| Investments | 35,000,000 | - | 423,638 | - | 20,214,584 | - |
| Construction to be Provided | - | - | - | - | 404,047 | - |
| Receivables | - | - | - | - | - | - |
| Accrued Interest | 758,993 | - | 18,239 | 454,894 | 1,257,832 | 83,353 |
| Privilege Tax | 836,662 | - | - | 1,010,769 | - | - |
| Hotel/Motel Tax | 118,580 | - | - | - | - | - |
| Property Tax | 801,434 | - | 182,442 | - | - | - |
| Special Assessments | - | - | 30,739,187 | - | - | - |
| State Shared Sales Tax | 1,007,497 | - | - | - | - | - |
| Auto Lien Tax | - | - | - | - | - | - |
| Fuel Tax | - | 1,107,417 | - | - | - | - |
| Grants | - | 809,243 | - | - | - | - |
| Accounts | - | - | - | - | 9,868,566 | - |
| Miscellaneous | 1,010,283 | 387 | - | 2,400 | 1,501,647 | 48,674 |
| Note Receivable | - | - | - | - | - | - |
| Deferred Issuance Costs, Net of Accumulated Amortization | - | - | - | - | - | - |
| Due from Other Funds | 2,053,306 | - | - | - | - | - |
| Due from Maricopa County Flood Control District | - | - | - | - | - | - |
| Supplies Inventory | 325,643 | - | - | - | - | 339,581 |
| Restricted Cash and Investments | - | - | - | - | 53,108,779 | - |
| Equity in Joint Venture | - | - | - | - | 17,589,305 | - |
| Property, Plant, and Equipment, Net of Accumulated Depreciation | - | - | - | - | 324,281,845 | 11,982,834 |
| Excess Purchase Price over Fair Market Value of Water System Assets Acquired, Net | - | - | - | - | 364,854 | - |
| Excess Purchase Price over Book Value of Partnership Interest Acquired | - | - | - | - | - | - |
| Amount Available in Debt Service Funds | - | - | - | - | - | - |
| Amount to be Provided for Retirement of General Long-Term Debt | - | - | - | - | - | - |
| Total Assets and Other Debits | \$ 72,568,341 | \$ 4,133,079 | \$ 54,894,414 | \$ 41,181,129 | \$ 472,742,744 | \$ 18,447,038 |
| LIABILITIES AND FUND EQUITY | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 688,720 | \$ 810,114 | \$ - | \$ 2,158,338 | \$ 3,867,715 | \$ 248,150 |
| Accrued Payroll | 4,961,907 | 148,659 | - | - | 941,859 | 359,933 |
| Claims Payable | - | - | - | - | - | 5,997,995 |
| Designated Deferred Compensation Benefits | - | - | - | - | - | - |
| Due to Other Funds | - | 383,308 | - | - | 1,670,000 | - |
| Contracts Payable - Current Portion | - | - | - | - | 266,687 | - |
| Bond Interest Payable | - | 703,635 | 6,947,933 | - | 1,419,241 | - |
| Bonds Payable - Current Portion | - | 1,700,000 | 9,935,000 | - | 3,695,000 | - |
| Deferred Revenue | - | - | - | - | - | - |
| Property Tax | 712,819 | - | 21,422 | - | - | - |
| Special Assessments | - | - | 30,739,187 | - | - | - |
| Other | - | - | 307,216 | - | 6,027,533 | - |
| Guaranty and Other Deposits | - | - | - | - | 1,185,569 | - |
| Other | - | - | - | 68,238 | - | - |
| Long-Term Debt (Net of Current Portion) | - | - | - | - | 57,159,537 | - |
| Total Liabilities | 8,343,446 | 3,543,714 | 47,950,738 | 2,224,576 | 76,033,171 | 6,804,078 |
| Equity and Other Credits | | | | | | |
| Contributed Capital, Net of Accumulated Depreciation | - | - | - | - | 257,513,394 | 10,940,112 |
| Investment in General Fixed Assets | - | - | - | - | - | - |
| Retained Earnings (Accumulated Deficit) | - | - | - | - | - | - |
| Reserved for | - | - | - | - | - | - |
| Revenue Bond Retirement | - | - | - | - | - | - |
| Water and Sewer System Replacement | - | - | - | - | 8,911,102 | - |
| Acquisition and Construction | - | - | - | - | 44,195,677 | - |
| Unreserved | - | - | - | - | 86,089,400 | 1,902,848 |
| Unreserved Minority Interest | - | - | - | - | - | - |
| Fund Balances | | | | | | |
| Reserved for | - | - | - | - | - | - |
| Encumbrances | 1,538,847 | 477,088 | - | 7,735,023 | - | - |
| Streetlight Districts | 802,638 | - | - | - | - | - |
| Debt Service | - | - | 6,563,789 | - | - | - |
| Library Acquisitions | - | - | - | - | - | - |
| Unreserved | 63,913,410 | 112,277 | 179,887 | 31,221,530 | - | - |
| Total Retained Earnings (Accumulated Deficit)/Fund Balances | 66,254,895 | 589,365 | 6,743,676 | 38,956,553 | 139,166,179 | 1,902,848 |
| Total Equity and Other Credits | 66,254,895 | 589,365 | 6,743,676 | 38,956,553 | 396,709,573 | 12,842,960 |
| Total Liabilities, Equity, and Other Credits | \$ 72,568,341 | \$ 4,133,079 | \$ 54,894,414 | \$ 41,181,129 | \$ 472,742,744 | \$ 19,447,038 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

EXHIBIT A-1
(Continued)

| FIDUCIARY FUND TYPE | ACCOUNT GROUPS | | TOTALS (MEMORANDUM ONLY) | | COMPONENT UNIT | TOTALS |
|------------------------|----------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------|-----------------------------------|
| | GENERAL FIXED ASSETS | GENERAL LONG-TERM DEBT | PRIMARY GOVERNMENT | | SCOTTSWATER COMPANY, INC. | (MEMORANDUM ONLY) |
| | | | JUNE 30, 1996 | JUNE 30, 1995 (RESTATED) | JUNE 30, 1996 | REPORTING ENTITY JUNE 30, 1996 |
| \$ 6,176,417 | \$ - | \$ - | \$ 153,263,277 | \$ 169,001,896 | \$ 182,433 | \$ 163,425,710 |
| 12,082,937 | - | - | 67,701,139 | 16,104,872 | 3,134,262 | 70,835,421 |
| - | - | - | 404,047 | - | - | 404,047 |
| 17,289 | - | - | 2,599,800 | 1,136,110 | 3,384 | 2,902,984 |
| - | - | - | 1,847,431 | 592,152 | - | 1,847,431 |
| - | - | - | 118,580 | 88,973 | - | 118,580 |
| - | - | - | 983,876 | 929,432 | - | 983,876 |
| - | - | - | 30,739,167 | 27,108,861 | - | 30,739,167 |
| - | - | - | 1,007,497 | 865,380 | - | 1,007,497 |
| - | - | - | - | 344,252 | - | - |
| - | - | - | 1,107,417 | 816,449 | - | 1,107,417 |
| - | - | - | 809,243 | 659,348 | - | 809,243 |
| - | - | - | 9,866,566 | 7,448,655 | - | 9,866,566 |
| 1,876,064 | - | - | 4,437,455 | 2,754,740 | 11,414 | 4,448,869 |
| 4,000,000 | - | - | 4,000,000 | 4,000,000 | - | 4,000,000 |
| - | - | - | - | - | 737,166 | 737,166 |
| - | - | - | 2,053,308 | 485,719 | - | 2,053,308 |
| - | - | - | - | 720,000 | - | - |
| - | - | - | 665,224 | 622,713 | - | 665,224 |
| - | - | - | 53,106,779 | 50,725,697 | - | 53,106,779 |
| - | - | - | 17,589,305 | 13,844,000 | - | 17,589,305 |
| - | 1,352,003,695 | - | 1,688,268,374 | 1,504,317,467 | 1,077,328 | 1,689,345,702 |
| - | - | - | 384,854 | 384,695 | - | 384,854 |
| - | - | - | - | - | 483,024 | 483,024 |
| - | - | 6,743,676 | 6,743,676 | 5,167,816 | - | 6,743,676 |
| - | - | 304,544,495 | 304,544,495 | 309,701,279 | - | 304,544,495 |
| <u>\$ 24,132,697</u> | <u>\$ 1,352,003,695</u> | <u>\$ 311,288,171</u> | <u>\$ 2,352,221,308</u> | <u>\$ 2,117,720,596</u> | <u>\$ 5,609,031</u> | <u>\$ 2,357,830,339</u> |
| \$ - | \$ - | \$ - | \$ 7,349,037 | \$ 7,146,001 | \$ 307,786 | \$ 7,656,823 |
| - | - | - | 6,410,358 | 4,979,762 | - | 6,410,358 |
| - | - | - | 5,997,995 | 4,463,893 | - | 5,997,995 |
| 12,082,937 | - | - | 12,082,937 | 9,046,893 | - | 12,082,937 |
| - | - | - | 2,053,308 | 485,719 | - | 2,053,308 |
| - | - | - | 266,687 | 256,456 | - | 266,687 |
| - | - | - | 9,070,809 | 8,530,504 | - | 9,070,809 |
| - | - | - | 15,330,000 | 14,495,000 | - | 15,330,000 |
| - | - | - | 734,241 | 730,635 | - | 734,241 |
| - | - | - | 30,739,167 | 27,108,861 | - | 30,739,167 |
| 4,160,000 | - | - | 10,494,749 | 2,736,605 | - | 10,494,749 |
| 2,667,253 | - | - | 4,072,652 | 2,953,494 | - | 4,072,652 |
| - | - | - | 68,238 | 787,045 | - | 68,238 |
| - | - | 311,288,171 | 368,447,708 | 371,979,160 | 20,125,000 | 368,572,708 |
| 19,110,190 | - | 311,288,171 | 473,086,084 | 455,700,028 | 20,432,786 | 483,530,870 |
| - | - | - | 268,453,506 | 240,495,653 | 3,600,000 | 272,053,608 |
| - | 1,352,003,695 | - | 1,352,003,695 | 1,182,104,000 | - | 1,352,003,695 |
| - | - | - | - | 2,957,334 | - | - |
| - | - | - | 8,911,102 | 8,911,102 | - | 8,911,102 |
| - | - | - | 44,195,677 | 38,857,261 | - | 44,195,677 |
| - | - | - | 87,992,248 | 72,544,757 | (138,383) | 87,853,865 |
| - | - | - | - | - | (18,285,372) | (18,285,372) |
| 24,152 | - | - | 9,775,110 | 13,401,154 | - | 9,775,110 |
| - | - | - | 802,838 | 814,433 | - | 802,838 |
| - | - | - | 6,563,789 | 4,860,114 | - | 6,563,789 |
| 193,715 | - | - | 193,715 | 189,957 | - | 193,715 |
| 4,604,640 | - | - | 100,231,744 | 86,884,803 | - | 100,231,744 |
| <u>5,022,507</u> | <u>-</u> | <u>-</u> | <u>258,666,023</u> | <u>229,420,915</u> | <u>(18,423,755)</u> | <u>240,242,268</u> |
| <u>5,022,507</u> | <u>1,352,003,695</u> | <u>-</u> | <u>1,679,123,224</u> | <u>1,662,020,566</u> | <u>(14,823,755)</u> | <u>1,664,296,469</u> |
| <u>\$ 24,132,697</u> | <u>\$ 1,362,003,695</u> | <u>\$ 311,288,171</u> | <u>\$ 2,352,221,308</u> | <u>\$ 2,117,720,596</u> | <u>\$ 5,609,031</u> | <u>\$ 2,357,830,339</u> |

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

EXHIBIT A-2

FOR THE FISCAL YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1995

| | GOVERNMENTAL FUND TYPES | | | | FIDUCIARY FUND TYPE | TOTALS (MEMORANDUM ONLY) | |
|---|-------------------------|--------------------|---------------------|----------------------|------------------------|-----------------------------|-----------------------------|
| | GENERAL | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS | EXPENDABLE TRUST | JUNE 30, 1996 | JUNE 30, 1995 (RESTATED) |
| Revenues | | | | | | | |
| Taxes - Local | \$ 57,574,867 | \$ - | \$ 23,814,185 | \$ 18,808,895 | \$ - | \$ 99,995,747 | \$ 80,117,215 |
| Taxes - Intergovernmental | 20,812,233 | 14,036,440 | - | - | - | 34,848,673 | 32,830,833 |
| Grants | - | 5,785,611 | - | - | - | 5,785,611 | 3,818,372 |
| Special Assessments | - | - | 7,895,567 | - | - | 7,895,567 | 5,514,188 |
| Licenses | 1,054,866 | - | - | - | - | 1,054,866 | 950,215 |
| Charges for Current Services | 12,588,956 | - | - | - | - | 12,588,956 | 12,410,482 |
| Fines and Forfeitures | 2,747,841 | - | - | - | - | 2,747,841 | 1,989,546 |
| Use of Money and Property | 6,343,309 | - | 469,909 | 2,319,614 | 71,821 | 9,204,653 | 9,095,056 |
| Reimbursements from Outside Sources | - | - | - | 3,279,782 | - | 3,279,782 | 3,703,092 |
| Streetlight Districts | 473,987 | - | - | - | - | 473,987 | 542,761 |
| Other | 11,560,104 | 29,739 | - | 27,140 | 2,325,135 | 13,942,118 | 12,918,624 |
| Total Revenues | 112,954,163 | 19,851,790 | 32,179,661 | 24,233,231 | 2,396,956 | 191,815,801 | 163,890,164 |
| Expenditures | | | | | | | |
| Current Operating Departments | | | | | | | |
| General Government | 16,117,200 | 679,856 | - | - | - | 16,797,056 | 13,976,893 |
| Police | 26,735,352 | 517,712 | - | - | - | 27,253,064 | 24,225,550 |
| Financial Services | 4,967,431 | - | - | - | - | 4,967,431 | 4,496,166 |
| Transportation | - | 4,870,062 | - | - | - | 4,870,062 | 3,878,146 |
| Community Services | 19,555,718 | 381,724 | - | - | - | 19,937,442 | 18,256,121 |
| Planning & Development | 13,081,709 | 3,471,488 | - | - | - | 16,553,197 | 14,002,241 |
| Fire | 10,131,958 | - | - | - | - | 10,131,958 | 9,434,827 |
| Municipal Services | 8,261,169 | 8,144,078 | - | - | - | 16,405,247 | 14,282,577 |
| Streetlight Districts | 485,782 | - | - | - | - | 485,782 | 457,954 |
| Expendable Trusts | - | - | - | - | 1,309,500 | 1,309,500 | 710,927 |
| Capital Improvements | - | - | - | 42,841,063 | - | 42,841,063 | 69,784,813 |
| Debt Service | | | | | | | |
| Principal | 1,230,233 | 1,700,000 | 15,704,598 | - | - | 18,634,831 | 16,275,713 |
| Interest and Fiscal Charges | 199,252 | 1,408,920 | 16,186,570 | - | - | 17,804,742 | 16,089,702 |
| Total Expenditures | 100,765,804 | 21,173,840 | 31,901,168 | 42,841,063 | 1,309,500 | 187,991,395 | 204,871,650 |
| Excess (Deficiency) of Revenues Over Expenditures | 12,188,359 | (1,322,050) | 278,493 | (18,607,852) | 1,087,456 | (6,375,594) | (40,981,486) |
| Other Sources (Uses) | | | | | | | |
| Operating Transfers In | - | 1,368,268 | 708,698 | 7,238,629 | - | 9,315,595 | 13,153,538 |
| Operating Transfers Out | (7,803,505) | - | (10,027) | (1,128,644) | (1,264,564) | (10,206,740) | (14,088,870) |
| Bond Proceeds | - | - | - | 18,500,000 | - | 18,500,000 | 45,180,223 |
| Developer Contributions | - | - | 183,600 | - | - | 183,600 | - |
| Proceeds from Sale of Real Estate | - | - | - | - | - | - | 1,005,272 |
| Total Other Sources (Uses) | (7,803,505) | 1,368,268 | 882,271 | 24,809,965 | (1,264,564) | 17,792,455 | 45,250,163 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 4,384,854 | 46,218 | 1,160,764 | 6,002,133 | (177,108) | 11,416,861 | 4,268,677 |
| Fund Balances July 1, 1995, As Previously Reported | 61,870,041 | 543,147 | 5,207,129 | 32,954,420 | 5,005,900 | 105,580,637 | 101,282,606 |
| Prior Period Adjustment | - | - | 375,783 | - | - | 375,783 | 405,137 |
| Fund Balances July 1, 1995, as Restated | 61,870,041 | 543,147 | 5,582,912 | 32,954,420 | 5,005,900 | 105,956,420 | 101,687,743 |
| Fund Balances June 30, 1996 | \$ 66,254,895 | \$ 589,385 | \$ 6,743,676 | \$ 38,956,553 | \$ 4,828,792 | \$ 117,373,281 | \$ 105,958,420 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - BUDGET AND ACTUAL - BUDGET BASIS - GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS

EXHIBIT A-3

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

| | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | | DEBT SERVICE FUNDS | | | TOTALS (MEMORANDUM ONLY) | | |
|--|--------------------|--------------------|--|-----------------------|-------------------|--|--------------------|-------------------|--|-----------------------------|--------------------|--|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| | Revenues | | | | | | | | | | | |
| Taxes - Local | \$ 56,445,202 | \$ 57,574,887 | \$ 1,129,685 | \$ - | \$ - | \$ - | \$ 24,035,525 | \$ 23,571,836 | \$ (463,689) | \$ 80,480,727 | \$ 81,146,703 | \$ 665,976 |
| Taxes - Intergovernmental | 20,572,643 | 20,612,233 | 39,590 | 14,172,135 | 14,036,440 | (135,695) | - | - | - | 34,744,778 | 34,648,673 | (96,105) |
| Special Assessments | - | - | - | - | - | - | 6,621,803 | 7,895,567 | 1,273,764 | 6,621,803 | 7,895,567 | 1,273,764 |
| Licenses | 1,074,494 | 1,054,686 | (19,808) | - | - | - | - | - | - | 1,074,494 | 1,054,686 | (19,808) |
| Charges for Current Services | 13,241,049 | 12,586,956 | (654,093) | - | - | - | - | - | - | 13,241,049 | 12,586,956 | (654,093) |
| Fines and Forfeitures | 2,624,929 | 2,747,641 | 122,912 | - | - | - | - | - | - | 2,624,929 | 2,747,641 | 122,912 |
| Use of Money and Property | 6,310,267 | 6,343,309 | 33,042 | - | - | - | 423,764 | 355,241 | (68,523) | 6,734,031 | 6,696,550 | (35,481) |
| Other | 1,662,645 | 1,073,269 | (589,376) | - | - | - | - | - | - | 1,662,645 | 1,073,269 | (589,376) |
| Total Revenues | 101,831,229 | 101,863,341 | 62,112 | 14,172,135 | 14,036,440 | (135,695) | 31,061,062 | 31,822,644 | 741,552 | 147,184,456 | 147,952,425 | 667,969 |
| Expenditures | | | | | | | | | | | | |
| Current Operating Departments | | | | | | | | | | | | |
| General Government | 17,011,614 | 16,250,693 | 760,921 | - | - | - | - | - | - | 17,011,614 | 16,250,693 | 760,921 |
| Police | 27,135,324 | 26,697,610 | 437,714 | - | - | - | - | - | - | 27,135,324 | 26,697,610 | 437,714 |
| Financial Services | 5,283,243 | 5,163,657 | 119,586 | - | - | - | - | - | - | 5,283,243 | 5,163,657 | 119,586 |
| Transportation | - | - | - | 4,628,954 | 4,471,924 | 157,030 | - | - | - | 4,628,954 | 4,471,924 | 157,030 |
| Community Services | 20,286,271 | 20,030,685 | 255,586 | - | - | - | - | - | - | 20,286,271 | 20,030,685 | 255,586 |
| Planning & Development | 13,474,482 | 13,356,381 | 118,101 | - | - | - | - | - | - | 13,474,482 | 13,356,381 | 118,101 |
| Fire | 10,171,831 | 10,133,376 | 38,455 | - | - | - | - | - | - | 10,171,831 | 10,133,376 | 38,455 |
| Municipal Services | 8,564,623 | 8,547,172 | 17,451 | 8,045,551 | 8,142,520 | (96,969) | - | - | - | 16,610,374 | 16,689,692 | (79,318) |
| Debt Service | | | | | | | | | | | | |
| Principal | 1,290,614 | 1,230,233 | 60,381 | 1,700,000 | 1,700,000 | - | 15,319,153 | 15,704,598 | (385,445) | 16,309,767 | 16,634,831 | (325,064) |
| Interest and Fiscal Charges | 203,452 | 189,252 | 4,200 | 1,406,270 | 1,406,820 | 350 | 15,761,939 | 14,829,467 | 932,472 | 17,374,661 | 16,437,639 | 937,022 |
| Total Expenditures | 103,421,654 | 101,629,459 | 1,792,195 | 15,783,775 | 15,723,364 | 60,411 | 31,061,062 | 30,534,065 | 547,027 | 150,266,521 | 147,886,689 | 2,389,833 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,490,425) | 363,882 | 1,854,307 | (1,611,640) | (1,686,924) | (75,284) | - | 1,288,579 | 1,288,579 | (3,102,065) | (34,463) | 3,067,602 |
| Other Sources (Uses) | | | | | | | | | | | | |
| Operating Transfers In | 19,146,636 | 10,466,635 | (8,659,801) | 1,611,640 | 1,368,268 | (243,372) | - | - | - | 20,758,276 | 11,655,109 | (9,103,167) |
| Operating Transfers Out | (17,656,211) | (7,903,505) | 9,852,706 | - | - | - | - | - | - | (17,656,211) | (7,903,505) | 9,852,706 |
| Total Other Sources (Uses) | 1,490,425 | 2,683,330 | 1,192,905 | 1,611,640 | 1,368,268 | (243,372) | - | - | - | 3,102,065 | 4,051,598 | 849,533 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | - | 3,047,212 | 3,047,212 | - | (318,656) | (318,656) | - | 1,288,579 | 1,288,579 | - | 4,017,135 | 4,017,135 |
| Encumbrances Cancelled | - | 2,043,319 | 2,043,319 | - | 328,834 | 328,834 | - | - | - | - | 2,372,147 | 2,372,147 |
| Fund Balances (Deficits) July 1, 1995 | - | 3,083,113 | 3,083,113 | - | (168,461) | (168,461) | - | 394,841 | 394,841 | - | 3,311,463 | 3,311,463 |
| Fund Balances (Deficits) June 30, 1998 | \$ - | \$ 8,173,636 | \$ 8,173,636 | \$ - | \$ (150,283) | \$ (150,283) | \$ - | \$ 1,683,420 | \$ 1,683,420 | \$ - | \$ 9,700,775 | \$ 9,700,775 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE - ALL PROPRIETARY FUND TYPES,
NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNIT

EXHIBIT A-4

FOR THE FISCAL YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1995 (PRIMARY GOVERNMENT ONLY)

| | PROPRIETARY FUND TYPES | | FIDUCIARY | TOTALS | | COMPONENT | TOTALS |
|---------------------------------|------------------------|---------------------|------------------------|--------------------|-----------------------------|------------------------------|-------------------|
| | ENTERPRISE | INTERNAL SERVICE | FUND TYPE | (MEMORANDUM ONLY) | | UNIT | (MEMORANDUM ONLY) |
| | | | NONEXPENDABLE TRUST | PRIMARY GOVERNMENT | | SCOTTSWATER COMPANY, INC. | REPORTING ENTITY |
| | | | | JUNE 30, 1996 | JUNE 30, 1995 (RESTATED) | JUNE 30, 1996 | JUNE 30, 1996 |
| Operating Revenues | | | | | | | |
| Water Service Fees | \$ 44,372,263 | \$ - | \$ - | \$ 44,372,263 | \$ 39,129,164 | \$ 2,891,343 | \$ 47,263,608 |
| Sewer Service Fees | 11,966,515 | - | - | 11,966,515 | 11,674,229 | - | 11,966,515 |
| Reclaimed Water Distribution | 3,373,033 | - | - | 3,373,033 | - | - | 3,373,033 |
| Groundwater Treatment Plant | 1,471,824 | - | - | 1,471,824 | - | - | 1,471,824 |
| Planet Ranch | 28,375 | - | - | 28,375 | 162,037 | - | 28,375 |
| Solid Waste Fees | 10,340,534 | - | - | 10,340,534 | 9,440,411 | - | 10,340,534 |
| Airport Fees | 859,592 | - | - | 859,592 | 792,546 | - | 859,592 |
| Billings to User Programs | - | 10,176,995 | - | 10,176,995 | 9,359,999 | - | 10,176,995 |
| Interest Earnings | - | - | 9,369 | 9,369 | 9,535 | - | 9,369 |
| Other | 1,239,183 | 319,283 | - | 1,558,466 | 1,577,479 | - | 1,558,466 |
| Total Operating Revenues | 73,651,319 | 10,496,278 | 9,369 | 84,156,968 | 72,145,400 | 2,891,343 | 87,048,309 |
| Operating Expenses | | | | | | | |
| Water Operations | 21,984,388 | - | - | 21,984,388 | 18,576,918 | 1,281,253 | 23,145,641 |
| Sewer Operations | 5,954,101 | - | - | 5,954,101 | 5,098,305 | - | 5,954,101 |
| Solid Waste Operations | 8,719,905 | - | - | 8,719,905 | 7,683,230 | - | 8,719,905 |
| Airport Operations | 755,243 | - | - | 755,243 | 677,910 | - | 755,243 |
| Motor Pool Operations | - | 4,825,074 | - | 4,825,074 | 4,531,963 | - | 4,825,074 |
| Self-Insurance Administration | - | 1,093,993 | - | 1,093,993 | 972,696 | - | 1,093,993 |
| Self-Insurance Claims | - | 4,274,474 | - | 4,274,474 | 3,183,104 | - | 4,274,474 |
| Trust Operations | - | - | 9,695 | 9,695 | 3,349 | - | 9,695 |
| Indirect Costs | 6,215,315 | - | - | 6,215,315 | 6,343,788 | - | 6,215,315 |
| In-Lieu Property Tax | 1,491,012 | - | - | 1,491,012 | 1,148,860 | - | 1,491,012 |
| Franchise Fees | 2,780,508 | - | - | 2,780,508 | 2,407,608 | - | 2,780,508 |
| Depreciation and Amortization | 9,330,147 | 2,461,184 | - | 11,791,331 | 9,834,346 | 149,559 | 11,940,890 |
| Total Operating Expenses | 57,110,819 | 12,454,725 | 9,695 | 69,575,039 | 60,462,097 | 1,430,812 | 71,005,851 |
| Operating Income (Loss) | \$ 16,540,700 | \$ (1,958,447) | \$ (326) | \$ 14,581,927 | \$ 11,683,303 | \$ 1,460,531 | \$ 16,042,458 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE - ALL PROPRIETARY FUND TYPES,
NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNIT

EXHIBIT A-4
(Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1995 (PRIMARY GOVERNMENT ONLY)

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | TOTALS (MEMORANDUM ONLY) | | COMPONENT UNIT | TOTALS (MEMORANDUM ONLY) |
|--|------------------------|---------------------|------------------------|-----------------------------|----------------------------|------------------------------|-----------------------------|
| | ENTERPRISE | INTERNAL SERVICE | NONEXPENDABLE TRUST | PRIMARY GOVERNMENT | | SCOTTSWATER COMPANY, INC. | REPORTING ENTITY |
| | | | | JUNE 30, 1996 | JUNE 30, 1995 (RESTATE) | | |
| Non-Operating Revenues (Expenses) | | | | | | | |
| Property Tax | \$ - | \$ 453,687 | \$ - | \$ 453,687 | \$ 1,294,720 | \$ - | \$ 453,687 |
| Interest Earnings | 6,171,419 | 441,171 | - | 6,612,590 | 4,946,416 | 123,483 | 6,736,053 |
| Interest Expense | (3,239,943) | - | - | (3,239,943) | (2,182,085) | (877,294) | (4,117,237) |
| Litigation Recovery | 3,637,210 | - | - | 3,637,210 | - | - | 3,637,210 |
| Net Non-Operating Revenues (Expenses) | 6,568,686 | 894,858 | - | 7,463,544 | 4,078,053 | (753,831) | 6,709,713 |
| Operating Transfers In | 889,046 | 483,500 | - | 1,382,546 | 1,571,433 | - | 1,382,546 |
| Operating Transfers Out | (386,400) | (105,000) | - | (471,400) | (636,100) | - | (471,400) |
| Net Operating Transfers In | 502,646 | 388,500 | - | 891,146 | 935,333 | - | 891,146 |
| Net Income (Loss) | 23,612,032 | (875,089) | (326) | 22,936,617 | 16,897,689 | 706,700 | 23,643,317 |
| Add Depreciation on Fixed Assets Acquired By Contributed Capital | 4,577,226 | - | - | 4,577,226 | 4,063,865 | - | 4,577,226 |
| Increase (Decrease) In Retained Earnings (Accumulated Deficit)/Fund Balance | 28,189,258 | (875,089) | (326) | 27,513,843 | 20,761,554 | 706,700 | 28,220,543 |
| Retained Earnings/ Fund Balance July 1, as Previously Reported | 107,972,984 | 1,581,718 | 194,041 | 109,748,743 | 102,702,941 | (19,130,455) | 90,618,288 |
| Prior Period Adjustments Change in Accounting Policy | 3,033,937 | - | - | 3,033,937 | - | - | 3,033,937 |
| | - | 996,219 | - | 996,219 | - | - | 996,219 |
| Retained Earnings (Accumulated Deficit) July 1, as Restated | 111,006,921 | 2,577,937 | 194,041 | 113,778,899 | 102,702,941 | (19,130,455) | 94,648,444 |
| Retained Earnings (Accumulated Deficit)/ Fund Balance June 30 | \$ 139,186,179 | \$ 1,802,848 | \$ 193,715 | \$ 141,282,742 | \$ 123,464,495 | \$ (18,423,755) | \$ 122,868,987 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES,
NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNIT

EXHIBIT A-6

FOR THE FISCAL YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1995 (PRIMARY GOVERNMENT ONLY)

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | TOTALS (MEMORANDUM ONLY) | | COMPONENT UNIT | TOTALS (MEMORANDUM ONLY) |
|---|------------------------|---------------------|------------------------|-----------------------------|-----------------------------|---|-----------------------------------|
| | ENTERPRISE | INTERNAL SERVICE | NONEXPENDABLE TRUST | PRIMARY GOVERNMENT | | SCOTTSWATER COMPANY, INC. JUNE 30, 1996 | REPORTING ENTITY JUNE 30, 1996 |
| | | | | JUNE 30, 1996 | JUNE 30, 1995 (RESTATED) | | |
| Cash Flows from Operating Activities: | | | | | | | |
| Operating Income (Loss) | \$ 18,540,700 | \$ (1,958,447) | \$ (326) | \$ 14,581,927 | \$ 11,883,303 | \$ 1,480,531 | \$ 18,042,456 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities: | | | | | | | |
| Depreciation | 9,310,308 | 2,481,184 | - | 11,771,490 | 9,753,485 | 50,942 | 11,822,432 |
| Amortization | 19,841 | - | - | 19,841 | 80,861 | 77,601 | 97,442 |
| Interest Earnings | - | - | (9,369) | (9,369) | (9,535) | - | (9,369) |
| Changes in Assets and Liabilities (Sources (Uses) of Cash): | | | | | | | |
| Accounts Receivable | (2,417,912) | - | - | (2,417,912) | (1,283,538) | - | (2,417,912) |
| Miscellaneous Receivables | 715,442 | (18,110) | - | 699,332 | 2,968,452 | - | 699,332 |
| Supplies Inventory | - | (81,912) | - | (81,912) | 18,148 | - | (81,912) |
| Other Assets | - | - | - | - | - | 10,168 | 10,168 |
| Accounts Payable | 1,382,628 | 189,904 | - | 1,552,530 | (457,550) | 18,814 | 1,589,344 |
| Accrued Payroll | 142,337 | 71,900 | - | 214,237 | (232,899) | - | 214,237 |
| Due to General Fund | 1,495,600 | - | - | 1,495,600 | 174,400 | - | 1,495,600 |
| Claims Payable | - | 1,534,102 | - | 1,534,102 | 344,899 | - | 1,534,102 |
| Deferred Revenue | 5,116,433 | - | - | 5,116,433 | (4,168,765) | - | 5,116,433 |
| Other Liabilities | 59,408 | - | - | 59,408 | 108,063 | - | 59,408 |
| Due from Capital Projects Funds | - | - | - | - | 7,095,362 | - | - |
| Total Adjustments | 15,804,081 | 4,159,088 | (9,389) | 19,953,780 | 14,391,583 | 155,525 | 20,109,305 |
| Net Cash Provided By (Used For) Operating Activities | \$ 32,344,781 | \$ 2,200,821 | \$ (9,695) | \$ 34,535,707 | \$ 26,074,886 | \$ 1,618,058 | \$ 36,151,763 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES,
NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNIT

EXHIBIT A-5
(Continued here and on following page)

FOR THE FISCAL YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1995 (PRIMARY GOVERNMENT ONLY)

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | TOTALS (MEMORANDUM ONLY) | | COMPONENT UNIT | TOTALS (MEMORANDUM ONLY) |
|---|------------------------|---------------------|------------------------|-----------------------------|-----------------------------|---|-----------------------------------|
| | ENTERPRISE | INTERNAL SERVICE | NONEXPENDABLE TRUST | PRIMARY GOVERNMENT | | SCOTTSWATER COMPANY, INC. JUNE 30, 1996 | REPORTING ENTITY JUNE 30, 1996 |
| | | | | JUNE 30, 1996 | JUNE 30, 1995 (RESTATED) | | |
| Cash Flows from Non-Capital Financing Activities: | | | | | | | |
| Operating Transfers In | \$ 869,046 | \$ 493,500 | \$ - | \$ 1,362,546 | \$ 1,317,333 | \$ - | \$ 1,362,546 |
| Operating Transfers Out | (368,400) | (105,000) | - | (471,400) | (382,000) | - | (471,400) |
| Other | 3,637,210 | 453,687 | - | 4,090,897 | 1,294,720 | - | 4,090,897 |
| Net Cash Provided by Non-Capital Financing Activities | 4,139,856 | 842,187 | - | 4,982,043 | 2,230,053 | - | 4,982,043 |
| Cash Flows from Capital and Related Financing Activities: | | | | | | | |
| Acquisition and Construction of Property and Equipment | (30,613,065) | (4,731,578) | - | (35,344,643) | (21,835,837) | - | (35,344,643) |
| Construction to be Provided | (404,047) | - | - | (404,047) | - | - | (404,047) |
| Principal Payments on Long-Term Debt | (2,191,517) | - | - | (2,191,517) | (4,085,391) | (865,000) | (3,056,517) |
| Interest Paid on Long-Term Debt | (3,430,404) | - | - | (3,430,404) | (1,493,778) | (875,503) | (4,305,907) |
| Capital Contributions from Other Government Units | 1,680,902 | - | - | 1,680,902 | 1,006,796 | - | 1,680,902 |
| Capital Contributions from Developers | - | - | - | - | 5,314,738 | - | - |
| Water and Sewer Development Fees | 15,820,750 | - | - | 15,820,750 | 14,934,055 | - | 15,820,750 |
| Bond Proceeds | 3,500,000 | - | - | 3,500,000 | 5,000,000 | - | 3,500,000 |
| Net Cash Used For Capital and Related Financing Activities | (15,637,381) | (4,731,578) | - | (20,368,959) | (959,417) | (1,740,503) | (22,109,482) |
| Cash Flows from Investing Activities: | | | | | | | |
| Purchase of Investments | - | - | - | - | - | (5,869,133) | (5,869,133) |
| Proceeds from Sale of Investments | - | - | - | - | - | 5,890,149 | 5,890,149 |
| Interest Received on Investments | 5,336,352 | 392,720 | 9,369 | 5,738,441 | 4,706,892 | 121,106 | 5,859,549 |
| Restricted Funds/Debt Service | - | - | - | - | - | (17,179) | (17,179) |
| Net Cash Provided By Investing Activities | 5,336,352 | 392,720 | 9,369 | 5,738,441 | 4,706,892 | 124,945 | 5,863,366 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 26,183,608 | (1,296,050) | (326) | 24,887,232 | 32,052,414 | 498 | 24,887,730 |
| Cash and Cash Equivalents at Beginning of Year | 91,293,040 | 8,280,646 | 194,041 | 99,767,727 | 67,715,313 | 161,935 | 99,929,662 |
| Cash and Cash Equivalents at End of Year | \$ 117,476,648 | \$ 6,984,596 | \$ 193,715 | \$ 124,654,959 | \$ 99,767,727 | \$ 162,433 | \$ 124,817,392 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES,
NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNIT

EXHIBIT A-6
(Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 1996 (PRIMARY GOVERNMENT ONLY)

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | TOTALS (MEMORANDUM ONLY) | | COMPONENT UNIT | TOTALS (MEMORANDUM ONLY) |
|---|------------------------|---------------------|------------------------|-----------------------------|-----------------------------|---|-----------------------------------|
| | ENTERPRISE | INTERNAL SERVICE | NONEXPENDABLE TRUST | PRIMARY GOVERNMENT | | SCOTTSWATER COMPANY, INC. JUNE 30, 1996 | REPORTING ENTITY JUNE 30, 1996 |
| | | | | JUNE 30, 1996 | JUNE 30, 1996 (RESTATED) | | |
| Cash and Cash Equivalents | | | | | | | |
| At End of Year Includes: | | | | | | | |
| Cash and Short-Term Investments | \$ 44,155,305 | \$ 6,984,596 | \$ 193,715 | \$ 51,333,616 | \$ 49,042,030 | \$ 162,433 | \$ 51,496,049 |
| Investments | 20,214,584 | - | - | 20,214,584 | - | - | 20,214,584 |
| Restricted Cash and Investments | 53,106,779 | - | - | 53,106,779 | 50,725,687 | - | 53,106,779 |
| Total Cash and Cash Equivalents | \$ 117,476,648 | \$ 6,984,596 | \$ 193,715 | \$ 124,654,959 | \$ 99,767,727 | \$ 162,433 | \$ 124,817,382 |
| Supplemental Disclosure of Noncash Financing Activities: | | | | | | | |
| Additions to Property, Plant, and Equipment | | | | | | | |
| Contributions | | | | | | | |
| From Developers | \$ 14,888,384 | \$ - | \$ - | \$ 14,888,384 | \$ 11,013,090 | \$ - | \$ 14,888,384 |
| From Others | - | - | - | - | 181,973 | - | - |
| From Other Government Units | - | 145,043 | - | 145,043 | 103,930 | - | 145,043 |
| To Other Government Units | - | - | - | - | (94,874) | - | - |
| | \$ 14,888,384 | \$ 145,043 | \$ - | \$ 15,033,427 | \$ 11,204,319 | \$ - | \$ 15,033,427 |
| Reconciliation of Fiduciary Fund Cash: | | | | | | | |
| Nonexpendable Trust Fund - Cash and Cash Equivalents | \$ 193,715 | | | | | | |
| Expendable Trust Fund - Cash and Short-Term Investments | 5,982,702 | | | | | | |
| Total Cash and Short-Term Investments, Fiduciary Funds | \$ 6,176,417 | | | | | | |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

COMBINED STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - BUDGET BASIS - ALL PROPRIETARY FUND TYPES

EXHIBIT A-6

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

| | ENTERPRISE FUNDS | | | INTERNAL SERVICE FUNDS | | | TOTALS (MEMORANDUM ONLY) | | |
|--|----------------------|----------------------|--|------------------------|-----------------------|--|-----------------------------|----------------------|--|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues | | | | | | | | | |
| Water Service Fees | \$ 41,861,494 | \$ 42,272,778 | \$ 411,284 | \$ - | \$ - | \$ - | \$ 41,861,494 | \$ 42,272,778 | \$ 411,284 |
| Sewer Service Fees | 12,424,581 | 11,966,515 | (458,066) | - | - | - | 12,424,581 | 11,966,515 | (458,066) |
| Planet Ranch | 100,000 | 28,375 | (71,625) | - | - | - | 100,000 | 28,375 | (71,625) |
| Solid Waste Fees | 10,447,300 | 10,340,534 | (106,766) | - | - | - | 10,447,300 | 10,340,534 | (106,766) |
| Airport Fees | 861,150 | 859,592 | (1,558) | - | - | - | 861,150 | 859,592 | (1,558) |
| Billings to User Programs | - | - | - | 10,180,602 | 10,176,995 | (3,607) | 10,180,602 | 10,176,995 | (3,607) |
| Property Tax | - | - | - | 466,440 | 453,687 | (12,753) | 466,440 | 453,687 | (12,753) |
| Property Rental | 103,000 | 159,085 | 56,085 | - | - | - | 103,000 | 159,085 | 56,085 |
| Interest Earnings | 2,222,105 | 2,217,764 | (4,341) | 500,000 | 441,171 | (58,829) | 2,722,105 | 2,658,935 | (63,170) |
| Operating Transfers In | 274,359 | 275,546 | 1,187 | 309,000 | 493,500 | 184,500 | 583,359 | 789,046 | 185,687 |
| Other | 605,223 | 4,447,384 | 3,842,161 | - | 318,283 | 318,283 | 605,223 | 4,766,667 | 4,161,444 |
| Total Revenues | 68,899,212 | 72,567,573 | 3,668,361 | 11,456,042 | 11,684,636 | 428,594 | 80,355,254 | 84,452,209 | 4,096,955 |
| Expenditures | | | | | | | | | |
| Water Operations | 17,832,367 | 18,064,549 | (232,182) | - | - | - | 17,832,367 | 18,064,549 | (232,182) |
| Sewer Operations | 4,587,551 | 3,974,864 | 612,687 | - | - | - | 4,587,551 | 3,974,864 | 612,687 |
| Solid Waste Operations | 8,616,131 | 8,759,818 | (143,687) | - | - | - | 8,616,131 | 8,759,818 | (143,687) |
| Airport Operations | 834,768 | 788,632 | 45,936 | - | - | - | 834,768 | 788,632 | 45,936 |
| Motor Pool Operations | - | - | - | 10,388,405 | 10,327,379 | 61,026 | 10,388,405 | 10,327,379 | 61,026 |
| Self-Insurance Operations | - | - | - | 4,449,813 | 3,879,539 | 570,274 | 4,449,813 | 3,879,539 | 570,274 |
| Debt Service and Reserves | 7,271,438 | 7,433,936 | (162,498) | - | - | - | 7,271,438 | 7,433,936 | (162,498) |
| Operating Transfers Out | 36,000 | 268,200 | (232,200) | 105,000 | 105,000 | - | 141,000 | 373,200 | (232,200) |
| Indirect Costs | 10,205,821 | 9,989,730 | 216,091 | - | - | - | 10,205,821 | 9,989,730 | 216,091 |
| Total Expenditures | 49,384,076 | 49,279,929 | 104,147 | 14,943,216 | 14,311,916 | 631,300 | 64,327,294 | 63,591,847 | 735,447 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 19,515,136 | \$ 23,287,644 | \$ 3,772,508 | \$ (3,487,176) | \$ (2,427,282) | \$ 1,059,894 | \$ 16,027,960 | \$ 20,860,362 | \$ 4,832,402 |

SEE NOTES TO FINANCIAL STATEMENTS



**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The financial reporting entity presented in these financial statements consists of the City of Scottsdale (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.

1. Individual Component Units - Blended

- a. The City of Scottsdale Municipal Property Corporation (MPC), a non-profit corporation, was created by the City in 1967 solely for the purpose of constructing, acquiring and equipping buildings, structures, or improvements on land owned by the City. The MPC is governed by a Board of Directors appointed by the City Council. For financial reporting purposes, transactions of the MPC are included as if it were part of the City's operations.
- b. The Scottsdale Mountain Community Facilities District and the McDowell Mountain Ranch Community Facilities District were formed by petition to the City Council in 1992 and 1994, respectively. The Districts' purposes are to acquire and improve public infrastructure in specified land areas. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the Districts. The City Council serves as the Board of Directors. The City has no liability for the Districts' debt. For financial reporting purposes, transactions of the Districts are combined together and included as if they were part of the City's operations.

Separate financial statements of the MPC and the two Community Facilities Districts may be obtained at the City's Financial Services Department, Accounting and Budget Division, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251.

2. Individual Component Unit - Discrete

The component unit column in the combined financial statements includes the financial data of the City's other component unit, Scottswater Company, Inc. (the Company) as described below. The Company is reported in a separate column to emphasize that it is legally separate from the City. The Company is reported as a proprietary fund type.

The Company is a non-profit corporation established by the City Council in 1993 to act as the general partner in the Scottsdale Water Service Company Limited Partnership (the Partnership). The City Council appoints and approves the Company's Board of Directors and nominates Company officers. The Partnership itself manages and operates a Central Arizona Project water treatment plant that, in conjunction with other City facilities, provides water and water services to Scottsdale citizens. All expenses of operating the water treatment plant are paid by the Partnership, and reimbursed by the City via a service agreement with the Partnership.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**A. Financial Reporting Entity (continued)**

The financial information reported for the Company includes all activity of the Company and, as the managing general partner, 100 percent of the Partnership's assets, liabilities, revenues, and expenses. The Company and Partnership have a fiscal year end of December 31; therefore, the component unit column presents financial statements as of and for the year ended December 31, 1995. For additional discussion of the Company and disclosures regarding the amounts presented in the component unit column, refer to Note 20.

Separate unaudited financial statements of the Company, and separate audited financial statements of the Partnership for the year ended December 31, 1995, may be obtained from the administrative offices at 9388 E. San Salvador Drive, Scottsdale, AZ 85258.

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the City:

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds.

Governmental funds are, in essence, accounting segregations of financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "Fund Balance".

The governmental fund measurement focus is on determining financial position and changes in financial position rather than on net income. The statement of revenues, expenditures, and changes in fund balance is the main governmental fund operating statement. There are four types of governmental funds: General, Special Revenue, Debt Service, and Capital Projects.

General

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B. Fund Accounting (continued)****Capital Projects**

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

Proprietary Fund Types

Proprietary Funds account for ongoing activities that are similar to those often found in the private sector. All revenues and expenses, including capital construction and issuing and repaying debt, and the assets, liabilities, and equities associated with such business-type activities, are recorded in proprietary funds. The measurement focus of these funds, in contrast with the governmental funds, is on determining net income, financial position, and cash flows. The City's proprietary funds consist of Enterprise and Internal Service Funds.

Enterprise

Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy or management control.

Internal Service

Internal Service Funds account for the financing of goods or services provided by one department or unit to other departments or units of the City, on a cost-reimbursement basis.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 requires that proprietary activities apply all applicable GASB pronouncements and certain other pronouncements issued by other standard-setting entities [specifically, Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements]. The City has the option to apply, to its proprietary activities, FASB Statements and Interpretations issued after November 30, 1989, unless the FASB pronouncements conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Fiduciary Fund Types

Fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. There are three types of fiduciary funds used by the City: expendable trust funds, non-expendable trust funds, and an agency fund.

Trust Funds – Expendable and Non-Expendable

The City's Expendable Trust Fund accounts for assets held in a trustee capacity for libraries, the arts, parks, memorials, 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. Expendable trust funds use the same flow of current financial resources measurement focus and modified accrual basis of accounting used by governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B. Fund Accounting (continued)**

The City's non-expendable trust fund accounts for trusts held by the City in which the principal cannot be depleted, such as certain donations for libraries. Non-expendable trust funds are classified for accounting purposes with proprietary funds, since their measurement focus, like those funds, is on determining net income, financial position, and cash flows.

Agency

Agency funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund is used to record the deferred compensation plan (see Note 9).

Account Groups

Account groups are not funds but are sets of self-balancing accounts used to record a government's general fixed assets and general long-term debt.

General Fixed Assets

This account group provides a record of all fixed assets of the City, other than those recorded directly in the proprietary funds.

General Long-Term Debt

This account group provides a record of all unmatured principal of the City's long-term debt. Community facilities districts debt is included in this account group as required by generally accepted accounting principles, since the districts are component units of the City. Long-term debt that is paid out of the enterprise funds is not recorded in the general long-term debt account group, but is recorded directly in the enterprise funds.

C. Basis Of Accounting

The City uses the modified accrual basis of accounting for its governmental and expendable trust funds, and for recording the assets and liabilities of the agency fund. Under the modified accrual basis of accounting, revenue is recorded only when it can be measured and is available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is created—that is, when payment for the event or transaction (such as goods received or services rendered) is expected to draw upon current spendable resources.

Property tax, transaction privilege tax, franchise fees, hotel/motel transient tax, and investment earnings are recorded using the modified accrual basis, when such revenues are both measurable and available. However, licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenue are recorded as revenue when received in cash because they are generally not measurable until actually received.

In recording intergovernmental revenue, the City distinguishes between two types. In the first type, the City must expend funds for specific purposes before any revenue is paid to the City. This type of revenue is recognized based upon appropriate expenditures recorded. In the other type, monies are unrestricted as to purpose of expenditure and can be revoked only if the City fails to comply with certain requirements, e.g., equal employment opportunity. These revenues are recorded when received, or earlier if they meet the criteria of being measurable and available.

The proprietary fund types and non-expendable trust fund use the accrual basis of accounting. Under accrual accounting, revenue is recognized when earned and expenses are recognized when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Budget And Budgetary Accounting**

The City prepares a biennial budget that covers fiscal year 1995/96 and 1996/97. The 1995/96 budget is established and reflected in the financial statements as follows:

- The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Fuel Tax Special Revenue Fund, Debt Service Funds (except for the Community Facilities Districts Debt Service Fund), Enterprise, and Internal Service Funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented.
- The Community Development, Grants, and Section 8 Special Revenue Funds, Community Facilities Districts Funds, Capital Projects 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, 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 continue until the project is completed and capitalized. 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.
- At the first regular Council meeting 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 1995/96, there were no supplemental budgetary appropriations to the original budget.
- The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year.
- Upon the recommendation of the City Manager, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; and (2) unencumbered appropriations may be transferred from one department to another.
- Management control of budgets is further maintained at a line item level within the department. Transfers between line items within a department may be done only upon approval of the City Manager.
- All expenditure appropriations which have not been encumbered lapse at year end.

Certain differences exist between the basis of accounting used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. These differences are described in Note 3.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental and fiduciary fund types. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at the beginning of a fiscal year which were recognized as budgetary expenditures (but not as GAAP basis expenditures) in the prior year are recognized as GAAP basis expenditures (but not as budgetary expenditures unless reappropriated) in the current year as such expenditures are incurred.

Encumbrance accounting is employed in the proprietary fund types for budget purposes only. Budget basis encumbrances in the proprietary funds at June 30, 1996, aggregated \$1,475,185.

F. Cash Equivalents

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

G. Investments

Investments are stated at cost, or amortized cost, which approximates market, except for the investments held by the Agency Fund, which are valued at fair market value. The City's policy is to invest in certificates of deposit, repurchase agreements, 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.

H. Inventories

The costs of inventory items are recorded under the consumption method as expenditures when consumed for financial statement purposes. Supplies inventory is included on the balance sheet of the General Fund and the Motor Pool Internal Service Fund. Inventories are valued at year-end based on cost, with cost determined using an average cost method.

I. General Fixed Assets

General fixed assets are all land, buildings, and equipment that have been acquired or constructed for general governmental purposes. General fixed assets are recorded as expenditures in the governmental funds when purchased or constructed, and are capitalized at historical cost in the General Fixed Assets Account Group.

Contributed (donated) fixed assets 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. Estimated costs of such general fixed assets contributed to the City through June 30, 1996, are as follows:

| | |
|--------------------------------|--------------|
| Land | \$16,389,927 |
| Streets and Storm Drains | 819,847,141 |
| Traffic Signal Equipment..... | 606,000 |

It is the City's policy to include public domain fixed assets, such as roads, bridges, streets, and similar items in the General Fixed Assets Account Group.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. General Fixed Assets (continued)

Depreciation is not recorded on general fixed assets.

General fixed assets sold or otherwise disposed of are eliminated from the accounts.

J. Property, Plant, And Equipment - Proprietary Fund Types

Property, plant, and equipment of the Enterprise and Internal Service Funds are recorded directly in those funds at actual cost, whether purchased or constructed.

Fixed 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. Estimated costs of such assets contributed through June 30, 1996, are as follows:

Water and Sewer Utility Fund Assets:
 Water System and Sewer System \$138,031,284

Contributions of funds from federal, state, or local grants, subdivider infrastructure, and developer fees restricted for the purpose of purchasing property, plant, or equipment are recorded as contributed capital.

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

Water System.....10 to 75 Years
 Sewer System25 to 50 Years
 Buildings and Improvements25 Years
 Machinery and Equipment20 Years
 Motor Vehicles3 to 10 Years
 Furniture, Fixtures, and Office Equipment5 to 10 Years

Depreciation of contributed assets is recorded as an expense and is closed to the respective fund's contributed capital account.

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 25 years.

When fixed assets of proprietary fund types are disposed of, the cost and accumulated depreciation or amortization are removed from the accounts, and any resultant gain or loss is recognized.

K. Transactions Between Funds

Transactions that would be treated as revenue, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed, except for indirect cost allocations, which are recorded as revenue and expenses in the appropriate funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**K. Transactions Between Funds (continued)**

Non-recurring or non-routine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the beginning fund balance of governmental funds. Residual equity transfers to proprietary fund types are treated as contributed capital, and such transfers from proprietary fund types are reported as reductions of retained earnings or contributed capital as is appropriate in the circumstances. All other transactions are treated as operating transfers and are included in the results of operations of both governmental and proprietary fund types.

Indirect administrative costs are allocated to the Enterprise Funds by applying an indirect cost rate to budgeted costs. The indirect cost rate is the ratio of indirect operating services to direct operating services. Indirect operating services are budgetary units that only support or serve other City units. Direct operating services are budgetary units that only support or serve the public. Internal Service Fund budgetary units and debt service costs are excluded from the indirect cost rate calculation.

L. Funds Servicing Long-Term Debt

The City accumulates the resources to pay, and records the payments of principal, interest, and fiscal charges on long-term debt primarily in the City's Debt Service Funds, which consist of four individual debt service funds:

1. The General Obligation Bond Debt Service Fund accounts for those general obligation bonds that are repaid through the general resources of the City.
2. The Municipal Property Corporation (MPC) Debt Service Fund accounts for bonds issued by the MPC, which are repaid through collections of transaction privilege tax (sales tax) and other unrestricted revenues.
3. The Special Assessments Debt Service Fund accounts for and services all special assessment bonds, which are paid via assessments on the property owners.
4. The Community Facilities Districts Debt Service Fund accounts for all debt issued and repaid by community facilities districts. Community facilities districts debt is included in accordance with generally accepted accounting principles since the districts are component units of the City.

In addition, the City accounts for other debt as follows. Payments of principal and interest on contracts that are funded by general revenues are recorded in the General Fund. Payments on bonds funded by Highway User revenues are reported in the Highway User Fuel Tax Special Revenue Fund. Finally, the Enterprise Funds account for and service the bonds and contracts paid out of revenues of those funds.

M. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to a maximum number of hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount unused at year end are forfeited. The City's policy is to pay employees for unused accumulated vacation hours at termination or retirement. Sick leave time can be accumulated without limit. The City's policy, however, is that only those employees hired full-time before July 1, 1982 are paid for unused sick leave at death or retirement. The amount of both types of compensated absences expected to be paid

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**M. Compensated Absences (continued)**

using expendable available financial resources is recorded as a current liability at June 30 in the governmental and proprietary funds. The City calculates this current amount based on vacation taken and sick leave retirement payoff benefits paid in the subsequent fiscal year. At June 30, 1996, the total current liability (included in accrued payroll), in the governmental funds was \$793,467 and in the proprietary funds, \$1,079,149. The remaining noncurrent amount of compensated absences is recorded in the General Long-Term Debt Account Group (GLTDAG). At June 30, 1996, the total long-term liability for compensated absences was \$5,526,042 in the GLTDAG. There is no long-term liability for compensated absences in the proprietary funds.

N. "Memorandum Only" Comparative Total Columns

Total columns for the current and prior year for the City (the primary government) are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Total columns for the current year only are also presented for the reporting entity (the City and the discretely presented component unit). The 1995 memorandum only columns have been restated to reflect the prior period adjustments and accounting change described in Note 2.

Data in the "memorandum only" columns do not present financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. The totals do not represent consolidated financial information, and interfund eliminations have not been made.

NOTE 2 - PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGE**Interest Payable and Amortization of Investments**

In prior years, the City accrued interest on Municipal Property Corporation 1992 Asset Transfer Refunding Certificates of Participation (MPC bonds) at June 30, although the payments on the bonds were not due until November. Generally accepted accounting principles indicate that interest payments ordinarily are not recognized as expenditures or liabilities until they become due. Also, the City did not properly amortize premium and discount on investments held in the Municipal Property Corporation trust accounts. Generally accepted accounting principles require that such premium and discounts be amortized until investment maturity. The net accrued interest on the bonds and amortization on investments relating to fiscal years 1993 through 1995 are recorded as an adjustment to beginning fund balance in the Municipal Property Corporation Debt Service Fund. The net effect of these corrections on this fund as of June 30, 1995 was to decrease investments by \$19,657 and eliminate accrued interest payable of \$434,753; and to decrease interest earnings by \$19,657 and increase interest and fiscal charges by \$9,697, resulting in a deficiency in revenues over expenditures of \$29,354 for this fund for the 1994/95 fiscal year. In the General Long-Term Debt Account Group, the net effect was to decrease the amount available for the retirement of general long-term debt, and decrease the fund balance reserved for debt service, by \$39,313.

Accretion on Capital Appreciation Bonds

In prior years, the City issued two series of general obligation refunding bonds (Series 1993 and 1993A), which included certain capital appreciation bonds (CABs). A portion of the CABs was recorded as general long-term debt, and the remainder recorded appropriately as Water Enterprise Fund long-term debt. Generally accepted accounting principles require that the difference between the original issue amount of the CABs and the amount to be repaid at maturity must be "accreted" over time. However, the City carried the CABs at their original issuance amount and did not record accretion until fiscal year 1995/96. Therefore, the accreted amount on the CABs relating to fiscal years 1993 through 1995 is recorded as an adjustment to beginning balance in the General Long-Term Debt Account Group (GLTDAG) for bonds recorded as general long-term debt, and as an adjustment to beginning retained earnings in the Water and Sewer Utility Enterprise Fund for the bonds recorded in that fund. In the GLTDAG at June 30, 1995, the correction increased the amount to be provided for retirement of general long-term debt, and the amount of long-term debt, by \$1,466,803. The correction had the effect of increasing long-term debt reported in the Water and Sewer Utility Enterprise Fund at June 30, 1995, by \$1,124,467; and increasing non-operating expenses (interest) of \$538,475, and decreasing net income for this fund for the fiscal year ending June 30, 1995 by \$538,475.

Equity in Joint Venture

As described in Note 18, the City participates with the cities of Phoenix, Glendale, Mesa, and Tempe in a joint venture called the Multi-City Subregional Operating Group (SROG). In prior years, the City recorded all of the capital payments it made to SROG in the fixed assets account of the Water and Sewer Utility Enterprise Fund. Generally accepted accounting principles require that an equity interest in a joint venture held by a proprietary fund must be recorded as a non-depreciable asset in the proprietary fund's balance sheet. In 1996 each City's equity interest in SROG was made available for the first time. Therefore, based on the information now available, the \$9,685,599 capital contributions to SROG recorded as fixed assets have been reclassified, net of accumulated depreciation, as "equity in joint venture". The amount of capital contributions to SROG which had been depreciated has been recorded as a \$4,158,401 adjustment to beginning retained earnings in the Water and Sewer Utility Enterprise Fund. This correction had the effect of presenting an Equity in Joint Venture at June 30, 1995, of \$13,844,000, decreasing depreciation expense by \$490,239, and increasing net income for this fund for the fiscal year ending June 30, 1995 by \$490,239.

NOTE 2 - PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGE**Self-Insurance Claims Payable**

For the fiscal year ended June 30, 1996, the City changed its method of accounting for self-insurance claims payable from a historical cost presentation, to a discounted present value presentation. Generally accepted accounting principles permit the presentation of self-insurance claims payable at either historical cost or at their discounted present value. Trend analysis indicates that the City's claim payout pattern continues to lengthen. Presenting claims payable at their discounted present value, therefore, provides a more accurate description of their ultimate cost to the City. This accounting change resulted in a positive adjustment of \$996,219 to beginning retained earnings of the Self-Insurance Fund. For this fund as of June 30, 1995, the effect was to decrease claims payable by \$996,219 and decrease claims expense by \$424,497, effectively increasing net income for this fund for the 1994/95 fiscal year by \$424,497.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The City's financial transactions are presented in accordance with generally accepted accounting principles (GAAP) in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types, and in the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Accumulated Deficit) - All Proprietary Fund Types.

However, the City prepares its *budget* on a basis which differs from GAAP. Therefore, the City's budget, and essentially the same transactions as shown in the above statements, are presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Budget and Actual - Budget Basis - General, Special Revenue, and Debt Service Funds; and in the Combined Statement of Revenue and Expenditures - Budget and Actual - Budget Basis - All Proprietary Fund Types, but on a *budgetary* basis, to provide a meaningful comparison of actual results with the budget.

The major differences between the GAAP and budget bases are:

- Funds, activities, and accounts that are not budgeted, or that do not have appropriated budgets, are appropriately included on the GAAP-basis statements, but do not appear on the budget-basis statements.
- Certain revenues, expenditures, and transfers are accrued on the GAAP basis but are not recognized in the budgetary year.
- Encumbrances are recorded as a reservation of fund balance on the GAAP basis but as the equivalent of expenditures on the budget basis.
- Indirect administrative cost allocations (including in-lieu property tax and franchise fees) charged to the Enterprise Funds are recognized as revenues and expenses on the GAAP basis but are accounted for as transfers in or out in the budgetary process.
- Capital outlays not recognized as GAAP expenses in the Enterprise and Internal Service Funds are recognized as expenditures for budget purposes.
- Debt service principal payments in the Enterprise Funds are not recognized on the GAAP basis but are recognized as expenditures for budget purposes.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following schedules present the adjustments necessary to reconcile total revenues, expenditures, other sources (uses), and fund balances (deficit) as shown on the GAAP basis statement to the budget basis statement for the General, Special Revenue, and Debt Service Funds.

| Total Revenues | General | Special Revenue | Debt Service |
|---|----------------------|------------------------|---------------------|
| GAAP Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances | \$112,954,163 | \$19,851,790 | \$32,179,661 |
| Deduct revenues for which appropriated annual budgets are not prepared: | | | |
| Streetlight and Community Facilities Districts | (473,987) | - | (357,017) |
| CDBG, Grants, & Section 8 Special Revenue Funds | - | (5,815,350) | - |
| Deduct items recorded as revenues for GAAP purposes that are recorded as operating transfers in from the Enterprise Fund for budget purposes: | | | |
| Indirect costs | (6,215,315) | - | - |
| Franchise fees | (2,780,508) | - | - |
| In-lieu property tax | (1,491,012) | - | - |
| Total reconciling items | (10,960,822) | (5,815,350) | (357,017) |
| Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Basis | \$101,993,341 | \$14,036,440 | \$31,822,644 |
| Total Expenditures | General | Special Revenue | Debt Service |
| GAAP Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances | \$100,765,804 | \$21,173,840 | \$31,901,168 |
| Deduct expenditures of districts/funds for which appropriated budgets are not prepared: | | | |
| Streetlight and Community Facilities Districts | (485,782) | - | (1,367,103) |
| CDBG, Grants, & Section 8 Special Revenue Funds | - | (5,489,278) | - |
| Items recorded as expenditures for GAAP purposes that are not recognized for budget purposes: | | | |
| Deduct increase in compensated absences | (189,410) | (10,178) | - |
| Add reserve for encumbrances at June 30, 1996, recognized as expenditures for budget purposes | 1,538,847 | 48,980 | - |
| Total reconciling items | 863,655 | (5,450,476) | (1,367,103) |
| Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Basis | \$101,629,459 | \$15,723,364 | \$30,534,065 |

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

| Total Other Sources (Uses) | General | Special Revenue | Debt Service |
|---|----------------------|------------------------|---------------------|
| GAAP Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances | (\$7,803,505) | \$1,368,268 | \$882,271 |
| Add items recorded as revenues for GAAP purposes that are recorded as operating transfers in from the Enterprise Fund for budget purposes: | | | |
| Indirect costs | 6,215,315 | - | - |
| Franchise fees | 2,780,508 | - | - |
| In-lieu property tax | 1,491,012 | - | - |
| Deduct items recorded in funds for which appropriated budgets are not prepared: | | | |
| Community Facilities Districts - Total other sources | - | - | (882,271) |
| Total reconciling items | 10,486,835 | - | (882,271) |
| Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | \$2,683,330 | \$1,368,268 | \$ - |
| Fund Balance (Deficit) at June 30, 1996 | General | Special Revenue | Debt Service |
| GAAP Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances | \$66,254,895 | \$589,365 | \$6,743,676 |
| Add (deduct) total reconciling items previously described for: | | | |
| Revenues | (10,960,822) | (5,815,350) | (357,017) |
| Expenditures | (863,655) | 5,450,476 | 1,367,103 |
| Other Sources/Uses | 10,486,835 | - | (882,271) |
| Add canceled encumbrances | 2,043,313 | 328,834 | - |
| Deduct July 1, 1995 fund balance of funds for which appropriated budgets are not prepared: | | | |
| Community Facilities Districts | - | - | (1,502,702) |
| CDBG, Grants, & Section 8 Special Revenue Funds | - | (214,313) | - |
| Deduct difference in July 1, 1995 GAAP basis fund balance, as restated, compared to July 1, 1995 budget basis fund balance. (Difference results from GAAP/budget differences for prior years) | (58,786,928) | (495,295) | (3,685,369) |
| Total reconciling items | (58,081,257) | (745,648) | (5,060,256) |
| Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | \$8,173,638 | (\$156,283) | \$1,683,420 |

NOTE 3- BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to reconcile the revenues and expenses for the proprietary funds as presented on the GAAP basis statement to revenues and expenditures shown on the budget basis statement are as follows:

| Revenues | Enterprise | Internal Service |
|--|---------------------|---------------------|
| GAAP Basis - Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Accumulated Deficit) | | |
| Operating revenues | \$73,651,319 | \$10,496,278 |
| Non-operating revenues - interest | 6,171,419 | 441,171 |
| Litigation Recovery | 3,637,210 | - |
| Property Tax | - | 453,687 |
| Operating transfers in | 869,046 | 493,500 |
| Total revenues and transfers in | 84,328,994 | 11,884,636 |
| Deduct operating transfer in to non-budgeted fund | (593,500) | - |
| Deduct revenue received for non-budgeted funds | (7,214,266) | - |
| Deduct interest earnings on bond funds not recognized as income for budget purposes | (3,953,655) | - |
| Total reconciling items | (11,761,421) | - |
| Budget Basis - Combined Statement of Revenues and Expenditures - Budget and Actual | \$72,567,573 | \$11,884,636 |
| Expenses/Expenditures | | |
| GAAP Basis - Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Accumulated Deficit) | | |
| Operating expenses | \$57,110,619 | \$12,454,725 |
| Non-operating expenses - interest | 3,239,943 | - |
| Operating transfers out | 366,400 | 105,000 |
| Total expenses and transfers out | 60,716,962 | 12,559,725 |
| Deduct items recorded as GAAP expenses that are not recognized as expenditures for budget purposes: | | |
| Compensated absences | (62,519) | (63,187) |
| Depreciation and amortization | (9,330,147) | (2,461,184) |
| Increase in claims payable | - | (1,534,102) |
| Operating transfer out for non-budgeted funds | (98,200) | - |
| Add items recorded as expenditures for budget purposes that are not recognized as expenses for GAAP purposes: | | |
| Capital outlay | 44,696 | 4,751,060 |
| Encumbrances at June 30, 1996 | 415,579 | 1,059,606 |
| Debt service principal payments and capitalized interest | 4,193,993 | - |
| Deduct expenditures related to non-budgeted bond activity | (6,600,435) | - |
| Total reconciling items | (11,437,033) | 1,752,193 |
| Budget Basis - Combined Statement of Revenues and Expenditures - Budget and Actual | \$49,279,929 | \$14,311,918 |

NOTE 4 - PROPERTY TAX

Property taxes are recognized as revenue on the modified accrual basis, i.e., when both measurable and available. Property taxes levied in August, 1996, are not available for 1995/96; accordingly, such taxes will not be recognized as revenue until 1996/97. Prior year levies were recorded using these same principles, and remaining receivables from such levies are also recognized as revenue, when available.

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

Property taxes levied for current operation and maintenance expenses on residential property are limited to 1.0 percent of the primary full cash value of such property. In addition, taxes levied for current operation and maintenance expenses on all types of property are limited to a maximum increase of 2.0 percent over the prior year's levy, adjusted for new construction and annexations.

Property taxes levied to pay principal and interest on bonded indebtedness are not limited.

NOTE 5 - CASH AND INVESTMENTS

The City maintains a cash and investment pool for use by all funds except the Municipal Property Corporation and Community Facilities Districts Debt Service Funds, which have investments held separately by a trustee, and except for the Agency Fund.

Deposits

At June 30, 1996, the book value of the City's deposits was (\$7,753,951), and the bank balance was \$1,197,111. The \$8,951,062 difference represents outstanding checks and other reconciling items.

Risk category one cash balances, which are covered entirely through a combination of federal depository insurance funds and pledged collateral (of which securities are held by the City's agent in the name of the City), equaled \$1,150,249 at June 30, 1996. Risk category three cash balances, which are collateralized with securities held by the pledging bank's trust department or agent but not in the name of the City equaled \$46,862 at June 30, 1996, and were held in the name of the Municipal Property Corporation (MPC). At June 30, 1996, there were no cash balances in risk category two.

Investments

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). At June 30, 1996, 100 percent of the funds invested in mutual funds were in funds whose portfolios consist solely of U.S. Government Treasury and Agency securities.

NOTE 5 - CASH AND INVESTMENTS (continued)

The City's investments at June 30, 1996, are summarized below. Risk category one includes investments that are registered in the name of the City and held by the City's agent in the name of the City. Category three includes uninsured and unregistered investments not held in the name of the City. Category three includes \$6,350,182 of investments of the MPC, held by the MPC's agent in the name of the MPC. At June 30, 1996, there were no investments in risk category two.

Investments not subject to credit risk classification are not categorized.

| | ↔ Category ↔ | | Carrying Amount | Market Value |
|---------------------------------|---------------------|--------------------|----------------------|----------------------|
| | 1 | 3 | | |
| U.S. Treasury | \$44,821,767 | \$668,264 | \$45,490,031 | \$45,383,889 |
| U.S. Agency Securities | 25,539,790 | 423,638 | 25,963,428 | 25,941,419 |
| | <u>\$70,361,557</u> | <u>\$1,091,902</u> | <u>71,453,459</u> | <u>71,325,308</u> |
| LGIP | | | 81,756,717 | 81,756,717 |
| Mutual Funds | | | 94,301,565 | 90,250,130 |
| ICMA (see Note 9) | | | 12,062,937 | 12,062,937 |
| Guaranteed Investment Contracts | | | 1,195,000 | 1,195,000 |
| Money Market Funds | | | 1,774,077 | 1,774,077 |
| Repurchase Agreements | | | 19,281,391 | 19,281,391 |
| Total Investments | | | <u>\$281,825,146</u> | <u>\$277,645,560</u> |

↔ Reconciliation of Note 5 to Exhibit A-1 ↔

| Note 5 | | Exhibit A-1 | |
|---------------------------|----------------------|-----------------------------------|----------------------|
| Total Cash/ Book Value | (\$7,753,951) | Cash and Short-Term Investments | |
| Total Investments | 281,825,146 | General Fund | \$30,687,943 |
| Total | <u>\$274,071,195</u> | Special Revenue Fund | 2,216,022 |
| | | Debt Service Fund | 23,329,928 |
| | | Capital Projects Fund | 39,713,066 |
| | | Enterprise Fund | 44,155,305 |
| | | Internal Service Fund | 6,984,596 |
| | | Trust and Agency Fund | 6,176,417 |
| | | Investments | |
| | | General Fund | 35,000,000 |
| | | Debt Service Fund | 423,638 |
| | | Enterprise Fund | 20,214,564 |
| | | Trust and Agency Fund | 12,062,937 |
| | | Restricted Cash and Investments | |
| | | Enterprise Fund | 53,106,779 |
| | | Total (Primary Government) | <u>\$274,071,195</u> |

Cash and Investments for Scottswater, Inc. are discussed in Note 20.

NOTE 6 - FIXED ASSETS

A summary of changes in general fixed assets follows:

| | Balance June 30, 1995 | Transfers/ Additions | Transfers/ Deletions | Balance June 30, 1996 |
|-------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| Land | \$55,561,784 | \$5,836,916 | - | \$61,398,700 |
| Buildings and Improvements | 169,425,027 | 10,173,761 | - | 179,598,788 |
| Streets and Storm Drains | 897,822,378 | 140,901,548 | - | 1,038,723,926 |
| Machinery and Equipment | 30,552,793 | 4,897,456 | (\$18,039) | 35,432,210 |
| Construction in Progress | 38,742,018 | 41,543,640 | (43,435,587) | 36,850,071 |
| Total | \$1,192,104,000 | \$203,353,321 | (\$43,453,626) | \$1,352,003,695 |

General fixed asset construction in progress commitments at June 30, 1996, included as a line item above, were composed of the following:

| | Construction In Progress | Commitments | Budget |
|------------------------|-----------------------------|---------------------|---------------------|
| Streets | \$16,582,731 | \$21,579,564 | \$38,162,295 |
| Transit | 675,397 | 3,083,103 | 3,758,500 |
| Drainage/Flood Control | 8,322,714 | 6,450,275 | 14,772,989 |
| Parks/Recreation | 4,431,029 | 5,995,452 | 10,426,481 |
| Specialty Areas | 456,365 | 3,211,638 | 3,668,003 |
| Service Facilities | 4,618,146 | 2,610,124 | 7,228,270 |
| Public Safety | 1,763,689 | 2,379,211 | 4,142,900 |
| Total | \$36,850,071 | \$45,309,367 | \$82,159,438 |

A summary of proprietary funds' fixed assets at June 30, 1996, follows:

| | Enterprise | Internal Service |
|----------------------------|----------------------|---------------------|
| Land and Land Improvements | \$18,853,586 | - |
| Water Rights | 26,846,657 | - |
| Water System | 219,319,226 | - |
| Sewer System | 103,358,573 | - |
| Buildings and Improvements | 6,446,265 | \$1,448,103 |
| Motor Vehicles | - | 19,522,011 |
| Machinery and Equipment | 4,166,441 | 1,106,921 |
| Furniture and Fixtures | 592,343 | 78,310 |
| Construction in Progress | 24,666,048 | 762,524 |
| | 404,249,139 | 22,917,869 |
| Accumulated Depreciation | (79,967,294) | (10,935,035) |
| Net Fixed Assets | \$324,281,845 | \$11,982,834 |

NOTE 6 - FIXED ASSETS (continued)

Enterprise and Internal Service Funds construction in progress commitments at June 30, 1996, included as a line item above, were composed of the following:

| | Construction in Progress | Commitments | Budget |
|------------------------|-----------------------------|--------------|--------------|
| Enterprise: | | | |
| Water System Projects | \$15,520,010 | \$35,241,671 | \$50,761,681 |
| Sewer System Projects | 7,653,334 | 5,477,566 | 13,130,900 |
| Airport Projects | 1,492,704 | 864,296 | 2,357,000 |
| Total | \$24,666,048 | \$41,583,533 | \$66,249,581 |
| Internal Service: | | | |
| Motor Vehicle Projects | \$762,524 | \$932,846 | \$1,695,370 |

Fixed Assets for Scottswater, Inc. are discussed in Note 20.

NOTE 7 - LONG-TERM DEBT

The following are brief descriptions of bonds outstanding at June 30, 1996. The totals shown are the principal amount outstanding, net of the current portion due July 1, 1996.

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, 1996, the City had \$76,029,500 authorized but unissued GO bonds. GO bonds are backed by the full faith and credit of the City, and are repaid through the City's levying of property (ad valorem) taxes. However, a portion of the City's GO bonds are recorded in the Water Enterprise Fund as described below, and are repaid through revenues of that fund unless such revenues are insufficient.

| | |
|---|-------------|
| 1986 Water System Acquisition and Improvement Serial Bonds due in one remaining annual installment of \$1,220,000 on July 1, 1997; interest at 6.4 percent. These bonds are recorded in and paid out of the Water Enterprise Fund. Original issue amount, \$38,000,000. | \$1,220,000 |
| 1989 Capital Improvement Project Serial Bonds (Series A issued 1990) due in annual installments of \$970,000 to \$1,200,000 through July 1, 2000; interest at 8.5 percent. Original issue amount, \$28,785,000 | 4,345,000 |
| 1989 Capital Improvement Project Serial Bonds (Series B issued 1991) due in annual installments of \$740,000 to \$1,175,000 through July 1, 2011; interest at 6.0 percent to 8.5 percent. Original issue amount, \$19,000,000. | 7,595,000 |
| 1991 Refunding Bonds due in annual installments of \$610,000 to \$720,000 through July 1, 2000; interest at 5.85 percent to 6.2 percent. Original issue amount, \$8,830,000. | 2,655,000 |
| 1989 Capital Improvement Project Serial Bonds (Series C issued 1992)/Refunding Bonds due in annual installments of \$750,000 to \$2,025,000 through July 1, 2012; interest at 5.25 percent to 7.75 percent. Original issue amount, \$25,055,000. | 18,285,000 |

NOTE 7 - LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

| | |
|---|-----------------------------|
| 1993 Refunding Bonds due in annual installments of \$1,010,000 to \$8,150,000 through July 1, 2009; interest at 4.0 percent to 5.5 percent. \$27,643,229 of these bonds are recorded in and paid out of the Water Fund. Of the total outstanding at June 30, 1996, \$4,383,197 bonds are capital appreciation bonds maturing in 2004 and 2005, of which \$2,847,696 are included in the amount paid out of the Water Fund. The original issue amount for the 1993 Refunding Bonds was \$45,015,000. | \$45,163,197 |
| 1989 Capital Improvement Project Serial Bonds (Series D issued 1993) due in annual installments of \$500,000 to \$1,475,000 through July 1, 2013; interest at 4.0 percent to 6.5 percent. Original issue amount, \$21,000,000. | 17,980,000 |
| 1993A Refunding Bonds due in annual installments of \$475,000 to \$5,560,000 through July 1, 2011; interest at 3.65 percent to 5.1 percent. \$1,315,000 of these bonds are recorded in and paid out of the Water Fund. Of the total outstanding at June 30, 1996, \$2,093,971 bonds are capital appreciation bonds maturing in 2000, 2002, and 2003. The original issue amount for the 1993A Refunding Bonds was \$24,265,000. | 24,573,971 |
| 1989 Capital Improvement Project Serial Bonds (Series E issued 1994) due in annual installments of \$450,000 to \$1,150,000 through July 1, 2014; interest at 5.25 percent to 8.25 percent. Original issue amount, \$14,250,000. | 13,425,000 |
| 1994 Various Projects Serial Bonds due in annual installments of \$475,000 to \$1,350,000 through July 1, 2014; interest at 5.75 percent to 8.25 percent. Original issue amount, \$16,000,000. | 15,125,000 |
| 1995 Storm Sewer, Parks and Pima Road Improvement Serial Bonds (issued November 1, 1995) due in annual installments of \$425,000 to \$1,200,000 through July 1, 2015; interest at 4.65 percent to 7.0 percent. Original issue amount, \$15,000,000. | 14,600,000 |
| Total General Obligation bonds outstanding | <u>\$164,967,168</u> |
| Less General Obligation bonds paid out of Water Enterprise Fund | <u>(31,302,696)</u> |
| Net General Obligation bonds outstanding recorded as General Long-Term Debt | <u><u>\$133,664,472</u></u> |

HURF Revenue Bonds

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

| | |
|---|----------------------------|
| 1989 Highway User Revenue Refunding Serial Bonds due in one remaining annual installment of \$1,380,000 on July 1, 1997; interest at 6.7 percent. Original issue amount, \$15,900,000. | \$ 1,380,000 |
| 1993 Highway User Revenue Refunding Serial Bonds due in annual installments of \$405,000 to \$2,990,000 through July 1, 2007; interest at 4.25 percent to 5.5 percent. Original issue amount, \$26,690,000. | 24,175,000 |
| | <u><u>\$25,555,000</u></u> |

NOTE 7 - LONG-TERM DEBT (continued)**Municipal Property Corporation Bonds**

The Municipal Property Corporation (MPC) is a non-profit 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 general long-term debt. The 1995 MPC Transfer Station bonds, as described below, however, are recorded in and paid out of revenues of the Solid Waste Enterprise Fund.

| | |
|--|----------------------------|
| 1987 Municipal Property Corporation Certificates of Participation due in annual installments of \$550,000 to \$695,000 beginning July 1, 1997, through July 1, 2001; interest at 5.9 percent to 6.3 percent. | \$ 3,100,000 |
| 1987 Refunding Series Municipal Property Corporation Certificates of Participation due in one remaining annual installment of \$2,250,000 on July 1, 1997; interest at 6.9 percent. Original issue amount, \$41,205,000. | 2,250,000 |
| 1992 Refunding Series Municipal Property Corporation Certificates of Participation due in semi-annual installments of \$55,000 to \$1,865,000 through November 1, 2014; interest at 5.0 percent to 6.375 percent. Original issue amount, \$47,095,000. | 41,610,000 |
| 1993 Municipal Property Corporation Refunding Bonds due in annual installments of \$515,000 to \$4,170,000 through July 1, 2005; interest at 4.25 percent to 5.375 percent. Original issue amount, \$29,475,000. | 28,605,000 |
| 1994 Municipal Property Corporation Refunding Bonds due in annual installments of \$775,000 to \$1,080,000 through July 1, 2004; interest at 4.3 percent to 5.15 percent. Original issue amount, \$9,295,000 | 7,330,000 |
| 1995 Municipal Property Corporation TPC Land Taxable Excise Tax Revenue Bonds due in annual installments of \$70,000 to \$285,000 through July 1, 2015; interest at 7.7 percent to 9.0 percent. Original issue amount, \$2,950,000. | 2,885,000 |
| 1995 Municipal Property Corporation Transfer Station Excise Tax Revenue Serial Bonds (issued November 1, 1995) due in annual installments of \$160,000 to \$330,000 through July 1, 2010; interest at 4.75 percent to 7.25 percent. These bonds are recorded in and paid out of the Solid Waste Enterprise Fund. Original issue amount, \$3,500,000. | <u>3,350,000</u> |
| Total MPC bonds outstanding | \$89,130,000 |
| Less MPC bonds paid out of Solid Waste Enterprise Fund | <u>(3,350,000)</u> |
| Net MPC bonds outstanding recorded as General Long-Term Debt | <u><u>\$85,780,000</u></u> |

NOTE 7 - LONG-TERM DEBT (continued)**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. At June 30, 1996, the City had \$73,340,000 authorized but unissued water and sewer revenue bonds. These 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, 1996, the funds reserved for this purpose were \$8,611,102.

| | |
|---|---------------------|
| 1992 Water and Sewer Refunding Serial Bonds due in annual installments of \$865,000 to \$1,595,000 through July 1, 2000; interest at 5.15 percent to 5.7 percent. Original issue amount, \$8,505,000. | \$5,405,000 |
| 1989 Water and Sewer Revenue Serial Bonds (Series B issued 1992) due in annual installments of \$165,000 to \$410,000 through July 1, 2012; interest at 5.0 percent to 7.5 percent. Original issue amount, \$5,000,000. | 4,295,000 |
| 1989 Water and Sewer Revenue Bonds (Series C issued 1994) due in annual installments of \$150,000 to \$240,000 through July 1, 2005; interest at 5.75 percent to 8.25 percent. \$3,005,000 of these bonds were refunded on March 1, 1996. Original issue amount, \$5,000,000. | 1,735,000 |
| 1996 Water and Sewer Revenue Refunding Serial Bonds (issued March 1, 1996) due in annual installments of \$325,000 to \$1,000,000 beginning July 1, 1997 through July 1, 2014; interest at 3.5 percent to 5.625 percent. For GAAP financial statement purposes, these bonds are reported net of the deferred loss on refunding and deferred issuance costs totaling \$828,882 at June 30, 1996. | 9,815,000 |
| | <u>\$21,250,000</u> |

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, 1996, 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.

NOTE 7 - LONG-TERM DEBT (continued)**Special Assessment Bonds (continued)**

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, 1996, there were 16 separate series of special assessment improvement bonds outstanding, each series issued as serial bonds to be repaid over 10 years.

Special Assessment Bonds issued August 1, 1986, through September 1, 1994, maturing January 1, 1997, through January 1, 2005; due in annual installments of \$65,000 to \$1,575,000; interest at 4.9 percent to 8.1 percent. Total original issue amount, \$58,310,000.

\$32,765,789

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. At June 30, 1996, the Scottsdale Mountain Community Facilities District and McDowell Mountain Ranch Community Facilities District had, respectively, \$1,550,000 and \$8,050,000 of authorized but unissued general obligation bonds. 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 districts, 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 district property (prior to improvements being installed), when compared to proposed district debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the district and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's secondary assessed valuation.

| | |
|---|---------------------|
| 1993A Scottsdale Mountain Community Facilities District General Obligation Bonds due in annual installments of \$90,000 to \$255,000 beginning July 1, 1999 through July 1, 2017; interest at 5.25 percent to 6.20 percent. | \$3,000,000 |
| 1993B Scottsdale Mountain Community Facilities District General Obligation Bonds due in annual installments of \$10,000 to \$45,000 beginning July 1, 1999 through July 1, 2017; interest at 7.5 percent to 9.5 percent. | 525,000 |
| 1994 McDowell Mountain Ranch Community Facilities District General Obligation Bonds due in annual installments of \$305,000 to \$660,000 beginning July 15, 2000 through July 15, 2019; interest at 7.5 percent to 8.25 percent. | 9,105,000 |
| 1994A McDowell Mountain Ranch Community Facilities District General Obligation bonds due in annual installments of \$195,000 to \$395,000 beginning July 15, 2010 through July 15, 2019; interest at 8.0 percent to 8.25 percent. | 2,845,000 |
| 1995 Scottsdale Mountain Community Facilities District General Obligation Bonds due in annual installments of \$45,000 to \$175,000 beginning July 1, 2000 through July 1, 2019; interest at 7.0 percent to 7.625 percent. | 1,925,000 |
| | <u>\$17,400,000</u> |

NOTE 7 - LONG-TERM DEBT (continued)**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's legal general obligation bonded debt borrowing capacity at June 30, 1996:

| General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks and Open Spaces | | General Obligation Bonds Issued for All Other Purposes | |
|--|----------------------|---|---------------------|
| 20% Constitutional Limit | \$306,017,663 | 6% Constitutional Limit | \$91,805,299 |
| Less General Obligation 20% Bonds Outstanding | <u>(102,260,400)</u> | Less General Obligation 6% Bonds Outstanding | <u>(58,689,600)</u> |
| Available 20% Limitation Borrowing Capacity | <u>\$203,757,263</u> | Available 6% Limitation Borrowing Capacity | <u>\$33,115,699</u> |

Contracts Payable

The City of Scottsdale has entered into various purchase contracts related to economic development and for the acquisition of water system facilities. Contracts for the acquisition of water system facilities and improvements are payable only from the operating revenue of the water and sewer utility system. Contracts payable at June 30, 1996, were as shown below.

Payable out of the General Fund

| | |
|--|-----------|
| Contract payable for the construction of the East Couplet; due in annual installments through July, 1997; non-interest bearing. | \$105,000 |
| Contract payable to the U.S. Army Corps of Engineers for the construction of flood control and recreation facilities; due in annual installments through 2032; interest at 5.1 percent. | 3,661,438 |
| Contract payable for the construction of the West Couplet; due in annual installments through January, 1999; non-interest bearing. | 2,149,465 |
| Contract payable for the construction of public infrastructure relating to the development of the Scottsdale Towne Center, based on 25 percent of the 1 percent General Fund sales tax collected by the Center; due in quarterly installments beginning in December 1995 through 1997; non-interest bearing. | 269,150 |
| Contract payable for the construction of public infrastructure relating to the development of the Scottsdale Fiesta Shopping Center, based on 50 percent of the 1 percent General Fund sales tax collected by the Center; due in annual installments beginning in May 1996 through 2002; non-interest bearing. | 2,311,815 |

NOTE 7 - LONG-TERM DEBT (continued)

Contracts Payable (continued)

| | |
|--|---------------------|
| Contract payable for the construction of public infrastructure relating to the North Scottsdale Auto Mall, Inc., based on 50 percent of the 1 percent General Fund sales tax collected by the Auto Mall; due in semi-annual installments beginning in September 1997 through 1999; non-interest bearing. | <u>2,100,000</u> |
| Total Long-Term Contracts Payable from General Fund | \$10,596,868 |

Payable out of the Water and Sewer Utility Fund

| | |
|---|----------------------------|
| Contract for the purchase of Carefree Ranch Water Company water system assets; due in adjustable annual installments of \$266,687 to \$494,560 through March 1, 2002; non-interest bearing. | <u>2,352,410</u> |
| Subtotal | \$12,949,278 |
| Less Current Portion | <u>(266,687)</u> |
| Total Long-Term Contracts Payable, All Funds | <u>\$12,682,591</u> |

The following is a summary of debt service requirements to maturity for all long-term contracts payable. Amounts include both contracts paid out of the General Fund, and those paid out of the Water and Sewer Utility Fund.

| Total Requirements to Maturity All Contracts Payable | |
|---|----------------------------|
| Fiscal Year Ending | Total |
| 1997 | \$1,907,717 |
| 1998 | 2,436,904 |
| 1999 | 2,950,374 |
| 2000 | 1,189,312 |
| 2001 | 1,081,555 |
| 2002-2032 | <u>7,430,984</u> |
| Total all years | 16,996,846 |
| Less amount representing interest | <u>(4,047,568)</u> |
| Net Amount Outstanding | <u>\$12,949,278</u> |

Changes in General Long-Term Debt

The following changes occurred in the General Long-Term Debt Account Group for the year ended June 30, 1996. General long-term debt excludes all bonds and contracts recorded in and paid out of the Enterprise Fund.

NOTE 7 - LONG-TERM DEBT (continued)**Changes in General Long-Term Debt (continued)**

The beginning balance for this account group is adjusted for the effect of prior years' accretion on certain capital appreciation bonds, as described in Note 2.

| | General Obligation Bonds ① | HURF Revenue Bonds | Municipal Property Corp Bonds | Special Assessment Bonds | Contracts Payable | Compensated Absences | Total |
|---|----------------------------------|--------------------------|-------------------------------------|--------------------------------|----------------------|-------------------------|---------------|
| Balance July 1, 1995, As Previously Reported | \$139,315,000 | \$27,255,000 | \$90,965,000 | \$40,860,909 | \$9,800,728 | \$5,244,968 | \$313,441,605 |
| Prior Yrs' Accretion on Capital Apprec. Bonds | 1,466,803 | - | - | - | - | - | 1,466,803 |
| Balance July 1, 1995, As Restated | 140,781,803 | 27,255,000 | 90,965,000 | 40,860,909 | 9,800,728 | 5,244,968 | 314,908,408 |
| New Debt Issued | 15,000,000 | - | - | - | 2,100,000 | - | 17,100,000 |
| Debt Retired During Year | - | - | (1,345,000) | (7,575,120) | (1,303,860) | - | (10,223,980) |
| Current Year Accretion on Capital Apprec. Bonds | 857,669 | - | - | - | - | - | 857,669 |
| Increase in Compensated Absences Liability | - | - | - | - | - | 281,074 | 281,074 |
| Debt to be Retired July 1, 1996 | (5,575,000) | (1,700,000) | (3,840,000) | (520,000) | - | - | (11,635,000) |
| Balance June 30, 1996 | \$151,064,472 | \$25,555,000 | \$85,780,000 | \$32,765,789 | \$10,596,868 | \$5,526,042 | \$311,288,171 |

① Includes Community Facilities District debt

Changes in Enterprise Funds Long-Term Bonds

The following table summarizes all changes in bonds recorded in and paid out of the Enterprise Funds during the year ended June 30, 1996. The beginning balance for the General Obligation Bonds amount as of July 1, 1995, is adjusted for the effect of prior years' accretion on certain capital appreciation bonds, as described in Note 2.

| | Water and Sewer Utility Fund | | | Solid Waste Fund |
|--|--------------------------------|----------------------------------|--|--|
| | General Obligation Bonds | Water and Sewer Revenue Bonds | Total Water and Sewer Utility Fund | Municipal Property Corporation Bonds |
| Balance at July 1, 1995, As Previously Reported | \$31,500,555 | \$22,415,000 | \$53,915,000 | - |
| Adjustment for Prior Years' Accretion on Capital Appreciation Bonds | 1,124,467 | - | 1,124,467 | - |
| Balance July 1, 1995, As Restated | 32,624,467 | 22,415,000 | 55,039,467 | - |
| New Bonds Issued | - | - | - | \$3,500,000 |
| Refunding Debt Issued | - | 9,815,000 | 9,815,000 | - |
| Bonds Refunded (Defeased) | - | (9,325,000) | (9,325,000) | - |
| Current Year Accretion on Capital Appreciation Bonds | 568,229 | - | 568,229 | - |
| Debt to be Retired July 1, 1996 | (1,890,000) | (1,655,000) | (3,545,000) | (150,000) |
| Balance at June 30, 1996 | \$31,302,696 | \$21,250,000 | \$52,552,696 | \$3,350,000 |

NOTE 7 - LONG-TERM DEBT (continued)**Debt Service Requirements to Maturity**

The following is a summary of debt service requirements to maturity for all bonds payable as of June 30, 1996. Amounts include both general long-term debt and debt paid out of the Enterprise Fund.

| Fiscal Year Ending | General Obligation Bonds | HURF Revenue Bonds | Municipal Property Corp Bonds | Special Assessment Bonds | Water and Sewer Revenue Bonds | Community Facilities District Bonds | Total |
|-----------------------------------|--------------------------|--------------------|-------------------------------|--------------------------|-------------------------------|-------------------------------------|---------------|
| 1997 | \$16,587,705 | \$3,103,210 | \$10,784,153 | \$6,546,484 | \$3,229,271 | \$1,316,351 | \$41,567,174 |
| 1998 | 16,390,065 | 3,098,538 | 10,794,675 | 5,770,455 | 3,324,501 | 1,316,350 | 40,694,584 |
| 1999 | 16,842,908 | 3,103,488 | 10,796,081 | 5,279,532 | 3,315,881 | 1,416,352 | 40,754,242 |
| 2000 | 17,670,436 | 3,201,913 | 10,797,738 | 5,043,289 | 2,484,966 | 1,770,677 | 40,969,019 |
| 2001 | 18,206,148 | 3,003,588 | 10,822,895 | 4,875,223 | 1,571,611 | 1,773,145 | 40,252,610 |
| 2002-2019 | 169,470,087 | 18,733,167 | 77,235,700 | 12,801,130 | 16,016,075 | 30,095,912 | 324,352,071 |
| | 255,167,349 | 34,243,904 | 131,231,242 | 40,316,113 | 29,942,305 | 37,688,787 | 528,589,700 |
| Less amount representing interest | (90,200,181) | (8,688,904) | (42,101,242) | (7,550,324) | (8,692,305) | (20,288,787) | (177,521,743) |
| Net Amount Outstanding | \$164,967,168 | \$25,555,000 | \$89,130,000 | \$32,765,789 | \$21,250,000 | \$17,400,000 | \$351,067,957 |

Advance Refundings

On March 28, 1996, the City issued \$9,815,000 Water and Sewer Revenue Refunding Bonds, Series 1996 dated March 1, 1996, with an average interest rate of 5.18%, in order to advance refund \$6,320,000 of outstanding 1989 Water Revenue Series A bonds with an average interest rate of 6.72%, and \$3,005,000 of outstanding 1989 Water Revenue Series C bonds with an average interest rate of 6.11%. The net proceeds of \$9,967,448 (after payment of \$213,393 in underwriting fees, insurance, and other issuance costs), were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1989 Series A and 1989 Series C bonds, until the refunded bonds are called (repaid by the trustee) on July 1, 1999 and July 1, 2002. As a result, the total \$9,325,000 refunded 1989 Series A and 1989 Series C bonds are considered to be defeased and the liability for those bonds has been removed from the Water and Sewer Utility Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$642,448. This difference, reported in the accompanying financial statements of the Water and Sewer Utility Enterprise Fund as a deduction from bonds payable, is being charged to operations through fiscal year 2013/14 using the proportionate-to-stated-interest method. The City completed the advance refunding to reduce its total debt service payments in the Water and Sewer Utility Enterprise Fund over the next 18 years by \$246,737 and to obtain an economic gain (present value savings) of \$235,452.

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

NOTE 7 - LONG-TERM DEBT (continued)**Advance Refundings (continued)**

The assets, liabilities, and financial transactions of all of these trust accounts and the liability for refunded (defeased) bonds are not reflected in the financial statements of the City. Refunded debt outstanding at June 30, 1996, net of any amounts to be paid or retired by the trustee on July 1, 1996, was as follows:

| Refunded in Year Ended June 30, 1996 | |
|---|---------------------|
| 1989 Water Revenue Series A Bonds | \$6,320,000 |
| 1989 Water Revenue Series C Bonds | 3,005,000 |
| | <u>\$9,325,000</u> |
| Refunded in Prior Years | |
| 1989 General Obligation Series A (1990) Bonds | \$7,885,000 |
| 1989 General Obligation Series B (1991) Bonds | 10,720,000 |
| 1991 General Obligation Refunding Bonds | 4,345,000 |
| 1963 Sewer Revenue Bonds Series 1964 | 5,630 |
| 1987 MPC Refunding Bonds | 25,375,000 |
| 1986 MPC Certificates of Participation | 40,750,000 |
| | <u>\$89,080,630</u> |

Long-Term Debt for Scottswater Company, Inc. is discussed in Note 20.

NOTE 8 - RETIREMENT AND PENSION PLANS

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

ARIZONA STATE RETIREMENT SYSTEM**Plan Description**

All the City's full-time employees participate in the Arizona State Retirement System (System), a multiple-employer cost sharing pension plan. The payroll for employees covered by this plan for the year ended June 30, 1996, was \$45,104,912; the City's total payroll was \$59,689,179.

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.

NOTE 7 - LONG-TERM DEBT (continued)**ARIZONA STATE RETIREMENT SYSTEM (continued)**

At June 30, 1995 and 1994 (the latest information available), the number of participating local government employer groups was:

| Employer Units | 1995 | 1994 |
|-----------------------------|------------|------------|
| School Districts | 217 | 216 |
| Cities and Towns | 59 | 58 |
| Counties | 14 | 14 |
| Special Districts | 20 | 20 |
| Community College Districts | 10 | 10 |
| State Government | 1 | 1 |
| Total | 321 | 319 |

After first obtaining federal Social Security coverage for its employees, a governmental employer in the state of Arizona may then elect to cover its employees under the System. Once retirement coverage is obtained, all employees who qualify as participants, with the exception of those eligible for other state retirement programs, are required to become contributing members of the System.

At June 30, 1995, and 1994, the statewide System membership consisted of:

| Employee Members | 1995 | 1994 |
|--|----------------|----------------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 79,996 | 64,904 |
| Current Employees | 155,444 | 154,901 |
| Total | 235,440 | 219,805 |

The System provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit. Members are eligible for full retirement benefits on the first day following a) the attainment of age 65; b) the attainment of age 62 and ten years of total credited service; or c) the date when age plus total credited service equals 80. The benefit is based on 2 percent of average monthly compensation multiplied by the years of service credit. Average monthly compensation is defined as the period of 36 consecutive months during which a participant receives the highest compensation within the last 120 months of service during which the employee made retirement contributions as required by law. The compensation does not include lump sum payments on termination of employment for accumulated vacation or annual leave, sick leave, compensatory time, or any other form of termination pay. Members who began participation in the System prior to January 1, 1984, may choose to have average monthly compensation determined upon the period of 60 consecutive months during which the member receives the highest compensation within the last 120 months of service, including lump sum payments as described above. Persons who have reached age 50 with at least five years of total credited service may take an early retirement which entitles them to a reduced retirement benefit.

Members of the System are eligible for a disability benefit in the event they become unable to perform their work. A participant continues to earn credit of up to a total of 25 years of service credit during the period of disability.

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**ARIZONA STATE RETIREMENT SYSTEM (continued)**

Retired and disabled members of the System with ten years of credited service who receive health insurance from their previous employer or from the System's retiree group health insurance program are eligible for a health insurance premium benefit. Members who have at least five years of credited service, but less than ten years of service, are eligible for a proportional payment.

Upon termination of employment, a member may withdraw contributions made to the System, plus accrued interest. The acceptance of a refund forfeits the individual's rights and benefits in the System.

Related Party Investments

The System had no related party investments.

Funding Status and Progress

The amount shown in the following table as pension benefit obligation (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among such plans. The measure is independent of the actuarial funding method used to determine contributions to the System, as discussed below.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1995, and 1994. Significant actuarial assumptions used include: a) a rate of return on investment of present and future assets of 8 percent per year, compounded annually; b) projected salary increases of 5.5 percent, compounded annually, attributable to cost-of-living and salary merit increases ranging from .5 percent to 3.0 percent; and c) no post-retirement benefit increases.

For the fiscal year 1994/95, there were no changes in the actuarial funding or the actuarial assumptions and methods. No material change occurred in the benefit provision. The pension benefit obligation resulted in a decrease during fiscal year 1994/95 due to plan amendments passed in fiscal year 1993/94 of \$173,873,411.

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**ARIZONA STATE RETIREMENT SYSTEM (continued)**

The System does not prepare separate measurements of assets and pension benefit obligations for individual employers. At June 30, 1995, and 1994 (the latest information available), the assets in excess of the pension benefit obligation for the System as a whole were as follows:

| | ↔ June 30 ↔ | |
|---|-----------------------|----------------------|
| | 1995 | 1994 |
| Pension Benefit Obligation | | |
| Retirees and beneficiaries currently receiving benefits | \$4,251,271,839 | \$3,877,358,054 |
| Disabled members receiving benefits | 99,210,500 | 133,976,200 |
| Terminated employees not yet receiving benefits | 180,036,859 | 152,219,919 |
| Current Employees | | |
| Accumulated employee contributions, including allocated investment income | 2,191,928,489 | 2,059,300,651 |
| Employer financed - vested | 3,198,576,811 | 2,692,094,088 |
| Employer financed - non-vested | 368,715,180 | 714,908,641 |
| Total Pension Benefit Obligation | 10,289,739,678 | 9,629,857,553 |
| Net assets available for benefits, at cost (market value \$12,464,462,045 and \$10,768,681,593, respectively) | 10,752,929,723 | 9,976,755,364 |
| Assets in Excess of Pension Benefit Obligation | \$463,190,045 | \$346,897,811 |

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**ARIZONA STATE RETIREMENT SYSTEM (continued)****Contributions Required and Contributions Made**

The Arizona Revised Statutes 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 change the contribution rate from that actuarially determined. The actuarial computation is made two years in advance based on the June 30 information (the rate for 1995 was based on June 30, 1993 information). The contribution rates were actuarially determined using the Projected Unit Credit funding method. The contribution rate consists of a factor to cover normal costs using the same actuarial assumptions used to compute the pension benefit obligation, and a factor to amortize the overfunded past service liability based on the criteria of the Arizona Revised Statutes, not to exceed an amortization period of 45 years. The current amortization period is 10 years.

Covered employees are required by state statute and actuarial computations to contribute matching shares of annual covered salary to the System. Member contributions were all attributable to normal costs. The contribution rates, as actuarially determined, for the years ended June 30, 1995 and 1994 were as follows:

| ARIZONA STATE RETIREMENT SYSTEM | 1994/95 | | 1993/94 | |
|--|----------------------|----------------------------------|----------------------|----------------------------------|
| | Amount | Percent of Covered Payroll | Amount | Percent of Covered Payroll |
| Normal Cost | \$447,773,245 | 10.59% | \$412,833,102 | 10.39% |
| Amortization of Over - Funded Past Service Liability | (130,653,383) | (3.09) | (87,811,468) | (2.21) |
| Total | \$317,119,862 | 7.5% | \$325,021,634 | 8.18% |
| Employers' Share | \$158,559,931 | 3.75% | \$162,510,817 | 4.09% |
| Employees' Share | 158,559,931 | 3.75 | 162,510,817 | 4.09 |
| Total | \$317,119,862 | | \$325,021,634 | |

The amount of contributions to the System made by the City of Scottsdale and its covered employees, representing less than one percent of the total System contributions for each year, were as follows:

| Scottsdale | 1995/96 | | 1994/95 | | 1993/94 | |
|---|--------------------|--------------|--------------------|--------------|--------------------|--------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| City Share | \$1,522,479 | 3.36% | \$1,559,559 | 3.75% | \$1,201,314 | 3.14% |
| Employee Share | 1,522,479 | 3.36 | 1,559,559 | 3.75 | 1,201,314 | 3.14 |
| Total Scottsdale Contributions | \$3,044,958 | 6.72% | \$3,119,118 | 7.50% | \$2,402,628 | 6.28% |

NOTE 2 - RETIREMENT AND PENSION PLANS (continued)**ARIZONA STATE RETIREMENT SYSTEM (continued)****Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Available trend information for nine years of the System as a whole is provided below (all dollars in millions).

| Fiscal Year | (1) Net Assets Available For Benefits | (2) Pension Benefit Obligation (PBO) | (3) Percent Funded (1) / (2) | (4) Assets In Excess of PBO (1) - (2) | (5) Annual Covered Payroll | (6) Assets In Excess of PBO As A Percent of Covered Payroll (4) / (5) | (7) City's Contribution As a Percent of Covered Payroll |
|-------------|--|---|---------------------------------|--|-------------------------------|--|--|
| 1987 | \$5,497.3 | \$4,990.6 | 110.2% | 506.7 | \$2,477.7 | 20.5% | 5.53% |
| 1988 | 5,989.8 | 5,422.3 | 110.5 | 567.5 | 2,817.7 | 20.1 | 4.00 |
| 1989 | 6,652.7 | 6,016.9 | 110.6 | 635.8 | 2,993.6 | 21.2 | 5.09 |
| 1990 | 7,287.9 | 6,639.7 | 109.8 | 648.2 | 3,211.7 | 20.2 | 2.00 |
| 1991 | 7,819.8 | 7,090.1 | 110.3 | 729.7 | 3,453.0 | 21.1 | 3.82 |
| 1992 | 8,458.9 | 8,079.8 | 104.7 | 379.1 | 3,616.0 | 10.5 | 3.60 |
| 1993 | 9,240.9 | 8,969.3 | 103.0 | 271.6 | 3,748.2 | 7.3 | 3.59 |
| 1994 | 9,976.8 | 9,629.9 | 103.6 | 346.9 | 4,125.8 | 8.4 | 3.14 |
| 1995 | 10,752.9 | 10,289.7 | 104.5 | 463.2 | 4,432.1 | 10.5 | 3.75 |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the retirement plan. The assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in maintaining sufficient assets to pay benefits when due. Generally, the larger this percentage, the stronger the plan.

Governmental Accounting Standards Board Statement No. 5 requires a ten year historical trend presentation of the analysis of the funding progress for years beginning after December 15, 1986. The System has this information available beginning with fiscal year ended June 30, 1987, as presented above, providing a nine year comparison.

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM**Plan Description**

All of the City's public safety personnel (police officers) participate in the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer pension plan. The payroll for employees covered by this plan for the year ended June 30, 1996, was \$12,489,503; the City's total payroll was \$59,689,179.

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 156 local boards.

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (continued)**

At June 30, 1995, and 1994 (the latest information available), the number of participating local government employer groups was:

| Employer Units | 1995 | 1994 |
|-----------------------|-------------|-------------|
| Cities and Towns | 107 | 105 |
| Counties | 18 | 18 |
| State Agencies | 8 | 7 |
| Special Districts | 23 | 22 |
| Total | 156 | 152 |

Any state or local government in the State of Arizona may elect to have its paid, full-time eligible employees (generally, fire fighters and police officers) covered by the PSPRS. At June 30, 1995, and 1994, statewide PSPRS membership consisted of:

| Employee Members | 1995 | 1994 |
|---|---------------|---------------|
| Retirees and beneficiaries currently receiving benefits | 3,959 | 3,739 |
| Current Employees | | |
| Vested | 5,548 | 5,220 |
| Non-Vested | 6,423 | 6,083 |
| Total | 15,930 | 15,042 |

PSPRS provides retirement benefits, as well as death and disability benefits. A member of the PSPRS does not have vested rights to benefits until the member files an application for benefits and is found to be eligible for those benefits. An eligible claimant's rights to benefits vest on the date of the application for those benefits, or the last day of employment under the plan, whichever occurs first. Public safety personnel retiring after completion of 20 years of service, or at age 62 and after completion of 15 years of service, are eligible for benefits.

The amount of monthly normal pension is based on credited service and average monthly compensation as follows:

- For retirement with 20 years of credited service, but less than 25 years of credited service, 50 percent of average monthly compensation plus 2 percent of average monthly compensation for each year of credited service between 20 and 25.
- For retirement with 20 years of service, but less than 20 years of credited service, the pension is reduced by a rate of 4 percent per year for each year of credited service under 20 years.
- For retirement with 25 or more years of credited service, 50 percent of average monthly compensation plus 2.5 percent of average monthly compensation for each year of credited service above 20 years, up to a maximum of 80 percent of average monthly compensation.
- The PSPRS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Related Party Investments

The PSPRS had no related party investments.

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (continued)****Funding Status and Progress**

The amount shown below as the pension benefit obligation (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to a) help users assess the PSPRS' funding status on a going-concern basis; b) assess progress being made in accumulating sufficient assets to pay benefits when due; and c) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the PSPRS, as discussed below.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of June 30, 1995, and 1994. Significant actuarial assumptions used in determining the pension benefit obligation include a) a rate of return on the investment of present and future assets of 9.0 percent per year, compounded annually; b) projected salary increases of 6.5 percent per year, compounded annually, attributable to inflation; and c) additional projected salary increases ranging from 0.0 percent to 3.0 percent per year, depending on age, attributable to seniority/merit.

At June 30, 1995, and 1994 (the latest information available), the assets in excess of the City's pension benefit obligation for the PSPRS were as follows:

| | ↔ June 30 ↔ | |
|---|--------------------|--------------------|
| | 1995 | 1994 |
| Pension Benefit Obligation | | |
| Retirees and beneficiaries currently receiving benefits | \$12,804,380 | \$11,488,008 |
| Terminated employees not yet receiving benefits | None | None |
| Current Employees | | |
| Accumulated employee contributions including allocated investment income | 6,349,572 | 5,645,197 |
| Employer financed - vested | 12,902,932 | 11,057,548 |
| Employer financed - non-vested | 3,421,124 | 2,745,637 |
| Health Insurance | 998,164 | 740,628 |
| Total Pension Benefit Obligation | 36,476,172 | 31,677,018 |
| Net assets available for benefits, at cost (market value \$42,806,882 and \$35,186,114, respectively) | 38,130,653 | 33,784,724 |
| Assets In Excess of Pension Benefit Obligation | \$1,654,481 | \$2,107,706 |

During the year ended June 30, 1995, the City experienced a net change of \$4,799,154 in its pension benefit obligation. Of that change, \$170,256 was attributable to cost-of-living adjustments for retired members, and \$1,353,239 was attributable to assumption changes.

During the year ended June 30, 1994, the City experienced a net change of \$3,607,389 in its pension benefit obligation. Of that change, \$201,324 was attributable to cost-of-living adjustments for retired members.

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (continued)****Contributions Required and Contributions Made**

The PSPRS' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 40 years (from July 1, 1978). Twenty-two years remain from July 1, 1996.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation. Member contributions were all attributable to normal costs. Contributions for the years ended June 30, 1995 and 1994, made in accordance with contribution requirements determined by an actuarial valuation of the plan as of June 30, 1993 and 1992, respectively, were as follows:

| PSPRS | 1994/95 | | 1993/94 | |
|--|---------------------|----------------------------|---------------------|----------------------------|
| | Amount | Percent of Covered Payroll | Amount | Percent of Covered Payroll |
| Normal Cost | \$45,367,699 | 8.59% | \$43,570,793 | 8.63% |
| Amortization of Over-Funded Past Service Liability | (4,911,753) | (.93) | (2,372,917) | (.47) |
| Total | \$40,455,946 | 7.66% | \$41,197,876 | 8.16% |
| Employers' Share | \$40,455,946 | N/A | \$41,197,876 | N/A |
| Employees' Share | 35,341,047 | 7.65% | 33,393,715 | 7.65% |
| Total | \$75,796,993 | | \$74,591,591 | |

The amount of contributions to the PSPRS and percentage of covered payroll made by the City of Scottsdale and its covered employees, representing 2.5 percent of the total PSPRS contributions in 1994/95 and 2.4 percent in 1993/94, were as follows. Total contributions for all PSPRS members for 1995/96 are not available.

| Scottsdale | 1995/96 | | 1994/95 | | 1993/94 | |
|---------------------------------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| City Share | \$1,206,486 | 9.66% | \$1,064,760 | 9.53% | \$1,027,773 | 9.92% |
| Employee Share | 955,447 | 7.65 | 854,714 | 7.65 | 792,589 | 7.65 |
| Total Scottsdale Contributions | \$2,161,933 | 17.31% | \$1,919,474 | 17.18% | \$1,820,362 | 17.57% |

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (continued)****Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Available trend information for the City's PSPRS pension benefit obligation for nine years, made in accordance with actuarial requirements, is provided in the following table (all dollars in thousands).

| Fiscal Year | (1) Net Assets Available For Benefits | (2) Pension Benefit Obligation (PBO) | (3) Percent Funded (1) / (2) | (4) Assets In Excess of PBO (1) - (2) | (5) Annual Covered Payroll | (6) Assets In Excess of PBO As A Percentage of Covered Payroll (4) / (5) | (7) City's Contribution As a Percent of Covered Payroll |
|-------------|--|---|---------------------------------|--|-------------------------------|---|--|
| 1987* | \$14,010.7 | \$12,828.2 | 109.2% | \$1,182.5 | \$5,826.3 | 20.3% | 7.67% |
| 1988 | 16,112.9 | 15,307.2 | 105.3 | 805.7 | 6,525.3 | 12.4 | 6.67 |
| 1989** | 18,267.5 | 17,498.5 | 104.4 | 769.0 | 6,614.7 | 11.6 | 7.18 |
| 1990* | 20,747.0 | 19,995.3 | 103.8 | 751.7 | 7,639.7 | 9.8 | 6.72 |
| 1991* | 23,363.4 | 22,432.6 | 104.2 | 930.8 | 8,209.2 | 11.3 | 7.01 |
| 1992 | 26,496.0 | 25,253.5 | 104.9 | 1,242.5 | 8,940.3 | 13.9 | 8.10 |
| 1993 | 30,051.5 | 28,069.6 | 107.1 | 1,981.9 | 9,780.9 | 20.3 | 8.73 |
| 1994 | 33,784.7 | 31,677.0 | 106.7 | 2,107.7 | 10,165.0 | 20.7 | 8.16 |
| 1995** | 38,130.6 | 36,476.1 | 104.5 | 1,654.4 | 11,468.2 | 14.4 | 7.66 |

* Change in benefit provisions.

** Change in assumptions.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the PSPRS' funded status on a going-concern basis. Analysis of this percentage over time indicates whether the PSPRS is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement plan. The assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in maintaining sufficient assets to pay benefits when due. Generally, the larger this percentage, stronger the plan.

Governmental Accounting Standards Board Statement No. 5 requires a ten year historical trend presentation of the analysis of the funding progress for years beginning after December 15, 1986. PSPRS has this information available beginning with fiscal year ended June 30, 1987, as presented above, providing a nine year comparison.

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 pension plan. The payroll for employees covered by this plan for the year ended June 30, 1996, was \$115,304; the City's total payroll was \$59,689,179.

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**ELECTED OFFICIALS' RETIREMENT PLAN (continued)**

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.

At June 30, 1995, and 1994 (the latest information available), the number of participating local government employer groups was:

| Employer Units | 1995 | 1994 |
|-----------------------|-------------|-------------|
| Cities and Towns | 15 | 15 |
| Counties | 15 | 15 |
| State Agencies | 1 | 1 |
| Total | 31 | 31 |

All state and county elected officials and judges are members of the EORP except LaPaz County elected officials. Any city in the state of Arizona may elect to have its elected officials covered by the EORP. At June 30, 1995, and 1994, statewide EORP membership consisted of:

| Employee Members | 1995 | 1994 |
|------------------------------|--------------|--------------|
| Retirees and beneficiaries | | |
| currently receiving benefits | 466 | 433 |
| Terminated vested employees | 78 | 59 |
| Current Employees | | |
| Vested | 391 | 401 |
| Non-Vested | 334 | 309 |
| Total | 1,269 | 1,202 |

EORP provides retirement benefits, as well as death and disability benefits. Generally, all benefits vest after five years of credited service. A summary of benefits and plan provisions follows.

An elected official may receive normal retirement pension upon meeting one of the following age and service requirements: a) 60 years of age, with 25 or more years of credited service; b) 62 years of age, with ten or more years of credited service; or c) 65 years of age, with five or more years of credited service. The amount of a normal retirement pension is 4 percent of the member's final annual salary multiplied by the years of the member's credited service. Maximum is 80 percent of a member's final annual salary.

An elected official who is at least age 50 and has ten or more years of credited service may retire before meeting an age and service requirement for normal retirement. The amount of an early retirement pension is computed by determining the amount of accrued normal retirement pension and then reducing the amount determined by 3/12 of 1 percent for each month early retirement precedes the member's normal retirement age as noted above.

An elected official with five or more years of credited service retains entitlement to a deferred pension upon ceasing to be an elected official if the official's accumulated contributions are left on deposit in the EORP. The amount of pension is determined in the same manner as a normal or early pension, whichever is applicable.

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**ELECTED OFFICIALS' RETIREMENT PLAN (continued)****Related Party Investments**

The EORP had no related party investments.

Funding Status and Progress

Covered employees are required by state statute to contribute an amount equal to 7 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 amount shown in the following table as the pension benefit obligation (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to: a) help users assess the EORP's funding status on a going-concern basis; b) assess progress being made in accumulating sufficient assets to pay benefits when due; and c) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the EORP, as discussed below.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of June 30, 1994, and 1993. Significant actuarial assumptions used in determining the pension benefit obligation include: a) a rate of return on the investment of present and future assets of 9.0 percent per year, compounded annually; and b) projected salary increases of 7.0 percent per year, compounded annually, attributable to inflation and other across-the-board increases; and c) the assumption that benefits will not increase after retirement.

The EORP does not prepare separate measurements of assets and pension benefit obligations for individual employers. At June 30, 1994, and 1993 (the latest information available), the assets in excess of the pension benefit obligation for the EORP as a whole were as follows:

| | June 30 | |
|---|---------------------|--------------------|
| | 1994 | 1993 |
| Pension Benefit Obligation | | |
| Retirees and beneficiaries currently receiving benefits | \$62,128,488 | \$61,991,513 |
| Terminated employees not yet receiving benefits | 933,521 | 637,469 |
| Current Employees | | |
| Accumulated employee contributions, including allocated investment income | 14,196,043 | 12,416,372 |
| Employer financed - vested | 43,686,206 | 39,298,516 |
| Employer financed - non-vested | 3,909,540 | 4,215,505 |
| Health Insurance | 2,766,676 | 1,361,336 |
| Total Pension Benefit Obligation | 127,620,474 | 119,920,711 |
| Net assets available for benefits | 140,145,022 | 127,983,792 |
| Assets in Excess of Pension Benefit Obligation | \$12,524,548 | \$8,063,081 |

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**ELECTED OFFICIALS' RETIREMENT PLAN (continued)****Funding Status and Progress (continued)**

During the year ended June 30, 1994, the EORP experienced a change of \$7,699,763 in the pension benefit obligation.

During the year ended June 30, 1993, the EORP experienced a net change of \$12,047,434 in the pension benefit obligation. Of that change, \$1,167,612 was attributable to cost-of-living adjustments for retired members, and survivors. Health insurance benefits are being accounted for in the same manner as the other benefits the plan provides.

Contributions Required and Contributions Made

The EORP's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 35 years (from June 30, 1987). Twenty-six years remain from June 30, 1996.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation. Member contributions were all attributable to normal costs. Contributions for the years ended June 30, 1995 and 1994 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of June 30, 1993 and 1992, respectively, were as follows:

| EORP | 1994/95 | | 1993/94 | |
|--|--------------------|----------------------------|--------------------|----------------------------|
| | Amount | Percent of Covered Payroll | Amount | Percent of Covered Payroll |
| Normal Cost | \$5,250,651 | 16.09% | \$5,598,573 | 15.74% |
| Amortization of Over-Funded Past Service Liability | (26,106) | (.08) | (42,683) | (.12) |
| Total | \$5,224,545 | 16.01% | \$5,555,890 | 15.62% |
| Employers' Share | \$5,224,545 | N/A | \$5,555,890 | N/A |
| Employees' Share | 2,237,578 | 7.0% | 2,184,269 | 7.0% |
| Total | \$7,462,123 | | \$7,740,159 | |

The amount of contributions to the EORP and percentage of covered payroll made by the City of Scottsdale and its covered employees, representing less than one percent of the total EORP contributions for each year, were as follows:

| Scottsdale | 1995/96 | | 1994/95 | | 1993/94 | |
|---------------------------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| City Share | \$18,172 | 15.76% | \$18,636 | 16.01% | \$18,199 | 15.62% |
| Employee Share | 8,071 | 7.00 | 8,148 | 7.00 | 8,155 | 7.00 |
| Total Scottsdale Contributions | \$26,243 | 22.76% | \$26,784 | 23.01% | \$26,354 | 22.62% |

NOTE 8 - RETIREMENT AND PENSION PLANS (continued)**ELECTED OFFICIALS' RETIREMENT PLAN (continued)****Trend Information**

Trend information is an indication of the progress made in accumulating sufficient assets to pay benefits when due. Available trend information for eight years for the EORP as a whole is provided below (all dollars in thousands).

| Fiscal Year | (1) Net Assets Available For Benefits | (2) Pension Benefit Obligation (PBO) | (3) Percent Funded (1) / (2) | (4) Assets In Excess (Unfunded) of PBO (1) - (2) | (5) Annual Covered Payroll | (6) Assets In Excess (Unfunded) of PBO As A Percentage of Covered Payroll (4) / (5) | (7) City's Contribution As a Percent of Covered Payroll |
|-------------|--|---|---------------------------------|---|-------------------------------|--|--|
| 1987* | \$65,818.2 | \$63,116.2 | 104.3% | \$2,702.0 | \$20,409.0 | 13.2% | N/A |
| 1988 | 73,993.4 | 71,798.9 | 103.1 | 2,194.5 | 21,444.3 | 10.2 | N/A |
| 1989 | 84,258.5 | 84,716.9 | 99.5 | (458.4) | 24,604.7 | (1.9) | N/A |
| 1990 | 92,420.8 | 93,907.9 | 98.4 | (1,487.2) | 25,775.6 | (5.8) | N/A |
| 1991 | 103,569.9 | 102,640.5 | 100.9 | 929.4 | 27,837.8 | 3.3 | N/A |
| 1992 | 115,868.7 | 107,873.3 | 107.4 | 7,995.4 | 27,777.5 | 28.8 | N/A |
| 1993 | 127,983.7 | 119,920.7 | 106.7 | 8,063.0 | 29,708.4 | 27.1 | N/A |
| 1994 | 140,145.0 | 127,620.4 | 109.8 | 12,524.5 | 29,633.4 | 42.3 | N/A |

* Includes statutory amendment and assumption change.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the EORP's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the EORP is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement plan. The assets in excess of pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in maintaining sufficient assets to pay benefits when due. Generally, the larger this percentage, the stronger the plan.

Governmental Accounting Standards Board Statement No. 5 requires a ten year historical trend presentation of the analysis of the funding progress for years beginning after December 15, 1986. EORP has this information available beginning with fiscal year ended June 30, 1987, as presented above, providing an eight year comparison.

NOTE 9 - DEFERRED COMPENSATION PLAN (AGENCY FUND)

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is independently administered by the International City/County Management Association Retirement Corporation (ICMA). The plan, in which all City employees may participate, permits them to defer a portion of their salary until future years. Deferred amounts are recorded in the City's Agency Fund. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City Attorney that the City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 - SEGMENTS OF ENTERPRISE ACTIVITIES

Water and sewer, airport, and Solid waste are four major services provided by the City which are financed by user charges and are of such significance as to warrant disclosure as segments of enterprise activities. Segment information as of and for the year ended June 30, 1996, was as follows (in thousands of dollars):

| | Water and Sewer Utility | Airport | Solid Waste | Total |
|---|--|----------------|--------------------|--------------|
| Operating Revenue | \$62,451 | \$860 | \$10,340 | \$73,651 |
| Depreciation and Amortization | 8,734 | 544 | 52 | 9,330 |
| Operating Transfers In | 67 | 753 | 49 | 869 |
| Operating Transfers (Out) | (193) | - | (173) | (366) |
| Operating Income (Loss) | 17,370 | (788) | (41) | 16,541 |
| Net Income (Loss) | 23,878 | (35) | (231) | 23,612 |
| Contributions | | | | |
| Developers | 14,888 | - | - | 14,888 |
| Development Fees | 15,821 | - | - | 15,821 |
| Other Government Units | - | 1,709 | (28) | 1,681 |
| Property, Plant, and Equipment | | | | |
| Additions | 24,182 | 2,125 | 4,011 | 30,318 |
| Net Working Capital | 65,233 | 621 | (115) | 65,739 |
| Total Assets | 450,639 | 15,020 | 7,084 | 472,743 |
| Long-Term Debt (Net of Current Portion) and Other Liabilities: | | | | |
| Payable From Operating Revenue | 53,810 | - | 3,350 | 57,160 |
| Payable From Other Sources | 7,212 | 1 | - | 7,213 |
| Total Equity | 380,649 | 14,715 | 1,346 | 396,710 |

NOTE 11 - CONTRIBUTED CAPITAL

During the year ended June 30, 1996, Enterprise Funds' contributed capital increased by the following amounts (in thousands of dollars):

| Source | Water and Sewer Utility | Airport | Solid Waste | Total |
|---|-------------------------|--------------|-------------|---------------|
| Development Fees | \$15,821 | - | - | \$15,821 |
| Subdividers | 14,888 | - | - | 14,888 |
| Municipality - Capital Construction | - | - | (\$29) | (29) |
| Federal Government - Capital Construction | - | \$1,709 | - | 1,709 |
| Less Depreciation | (4,034) | (543) | - | (4,577) |
| Total Change | 26,675 | 1,166 | (29) | 27,812 |
| Contributed Capital July 1, 1995 | 216,625 | 12,598 | \$478 | 229,701 |
| Contributed Capital June 30, 1996 | \$243,300 | \$13,764 | \$449 | \$257,513 |

The Internal Service Fund's contributed capital increased by \$171,718 as a result of Motor Pool assets contributed from other City funds.

NOTE 12 - CAPITALIZED INTEREST

During fiscal year 1996, the Water and Sewer Utility Fund capitalized net interest costs of \$228,413. Total interest earnings and expense in that fund before capitalization were \$6,071,883 and \$3,303,837 respectively.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to public, property, and aviation liability, and workers compensation. Public liability includes public officials' errors and omissions, automobile and general liability. The City is self-insured for the first \$1,000,000 of public liability, the first \$50,000 of property liability, the first \$5,000 of aviation liability and the first \$300,000 of workers compensation. Coverage in excess of these respective amounts is provided through the purchase of commercial insurance. During the fiscal year ending June 30, 1996 there was no significant reduction in excess insurance coverage. Additionally, settlements for each of the past three fiscal years have not exceeded the City's excess insurance coverage amounts.

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, estimates of claims incurred but not yet reported, actuarial reports and historical analysis. For the year ending June 30, 1996, all claims liabilities are reported at their present value, which has been calculated using a 6 percent discount rate. As discussed in Note 2, this change in accounting method has resulted in a positive adjustment to beginning retained earnings of \$996,219. Additionally, for the year ending June 30, 1996, the City elected to early implement GASB Statement No. 30, *Risk Financing Omnibus*, an amendment of GASB Statement No. 10. GASB Statement No. 30 requires that

NOTE 13 - RISK MANAGEMENT (continued)

the claims liability calculation take into account estimated recoveries on settled and unsettled claims. The City has always included estimated recoveries in its claims liability calculation, therefore implementation of GASB Statement No. 30 does not require restatement of beginning retained earnings. The following is a summary of the changes in the claims liability for the past two fiscal years:

| | Year Ended June 30 | |
|--|--------------------|--------------------|
| | 1996 | 1995 (Restated) |
| Claims payable, July 1 | \$5,460,112 | \$4,118,994 |
| Adjustment to beginning claims payable | (996,219) | - |
| Claims payable, July 1, as adjusted | 4,463,893 | 4,118,994 |
| Current year claims incurred | 4,242,089 | 3,189,515 |
| Current year claim payments | (2,707,987) | (2,844,616) |
| Claims payable June 30 | <u>\$5,997,995</u> | <u>\$4,463,893</u> |

NOTE 14 - INTERFUND TRANSFERS AND INTERFUND ASSETS/LIABILITIES

Net operating transfers are reported in the following funds:

| Operating Transfers Out From: | | Operating Transfers In To: | |
|--|--------------|---|--------------|
| General | \$7,803,505 | • Internal Service (Motor Pool) | \$328,500 |
| | | • Special Revenue (HURF) | 1,174,268 |
| | | • Special Revenue (Accounted for as HURF maintenance of effort) | 194,000 |
| | | • Enterprise (Airport) | 381,700 |
| | | • Capital Projects (All Other Construction) | 5,725,037 |
| Internal Service (Motor Pool) | 105,000 | • Capital Projects (All Other Construction) | 105,000 |
| Enterprise (Water & Sewer Utility) | 193,000 | • Internal Service (Motor Pool) | 59,000 |
| | | • Capital Projects (All Other Construction) | 134,000 |
| Capital Projects (All Other Construction) | 199,946 | • Enterprise (Solid Waste) | 48,546 |
| | | • (Airport) | 151,400 |
| Debt Service (Community Facilities Districts) | 10,027 | • Capital Projects (Community Facilities Districts) | 10,027 |
| Capital Projects (Community Facilities Districts) | 708,698 | • Debt Service (Community Facilities Districts) | 708,698 |
| Capital Projects (Transportation Privilege Tax) | 220,000 | • Enterprise (Airport) | 220,000 |
| Enterprise (Solid Waste) | 173,400 | • Internal Service (Motor Pool) | 106,000 |
| | | • Enterprise (Water/Sewer) | 67,400 |
| Expendable Trust | 1,264,564 | • Capital Projects (All Other Construction) | 1,264,564 |
| | \$10,678,140 | | \$10,678,140 |

NOTE 14 - INTERFUND TRANSFERS AND INTERFUND ASSETS/LIABILITIES (continued)

The following are the individual funds having amounts due from or due to other funds at June 30, 1996:

Due From/To Other Funds

| Receivable Fund | Amount | Payable Fund | Amount |
|------------------------|---------------|-------------------------|---------------|
| General | \$2,053,306 | Section 8 | \$ 221,773 |
| | | Community Development | 161,533 |
| | | Enterprise--Airport | 268,000 |
| | | Enterprise--Solid Waste | 1,402,000 |
| | \$2,053,306 | | \$2,053,306 |

NOTE 15 - DEFICITS IN FUND BALANCE/FUND EQUITY/EXCESS OF EXPENDITURES OVER APPROPRIATION

The Section 8 Housing Fund had a deficit fund balance of (\$221,773) caused by a deficit transferred from Maricopa County when the Section 8 program was transferred to City of Scottsdale. This deficit is currently being resolved between Maricopa County and the City.

The Self-Insurance Fund had an accumulated deficit of (\$3,909,624) caused by higher than anticipated insurance claims. The deficit will be eliminated in future years by property taxes levied for reimbursement of tort judgments.

The Special Assessments Debt Service Fund had an excess of expenditure over budget of \$472,716 caused by past issuances of special assessment bonds in excess of budgeted amounts. Debt service expenditures are budgeted in several individual funds and the debt service in total does not exceed the total budget for the combined funds.

Enterprise Water Operations had an excess of expenses over appropriations of \$232,182 caused by increased electric and purchased water needs because of dry weather. Water operations is a part of the Water Resources department which is not over budget in total.

Enterprise Solid Waste Operations had an excess of expenses over appropriations of \$143,687 caused by expenditures for a new recycling program. Solid Waste is a part of the Municipal Services department, which has operations in several funds and did not exceed its appropriation.

Enterprise Debt Service and Reserves had an excess of expenses over budget of \$162,498 caused by recording accretions on capital appreciation bonds. Debt service expenses did not exceed the budget in total.

NOTE 16 - CONTINGENT LIABILITIES

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

NOTE 17 - COMMITMENTS AND SUBSEQUENT EVENTS

- A. In July 1991, the City amended a ten-year agreement with Rural/Metro Corporation (Rural/Metro) whereby Rural/Metro will provide fire protection and related services to the City to June 30, 2001. Payments to Rural/Metro amounted to \$10,131,958 for the year ended June 30, 1996. The annual amount due to Rural/Metro in fiscal year 1997 will approximate \$10,198,000.
- B. The City has a Service Agreement with the Scottsdale Cultural Council (Council) that provides that the Council will manage the arts and cultural affairs within the Scottsdale community for a ten-year period, automatically renewable for two five-year periods. In return, the City will pay service fees to the Council based on the Service Agreement between the City and the Council. Payments to Scottsdale Cultural Council amounted to \$2,017,277 for the year ended June 30, 1996. Annual amounts due in fiscal year 1997 will approximate \$2,077,800.
- C. The City has an operating and maintenance agreement, and a separate service agreement with Scottsdale Water Service Company Limited Partnership (Partnership). Under these agreements, City staff operate the Partnership's water treatment facility which processes Central Arizona Project water to regulatory quality standards and furnishes this water to the City for distribution to City customers. The City reimburses the Partnership for all operating and debt service costs associated with the water treatment plant, and must maintain a \$300,000 equipment replacement and repair reserve.
- Total costs reimbursed by the City to the Partnership in 1995/96 were \$3,184,963. At termination of the agreement in 2008, the City will have the option to purchase the water treatment plant and other assets from the Partnership. For a further discussion of the Partnership and Scottswater Company, Inc., a component unit of the City, see Note 20.
- D. The City has entered into an intergovernmental agreement with the Arizona Department of Transportation (ADOT) whereby the City will advance up to \$30,500,000 to ADOT in order to accelerate the completion of the Pima Freeway design from the Shea Boulevard traffic interchange to Bell Road, and to accelerate the completion of the Pima Freeway Outer Loop from the 90th Street traffic interchange through the Shea Boulevard traffic interchange. ADOT will begin repayment to the City on July 1, 1998. As of June 30, 1996, the City had advanced \$1,500,000 to ADOT.
- E. On July 1, 1996, the Municipal Property Corporation issued \$7,500,000 Excise Tax Revenue Bonds, Series 1996, to provide funds for improvements to McCormick/Stillman Park, various computer needs and certain containers and trucks for refuse collection and the curbside recycling program for the City of Scottsdale.
- F. On September 10, 1996, Scottsdale voters approved Proposition 404, authorizing the City to sell revenue bonds to buy land for a 16,500-acre wildlife preserve in the McDowell Sonoran Preserve. The revenue to repay the bonds will be generated by the two tenths of one percent City sales tax previously approved by voters in May 1995 to be used specifically for this purpose.

NOTE 18 - JOINT VENTURE

The City participates with the cities of Phoenix, Glendale, Mesa, and Tempe in the Multi-City Subregional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) in order to govern the construction, operation, and maintenance of jointly used sewage treatment and transportation facilities. The facilities include the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor, and related transportation facilities. The City of

NOTE 18 - JOINT VENTURE (continued)

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. 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 Town of Youngtown, formerly a SROG member, sold its interest to the City of Phoenix effective July 1, 1995.

The City records its share of SROG's cash operating expenses in the City's Water and Sewer Utility Fund, and in past years, recorded its share of capital contributions as a fixed asset of the Fund. As discussed in Note 2, \$9,685,599 of net fixed assets has been reclassified in the Fund's balance sheet as "equity in joint venture", and \$4,158,401 has been recorded as a prior period adjustment to the Fund's retained earnings. For the year ended June 30, 1995 (the latest audited information available from SROG), the City's net investment in SROG was \$13,844,000. SROG's net cash operating expenses for the year ended June 30, 1995 was \$17,064,232, of which the City's share was 9 percent, or \$1,457,298. For the year ended June 30, 1996, the City paid SROG \$3,745,305 for capital contributions (which increased the City's net investment in SROG), and \$2,077,539 for operation expenses.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1995 for the Multi-City Subregional 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.

NOTE 19 - RELATED ORGANIZATION

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

NOTE 20 - SCOTTSWATER COMPANY, INC. COMPONENT UNIT DISCLOSURES

Scottswater Company, Inc. (the Company) is a non-profit corporation established by the City Council in 1993 to act as the general partner in the Scottsdale Water Service Company Limited Partnership (the Partnership.) The City Council appoints and approves the Company's Board of Directors and nominates Company officers. The Partnership itself manages and operates a Central Arizona Project water treatment plant that, in conjunction with other City facilities, provides water and water services to Scottsdale citizens. All expenses of operating the water treatment plant are paid by the Partnership, and reimbursed by the City via a service agreement with the Partnership.

The Company receives 1 percent of the Partnership's annual income, and will receive 53 percent of the Partnership's net assets upon dissolution of the Partnership. Therefore, the financial information reported in the component unit column in the combined financial statements includes the consolidated financial data of the Company and the Partnership. This information, reported as a proprietary fund type, is presented in a separate column to emphasize that the Company is legally separate from the City.

The Company and Partnership have a fiscal year end of December 31; therefore, the component unit column presents financial statements as of and for the year ended December 31, 1995. The financial statements for the City of Scottsdale Enterprise Fund for the year ended June 30, 1996 include a \$1,411,734 reimbursement paid to the Partnership for expenses of operating the water treatment plant for the six months ended June 30, 1996. This amount is not reflected in the consolidated financial

NOTE 20 - SCOTTSWATER COMPANY, INC. COMPONENT UNIT DISCLOSURES (continued)

statements of the Company due to the difference in year end. The amount represents revenue to the Partnership and will be reflected in the consolidated financial statements of the Company for the year ending December 31, 1996.

Cash and Investments

At December 31, 1995, the book value of the Company's deposits was \$162,433, and the bank balance was \$185,543. The \$23,110 difference represents outstanding checks.

Risk category one cash balances, which are covered entirely through federal depository insurance funds, equaled \$100,000 at December 31, 1995. Risk category three cash balances, which are collateralized with securities held by the pledging bank's trust department but not in the name of the Company or Partnership, equaled \$62,433. At December 31, 1995, there were no cash balances in risk category two.

Investments

Investments consist of amounts held by the trustee for the purpose of satisfying various debt service obligations of the Partnership. Investments at December 31, 1995 are summarized below. All of the investments are categorized in risk category three. Risk category three includes uninsured and unregistered investments not held in the name of the Partnership. Investments not subject to credit risk classification are not categorized.

| | Category 3 | Carrying Amount | Market Value |
|---------------------|-------------|-----------------|--------------|
| U.S. Treasury Notes | \$2,644,507 | \$2,644,507 | \$2,644,750 |
| U.S. Treasury Bills | 357,223 | 357,223 | 361,970 |
| | \$3,001,730 | 3,001,730 | 3,006,720 |
| Money Market Funds | | 132,552 | 132,552 |
| Total Investments | | \$3,134,282 | \$3,139,272 |

Fixed Assets

The Company's records its land, land improvements, and equipment at cost. Land improvements and equipment are depreciated in accordance with the IRS Accelerated Cost Recovery System using the straight-line method with recovery periods of 18 years for land improvements, and 5 years for equipment. Generally accepted accounting principles require that the cost of an asset be depreciated over its useful life using the straight line method of depreciation. The difference between the IRS Accelerated Cost Recovery System using the straight-line method, and straight line depreciation as required by generally accepted accounting principles, is immaterial, and therefore no adjustments have been made to the Company's fixed asset accounts. The excess purchase price over fair market value of assets acquired by the Company is amortized using the straight-line method over 15 years.

A summary of the Company's fixed assets at December 31, 1995, follows:

| | |
|----------------------------|--------------------|
| Land and Land Improvements | \$616,132 |
| Equipment | 24,848,465 |
| | <u>25,464,597</u> |
| Accumulated depreciation | (24,387,269) |
| Net Fixed Assets | <u>\$1,077,328</u> |

NOTE 20 - SCOTTSWATER COMPANY, INC. COMPONENT UNIT DISCLOSURES (continued)**Long-Term Debt**

The land, improvements and equipment were principally financed from the proceeds of tax-exempt variable interest rate industrial development bonds, with an original face amount of \$25,000,000, issued by the Industrial Development Authority of the City of Scottsdale, Arizona. The nonrecourse bonds, which are insured by the Municipal Bond Insurance Association, are payable in varying installments to July 1, 2008. At December 31, 1995, the interest rate on these bonds was 4.35 percent and the weighted average interest rate during 1995 was 4.28 percent. These bonds pay interest at a variable rate and reprice monthly. Thus, the cost of the bonds is a reasonable estimate of fair value.

The following is a summary of debt service requirements to maturity for the above bonds payable as of December 31, 1995:

| Debt Service Requirements to Maturity | |
|--|---------------------|
| 1996 | \$975,672 |
| 1997 | 1,053,935 |
| 1998 | 1,137,415 |
| 1999 | 1,231,330 |
| 2000 | 1,330,462 |
| 2001-2008 | 15,271,622 |
| | <u>21,000,436</u> |
| Less amount representing interest | <u>(875,436)</u> |
| Net amount outstanding | <u>\$20,125,000</u> |

Operating Lease

During 1995, the Partnership incurred \$62,445 of expense under an operating lease for the land on which the treatment center is located. The remaining term of the lease is 39 years, expiring in December 2034. However, the Partnership can terminate the operating lease in 2008, which is when the service agreement between the Partnership and the City expires. The lease amount is renegotiated on an annual basis.



GENERAL FUND

The General Fund accounts for the revenue and expenditures necessary to carry out basic governmental activities of the City, such as police protection, fire protection, recreation, planning, legal services, administrative services, etc. Appropriations are made from the fund annually. The fund will continue to exist indefinitely.

Revenue for this and other funds is recorded by source, i.e., taxes, licenses, service charges, etc. Expenditures are recorded first by character, then by program, and then by object of the expenditure.

General Fund expenditures are made primarily for current day-to-day operating expenses and operating equipment. Capital expenditures for large-scale public improvements, such as buildings, parks, or streets, are accounted for primarily in the Capital Projects, Special Revenue, or Enterprise Funds.

GENERAL FUND

EXHIBIT B-1

BALANCE SHEET

JUNE 30, 1996

ASSETS

| | |
|---------------------------------|---------------|
| Cash and Short-Term Investments | \$ 30,687,943 |
| Investments | 35,000,000 |
| Receivables | |
| Accrued Interest | 756,993 |
| Privilege Tax | 836,662 |
| Hotel/Motel Tax | 118,580 |
| Property Tax | 801,434 |
| State Shared Sales Tax | 1,007,497 |
| Miscellaneous | 1,010,283 |
| Due from Other Funds | 2,053,306 |
| Supplies Inventory | 325,643 |
| | <hr/> |
| Total Assets | \$ 72,598,341 |

LIABILITIES AND FUND BALANCE

| | |
|------------------------------------|---------------|
| Liabilities | |
| Accounts Payable | \$ 668,720 |
| Accrued Payroll | 4,961,907 |
| Deferred Property Tax | 712,819 |
| | <hr/> |
| Total Liabilities | 6,343,446 |
| Fund Balance | |
| Reserved for | |
| Encumbrances | 1,538,847 |
| Streetlight Districts | 802,638 |
| Unreserved | 63,913,410 |
| | <hr/> |
| Total Fund Balance | 66,254,895 |
| | <hr/> |
| Total Liabilities and Fund Balance | \$ 72,598,341 |

SEE NOTES TO FINANCIAL STATEMENTS

GENERAL FUND

EXHIBIT B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | |
|--|---------------|
| Revenues | |
| Taxes - Local | \$ 57,574,867 |
| Taxes - Intergovernmental | 20,612,233 |
| Licenses | 1,054,866 |
| Charges for Current Services | 12,586,956 |
| Fines and Forfeitures | 2,747,841 |
| Use of Money and Property | 6,343,309 |
| Streetlight Districts | 473,987 |
| Other | 11,560,104 |
| | <hr/> |
| Total Revenues | 112,954,163 |
| Expenditures | |
| Current Operating Departments | |
| General Government | 16,117,200 |
| Police | 26,735,352 |
| Financial Services | 4,967,431 |
| Community Services | 19,555,718 |
| Planning & Development | 13,081,709 |
| Fire | 10,131,958 |
| Municipal Services | 8,261,169 |
| Streetlight Districts | 485,782 |
| Debt Service | |
| Principal | 1,230,233 |
| Interest and Fiscal Charges | 199,252 |
| | <hr/> |
| Total Expenditures | 100,765,804 |
| | <hr/> |
| Excess of Revenues Over Expenditures | 12,188,359 |
| Other Uses | |
| Operating Transfers Out | (7,803,505) |
| | <hr/> |
| Total Other Uses | (7,803,505) |
| | <hr/> |
| Excess of Revenues Over Expenditures and Other Uses | 4,384,854 |
| Fund Balance July 1, 1995 | 61,870,041 |
| | <hr/> |
| Fund Balance June 30, 1996 | \$ 66,254,895 |
| | <hr/> |

SEE NOTES TO FINANCIAL STATEMENTS

GENERAL FUND

EXHIBIT B-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|--------------------|---------------------|--|
| Revenues | | | |
| Taxes - Local | \$ 56,445,202 | \$ 57,574,867 | \$ 1,129,665 |
| Taxes - Intergovernmental | 20,572,643 | 20,612,233 | 39,590 |
| Licenses | 1,074,494 | 1,054,866 | (19,628) |
| Charges for Current Services | 13,241,049 | 12,586,956 | (654,093) |
| Fines and Forfeitures | 2,624,929 | 2,747,841 | 122,912 |
| Use of Money and Property | 6,310,267 | 6,343,309 | 33,042 |
| Other | 1,662,645 | 1,073,269 | (589,376) |
| Total Revenues | 101,931,229 | 101,993,341 | 62,112 |
| Expenditures | | | |
| Current Operating Departments | | | |
| General Government | 17,011,614 | 16,250,893 | 760,721 |
| Police | 27,135,324 | 26,697,810 | 437,514 |
| Financial Services | 5,283,243 | 5,183,657 | 99,586 |
| Community Services | 20,286,271 | 20,030,685 | 255,586 |
| Planning & Development | 13,474,482 | 13,356,381 | 118,101 |
| Fire | 10,171,831 | 10,133,376 | 38,455 |
| Municipal Services | 8,564,823 | 8,547,172 | 17,651 |
| Debt Service | | | |
| Principal | 1,290,614 | 1,230,233 | 60,381 |
| Interest and Fiscal Charges | 203,452 | 199,252 | 4,200 |
| Total Expenditures | 103,421,654 | 101,629,459 | 1,792,195 |
| Excess of Revenues Over Expenditures | (1,490,425) | 363,882 | 1,854,307 |
| Other Sources (Uses) | | | |
| Operating Transfers In | 19,146,636 | 10,486,835 | (8,659,801) |
| Operating Transfers Out | (17,656,211) | (7,803,505) | 9,852,706 |
| Total Other Sources (Uses) | 1,490,425 | 2,683,330 | 1,192,905 |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | - | 3,047,212 | 3,047,212 |
| Encumbrances Cancelled | - | 2,043,313 | 2,043,313 |
| Fund Balance July 1, 1995 | - | 3,083,113 | 3,083,113 |
| Fund Balance June 30, 1996 | \$ - | \$ 8,173,638 | \$ 8,173,638 |

GENERAL FUND

EXHIBIT B-4

SCHEDULE OF REVENUES - BUDGET AND ACTUAL - BUDGET BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|-------------------------------------|-----------------------|-----------------------|--|
| Taxes - Local | | | |
| Property | \$ 7,494,720 | \$ 7,601,668 | \$ 106,948 |
| Transaction Privilege | 38,933,134 | 40,010,990 | 1,077,856 |
| Hotel/Motel Transient | 5,225,042 | 5,147,950 | (77,092) |
| Light and Power Franchise | 3,187,200 | 3,186,961 | (239) |
| Cable TV Franchise | 1,178,010 | 1,175,283 | (2,727) |
| Salt River Project In-Lieu | 282,096 | 281,439 | (657) |
| Fire Insurance Premium | 145,000 | 170,576 | 25,576 |
| | 56,445,202 | 57,574,867 | 1,129,665 |
| Taxes - Intergovernmental | | | |
| State-Shared Sales | 10,644,393 | 10,675,911 | 31,518 |
| State Revenue Sharing | 9,928,250 | 9,936,322 | 8,072 |
| | 20,572,643 | 20,612,233 | 39,590 |
| Licenses | | | |
| Business and Liquor Licenses | 1,074,494 | 1,054,866 | (19,628) |
| Charges for Current Services | | | |
| Building and Related Permits | 11,500,000 | 10,917,901 | (582,099) |
| Recreation Fees | 1,741,049 | 1,669,055 | (71,994) |
| | 13,241,049 | 12,586,956 | (654,093) |
| Fines and Forfeitures | | | |
| Court Fines | 2,098,929 | 2,225,188 | 126,259 |
| Parking | 260,300 | 259,617 | (683) |
| Library | 265,700 | 263,036 | (2,664) |
| | 2,624,929 | 2,747,841 | 122,912 |
| Use of Money and Property | | | |
| Interest Earnings | 4,098,783 | 4,184,939 | 86,156 |
| Property Rental | 2,211,484 | 2,158,370 | (53,114) |
| | 6,310,267 | 6,343,309 | 33,042 |
| Other | 1,662,645 | 1,073,269 | (589,376) |
| Total Revenues | \$ 101,931,229 | \$ 101,993,341 | \$ 62,112 |

CITY OF SCOTTSDALE, ARIZONA

GENERAL FUND

EXHIBIT B-5

SCHEDULE OF EXPENDITURES BY OBJECT

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

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| | PERSONAL SERVICES | OTHER SERVICES | SUPPLIES | DEBT SERVICE | CAPITAL OUTLAY | TOTAL |
|-------------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| Current Operating Departments | | | | | | |
| General Government | \$ 10,109,423 | \$ 4,743,626 | \$ 629,121 | \$ - | \$ 635,030 | \$ 16,117,200 |
| Police | 21,482,550 | 3,951,991 | 844,178 | - | 456,633 | 26,735,352 |
| Financial Services | 3,879,305 | 876,921 | (3,149) | - | 214,354 | 4,967,431 |
| Community Services | 11,705,177 | 5,650,583 | 1,978,456 | - | 221,502 | 19,555,718 |
| Planning & Development | 6,335,050 | 6,213,904 | 178,312 | - | 354,443 | 13,081,709 |
| Fire | - | 10,097,791 | 31,179 | - | 2,988 | 10,131,958 |
| Municipal Services | 2,530,522 | 5,110,214 | 570,278 | - | 50,155 | 8,261,169 |
| Streetlight Districts | - | 485,782 | - | - | - | 485,782 |
| Debt Service | | | | | | |
| Principal | - | - | - | 1,230,233 | - | 1,230,233 |
| Interest and Fiscal Charges | - | - | - | 199,252 | - | 199,252 |
| Expenditures | \$ 56,042,027 | \$ 37,130,812 | \$ 4,228,375 | \$ 1,429,485 | \$ 1,935,105 | \$ 100,765,804 |
| Operating Transfers Out | | | | | | |
| Highway User Fuel Tax Fund | \$ 1,368,268 | | | | | |
| Airport | 381,700 | | | | | |
| Capital Projects Fund | 5,725,037 | | | | | |
| Motor Pool Fund | 328,500 | | | | | |
| | \$ 7,803,505 | | | | | |

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. 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, and maintenance.

Community Development 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.

Grants Fund

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

CITY OF SCOTTSDALE, ARIZONA

SPECIAL REVENUE FUNDS

EXHIBIT C-1

COMBINING BALANCE SHEET

JUNE 30, 1996

| | HIGHWAY USER FUEL TAX | COMMUNITY DEVELOPMENT | GRANTS | SECTION 8 | TOTAL ALL FUNDS |
|--|-----------------------------|--------------------------|-------------------|------------------|-----------------------|
| ASSETS | | | | | |
| Cash and Short-Term Investments | \$ 2,065,642 | \$ - | \$ 150,380 | \$ - | \$ 2,216,022 |
| Receivables | | | | | |
| Fuel Tax | 1,107,417 | - | - | - | 1,107,417 |
| Grants | - | 258,600 | 550,643 | - | 809,243 |
| Miscellaneous | 397 | - | - | - | 397 |
| Total Assets | \$ 3,173,456 | \$ 258,600 | \$ 701,023 | \$ - | \$ 4,133,079 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 574,182 | \$ - | \$ 35,932 | \$ - | \$ 610,114 |
| Accrued Payroll | 146,659 | - | - | - | 146,659 |
| Due to General Fund | - | 161,533 | - | 221,773 | 383,306 |
| Bond Interest Payable | 703,635 | - | - | - | 703,635 |
| Bonds Payable - Current Portion | 1,700,000 | - | - | - | 1,700,000 |
| Total Liabilities | 3,124,476 | 161,533 | 35,932 | 221,773 | 3,543,714 |
| Fund Balances (Deficit) | | | | | |
| Reserved for Encumbrances | 48,980 | 9,871 | 414,272 | 3,965 | 477,088 |
| Unreserved | - | 87,196 | 250,819 | (225,738) | 112,277 |
| Total Fund Balances (Deficit) | 48,980 | 97,067 | 665,091 | (221,773) | 589,365 |
| Total Liabilities and Fund Balances | \$ 3,173,456 | \$ 258,600 | \$ 701,023 | \$ - | \$ 4,133,079 |

SEE NOTES TO FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

EXHIBIT C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | HIGHWAY USER FUEL TAX | COMMUNITY DEVELOPMENT | GRANTS | SECTION 8 | TOTAL ALL FUNDS |
|--|-----------------------------|--------------------------|-------------------|---------------------|-----------------------|
| Revenues | | | | | |
| Taxes-Intergovernmental | \$ 14,036,440 | \$ - | \$ - | \$ - | \$ 14,036,440 |
| Grants | - | 1,228,920 | 2,502,239 | 2,054,452 | 5,785,611 |
| Other | - | 14,322 | - | 15,417 | 29,739 |
| Total Revenues | 14,036,440 | 1,243,242 | 2,502,239 | 2,069,869 | 19,851,790 |
| Expenditures | | | | | |
| Current Operating Departments | | | | | |
| General Government | - | - | 679,856 | - | 679,856 |
| Police | - | - | 517,712 | - | 517,712 |
| Transportation | 4,431,564 | - | 438,498 | - | 4,870,062 |
| Community Services | - | - | 381,724 | - | 381,724 |
| Planning & Development | - | 1,269,303 | - | 2,202,185 | 3,471,488 |
| Municipal Services | 8,144,078 | - | - | - | 8,144,078 |
| Debt Service | | | | | |
| Principal | 1,700,000 | - | - | - | 1,700,000 |
| Interest and Fiscal Charges | 1,408,920 | - | - | - | 1,408,920 |
| Total Expenditures | 15,684,562 | 1,269,303 | 2,017,790 | 2,202,185 | 21,173,840 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,648,122) | (26,061) | 484,449 | (132,316) | (1,322,050) |
| Other Sources | | | | | |
| Operating Transfers In | | | | | |
| From General Fund | 1,174,268 | - | - | - | 1,174,268 |
| HURF Maintenance of Effort | 194,000 | - | - | - | 194,000 |
| Total Other Sources | 1,368,268 | - | - | - | 1,368,268 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures | (279,854) | (26,061) | 484,449 | (132,316) | 46,218 |
| Fund Balances (Deficit) July 1, 1995 | 328,834 | 123,128 | 180,642 | (89,457) | 543,147 |
| Fund Balances (Deficit) June 30, 1996 | \$ 48,980 | \$ 97,067 | \$ 665,091 | \$ (221,773) | \$ 589,365 |

SEE NOTES TO FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

EXHIBIT C-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND DEFICIT -
BUDGET AND ACTUAL - BUDGET BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | <u>HIGHWAY USER FUEL TAX</u> | | |
|---|------------------------------|---------------------|---|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
| Revenues | | | |
| Taxes - Intergovernmental | \$ 14,172,135 | \$ 14,036,440 | \$ (135,695) |
| Total Revenues | 14,172,135 | 14,036,440 | (135,695) |
| Expenditures | | | |
| Current Operating Departments | | | |
| Transportation | 4,628,954 | 4,471,924 | 157,030 |
| Municipal Services | 8,045,551 | 8,142,520 | (96,969) |
| Debt Service | | | |
| Principal | 1,700,000 | 1,700,000 | - |
| Interest and Fiscal Charges | 1,409,270 | 1,408,920 | 350 |
| Total Expenditures | 15,783,775 | 15,723,364 | 60,411 |
| Deficiency of Revenues Over Expenditures | (1,611,640) | (1,686,924) | (75,284) |
| Other Sources | | | |
| Operating Transfers In | | | |
| From General Fund | 1,417,640 | 1,174,268 | (243,372) |
| HURF Maintenance of Effort | 194,000 | 194,000 | - |
| Total Other Sources | 1,611,640 | 1,368,268 | (243,372) |
| Deficiency of Revenues and Other Sources Over Expenditures | - | (318,656) | (318,656) |
| Encumbrances Cancelled | - | 328,834 | 328,834 |
| Fund Deficit July 1, 1995 | - | (166,461) | (166,461) |
| Fund Deficit June 30, 1996 | \$ - | \$ (156,283) | \$ (156,283) |

CITY OF SCOTTSDALE, ARIZONA

SPECIAL REVENUE FUNDS

EXHIBIT C-4

COMBINING SCHEDULE OF REVENUES AND OTHER SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | HIGHWAY USER FUEL TAX | COMMUNITY DEVELOPMENT | GRANTS | SECTION 8 | TOTAL ALL FUNDS |
|---|-----------------------------|--------------------------|---------------------|---------------------|-----------------------|
| Taxes - Intergovernmental | | | | | |
| Auto Lieu Tax | 3,541,778 | - | - | - | 3,541,778 |
| Fuel Tax | 9,379,984 | - | - | - | 9,379,984 |
| Local Transportation Assistance Fund | 1,114,678 | - | - | - | 1,114,678 |
| | 14,036,440 | - | - | - | 14,036,440 |
| Grants | | | | | |
| Federal | - | 1,228,920 | 1,970,885 | 2,054,452 | 5,254,257 |
| State | - | - | 493,093 | - | 493,093 |
| Miscellaneous | - | - | 38,261 | - | 38,261 |
| | - | 1,228,920 | 2,502,239 | 2,054,452 | 5,785,611 |
| Other | - | 14,322 | - | 15,417 | 29,739 |
| Total Revenues | 14,036,440 | 1,243,242 | 2,502,239 | 2,069,869 | 19,851,790 |
| Other Sources | | | | | |
| Operating Transfers in From General Fund | 1,174,268 | - | - | - | 1,174,268 |
| HURF Maintenance of Effort | 194,000 | - | - | - | 194,000 |
| Total Other Sources | 1,368,268 | - | - | - | 1,368,268 |
| Total Revenues and Other Sources | \$ 15,404,708 | \$ 1,243,242 | \$ 2,502,239 | \$ 2,069,869 | \$ 21,220,058 |

SPECIAL REVENUE FUNDS

EXHIBIT C-5

COMBINING SCHEDULE OF EXPENDITURES BY OBJECT

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | PERSONAL SERVICES | OTHER SERVICES | SUPPLIES | DEBT SERVICE | CAPITAL OUTLAY | TOTAL |
|-------------------------------|----------------------|-------------------|------------|-----------------|-------------------|---------------|
| HIGHWAY USER FUEL TAX | | | | | | |
| Current Operating Departments | | | | | | |
| Transportation | \$ 1,569,807 | \$ 2,779,708 | \$ 42,630 | \$ - | \$ 39,419 | \$ 4,431,564 |
| Municipal Services | 2,549,554 | 4,997,926 | 565,978 | - | 30,620 | 8,144,078 |
| Debt Service | | | | | | |
| Principal | - | - | - | 1,700,000 | - | 1,700,000 |
| Interest and Fiscal Charges | - | - | - | 1,408,920 | - | 1,408,920 |
| | 4,119,361 | 7,777,634 | 608,608 | 3,108,920 | 70,039 | 15,684,562 |
| COMMUNITY DEVELOPMENT | | | | | | |
| Current Operating Departments | | | | | | |
| Planning & Development | 176,665 | 944,081 | 2,514 | - | 146,043 | 1,269,303 |
| GRANTS | | | | | | |
| Current Operating Departments | | | | | | |
| General Government | 217,809 | 374,487 | 11,157 | - | 76,403 | 679,856 |
| Police | 492,043 | 5,927 | 3,673 | - | 16,069 | 517,712 |
| Transportation | 17,423 | 346,198 | - | - | 74,877 | 438,498 |
| Community Services | 25,215 | 29,593 | 17,813 | - | 309,103 | 381,724 |
| | 752,490 | 756,205 | 32,643 | - | 476,452 | 2,017,790 |
| SECTION 8 | | | | | | |
| Current Operating Departments | | | | | | |
| Planning & Development | 173,190 | 2,017,162 | 2,891 | - | 8,942 | 2,202,185 |
| Total Expenditures | \$ 5,221,706 | \$ 11,495,082 | \$ 646,656 | \$ 3,108,920 | \$ 701,476 | \$ 21,173,840 |

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.

General Obligation Bond Debt Service Fund

This fund accounts for the principal and interest requirements of the City's general obligation bonds. Financing is provided from the levy of secondary property tax.

Municipal Property Corporation Debt Service Fund

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

Special Assessments Debt Service 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 Debt Service Fund

This fund accounts 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.

DEBT SERVICE FUNDS

EXHIBIT D-1

COMBINING BALANCE SHEET

JUNE 30, 1996

| | GENERAL OBLIGATION BOND | MUNICIPAL PROPERTY CORPORATION | SPECIAL ASSESSMENTS | COMMUNITY FACILITIES DISTRICTS | TOTAL ALL FUNDS |
|--|-------------------------------|--------------------------------------|------------------------|--------------------------------------|-----------------------|
| ASSETS | | | | | |
| Cash and Short-Term Investments | \$ 10,284,178 | \$ 6,552,169 | \$ 4,462,508 | \$ 2,031,073 | \$ 23,329,928 |
| Investments | - | 423,638 | - | - | 423,638 |
| Receivables | | | | | |
| Accrued Interest | 3,179 | 15,381 | 679 | - | 19,239 |
| Property Tax | 159,029 | - | - | 23,413 | 182,442 |
| Special Assessments | - | - | 30,739,167 | - | 30,739,167 |
| Total Assets | \$ 10,446,386 | \$ 6,991,188 | \$ 35,202,354 | \$ 2,054,486 | \$ 54,694,414 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Bond Interest Payable | \$ 4,041,453 | \$ 1,240,950 | \$ 1,007,353 | \$ 658,177 | \$ 6,947,933 |
| Bonds Payable - Current Portion | 5,575,000 | 3,840,000 | 520,000 | - | 9,935,000 |
| Deferred Revenue | | | | | |
| Special Assessments | - | - | 30,739,167 | - | 30,739,167 |
| Developers | - | - | 307,216 | - | 307,216 |
| Property Taxes | - | - | - | 21,422 | 21,422 |
| Total Liabilities | 9,616,453 | 5,080,950 | 32,573,736 | 679,599 | 47,950,738 |
| Fund Balances | | | | | |
| Reserved for Debt Service | 829,933 | 1,910,238 | 2,628,618 | 1,195,000 | 6,563,789 |
| Unreserved | - | - | - | 179,887 | 179,887 |
| Total Fund Balances | 829,933 | 1,910,238 | 2,628,618 | 1,374,887 | 6,743,676 |
| Total Liabilities and Fund Balances | \$ 10,446,386 | \$ 6,991,188 | \$ 35,202,354 | \$ 2,054,486 | \$ 54,694,414 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

DEBT SERVICE FUNDS

EXHIBIT D-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

JUNE 30, 1996

| | GENERAL OBLIGATION BOND | MUNICIPAL PROPERTY CORPORATION | SPECIAL ASSESSMENTS | COMMUNITY FACILITIES DISTRICTS | TOTAL ALL FUNDS |
|---|-------------------------------|--------------------------------------|------------------------|--------------------------------------|-----------------------|
| Revenues | | | | | |
| Taxes - Local | | | | | |
| Property | \$ 13,552,311 | \$ - | \$ - | \$ 242,349 | \$ 13,794,660 |
| Transaction Privilege | - | 9,465,185 | - | - | 9,465,185 |
| Hotel/Motel Transient | - | 554,340 | - | - | 554,340 |
| | 13,552,311 | 10,019,525 | - | 242,349 | 23,814,185 |
| Special Assessments | - | - | 7,895,567 | - | 7,895,567 |
| Use of Money and Property | | | | | |
| Interest Earnings | 3,179 | 45,615 | - | 114,668 | 163,462 |
| Property Rental | - | 306,447 | - | - | 306,447 |
| | 3,179 | 352,062 | - | 114,668 | 469,909 |
| Total Revenues | 13,555,490 | 10,371,587 | 7,895,567 | 357,017 | 32,179,661 |
| Expenditures | | | | | |
| Debt Service | | | | | |
| Principal | 5,575,000 | 5,185,000 | 4,944,598 | - | 15,704,598 |
| Interest and Fiscal Charges | 7,492,959 | 5,186,587 | 2,149,921 | 1,367,103 | 16,196,570 |
| Total Expenditures | 13,067,959 | 10,371,587 | 7,094,519 | 1,367,103 | 31,901,168 |
| Excess (Deficiency) of Revenues Over Expenditures | 487,531 | - | 801,048 | (1,010,086) | 278,493 |
| Other Sources (Uses) | | | | | |
| Operating Transfers In | - | - | - | 708,698 | 708,698 |
| Operating Transfers Out | - | - | - | (10,027) | (10,027) |
| Developer Contributions | - | - | - | 183,600 | 183,600 |
| Total Other Sources | - | - | - | 882,271 | 882,271 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 487,531 | - | 801,048 | (127,815) | 1,160,764 |
| Fund Balances July 1, 1995, as Previously Reported | 342,402 | 1,534,455 | 1,827,570 | 1,502,702 | 5,207,129 |
| Prior Period Adjustment | - | 375,783 | - | - | 375,783 |
| Fund Balances July 1, 1995, as Restated | 342,402 | 1,910,238 | 1,827,570 | 1,502,702 | 5,582,912 |
| Fund Balances June 30, 1996 | \$ 829,933 | \$ 1,910,238 | \$ 2,628,618 | \$ 1,374,887 | \$ 6,743,676 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

DEBT SERVICE FUNDS

EXHIBIT D-3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

08

| | GENERAL OBLIGATION | | | MUNICIPAL PROPERTY CORPORATION | | | SPECIAL ASSESSMENTS | | | TOTALS | | |
|--------------------------------------|--------------------|-------------------|----------------------------------|--------------------------------|-------------------|----------------------------------|---------------------|-------------------|----------------------------------|-------------------|---------------------|----------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues | | | | | | | | | | | | |
| Taxes - Local | | | | | | | | | | | | |
| Property | \$ 13,514,325 | \$ 13,552,311 | \$ 37,986 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,514,325 | \$ 13,552,311 | \$ 37,986 |
| Transaction Privilege | - | - | - | 9,968,868 | 9,465,185 | (501,681) | - | - | - | 9,968,868 | 9,465,185 | (501,681) |
| Hotel/Motel Transient | - | - | - | 554,334 | 554,340 | 6 | - | - | - | 554,334 | 554,340 | 6 |
| | 13,514,325 | 13,552,311 | 37,986 | 10,521,200 | 10,019,525 | (501,675) | - | - | - | 24,035,525 | 23,571,836 | (463,689) |
| Special Assessments | - | - | - | - | - | - | 6,621,803 | 7,895,567 | 1,273,764 | 6,621,803 | 7,895,567 | 1,273,764 |
| Use of Money and Property | | | | | | | | | | | | |
| Interest Earnings | - | 3,179 | 3,179 | 100,000 | 45,615 | (54,385) | - | - | - | 100,000 | 48,794 | (51,206) |
| Property Rental | - | - | - | 323,764 | 306,447 | (17,317) | - | - | - | 323,764 | 306,447 | (17,317) |
| | - | 3,179 | 3,179 | 423,764 | 352,062 | (71,702) | - | - | - | 423,764 | 355,241 | (68,523) |
| Total Revenues | 13,514,325 | 13,555,490 | 41,165 | 10,944,964 | 10,371,587 | (573,377) | 6,621,803 | 7,895,567 | 1,273,764 | 31,081,092 | 31,822,644 | 741,552 |
| Expenditures | | | | | | | | | | | | |
| Debt Service | | | | | | | | | | | | |
| Principal | 5,604,000 | 5,575,000 | 29,000 | 5,495,813 | 5,185,000 | 310,813 | 4,219,340 | 4,944,598 | (725,258) | 15,319,153 | 15,704,598 | (385,445) |
| Interest and Fiscal Charges | 7,810,325 | 7,482,959 | 417,366 | 5,449,151 | 5,186,587 | 262,564 | 2,402,463 | 2,149,921 | 252,542 | 15,781,939 | 14,829,467 | 932,472 |
| Total Expenditures | 13,514,325 | 13,067,959 | 446,366 | 10,944,964 | 10,371,587 | 573,377 | 6,621,803 | 7,094,519 | (472,718) | 31,081,092 | 30,534,065 | 547,027 |
| Excess of Revenues Over Expenditures | - | 487,531 | 487,531 | - | - | - | - | 801,048 | 801,048 | - | 1,288,579 | 1,288,579 |
| Fund Balances July 1, 1995 | - | 342,402 | 342,402 | - | - | - | - | 52,439 | 52,439 | - | 394,841 | 394,841 |
| Fund Balances June 30, 1996 | \$ - | \$ 829,933 | \$ 829,933 | \$ - | \$ - | \$ - | \$ - | \$ 853,487 | \$ 853,487 | \$ - | \$ 1,683,420 | \$ 1,683,420 |

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 Construction Fund

Accounts for the proceeds of the sale of 1989 and 1992 General Obligation Bonds, which are used for authorized capital improvements.

McDowell Preserve Privilege Tax Fund

Accounts for an authorized .2 percent of transaction privilege tax dedicated to acquisition of land within the McDowell Sonoran Preserve.

Transportation Privilege Tax Fund

Accounts for an authorized .2 percent of transaction privilege tax dedicated to transportation capital improvements.

All Other Construction Fund

Accounts for pay-as-you-go capital improvement revenues and expenditures, proceeds of special assessment bonds issued for construction of capital improvements within individual improvement districts, and proceeds of Municipal Property Corporation bonds issued for acquisition or construction of capital improvements.

Community Facilities Districts Fund

Accounts for the expenditure of proceeds of general obligation bonds issued by community facilities districts.

CITY OF SCOTTSDALE, ARIZONA

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996

EXHIBIT E-1

| | GENERAL OBLIGATION BOND CONSTRUCTION | MCDOWELL PRESERVE PRIVILEGE TAX | TRANSPORTATION PRIVILEGE TAX | ALL OTHER CONSTRUCTION | COMMUNITY FACILITIES DISTRICTS | TOTAL ALL FUNDS |
|--|---|---------------------------------------|---------------------------------|---------------------------|--------------------------------------|-----------------------|
| ASSETS | | | | | | |
| Cash and Short-Term Investments | \$ 9,997,957 | \$ 6,005,275 | \$ 10,908,292 | \$ 11,863,538 | \$ 938,004 | \$ 39,713,066 |
| Receivables | | | | | | |
| Accrued Interest | 140,189 | 33,430 | 192,535 | 88,740 | - | 454,894 |
| Privilege Tax | - | 787,679 | 223,090 | - | - | 1,010,769 |
| Miscellaneous | - | - | - | 2,400 | - | 2,400 |
| Total Assets | \$ 10,138,146 | \$ 6,826,384 | \$ 11,323,917 | \$ 11,954,678 | \$ 938,004 | \$ 41,181,129 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 1,459,048 | \$ 20,503 | \$ 519,107 | \$ 150,839 | \$ 6,841 | \$ 2,156,338 |
| Other | 37,865 | - | - | 30,373 | - | 68,238 |
| Total Liabilities | 1,496,913 | 20,503 | 519,107 | 181,212 | 6,841 | 2,224,576 |
| Fund Balances | | | | | | |
| Reserved for Encumbrances | 3,251,259 | 16,162 | 3,247,126 | 1,220,476 | - | 7,735,023 |
| Unreserved | 5,389,974 | 6,789,719 | 7,557,684 | 10,552,990 | 931,163 | 31,221,530 |
| Total Fund Balances | 8,641,233 | 6,805,881 | 10,804,810 | 11,773,466 | 931,163 | 38,956,553 |
| Total Liabilities and Fund Balances | \$ 10,138,146 | \$ 6,826,384 | \$ 11,323,917 | \$ 11,954,678 | \$ 938,004 | \$ 41,181,129 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

CAPITAL PROJECTS FUNDS

EXHIBIT E-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

JUNE 30, 1996

| | GENERAL OBLIGATION BOND CONSTRUCTION | MCDOWELL PRESERVE PRIVILEGE TAX | TRANSPORTATION PRIVILEGE TAX | ALL OTHER CONSTRUCTION | COMMUNITY FACILITIES DISTRICTS | TOTAL ALL FUNDS |
|---|---|---------------------------------------|---------------------------------|---------------------------|--------------------------------------|-----------------------|
| Revenues | | | | | | |
| Transaction Privilege Tax | \$ - | \$ 9,084,851 | \$ 9,521,844 | \$ - | \$ - | \$ 18,606,695 |
| Use of Money and Property | 655,317 | 157,986 | 523,821 | 837,530 | 144,960 | 2,319,614 |
| Reimbursements from Outside Sources | - | - | - | 3,279,782 | - | 3,279,782 |
| Other | - | - | - | 27,140 | - | 27,140 |
| Total Revenues | 655,317 | 9,242,837 | 10,045,665 | 4,144,452 | 144,960 | 24,233,231 |
| Expenditures | | | | | | |
| Capital Improvements | 14,635,293 | 2,436,956 | 11,078,799 | 12,072,149 | 2,617,886 | 42,841,083 |
| Excess (Deficiency) of Revenues Over Expenditures | (13,979,976) | 6,805,881 | (1,033,134) | (7,927,697) | (2,472,926) | (18,607,852) |
| Other Sources (Uses) | | | | | | |
| Operating Transfers In | - | - | - | 7,228,602 | 10,027 | 7,238,629 |
| Operating Transfers Out | - | - | (220,000) | (199,946) | (708,698) | (1,128,644) |
| Bond Proceeds | 15,000,000 | - | - | 3,500,000 | - | 18,500,000 |
| Total Other Sources (Uses) | 15,000,000 | - | (220,000) | 10,528,656 | (698,671) | 24,609,985 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 1,020,024 | 6,805,881 | (1,253,134) | 2,600,959 | (3,171,597) | 6,002,133 |
| Fund Balances July 1, 1995 | 7,621,209 | - | 12,057,944 | 9,172,507 | 4,102,760 | 32,954,420 |
| Fund Balances June 30, 1996 | \$ 8,641,233 | \$ 6,805,881 | \$ 10,804,810 | \$ 11,773,466 | \$ 931,163 | \$ 38,956,553 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

CAPITAL PROJECTS FUNDS

EXHIBIT E-3

COMBINING SCHEDULE OF EXPENDITURES BY OBJECT

JUNE 30, 1996

| | PERSONAL SERVICES | OTHER SERVICES | SUPPLIES | CAPITAL OUTLAY | DEBT SERVICE | TOTAL |
|--|----------------------|---------------------|-------------------|----------------------|-----------------|----------------------|
| General Obligation Bond Construction Fund Capital Improvements | \$ 248,258 | \$ 383,929 | \$ 307,556 | \$ 13,695,550 | \$ - | \$ 14,635,293 |
| McDowell Preserve Privilege Tax Capital Improvements | 1,835 | 12,525 | - | 2,422,596 | - | 2,436,956 |
| Transportation Privilege Tax Capital Improvements | 277,158 | 596,436 | 3,876 | 10,201,331 | - | 11,078,799 |
| All Other Construction Fund Capital Improvements | 180,941 | 489,579 | 41,418 | 11,354,659 | 5,552 | 12,072,149 |
| Community Facilities Districts Capital Improvements | - | - | - | 2,617,886 | - | 2,617,886 |
| Total Expenditures | \$ 708,190 | \$ 1,482,469 | \$ 352,850 | \$ 40,292,022 | \$ 5,552 | \$ 42,841,083 |

ENTERPRISE FUNDS

Enterprise Funds account for the financing of self-supporting activities of City units which render services to the general public on a user charge basis. Enterprise funds are maintained on the accrual basis of accounting. Although the Water and Sewer Utility, Airport and Solid Waste Funds are operated as enterprise funds, their expenditures are controlled through budgetary accounting procedures similar to other City funds.

Water and Sewer Utility Fund

The Water and Sewer Utility Fund was established for control of the operating revenue and expenses of the City's water and sewer utility systems.

Airport Fund

The Airport Fund was established for control of the operating revenue and expenses of the City's airport.

Solid Waste Fund

The Solid Waste Fund was established to control operating revenue and expenses related to the City's sanitation services (solid waste, brush removal, container maintenance, etc.).

ENTERPRISE FUNDS

EXHIBIT F-1

COMBINING BALANCE SHEET

JUNE 30, 1996

| | WATER AND SEWER UTILITY | AIRPORT | SOLID WASTE | TOTAL ALL FUNDS |
|---|-------------------------------|----------------------|---------------------|-----------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Short-Term Investments | \$ 43,849,337 | \$ 236 | \$ 305,732 | \$ 44,155,305 |
| Investments | 20,214,564 | - | - | 20,214,564 |
| Construction to be Provided | - | - | 404,047 | 404,047 |
| Receivables | | | | |
| Accrued Interest | 1,236,736 | 119 | 20,977 | 1,257,832 |
| Accounts | 8,369,441 | - | 1,497,125 | 9,866,566 |
| Miscellaneous | 531,592 | 924,811 | 45,244 | 1,501,647 |
| Total Current Assets | 74,201,670 | 925,166 | 2,273,125 | 77,399,961 |
| Restricted Cash and Investments | | | | |
| Water and Sewer System Replacement Scottsdale Water Service Company Replacement Reserve | 8,611,102 | - | - | 8,611,102 |
| Acquisition and Construction Reserve Development Fees | 300,000 | - | - | 300,000 |
| | 44,195,677 | - | - | 44,195,677 |
| Total Restricted Cash and Investments | 53,106,779 | - | - | 53,106,779 |
| Equity In Joint Venture | | | | |
| | 17,589,305 | - | - | 17,589,305 |
| Property, Plant, and Equipment | | | | |
| Land and Land Improvements | 3,314,710 | 14,852,790 | 686,086 | 18,853,586 |
| Water Rights | 26,846,657 | - | - | 26,846,657 |
| Water System | 219,319,226 | - | - | 219,319,226 |
| Sewer System | 103,358,573 | - | - | 103,358,573 |
| Buildings and Improvements | - | 3,672,843 | 2,773,422 | 6,446,265 |
| Machinery and Equipment | 2,323,324 | 147,511 | 1,695,606 | 4,166,441 |
| Furniture and Fixtures | 530,100 | 44,923 | 17,320 | 592,343 |
| Construction in Progress | 23,173,344 | 1,492,704 | - | 24,666,048 |
| Total Property, Plant, and Equipment | 378,865,934 | 20,210,771 | 5,172,434 | 404,249,139 |
| Accumulated Depreciation | (73,489,461) | (6,116,285) | (361,548) | (79,967,294) |
| Total Property, Plant, and Equipment, Net of Accumulated Depreciation | 305,376,473 | 14,094,486 | 4,810,886 | 324,281,845 |
| Excess Purchase Price Over Fair Market Value of Water System Assets Acquired, Net of Accumulated Amortization of \$2,556,404 | | | | |
| | 364,854 | - | - | 364,854 |
| Total Assets | \$ 450,639,081 | \$ 15,019,652 | \$ 7,084,011 | \$ 472,742,744 |

SEE NOTES TO FINANCIAL STATEMENTS

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1998

EXHIBIT F-1
(Continued)

| | WATER AND SEWER UTILITY | AIRPORT | SOLID WASTE | TOTAL ALL FUNDS |
|--|-------------------------------|----------------------|---------------------|-----------------------|
| LIABILITIES AND FUND EQUITY | | | | |
| Current Liabilities (Payable from Current Assets) | | | | |
| Accounts Payable | \$ 3,319,374 | \$ 6,282 | \$ 342,059 | \$ 3,667,715 |
| Accrued Payroll | 543,365 | 29,519 | 368,975 | 941,859 |
| Due to General Fund | - | 268,000 | 1,402,000 | 1,670,000 |
| Contracts Payable - Current Portion | 266,687 | - | - | 266,687 |
| Bond Interest Payable | 1,294,438 | - | 124,803 | 1,419,241 |
| Bonds Payable - Current Portion | 3,545,000 | - | 150,000 | 3,695,000 |
| Total Current Liabilities | 8,968,864 | 303,801 | 2,387,837 | 11,660,502 |
| Other Liabilities | | | | |
| Deferred Revenue | 6,027,533 | - | - | 6,027,533 |
| Customer Advances and Deposits | 1,184,599 | 1,000 | - | 1,185,599 |
| Total Other Liabilities | 7,212,132 | 1,000 | - | 7,213,132 |
| Long-Term Debt (Net of Current Portion) | | | | |
| Bonds Payable, Net of Def. Loss/Costs | 51,723,814 | - | 3,350,000 | 55,073,814 |
| Contracts Payable | 2,085,723 | - | - | 2,085,723 |
| Total Long-Term Debt | 53,809,537 | - | 3,350,000 | 57,159,537 |
| Total Liabilities | 69,990,533 | 304,801 | 5,737,837 | 76,033,171 |
| Fund Equity | | | | |
| Contributed Capital | 277,572,590 | 19,915,538 | 449,365 | 297,937,493 |
| Less Depreciation | (34,272,331) | (6,151,768) | - | (40,424,099) |
| Net Contributed Capital | 243,300,259 | 13,763,770 | 449,365 | 257,513,394 |
| Retained Earnings | | | | |
| Reserved for Water and Sewer System Replacement | 8,911,102 | - | - | 8,911,102 |
| Reserved for Acquisition and Construction | 44,195,677 | - | - | 44,195,677 |
| Unreserved | 84,241,510 | 951,081 | 896,809 | 86,089,400 |
| Total Retained Earnings | 137,348,289 | 951,081 | 896,809 | 139,196,179 |
| Total Fund Equity | 380,648,548 | 14,714,851 | 1,346,174 | 396,709,573 |
| Total Liabilities and Fund Equity | \$ 450,639,081 | \$ 15,019,652 | \$ 7,084,011 | \$ 472,742,744 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

ENTERPRISE FUNDS

EXHIBIT F-2

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | WATER AND SEWER UTILITY | AIRPORT | SOLID WASTE | TOTAL ALL FUNDS |
|---|-------------------------------|-------------------|-------------------|-----------------------|
| Operating Revenues | | | | |
| Water Service Fees | \$ 44,372,263 | \$ - | \$ - | \$ 44,372,263 |
| Sewer Service Fees | 11,966,515 | - | - | 11,966,515 |
| Reclaimed Water Distribution | 3,373,033 | - | - | 3,373,033 |
| Groundwater Treatment Plant | 1,471,824 | - | - | 1,471,824 |
| Planet Ranch | 28,375 | - | - | 28,375 |
| Solid Waste Fees | - | - | 10,340,534 | 10,340,534 |
| Airport Fees | - | 859,592 | - | 859,592 |
| Other | 1,239,183 | - | - | 1,239,183 |
| Total Operating Revenues | 62,451,193 | 859,592 | 10,340,534 | 73,651,319 |
| Operating Expenses | | | | |
| Water Operations | 21,864,388 | - | - | 21,864,388 |
| Sewer Operations | 5,954,101 | - | - | 5,954,101 |
| Solid Waste Operations | - | - | 8,719,905 | 8,719,905 |
| Airport Operations | - | 755,243 | - | 755,243 |
| Indirect Costs | 4,314,939 | 290,736 | 1,609,640 | 6,215,315 |
| In-Lieu Property Tax | 1,432,836 | 58,176 | - | 1,491,012 |
| Franchise Fees | 2,780,508 | - | - | 2,780,508 |
| Depreciation and Amortization | 8,734,565 | 543,718 | 51,864 | 9,330,147 |
| Total Operating Expenses | 45,081,337 | 1,647,873 | 10,381,409 | 57,110,619 |
| Operating Income (Loss) | 17,369,856 | (788,281) | (40,875) | 16,540,700 |
| Non-Operating Revenues (Expenses) | | | | |
| Interest Earnings | 6,071,883 | 564 | 98,972 | 6,171,419 |
| Interest Expense | (3,075,424) | - | (164,519) | (3,239,943) |
| Litigation Recovery | 3,637,210 | - | - | 3,637,210 |
| Net Non-Operating Revenues (Expenses) | 6,633,669 | 564 | (65,547) | 6,568,686 |
| Operating Transfers In | 67,400 | 753,100 | 48,546 | 869,046 |
| Operating Transfers Out | (193,000) | - | (173,400) | (366,400) |
| Net Operating Transfers In (Out) | (125,600) | 753,100 | (124,854) | 502,646 |
| Net Income (Loss) | 23,877,925 | (34,617) | (231,276) | 23,612,032 |
| Add Depreciation on Fixed Assets Acquired By Contributed Capital | 4,033,508 | 543,718 | - | 4,577,226 |
| Increase (Decrease) in Retained Earnings | 27,911,433 | 509,101 | (231,276) | 28,189,258 |
| Retained Earnings July 1, 1995, As Previously Reported | 106,402,919 | 441,980 | 1,128,085 | 107,972,984 |
| Prior Period Adjustment | 3,033,937 | - | - | 3,033,937 |
| Retained Earnings July 1, 1995, as Restated | 109,436,856 | 441,980 | 1,128,085 | 111,006,921 |
| Retained Earnings June 30, 1996 | \$ 137,348,289 | \$ 951,081 | \$ 896,809 | \$ 139,196,179 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

ENTERPRISE FUNDS

EXHIBIT F-3
(Continued on Following Page)

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | WATER AND SEWER UTILITY | AIRPORT | SOLID WASTE | TOTAL ALL FUNDS |
|---|-------------------------------|--------------|-------------|-----------------------|
| Cash Flows from Operating Activities: | | | | |
| Operating Income (Loss) | \$ 17,369,856 | \$ (788,281) | \$ (40,875) | \$ 16,540,700 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | |
| Depreciation | 8,714,724 | 543,718 | 51,864 | 9,310,306 |
| Amortization | 19,841 | - | - | 19,841 |
| Changes In Assets and Liabilities (Sources (Uses) of Cash): | | | | |
| Accounts Receivable | (2,377,872) | - | (40,040) | (2,417,912) |
| Miscellaneous Receivables | 572,685 | 139,397 | 3,360 | 715,442 |
| Accounts Payable | 1,546,482 | (337,051) | 153,185 | 1,362,626 |
| Accrued Payroll | 93,694 | 9,124 | 39,519 | 142,337 |
| Due to General Fund | - | 93,600 | 1,402,000 | 1,495,600 |
| Deferred Revenue | 5,116,433 | - | - | 5,116,433 |
| Other Liabilities | 59,408 | - | - | 59,408 |
| Total Adjustments | 13,745,395 | 448,788 | 1,609,898 | 15,804,081 |
| Net Cash Provided by (Used for) Operating Activities | 31,115,251 | (339,493) | 1,569,023 | 32,344,781 |
| Cash Flows from Non-Capital Financing Activities: | | | | |
| Operating Transfers In | 67,400 | 753,100 | 48,546 | 869,046 |
| Operating Transfers Out | (193,000) | - | (173,400) | (366,400) |
| Litigation Recovery | 3,637,210 | - | - | 3,637,210 |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | 3,511,610 | 753,100 | (124,854) | 4,139,856 |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition and Construction of Property and Equipment | (24,182,485) | (2,124,536) | (4,306,044) | (30,613,065) |
| Construction to be Provided | - | - | (404,047) | (404,047) |
| Principal Payments on Long-Term Debt | (2,191,517) | - | - | (2,191,517) |
| Interest Paid on Long-Term Debt | (3,390,688) | - | (39,716) | (3,430,404) |
| Capital Contributions from Other Government Units | - | 1,709,345 | (28,443) | 1,680,902 |
| Water and Sewer Development Fees | 15,820,750 | - | - | 15,820,750 |
| Proceeds from Refunding Bonds | 9,967,448 | - | - | 9,967,448 |
| Payment to Refunding Bond Escrow Agent | (9,967,448) | - | - | (9,967,448) |
| Bond Proceeds | - | - | 3,500,000 | 3,500,000 |
| Net Cash Used for Capital and Related Financing Activities | (13,943,940) | (415,191) | (1,278,250) | (15,637,381) |
| Cash Flows from Investing Activities: | | | | |
| Interest Received on Investments | 5,249,596 | 445 | 86,311 | 5,336,352 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 25,932,517 | (1,139) | 252,230 | 26,183,608 |
| Cash and Cash Equivalents at Beginning of Year | 91,238,162 | 1,376 | 53,502 | 91,293,040 |
| Cash and Cash Equivalents at End of Year | \$ 117,170,679 | \$ 237 | \$ 305,732 | \$ 117,476,648 |

SEE NOTES TO FINANCIAL STATEMENTS

ENTERPRISE FUNDS

EXHIBIT F-3
(Continued)

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | WATER AND SEWER UTILITY | AIRPORT | SOLID WASTE | TOTAL ALL FUNDS |
|--|-------------------------------|---------------|-------------------|-----------------------|
| Cash and Cash Equivalents at End of Year Includes: | | | | |
| Cash and Short-Term Investments | \$ 43,849,337 | \$ 236 | \$ 305,732 | \$ 44,155,305 |
| Investments | 20,214,564 | - | - | 20,214,564 |
| Restricted Cash and Investments | 53,106,779 | - | - | 53,106,779 |
| Total Cash and Cash Equivalents | <u>\$ 117,170,680</u> | <u>\$ 236</u> | <u>\$ 305,732</u> | <u>\$ 117,476,648</u> |
| Supplemental Disclosure of Noncash Financing Activities: | | | | |
| Additions to Property, Plant, and Equipment Contributions from Developers | <u>\$ 14,888,384</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,888,384</u> |
| | <u>\$ 14,888,384</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,888,384</u> |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

ENTERPRISE FUNDS

EXHIBIT F-4

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - BUDGET BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

| | WATER AND SEWER UTILITY | | | AIRPORT | | | SOLID WASTE | | | TOTALS | | |
|--|-------------------------|----------------------|----------------------------------|--------------------|--------------------|----------------------------------|--------------------|---------------------|----------------------------------|----------------------|----------------------|----------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues | | | | | | | | | | | | |
| Water Service Fees | \$ 41,861,494 | \$ 42,272,778 | \$ 411,284 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 41,861,494 | \$ 42,272,778 | \$ 411,284 |
| Sewer Service Fees | 12,424,581 | 11,968,515 | (456,066) | - | - | - | - | - | - | 12,424,581 | 11,968,515 | (456,066) |
| Planet Ranch | 100,000 | 28,375 | (71,625) | - | - | - | - | - | - | 100,000 | 28,375 | (71,625) |
| Sanitation Fees | - | - | - | - | - | - | 10,447,300 | 10,340,534 | (106,766) | 10,447,300 | 10,340,534 | (106,766) |
| Airport Fees | - | - | - | 861,150 | 859,592 | (1,558) | - | - | - | 861,150 | 859,592 | (1,558) |
| Property Rental | 103,000 | 159,085 | 56,085 | - | - | - | - | - | - | 103,000 | 159,085 | 56,085 |
| Interest Earnings | 2,182,105 | 2,118,228 | (63,877) | - | 564 | 564 | 40,000 | 98,972 | 58,972 | 2,222,105 | 2,217,764 | (4,341) |
| Operating Transfers In | - | - | - | 274,359 | 227,000 | (47,359) | - | 48,548 | 48,548 | 274,359 | 275,546 | 1,187 |
| Other | 605,223 | 4,447,384 | 3,842,161 | - | - | - | - | - | - | 605,223 | 4,447,384 | 3,842,161 |
| Total Revenues | 57,276,403 | 60,992,365 | 3,715,962 | 1,135,509 | 1,087,156 | (48,353) | 10,487,300 | 10,488,052 | 752 | 68,899,212 | 72,567,573 | 3,668,361 |
| Expenditures | | | | | | | | | | | | |
| Water Operations | 17,832,367 | 18,064,549 | (232,182) | - | - | - | - | - | - | 17,832,367 | 18,064,549 | (232,182) |
| Sewer Operations | 4,587,551 | 3,974,864 | 612,687 | - | - | - | - | - | - | 4,587,551 | 3,974,864 | 612,687 |
| Sanitation Operations | - | - | - | - | - | - | 8,616,131 | 8,759,818 | (143,687) | 8,616,131 | 8,759,818 | (143,687) |
| Airport Operations | - | - | - | 834,768 | 788,832 | 45,936 | - | - | - | 834,768 | 788,832 | 45,936 |
| Debt Service and Reserves | 8,986,438 | 7,119,417 | (1,867,021) | - | - | - | 305,000 | 314,519 | (9,519) | 7,271,438 | 7,433,936 | (162,498) |
| Operating Transfers Out | 36,000 | 94,800 | (58,800) | - | - | - | - | 173,400 | (173,400) | 36,000 | 268,200 | (232,200) |
| Indirect Costs | 8,230,711 | 8,031,178 | 199,533 | 348,908 | 348,912 | (4) | 1,626,202 | 1,609,640 | 16,562 | 10,205,821 | 9,989,730 | 216,091 |
| Total Expenditures | 37,653,067 | 37,284,808 | 368,259 | 1,183,676 | 1,137,744 | 45,932 | 10,547,333 | 10,857,377 | (310,044) | 49,384,076 | 49,279,929 | 104,147 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 19,623,336 | \$ 23,707,557 | \$ 4,084,221 | \$ (48,167) | \$ (50,588) | \$ (2,421) | \$ (60,033) | \$ (369,325) | \$ (309,292) | \$ 19,515,136 | \$ 23,287,644 | \$3,772,508 |

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INTERNAL SERVICE FUNDS

Internal Service 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.

Motor Pool Fund

The Motor Pool 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. This fund provides coverage for unemployment, workmen's compensation, property, and liability claims.

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996

EXHIBIT G-1

| | MOTOR POOL | SELF- INSURANCE | TOTAL ALL FUNDS |
|--|-----------------------|----------------------------|--------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Short-Term Investments | \$ 2,965,104 | \$ 4,019,492 | \$ 6,984,596 |
| Receivables | | | |
| Accrued Interest | 44,275 | 49,078 | 93,353 |
| Miscellaneous | 10,556 | 36,118 | 46,674 |
| Supplies Inventory | 339,581 | - | 339,581 |
| Total Current Assets | 3,359,516 | 4,104,688 | 7,464,204 |
| Property, Plant, and Equipment | | | |
| Buildings and Improvements | 1,448,103 | - | 1,448,103 |
| Motor Vehicles | 19,522,011 | - | 19,522,011 |
| Machinery and Equipment | 1,106,921 | - | 1,106,921 |
| Furniture and Fixtures | 18,962 | 59,348 | 78,310 |
| Construction in Progress | 762,524 | - | 762,524 |
| Total Property, Plant, and Equipment | 22,858,521 | 59,348 | 22,917,869 |
| Accumulated Depreciation | (10,895,048) | (39,987) | (10,935,035) |
| Total Property, Plant, and Equipment, Net of Accumulated Depreciation | 11,963,473 | 19,361 | 11,982,834 |
| Total Assets | \$ 15,322,989 | \$ 4,124,049 | \$ 19,447,038 |
| LIABILITIES AND FUND EQUITY | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 245,893 | \$ 257 | \$ 246,150 |
| Accrued Payroll | 307,600 | 52,333 | 359,933 |
| Claims Payable | - | 5,997,995 | 5,997,995 |
| Total Current Liabilities | 553,493 | 6,050,585 | 6,604,078 |
| Fund Equity | | | |
| Contributed Capital | 8,957,024 | 1,983,088 | 10,940,112 |
| Retained Earnings (Accumulated Deficit) | 5,812,472 | (3,909,624) | 1,902,848 |
| Net Fund Equity | 14,769,496 | (1,926,536) | 12,842,960 |
| Total Liabilities and Fund Equity | \$ 15,322,989 | \$ 4,124,049 | \$ 19,447,038 |

SEE NOTES TO FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

EXHIBIT G-2

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (ACCUMULATED DEFICIT)

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | MOTOR POOL | SELF- INSURANCE | TOTAL ALL FUNDS |
|--|---------------------|-----------------------|-----------------------|
| Operating Revenues | | | |
| Billings To User Programs | \$ 7,240,844 | \$ 2,936,151 | \$ 10,176,995 |
| Other | 319,283 | - | 319,283 |
| Total Operating Revenues | 7,560,127 | 2,936,151 | 10,496,278 |
| Operating Expenses | | | |
| Motor Pool Operations | 4,625,074 | - | 4,625,074 |
| Self-Insurance Administration | - | 1,093,993 | 1,093,993 |
| Self-Insurance Claims | - | 4,274,474 | 4,274,474 |
| Depreciation | 2,454,130 | 7,054 | 2,461,184 |
| Total Operating Expenses | 7,079,204 | 5,375,521 | 12,454,725 |
| Operating Income (Loss) | 480,923 | (2,439,370) | (1,958,447) |
| Non-Operating Revenues | | | |
| Property Tax | - | 453,687 | 453,687 |
| Interest Earnings | 209,236 | 231,935 | 441,171 |
| Total Non-Operating Revenues | 209,236 | 685,622 | 894,858 |
| Operating Transfers In | 493,500 | - | 493,500 |
| Operating Transfers Out | (105,000) | - | (105,000) |
| Net Operating Transfers In | 388,500 | - | 388,500 |
| Net Income (Loss) | 1,078,659 | (1,753,748) | (675,089) |
| Retained Earnings (Accumulated Deficit) | | | |
| July 1, 1995, as Previously Reported | 4,733,813 | (3,152,095) | 1,581,718 |
| Change in Accounting Policy | - | 996,219 | 996,219 |
| Retained Earnings (Accumulated Deficit) | 4,733,813 | (2,155,876) | 2,577,937 |
| July 1, 1995, as Restated | | | |
| Retained Earnings (Accumulated Deficit) | \$ 5,812,472 | \$ (3,909,624) | \$ 1,902,848 |
| June 30, 1996 | | | |

SEE NOTES TO FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

EXHIBIT G-3

COMBINING STATEMENT OF CASH FLOWS

JUNE 30, 1996

| | MOTOR POOL | SELF- INSURANCE | TOTAL ALL FUNDS |
|---|---------------------|---------------------|-----------------------|
| Cash Flows from Operating Activities: | | | |
| Operating Income (Loss) | \$ 480,923 | \$ (2,439,370) | \$ (1,958,447) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | |
| Depreciation | 2,454,130 | 7,054 | 2,461,184 |
| Changes in Assets and Liabilities (Sources (Uses) of Cash): | | | |
| Miscellaneous Receivables | (7,300) | (8,810) | (16,110) |
| Supplies Inventory | (81,912) | - | (81,912) |
| Accounts Payable | 189,852 | 52 | 189,904 |
| Accrued Payroll | 65,845 | 6,055 | 71,900 |
| Claims Payable | - | 1,534,102 | 1,534,102 |
| Total Adjustments | 2,620,615 | 1,538,453 | 4,159,068 |
| Net Cash Provided by (Used for) Operating Activities | 3,101,538 | (900,917) | 2,200,621 |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Property Tax | - | 453,687 | 453,687 |
| Operating Transfers In | 493,500 | - | 493,500 |
| Operating Transfers Out | (105,000) | - | (105,000) |
| Net Cash Provided by Non-Capital Financing Activities | 388,500 | 453,687 | 842,187 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and Construction of Property and Equipment | (4,731,626) | 48 | (4,731,578) |
| Cash Flows from Investing Activities: | | | |
| Interest Received on Investments | 185,622 | 207,098 | 392,720 |
| Net Decrease in Cash and Cash Equivalents | (1,055,966) | (240,084) | (1,296,050) |
| Cash and Cash Equivalents at Beginning of Year | 4,021,070 | 4,259,576 | 8,280,646 |
| Cash and Cash Equivalents at End of Year | \$ 2,965,104 | \$ 4,019,492 | \$ 6,984,596 |
| Supplemental Disclosure of Noncash Financing Activities: | | | |
| Additions to Property, Plant, and Equipment Contributions from Other Government Units | \$ 145,043 | \$ - | \$ 145,043 |

SEE NOTES TO FINANCIAL STATEMENTS

CITY OF SCOTTSDALE, ARIZONA

INTERNAL SERVICE FUNDS

EXHIBIT G-4

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - BUDGET BASIS

JUNE 30, 1996

| | MOTOR POOL | | | SELF-INSURANCE | | | TOTALS | | |
|---|-----------------------|-----------------------|----------------------------------|---------------------|---------------------|----------------------------------|-----------------------|-----------------------|----------------------------------|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues | | | | | | | | | |
| Billings To User Programs | \$ 7,240,602 | \$ 7,240,844 | \$ 242 | \$ 2,940,000 | \$ 2,936,151 | \$ (3,849) | \$ 10,180,602 | \$ 10,176,995 | \$ (3,607) |
| Property Tax | - | - | - | 466,440 | 453,667 | (12,753) | 466,440 | 453,667 | (12,753) |
| Interest Earnings | 100,000 | 209,236 | 109,236 | 400,000 | 231,935 | (168,065) | 500,000 | 441,171 | (58,829) |
| Operating Transfers In | 309,000 | 493,500 | 184,500 | - | - | - | 309,000 | 493,500 | 184,500 |
| Other | - | 319,283 | 319,283 | - | - | - | - | 319,283 | 319,283 |
| Total Revenues | 7,649,602 | 8,262,863 | 613,261 | 3,806,440 | 3,621,773 | (184,667) | 11,456,042 | 11,884,636 | 428,594 |
| Expenditures | | | | | | | | | |
| Motor Pool Operations | 10,388,405 | 10,327,379 | 61,026 | - | - | - | 10,388,405 | 10,327,379 | 61,026 |
| Self-Insurance Operations | - | - | - | 4,449,813 | 3,879,539 | 570,274 | 4,449,813 | 3,879,539 | 570,274 |
| Operating Transfers Out | 105,000 | 105,000 | - | - | - | - | 105,000 | 105,000 | - |
| Total Expenditures | 10,493,405 | 10,432,379 | 61,026 | 4,449,813 | 3,879,539 | 570,274 | 14,943,218 | 14,311,918 | 631,300 |
| (Deficiency) of Revenues Over Expenditures | \$ (2,843,803) | \$ (2,169,516) | \$ 674,287 | \$ (643,373) | \$ (257,766) | \$ 385,607 | \$ (3,487,176) | \$ (2,427,282) | \$ 1,059,894 |



TRUST AND AGENCY FUNDS

Trust 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 of responsibilities placed upon the governmental unit by virtue of law or other similar authority.

Expendable Trust Fund

Used to account for gifts that are designated for special purposes. The Expendable Trust Fund includes gifts received for libraries, arts, parks, memorials, senior citizens, and handicapped and training services.

Nonexpendable Trust Fund

Used to account for gifts for which the original principal may not be expended. The interest of other earnings from the principal are designated for a special purpose. The Nonexpendable Trust Fund includes gifts received for libraries.

Deferred Compensation Agency Fund

Permits employees to defer a portion of their salaries to future years.

TRUST AND AGENCY FUNDS

EXHIBIT H-1

COMBINING BALANCE SHEET

JUNE 30, 1996

| | EXPENDABLE TRUST | NON- EXPENDABLE TRUST | DEFERRED COMPENSATION AGENCY | TOTAL ALL FUNDS |
|--|----------------------|-----------------------------|------------------------------------|-----------------------|
| ASSETS | | | | |
| Cash and Short-Term Investments | \$ 5,982,702 | \$ 193,715 | \$ - | \$ 6,176,417 |
| Investments | - | - | 12,062,937 | 12,062,937 |
| Receivables | | | | |
| Accrued Interest | 17,289 | - | - | 17,289 |
| Miscellaneous | 1,876,054 | - | - | 1,876,054 |
| Note Receivable | 4,000,000 | - | - | 4,000,000 |
| Total Assets | \$ 11,876,045 | \$ 193,715 | \$ 12,062,937 | \$ 24,132,697 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Designated Deferred Compensation Benefits | \$ - | \$ - | \$ 12,062,937 | \$ 12,062,937 |
| Deferred Revenue | 4,160,000 | - | - | 4,160,000 |
| Guaranty and Other Deposits | 2,887,253 | - | - | 2,887,253 |
| Total Liabilities | 7,047,253 | - | 12,062,937 | 19,110,190 |
| Fund Balances | | | | |
| Reserved for Encumbrances | 24,152 | - | - | 24,152 |
| Reserved for Library Acquisitions | - | 193,715 | - | 193,715 |
| Unreserved | 4,804,640 | - | - | 4,804,640 |
| Total Fund Balances | 4,828,792 | 193,715 | - | 5,022,507 |
| Total Liabilities and Fund Balances | \$ 11,876,045 | \$ 193,715 | \$ 12,062,937 | \$ 24,132,697 |

SEE NOTES TO FINANCIAL STATEMENTS

EXPENDABLE TRUST FUND**EXHIBIT H-2****STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE****FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

| | EXPENDABLE TRUST |
|--|-----------------------------|
| Revenues | |
| Interest Earnings | \$ 71,821 |
| Donations and Other Trust Revenues | <u>2,325,135</u> |
| Total Revenues | 2,396,956 |
| Expenditures | |
| Expendable Trusts | <u>1,309,500</u> |
| Excess of Revenues Over Expenditures | 1,087,456 |
| Other Uses | |
| Operating Transfers Out | <u>(1,264,564)</u> |
| Total Other Uses | (1,264,564) |
| Excess of Revenues Over Expenditures and Other Uses | (177,108) |
| Fund Balance July 1, 1995 | <u>5,005,900</u> |
| Fund Balance June 30, 1996 | <u>\$ 4,828,792</u> |

SEE NOTES TO FINANCIAL STATEMENTS

EXPENDABLE TRUST FUND

EXHIBIT H-3

SCHEDULE OF EXPENDITURES BY OBJECT

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | PERSONAL SERVICES | OTHER SERVICES | SUPPLIES | CAPITAL OUTLAY | TOTAL |
|------------------|------------------------------|---------------------------|-----------------|---------------------------|--------------|
| Expendable Trust | \$ 217,830 | \$ 588,266 | \$ 359,580 | \$ 143,824 | \$ 1,309,500 |

NONEXPENDABLE TRUST FUND

EXHIBIT H-4

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | NON- EXPENDABLE TRUST |
|----------------------------|--------------------------------------|
| Operating Revenues | |
| Interest Earnings | \$ 9,369 |
| Operating Expenses | |
| Trust Operations | <u>9,695</u> |
| Operating Loss | <u>(326)</u> |
| Net Loss | (326) |
| Fund Balance July 1, 1995 | <u>194,041</u> |
| Fund Balance June 30, 1996 | <u>\$ 193,715</u> |

SEE NOTES TO FINANCIAL STATEMENTS

NONEXPENDABLE TRUST FUND

EXHIBIT H-5

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | <u>NON- EXPENDABLE TRUST</u> |
|--|--------------------------------------|
| Cash Flows from Operating Activities: | |
| Operating Loss | \$ (326) |
| Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities: | |
| Deduct Interest Earnings | <u>(9,369)</u> |
| Net Cash Used for Operating Activities | (9,695) |
| Cash Flows from Investing Activities: | |
| Interest Received on Investments | <u>9,369</u> |
| Net Decrease in Cash and Cash Equivalents | (326) |
| Cash and Cash Equivalents at Beginning of Year | <u>194,041</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 193,715</u> |

SEE NOTES TO FINANCIAL STATEMENTS

DEFERRED COMPENSATION AGENCY FUND

EXHIBIT H-6

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | DEFERRED COMPENSATION AGENCY | | | |
|--|------------------------------|--------------|------------|--------------------------|
| | BALANCE JULY 1, 1995 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 1996 |
| ASSETS | | | | |
| Investments | \$ 9,046,694 | \$ 3,281,041 | \$ 264,798 | \$ 12,062,937 |
| Total Assets | \$ 9,046,694 | \$ 3,281,041 | \$ 264,798 | \$ 12,062,937 |
| LIABILITIES | | | | |
| Designated Deferred Compensation Benefits | \$ 9,046,694 | \$ 3,281,041 | \$ 264,798 | \$ 12,062,937 |
| Total Liabilities | \$ 9,046,694 | \$ 3,281,041 | \$ 264,798 | \$ 12,062,937 |

SEE NOTES TO FINANCIAL STATEMENTS



GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group controls the City's sizeable investment in fixed assets which are tangible assets of significant value having a utility which extends beyond a year. This control also allows establishing custodial responsibility for the assets. No depreciation is provided on such assets.

The investment in fixed assets of proprietary fund types are accounted for in their respective funds.

SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

EXHIBIT I-1

JUNE 30, 1996

General Fixed Assets:

| | |
|----------------------------|------------------|
| Land | \$ 61,398,700 |
| Buildings and Improvements | 179,598,788 |
| Streets and Storm Drains | 1,038,723,926 |
| Machinery and Equipment | 35,432,210 |
| Construction in Progress | 36,850,071 |
| | <hr/> |
| Total General Fixed Assets | \$ 1,352,003,695 |

Investment in General Fixed Assets by Source:

| | |
|--|------------------|
| General Fund | \$ 150,548,071 |
| Special Revenue Funds | 102,645,616 |
| Capital Projects Funds | 223,528,424 |
| Contributions | 831,212,054 |
| Improvement Districts | 44,069,530 |
| | <hr/> |
| Total Investment in General Fixed Assets | \$ 1,352,003,695 |

CITY OF SCOTTSDALE, ARIZONA

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

EXHIBIT I-2

JUNE 30, 1996

| DEPARTMENT | LAND | BUILDINGS AND IMPROVEMENTS | STREETS AND STORM DRAINS | MACHINERY AND EQUIPMENT | TOTAL |
|--|----------------------|----------------------------------|--------------------------------|-------------------------------|--------------------------------|
| General Government | \$ 464,153 | \$ 919,775 | \$ - | \$ 13,091,341 | \$ 14,475,269 |
| Police | 40,855 | 1,010,645 | 48,037 | 3,731,025 | 4,830,562 |
| Financial Services | - | 304,985 | - | 862,480 | 1,167,465 |
| Transportation | - | 7,128,099 | - | 160,588 | 7,288,687 |
| Community Services | 7,444,399 | 9,721,924 | 134,747 | 2,183,725 | 19,484,795 |
| Planning & Development | - | 109,544 | - | 416,468 | 526,012 |
| Fire | - | 397,962 | - | 293,929 | 691,891 |
| Municipal Services | - | - | - | 231,172 | 231,172 |
| Capital Projects | 53,449,293 | 160,005,854 | 1,038,541,142 | 14,461,482 | 1,266,457,771 |
| Total General Fixed Assets Allocated to Functions | \$ 61,398,700 | \$ 179,598,788 | \$ 1,038,723,926 | \$ 35,432,210 | \$ 1,315,153,624 |
| Construction in Progress | | | | | <u>36,850,071</u> |
| Total General Fixed Assets | | | | | <u>\$ 1,352,003,695</u> |

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS

EXHIBIT I-3

BY FUNCTION AND ACTIVITY

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| DEPARTMENT | JULY 1, 1995 | ADDITIONS | DELETIONS | JUNE 30, 1996 |
|----------------------------|------------------|----------------|-----------------|------------------|
| General Government | \$ 14,343,909 | \$ 139,960 | \$ (8,600) | \$ 14,475,269 |
| Police | 4,479,749 | 354,103 | (3,290) | 4,830,562 |
| Financial Services | 1,112,594 | 55,278 | (407) | 1,167,465 |
| Transportation | 7,276,603 | 12,084 | - | 7,288,687 |
| Community Services | 19,417,879 | 72,657 | (5,741) | 19,484,795 |
| Planning & Development | 439,234 | 86,778 | - | 526,012 |
| Fire | 691,891 | - | - | 691,891 |
| Municipal Services | 216,271 | 14,901 | - | 231,172 |
| Capital Projects | 1,105,383,852 | 161,499,639 | (425,720) | 1,266,457,771 |
| Construction in Progress | 38,742,018 | 41,543,640 | (43,435,587) | 36,850,071 |
| Total General Fixed Assets | \$ 1,192,104,000 | \$ 203,779,040 | \$ (43,879,345) | \$ 1,352,003,695 |

DEBT REQUIREMENTS

The supplemental debt service schedules provide a comprehensive overview of the City's total debt. These schedules are presented by debt type without regard to fund classification. They include a schedule of changes in long-term debt for the current fiscal year, and a schedule of debt service requirements to maturity for each debt classification.

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

CITY OF SCOTTSDALE, ARIZONA

SCHEDULE OF CHANGES IN LONG-TERM DEBT*

EXHIBIT J-1

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| | JULY 1, 1995 AS ADJUSTED | ISSUED | RETIRED | REFUNDING BONDS ISSUED | BONDS DEFEASED | ACCRETIONS & CONTRACT INCREASES | JUNE 30, 1996 | FINAL PAYMENT DATE |
|---|-----------------------------|----------------------|---------------------|------------------------------|---------------------|---------------------------------------|-----------------------|-----------------------|
| GENERAL OBLIGATION BONDS | | | | | | | | |
| 1968 Civic Center | \$ 250,000 | \$ - | \$ 250,000 | \$ - | \$ - | \$ - | \$ - | - |
| 1986 Water Acquisition | 2,350,000 | - | 1,130,000 | - | - | - | 1,220,000 | 07/01/97 |
| 1989 Series A (1990) | 4,960,000 | - | 615,000 | - | - | - | 4,345,000 | 07/01/00 |
| 1989 Series B (1991) | 8,280,000 | - | 685,000 | - | - | - | 7,595,000 | 07/01/04 |
| 1991 GO Refunding | 3,230,000 | - | 575,000 | - | - | - | 2,655,000 | 07/01/00 |
| 1989 Series C (1992) | 19,000,000 | - | 715,000 | - | - | - | 18,285,000 | 07/01/12 |
| 1993 Refunding | 45,264,317 | - | 975,000 | - | - | 873,880 | 45,163,197 | 07/01/09 |
| 1989 Series D (1993) | 18,785,000 | - | 785,000 | - | - | - | 17,980,000 | 07/01/13 |
| 1993A GO Refunding | 24,481,953 | - | 460,000 | - | - | 552,018 | 24,573,971 | 07/01/11 |
| 1989 Series E (1994) | 13,850,000 | - | 425,000 | - | - | - | 13,425,000 | 07/01/14 |
| 1994 Various Purpose | 15,575,000 | - | 450,000 | - | - | - | 15,125,000 | 07/01/14 |
| 1995 GO / Pima Road | - | 15,000,000 | 400,000 | - | - | - | 14,600,000 | 07/01/15 |
| Total General Obligation Bonds | \$ 156,066,270 | \$ 15,000,000 | \$ 7,465,000 | \$ - | \$ - | \$ 1,425,898 | \$ 164,967,168 | |
| REVENUE BONDS | | | | | | | | |
| 1989 HURF Refunding | \$ 2,190,000 | \$ - | \$ 810,000 | \$ - | \$ - | \$ - | \$ 1,380,000 | 07/01/97 |
| 1993 HURF Refunding | 25,065,000 | - | 890,000 | - | - | - | 24,175,000 | 07/01/07 |
| 1989 Utility Series A (1990) | 6,320,000 | - | - | - | 6,320,000 | - | - | - |
| 1992 Utility Refunding | 6,770,000 | - | 1,365,000 | - | - | - | 5,405,000 | 07/01/00 |
| 1989 Utility Series B (1992) | 4,450,000 | - | 155,000 | - | - | - | 4,295,000 | 07/01/12 |
| 1989 Utility Series C (1994) | 4,875,000 | - | 135,000 | - | 3,005,000 | - | 1,735,000 | 07/01/05 |
| 1996 Utility Revenue Series Refunding | - | - | - | 9,815,000 | - | - | 9,815,000 | 07/01/14 |
| Total Revenue Bonds | \$ 49,670,000 | \$ - | \$ 3,355,000 | \$ 9,815,000 | \$ 9,325,000 | \$ - | \$ 46,805,000 | |
| MUNICIPAL PROPERTY CORPORATION BONDS | | | | | | | | |
| 1974 MPC - 5 Arts | \$ 1,420,000 | \$ - | \$ 1,420,000 | \$ - | \$ - | \$ - | \$ - | - |
| 1987 AMFP Certif. of Partic. | 3,100,000 | - | - | - | - | - | 3,100,000 | 07/01/01 |
| 1987 Refunding | 3,365,000 | - | 1,115,000 | - | - | - | 2,250,000 | 07/01/97 |
| 1992 Asset Transfer Refunding | 42,955,000 | - | 1,345,000 | - | - | - | 41,610,000 | 11/01/14 |
| 1993 Refunding | 29,100,000 | - | 495,000 | - | - | - | 28,605,000 | 07/01/05 |
| 1994 Refunding | 8,075,000 | - | 745,000 | - | - | - | 7,330,000 | 07/01/04 |
| 1995 MPC Taxable Excise - TPC Land | 2,950,000 | - | 65,000 | - | - | - | 2,885,000 | 07/01/15 |
| 1995 Transfer Station | - | 3,500,000 | 150,000 | - | - | - | 3,350,000 | 06/30/10 |
| Total Municipal Property Corporation Bonds | \$ 90,965,000 | \$ 3,500,000 | \$ 5,335,000 | \$ - | \$ - | \$ - | \$ 89,130,000 | |

* This exhibit includes both general long-term debt and long-term debt paid out of the Enterprise Fund.

CITY OF SCOTTSDALE, ARIZONA

SCHEDULE OF CHANGES IN LONG-TERM DEBT*
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

EXHIBIT J-1
(Continued)

| | JULY 1, 1995 AS ADJUSTED | ISSUED | RETIRED | REFUNDING BONDS ISSUED | BONDS DEFEASED | ACCRETIONS & CONTRACT INCREASES | JUNE 30, 1998 | FINAL PAYMENT DATE |
|--|-----------------------------|----------------------|----------------------|------------------------------|----------------------|---------------------------------------|-----------------------|-----------------------|
| SPECIAL ASSESSMENT BONDS | | | | | | | | |
| Hayden Road Extension Series 87 | \$ 145,000 | \$ - | \$ 145,000 | \$ - | \$ - | \$ - | \$ - | - |
| N. Airport Industrial Series 88 | 1,045,000 | - | 520,000 | - | - | - | 525,000 | 07/01/97 |
| NW Airpark Series 89 | 510,000 | - | 170,000 | - | - | - | 340,000 | 01/01/98 |
| Via Linda Series 90 | 345,000 | - | 115,000 | - | - | - | 230,000 | 01/01/98 |
| CAP @ Hayden Road Series 91 | 270,000 | - | 70,000 | - | - | - | 200,000 | 01/01/99 |
| Pima/CAP Series 92 | 5,615,176 | - | 965,564 | - | 421,792 | - | 4,327,820 | 01/01/01 |
| Pima Acres Series 93 | 780,000 | - | 130,000 | - | - | - | 650,000 | 01/01/01 |
| Old Scottsdale/West Main Series 94 | 765,000 | - | 110,000 | - | - | - | 655,000 | 01/01/02 |
| Fifth Ave/Marshall Way Series 95 | 840,000 | - | 120,000 | - | - | - | 720,000 | 01/01/02 |
| Section 31 Series 96 | 360,000 | - | 55,000 | - | - | - | 305,000 | 01/01/02 |
| Pinnacle Vista Series 97 | 735,000 | - | 95,000 | - | - | - | 640,000 | 01/01/03 |
| North Area Water Series 98 | 1,415,000 | - | 180,000 | - | - | - | 1,235,000 | 01/01/03 |
| Adobe Miller Series 99 | 855,000 | - | 110,000 | - | - | - | 745,000 | 01/01/03 |
| Craftsman Court Series 100 | 130,000 | - | 10,000 | - | - | - | 120,000 | 01/01/04 |
| Bell Road Series 101 | 13,972,282 | - | 1,228,416 | - | 2,729,076 | - | 10,016,790 | 01/01/05 |
| Desert Ranch Water Series 102 | 578,451 | - | 52,272 | - | - | - | 526,179 | 01/01/04 |
| Desert Ranch Infrastructure Series 103 | 12,500,000 | - | 970,000 | - | - | - | 11,530,000 | 01/01/05 |
| Total Special Assessment Bonds | \$ 40,880,909 | \$ - | \$ 4,944,252 | \$ - | \$ 3,150,868 | \$ - | \$ 32,785,789 | |
| COMMUNITY FACILITIES DISTRICT BONDS | | | | | | | | |
| Scottsdale Mountain Series 1993 A | \$ 3,000,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,000,000 | 07/01/17 |
| Scottsdale Mountain Series 1993 B | 525,000 | - | - | - | - | - | 525,000 | 07/01/17 |
| McDowell Mountain Ranch Series 1994 | 9,105,000 | - | - | - | - | - | 9,105,000 | 07/15/19 |
| McDowell Mountain Ranch Series 1994 A | 2,845,000 | - | - | - | - | - | 2,845,000 | 07/15/19 |
| Scottsdale Mountain Series 1995 | 1,925,000 | - | - | - | - | - | 1,925,000 | 07/01/19 |
| Total Community Facilities District Bonds | \$ 17,400,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,400,000 | |
| Total Bonds | \$ 354,902,179 | \$ 18,500,000 | \$ 21,099,252 | \$ 9,815,000 | \$ 12,475,868 | \$ 1,425,898 | \$ 351,087,957 | |
| CONTRACTS PAYABLE | | | | | | | | |
| East Couplet/Galleria | \$ 315,000 | \$ - | \$ 210,000 | \$ - | \$ - | \$ - | \$ 105,000 | 07/01/97 |
| US Corps of Engineers | 3,703,152 | - | 41,714 | - | - | - | 3,661,438 | 2032 |
| West Couplet/Cameview | 2,753,575 | - | 604,110 | - | - | - | 2,149,465 | 01/31/99 |
| Scottsdale Towne Center | 329,000 | - | 59,850 | - | - | - | 269,150 | 02/01/97 |
| Scottsdale Fiesta Center | 2,700,000 | - | 388,185 | - | - | - | 2,311,815 | 02/01/02 |
| Scottsdale Auto Mall | - | 2,100,000 | - | - | - | - | 2,100,000 | 09/25/99 |
| Carefree Ranch | 2,031,285 | - | 222,239 | - | - | 276,977 | 2,085,723 | 03/01/02 |
| Total Contracts | \$ 11,832,012 | \$ 2,100,000 | \$ 1,526,096 | \$ - | \$ - | \$ 276,977 | \$ 12,682,591 | |
| TOTAL BONDS AND CONTRACTS | \$ 366,734,191 | \$ 20,600,000 | \$ 22,625,350 | \$ 9,815,000 | \$ 12,475,868 | \$ 1,702,875 | \$ 363,750,548 | |

* This exhibit includes both general long-term debt and long-term debt paid out of the Enterprise Fund.

CITY OF SCOTTSDALE, ARIZONA

DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS *

EXHIBIT J-2

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| FISCAL YEAR | GENERAL OBLIGATION BONDS ISSUED TO PROVIDE WATER, SEWER, LIGHT, PARKS, AND OPEN SPACES 20% LIMITATION | | | GENERAL OBLIGATION BONDS ISSUED FOR ALL OTHER PURPOSES 6% LIMITATION | | | TOTAL GENERAL OBLIGATION BONDS | | |
|----------------------------|--|----------------------|-----------------------|--|----------------------|----------------------|-----------------------------------|----------------------|-----------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 1997 | \$ 2,740,000 | \$ 5,188,320 | \$ 7,928,320 | \$ 5,025,000 | \$ 3,634,385 | \$ 8,659,385 | \$ 7,765,000 | \$ 8,822,705 | \$ 16,587,705 |
| 1998 | 1,695,000 | 5,040,005 | 6,735,005 | 6,395,000 | 3,280,080 | 9,655,080 | 8,090,000 | 8,300,085 | 16,390,085 |
| 1999 | 3,200,000 | 4,957,003 | 8,157,003 | 5,860,000 | 2,825,905 | 8,685,905 | 9,060,000 | 7,782,908 | 16,842,908 |
| 2000 | 4,540,000 | 4,804,643 | 9,344,643 | 5,530,000 | 2,795,793 | 8,325,793 | 10,070,000 | 7,600,436 | 17,670,436 |
| 2001 | 5,865,000 | 4,577,348 | 10,442,348 | 5,805,000 | 1,958,800 | 7,763,800 | 11,870,000 | 6,538,148 | 18,208,148 |
| 2002 | 6,315,000 | 4,271,728 | 10,586,728 | 3,540,000 | 3,970,010 | 7,510,010 | 9,855,000 | 8,241,738 | 18,096,738 |
| 2003 | 6,690,000 | 3,935,453 | 10,625,453 | 3,730,000 | 3,777,523 | 7,507,523 | 10,420,000 | 7,712,976 | 18,132,976 |
| 2004 | 2,905,000 | 9,668,533 | 12,573,533 | 4,300,000 | 1,240,385 | 5,540,385 | 7,205,000 | 10,908,918 | 18,113,918 |
| 2005 | 4,584,400 | 9,674,698 | 14,259,098 | 2,925,600 | 1,008,610 | 3,934,210 | 7,510,000 | 10,683,308 | 18,193,308 |
| 2006 | 10,236,000 | 3,314,008 | 13,550,008 | 3,884,000 | 851,930 | 4,735,930 | 14,120,000 | 4,165,938 | 18,285,938 |
| 2007 | 5,225,000 | 2,782,688 | 8,007,688 | 4,260,000 | 640,120 | 4,900,120 | 9,485,000 | 3,422,808 | 12,907,808 |
| 2008 | 6,115,000 | 2,515,580 | 8,630,580 | 3,885,000 | 408,190 | 4,293,190 | 10,000,000 | 2,923,770 | 12,923,770 |
| 2009 | 7,005,000 | 2,196,945 | 9,201,945 | 3,550,000 | 195,250 | 3,745,250 | 10,555,000 | 2,392,195 | 12,947,195 |
| 2010 | 11,220,000 | 1,822,563 | 13,042,563 | - | - | - | 11,220,000 | 1,822,563 | 13,042,563 |
| 2011 | 7,865,000 | 1,239,285 | 9,104,285 | - | - | - | 7,865,000 | 1,239,285 | 9,104,285 |
| 2012-2015 | 16,060,000 | 1,661,588 | 17,721,588 | - | - | - | 16,060,000 | 1,661,588 | 17,721,588 |
| | 102,260,400 | 67,650,388 | 169,910,788 | 58,689,600 | 26,566,961 | 85,256,561 | 160,950,000 | 94,217,349 | 255,167,349 |
| Capital Appreciation ** | 2,603,197 | (2,603,197) | | 1,413,971 | (1,413,971) | | 4,017,168 | (4,017,168) | |
| TOTALS | \$ 104,863,597 | \$ 65,047,191 | \$ 169,910,788 | \$ 60,103,571 | \$ 25,152,990 | \$ 85,256,561 | \$ 164,967,168 | \$ 90,200,181 | \$ 255,167,349 |

*This page excludes general obligation bonds of community facilities districts. General obligation bonds of community facilities districts are shown on the third page of this exhibit.

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

CITY OF SCOTTSDALE, ARIZONA

DEBT SERVICE REQUIREMENTS TO MATURITY
HIGHWAY USER REVENUE BONDS, WATER AND SEWER REVENUE BONDS,
AND MUNICIPAL PROPERTY CORPORATION BONDS

EXHIBIT J-2
(Continued here and on following page)

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

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| FISCAL YEAR | HIGHWAY USER REVENUE BONDS | | | WATER AND SEWER REVENUE BONDS | | | MUNICIPAL PROPERTY CORPORATION BONDS | | |
|---------------|----------------------------|---------------------|----------------------|-------------------------------|---------------------|----------------------|--------------------------------------|----------------------|-----------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 1997 | \$ 1,785,000 | \$ 1,318,210 | \$ 3,103,210 | \$ 2,070,000 | \$ 1,159,271 | \$ 3,229,271 | \$ 5,730,000 | \$ 5,054,153 | \$ 10,784,153 |
| 1998 | 1,890,000 | 1,208,538 | 3,098,538 | 2,275,000 | 1,049,501 | 3,324,501 | 6,075,000 | 4,719,675 | 10,794,675 |
| 1999 | 1,980,000 | 1,123,488 | 3,103,488 | 2,390,000 | 925,881 | 3,315,881 | 6,380,000 | 4,416,081 | 10,796,081 |
| 2000 | 2,170,000 | 1,031,913 | 3,201,913 | 1,690,000 | 794,966 | 2,484,966 | 6,710,000 | 4,087,738 | 10,797,738 |
| 2001 | 2,070,000 | 933,588 | 3,003,588 | 875,000 | 696,611 | 1,571,611 | 7,085,000 | 3,737,895 | 10,822,895 |
| 2002 | 2,275,000 | 827,800 | 3,102,800 | 915,000 | 643,811 | 1,558,811 | 6,715,000 | 3,358,071 | 10,073,071 |
| 2003 | 2,395,000 | 714,050 | 3,109,050 | 960,000 | 589,140 | 1,549,140 | 7,100,000 | 2,996,489 | 10,096,489 |
| 2004 | 2,515,000 | 591,306 | 3,106,306 | 1,000,000 | 540,117 | 1,540,117 | 7,500,000 | 2,606,750 | 10,106,750 |
| 2005 | 2,660,000 | 459,269 | 3,119,269 | 1,080,000 | 488,230 | 1,568,230 | 6,785,000 | 2,186,560 | 8,971,560 |
| 2006 | 2,825,000 | 316,294 | 3,141,294 | 1,130,000 | 431,295 | 1,561,295 | 2,795,000 | 1,793,963 | 4,588,963 |
| 2007 | 2,990,000 | 164,448 | 3,154,448 | 1,200,000 | 372,410 | 1,572,410 | 4,295,000 | 2,259,048 | 6,554,048 |
| 2008 | - | - | - | 1,270,000 | 308,810 | 1,578,810 | 3,240,000 | 1,343,605 | 4,583,605 |
| 2009 | - | - | - | 1,340,000 | 240,375 | 1,580,375 | 3,440,000 | 1,140,394 | 4,580,394 |
| 2010 | - | - | - | 710,000 | 166,900 | 876,900 | 3,865,000 | 924,363 | 4,589,363 |
| 2011 | - | - | - | 735,000 | 126,675 | 861,675 | 3,550,000 | 694,194 | 4,244,194 |
| 2012-2015 | - | - | - | 1,610,000 | 158,312 | 1,768,312 | 6,065,000 | 782,283 | 6,847,283 |
| TOTALS | \$ 25,555,000 | \$ 8,888,904 | \$ 34,243,904 | \$ 21,250,000 | \$ 8,692,305 | \$ 29,942,305 | \$ 89,130,000 | \$ 42,101,242 | \$ 131,231,242 |

CITY OF SCOTTSDALE, ARIZONA

DEBT SERVICE REQUIREMENTS TO MATURITY
SPECIAL ASSESSMENT BONDS, CONTRACTS PAYABLE, AND
COMMUNITY FACILITIES DISTRICTS GENERAL OBLIGATION BONDS

EXHIBIT J-2
(Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

| FISCAL YEAR | SPECIAL ASSESSMENT BONDS | | | CONTRACTS PAYABLE | | | COMMUNITY FACILITIES DISTRICTS GENERAL OBLIGATION BONDS | | |
|----------------|--------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|--|----------------------|----------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 1997 | \$ 4,750,097 | \$ 1,796,387 | \$ 6,546,484 | \$ 1,720,399 | \$ 187,318 | \$ 1,907,717 | \$ - | \$ 1,316,351 | \$ 1,316,351 |
| 1998 | 4,270,074 | 1,500,381 | 5,770,455 | 2,251,829 | 185,075 | 2,436,904 | - | 1,318,350 | 1,318,350 |
| 1999 | 4,030,074 | 1,249,458 | 5,279,532 | 2,787,658 | 182,718 | 2,950,374 | 100,000 | 1,316,352 | 1,416,352 |
| 2000 | 4,035,074 | 1,008,215 | 5,043,289 | 1,009,073 | 180,239 | 1,189,312 | 480,000 | 1,310,677 | 1,770,677 |
| 2001 | 4,110,074 | 765,149 | 4,875,223 | 903,921 | 177,634 | 1,081,555 | 495,000 | 1,278,145 | 1,773,145 |
| 2002 | 3,184,510 | 553,022 | 3,737,532 | 934,078 | 174,893 | 1,108,971 | 525,000 | 1,243,020 | 1,768,020 |
| 2003 | 2,989,510 | 380,605 | 3,370,115 | 59,151 | 172,015 | 231,166 | 560,000 | 1,205,695 | 1,765,695 |
| 2004 | 2,709,510 | 222,888 | 2,932,498 | 62,177 | 168,989 | 231,166 | 610,000 | 1,185,761 | 1,775,761 |
| 2005 | 2,686,868 | 74,121 | 2,760,987 | 65,358 | 165,808 | 231,166 | 650,000 | 1,122,071 | 1,772,071 |
| 2006 | - | - | - | 68,701 | 162,465 | 231,166 | 695,000 | 1,075,151 | 1,770,151 |
| 2007 | - | - | - | 72,216 | 158,950 | 231,166 | 750,000 | 1,024,441 | 1,774,441 |
| 2008 | - | - | - | 75,910 | 155,256 | 231,166 | 805,000 | 968,741 | 1,773,741 |
| 2009 | - | - | - | 79,794 | 151,372 | 231,166 | 870,000 | 909,181 | 1,779,181 |
| 2010 | - | - | - | 83,877 | 147,289 | 231,166 | 815,000 | 844,778 | 1,659,778 |
| 2011 | - | - | - | 88,168 | 142,998 | 231,166 | 880,000 | 784,003 | 1,664,003 |
| 2012-2032 | - | - | - | 2,706,970 | 1,534,549 | 4,241,519 | 9,185,000 | 3,408,070 | 12,593,070 |
| | <u>\$ 32,785,789</u> | <u>\$ 7,550,324</u> | <u>\$ 40,316,113</u> | <u>\$ 12,948,278</u> | <u>\$ 4,047,568</u> | <u>\$ 16,996,846</u> | <u>\$ 17,400,000</u> | <u>\$ 20,288,767</u> | <u>\$ 37,688,767</u> |

Statistical Section

This section includes selected financial and demographic information for the City and surrounding areas, generally presented on a multi-year basis

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS
LAST TEN FISCAL YEARS

TABLE I

| FISCAL YEAR | GENERAL GOVERNMENT | POLICE | FINANCIAL SERVICES | TRANSPORTATION | COMMUNITY SERVICES | MANAGEMENT SERVICES | PLANNING AND COMMUNITY DEVELOPMENT | FIRE | WATER RESOURCES | MUNICIPAL SERVICES | STREETLIGHT DISTRICTS | CAPITAL IMPROVEMENTS | DEBT SERVICE | TOTAL |
|-------------|--------------------|--------------|--------------------|----------------|--------------------|---------------------|------------------------------------|-------------|-----------------|--------------------|-----------------------|----------------------|--------------|--------------|
| 1987 | \$2,721,381 | \$11,838,704 | \$2,190,533 | \$11,872,258 | \$10,294,757 | \$3,912,789 | \$5,883,408 | \$3,973,055 | - | - | \$443,276 | \$5,810,259 | \$26,365,787 | \$85,304,187 |
| 1988 | 3,532,278 | 13,571,954 | 2,865,064 | 13,592,848 | 12,455,464 | 4,482,015 | 5,758,873 | 4,155,740 | \$1,283,882 | - | 408,668 | 1,269,248 | 26,551,691 | 89,727,533 |
| 1989 | 5,202,464 | 14,138,466 | 2,856,972 | 8,504,125 | 12,323,666 | 4,441,009 | 5,888,490 | 4,787,139 | 1,418,078 | \$8,081,417 | 415,041 | 1,976,266 | 27,611,812 | 95,645,945 |
| 1990 | 3,917,752 | 14,510,678 | 2,465,924 | 6,782,224 | 12,179,223 | 4,992,759 | 5,935,822 | 5,020,894 | - | 2,881,348 | 432,177 | - | 25,752,258 | 84,881,157 |
| 1991 | 5,305,286 | 17,067,240 | 3,535,711 | 2,312,864 | 13,704,744 | 4,150,444 | 8,424,594 | 5,810,722 | - | 9,998,878 | 431,424 | - | 26,121,373 | 96,852,880 |
| 1992 | 6,104,747 | 18,399,147 | 3,550,155 | 2,308,548 | 14,410,888 | 4,445,853 | 9,437,654 | 6,193,207 | - | 11,181,964 | 440,809 | - | 26,971,339 | 103,444,109 |
| 1993 | 9,409,602 | 19,753,890 | 3,751,965 | 2,580,418 | 15,465,007 | 5,005,942 | 9,182,452 | 6,595,200 | - | 12,625,650 | 448,557 | - | 29,205,336 | 114,024,019 |
| 1994 | 12,437,057 | 21,819,410 | 4,300,956 | 3,128,180 | 16,467,971 | - | 12,932,762 | 7,544,821 | - | 13,992,754 | 469,844 | - | 29,611,405 | 122,504,960 |
| 1995 | 13,976,893 | 24,225,550 | 4,496,186 | 3,876,146 | 18,256,121 | - | 14,002,241 | 8,434,827 | - | 14,282,577 | 457,954 | - | 31,221,315 | 133,231,810 |
| 1996 | 16,787,055 | 27,253,065 | 4,967,431 | 4,870,062 | 18,937,442 | - | 16,553,197 | 10,131,958 | - | 16,405,247 | 485,782 | - | 36,439,573 | 153,840,812 |

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Source: City of Scottsdale Financial Services Department

1995 debt service expenditures have been restated to reflect an accounting adjustment.

CITY OF SCOTTSDALE, ARIZONA

GENERAL GOVERNMENTAL REVENUES BY SOURCE
GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS
LAST TEN FISCAL YEARS

TABLE II

| FISCAL YEAR | TAXES | INTER-GOVERNMENTAL REVENUE | SPECIAL ASSESSMENTS | LICENSES | CHARGES FOR SERVICES | FINES AND FORFEITURES | USE OF MONEY AND PROPERTY | STREETLIGHT DISTRICTS | MISCELLANEOUS | TOTAL |
|-------------------|--------------|----------------------------|---------------------|-----------|----------------------|-----------------------|---------------------------|-----------------------|---------------|--------------|
| 1987 | \$34,165,734 | \$22,208,618 | \$1,317,697 | \$474,633 | \$9,394,683 | \$1,091,268 | \$6,020,676 | \$255,020 | \$5,067,864 | \$79,996,193 |
| 1988 | 37,560,884 | 23,136,401 | 3,132,161 | 489,775 | 10,921,238 | 1,515,621 | 6,499,076 | 299,856 | 5,853,038 | 89,408,050 |
| 1989 | 40,349,302 | 23,956,139 | 2,527,537 | 596,233 | 10,594,369 | 1,838,594 | 7,708,925 | 509,184 | 6,305,752 | 94,386,035 |
| 1990 | 43,300,830 | 25,182,676 | 2,957,646 | 617,200 | 5,463,953 | 2,052,306 | 6,320,488 | 564,046 | 7,079,453 | 93,538,598 |
| 1991 | 46,358,382 | 25,176,007 | 2,774,035 | 630,070 | 5,152,757 | 2,215,138 | 6,345,610 | 558,163 | 8,079,640 | 97,289,802 |
| 1992 | 48,890,219 | 26,553,493 | 4,260,961 | 704,935 | 6,336,520 | 2,228,091 | 5,512,701 | 499,529 | 9,727,189 | 104,713,638 |
| 1993 | 55,214,104 | 27,970,288 | 4,941,556 | 737,854 | 7,586,803 | 1,720,511 | 4,564,692 | 513,846 | 12,976,009 | 116,225,663 |
| 1994 | 63,996,207 | 29,940,801 | 5,643,993 | 875,563 | 10,499,462 | 1,711,295 | 4,817,950 | 514,956 | 13,861,333 | 131,861,560 |
| 1995 ¹ | 71,635,337 | 32,830,633 | 5,514,188 | 950,215 | 12,410,462 | 1,989,546 | 6,384,243 | 542,761 | 14,714,685 | 146,972,070 |
| 1996 | 81,389,052 | 34,648,673 | 7,895,567 | 1,054,866 | 12,586,956 | 2,747,841 | 6,813,218 | 473,987 | 17,375,454 | 164,985,614 |

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Source: City of Scottsdale Financial Services Department

¹ 1995 figures for Use of Money and Property have been restated to reflect an accounting adjustment.

TAX REVENUES BY SOURCE
GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS
LAST TEN FISCAL YEARS

TABLE III

| FISCAL YEAR | PRIVILEGE | GENERAL PROPERTY | FRANCHISE | IN-LIEU PROPERTY | TOTAL TAXES |
|-------------|--------------|------------------|-------------|------------------|--------------|
| 1987 | \$24,273,366 | \$7,707,177 | \$2,093,052 | \$92,139 | \$34,165,734 |
| 1988 | 25,953,299 | 9,094,087 | 2,407,878 | 105,620 | 37,560,884 |
| 1989 | 28,401,262 | 9,125,216 | 2,720,995 | 101,829 | 40,349,302 |
| 1990 | 30,462,121 | 9,822,930 | 2,935,445 | 80,334 | 43,300,830 |
| 1991 | 31,159,495 | 11,924,840 | 3,122,093 | 151,954 | 46,358,382 |
| 1992 | 33,163,422 | 12,287,540 | 3,281,655 | 157,602 | 48,890,219 |
| 1993 | 36,739,426 | 14,677,069 | 3,597,046 | 200,563 | 55,214,104 |
| 1994 | 42,206,355 | 17,665,772 | 3,885,445 | 238,635 | 63,996,207 |
| 1995 | 48,803,402 | 18,382,963 | 4,159,498 | 289,474 | 71,635,337 |
| 1996 | 55,178,466 | 21,396,327 | 4,532,820 | 281,439 | 81,389,052 |

Source: City of Scottsdale Financial Services Department

CITY OF SCOTTSDALE, ARIZONA

EXCISE TAX COLLECTIONS BY SOURCE
GENERAL AND DEBT SERVICE FUNDS
LAST TEN FISCAL YEARS

TABLE IV

| FISCAL YEAR | PRIVILEGE & USE - GENERAL | TRANSIENT OCCUPANCY TAX | STATE SHARED SALES | STATE REVENUE SHARING | LIGHT & POWER FRANCHISE | CABLE TV FRANCHISE | FIRE INSURANCE FRANCHISE | BUSINESS LICENSES & FEES | DVLPMNT PERMITS & FEES | RECREATION FEES | FINES & FORFEITURES | TOTAL |
|-------------|---------------------------|-------------------------|--------------------|-----------------------|-------------------------|--------------------|--------------------------|--------------------------|------------------------|-----------------|---------------------|--------------|
| 1987 | \$22,993,558 | \$1,279,808 | \$5,823,940 | \$5,588,160 | \$1,612,340 | \$331,278 | \$149,436 | \$474,633 | \$4,659,473 | \$856,489 | \$1,091,268 | \$44,860,361 |
| 1988 | 24,315,105 | 1,638,194 | 6,103,255 | 5,841,228 | 1,875,015 | 381,665 | 151,198 | 489,775 | 5,119,833 | 1,052,202 | 1,515,621 | 48,483,091 |
| 1989 | 25,816,236 | 2,585,026 | 6,680,399 | 6,375,140 | 2,061,528 | 511,374 | 148,093 | 596,233 | 4,451,464 | 1,212,128 | 1,838,594 | 52,276,215 |
| 1990 | 27,242,056 | 3,220,066 | 6,978,440 | 6,630,937 | 2,163,256 | 620,686 | 151,501 | 617,200 | 4,069,761 | 1,394,192 | 2,052,306 | 55,140,402 |
| 1991 | 27,803,826 | 3,355,669 | 7,199,220 | 7,303,349 | 2,279,126 | 693,109 | 149,858 | 630,070 | 3,823,083 | 1,529,674 | 2,215,138 | 56,782,122 |
| 1992 | 29,743,502 | 3,419,920 | 7,874,427 | 8,059,864 | 2,404,508 | 735,777 | 141,370 | 704,935 | 4,726,282 | 1,610,238 | 2,228,091 | 61,648,714 |
| 1993 | 32,883,245 | 3,856,161 | 8,497,024 | 8,409,335 | 2,634,645 | 819,009 | 143,392 | 737,854 | 5,970,233 | 1,616,570 | 1,720,511 | 67,287,999 |
| 1994 | 37,740,940 | 4,465,415 | 9,209,619 | 8,479,364 | 2,821,729 | 916,197 | 147,519 | 875,563 | 8,732,504 | 1,766,958 | 1,711,295 | 76,867,103 |
| 1995 | 43,755,416 | 5,047,986 | 10,019,685 | 9,375,240 | 3,004,165 | 1,003,439 | 151,894 | 950,215 | 10,590,062 | 1,820,400 | 1,989,546 | 87,708,048 |
| 1996 | 49,476,176 | 5,702,290 | 10,675,911 | 9,936,322 | 3,186,961 | 1,175,283 | 170,576 | 1,054,866 | 10,917,901 | 1,669,055 | 2,747,842 | 96,713,183 |

Source: City of Scottsdale Financial Services Department

CITY OF SCOTTSDALE, ARIZONA

PRIVILEGE AND USE TAX COLLECTIONS BY CATEGORY
GENERAL, DEBT SERVICE, AND CAPITAL PROJECTS FUNDS
LAST TEN FISCAL YEARS

TABLE V

| FISCAL YEAR | AUTOMOTIVE | CONSTRUCTION | FOOD | HOTEL | MAJOR DEPARTMENT STORES | MISC RETAIL | OTHER TAX | RENTALS | RESTAURANTS | UTILITIES | LICENSE FEES, PENALTIES, INTEREST & REFUNDS | TOTAL |
|-------------|------------|--------------|------------|------------|-------------------------|-------------|------------|------------|-------------|------------|---|-------------|
| 1987 | 93,389,908 | 94,881,582 | 91,828,710 | 91,201,735 | 92,388,231 | 93,334,094 | 91,481,899 | 91,843,686 | 91,537,900 | 91,081,818 | 9219,376 | 923,146,718 |
| 1988 | 3,338,020 | 4,440,909 | 1,743,110 | 1,520,137 | 3,175,151 | 3,478,425 | 1,588,247 | 2,102,071 | 1,555,348 | 1,184,534 | 325,803 | 24,431,553 |
| 1989 | 3,564,833 | 4,308,633 | 1,659,514 | 1,883,952 | 3,614,683 | 3,933,318 | 1,432,253 | 2,409,080 | 1,815,272 | 1,298,156 | 275,928 | 25,993,400 |
| 1990 | 4,094,977 | 4,019,530 | 1,866,704 | 2,345,782 | 3,747,358 | 4,419,948 | 1,780,002 | 2,789,871 | 1,901,748 | 1,481,192 | 511,842 | 28,938,750 |
| 1991 | 4,542,078 | 4,332,523 | 2,298,554 | 2,483,558 | 4,202,030 | 5,214,309 | 1,939,815 | 3,227,507 | 2,195,545 | 1,888,003 | 725,130 | 32,847,052 |
| 1992 | 4,700,912 | 4,795,717 | 2,585,589 | 2,438,312 | 4,334,794 | 5,821,293 | 2,144,873 | 3,511,754 | 2,485,553 | 1,843,756 | 728,908 | 35,371,281 |
| 1993 | 5,282,944 | 5,612,123 | 2,908,296 | 2,585,283 | 4,497,068 | 6,854,958 | 2,288,212 | 3,872,041 | 2,734,377 | 1,868,059 | 806,327 | 39,109,688 |
| 1994 | 6,273,749 | 7,498,000 | 3,281,282 | 2,982,766 | 4,674,071 | 7,484,103 | 2,483,584 | 4,245,851 | 3,169,798 | 2,082,826 | 790,192 | 44,946,202 |
| 1995 | 7,009,614 | 10,322,238 | 3,682,377 | 3,373,325 | 4,755,407 | 8,706,997 | 2,784,890 | 4,815,931 | 3,590,953 | 2,334,867 | 880,697 | 52,237,294 |
| 1996 | 9,402,923 | 14,009,553 | 4,802,588 | 4,459,110 | 5,887,728 | 11,437,163 | 4,174,251 | 5,921,855 | 4,632,320 | 3,026,382 | 528,999 | 68,082,870 |

Source: City of Scottsdale Financial Services Department

**PRIVILEGE AND USE TAX COLLECTIONS BY SOURCE
GENERAL, DEBT SERVICE, AND CAPITAL PROJECTS FUNDS
LAST TEN FISCAL YEARS**

TABLE VI

| FISCAL YEAR | GENERAL | TRANSPORTATION ① | MCDOWELL PRESERVE ② | TOTAL |
|------------------------|----------------|-----------------------------|------------------------------------|--------------|
| 1987 | 23,146,718 | - | - | \$23,146,718 |
| 1988 | 24,431,553 | - | - | 24,431,553 |
| 1989 | 25,993,400 | - | - | 25,993,400 |
| 1990 | 26,911,083 | \$2,027,667 | - | 28,938,750 |
| 1991 | 27,803,826 | 5,043,226 | - | 32,847,052 |
| 1992 | 29,743,502 | 5,627,759 | - | 35,371,261 |
| 1993 | 32,883,245 | 6,226,443 | - | 39,109,688 |
| 1994 | 37,740,940 | 7,205,262 | - | 44,946,202 |
| 1995 | 43,755,416 | 8,481,878 | - | 52,237,294 |
| 1996 | 49,476,176 | 9,521,843 | \$9,084,851 | 68,082,870 |

Source: City of Scottsdale Financial Services Department

① Transportation Privilege Tax Legislation became effective in 1990.

② McDowell Preserve Privilege Tax Legislation became effective in 1996.

CITY OF SCOTTSDALE, ARIZONA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE VII

| FISCAL YEAR | TOTAL TAX LEVY | CURRENT TAX COLLECTIONS | % OF LEVY COLLECTED | DELINQUENT TAX COLLECTIONS | FUTURE YEAR TAX COLLECTIONS | TOTAL TAX COLLECTIONS ① | TOTAL COLLECTIONS % OF CURRENT LEVY | OUTSTANDING DELINQUENT TAXES | OUTSTANDING DELINQUENT % OF CURRENT LEVY |
|-------------|----------------|-------------------------|---------------------|----------------------------|-----------------------------|-------------------------|-------------------------------------|------------------------------|--|
| 1987 | \$7,973,800 | \$7,316,676 | 91.8% | \$315,643 | \$74,858 | \$7,707,177 | 96.7% | \$726,036 | 9.1% |
| 1988 | 8,943,980 | 8,321,524 | 93.0 | 669,796 | 102,767 | 9,094,087 | 101.7 | 602,824 | 6.7 |
| 1989 | 9,095,857 | 8,540,625 | 93.9 | 537,687 | 46,904 | 9,125,216 | 100.3 | 692,636 | 7.6 |
| 1990 | 9,863,616 | 9,179,323 | 93.1 | 601,806 | 41,967 | 9,823,096 | 99.6 | 740,805 | 7.5 |
| 1991 | 12,465,643 | 11,220,265 | 90.0 | 644,872 | 59,702 | 11,924,839 | 95.7 | 933,490 | 7.5 |
| 1992 | 12,406,428 | 11,242,860 | 90.6 | 833,008 | 111,672 | 12,187,540 | 98.2 | 850,230 | 6.9 |
| 1993 | 15,475,472 | 14,124,653 | 91.3 | 440,545 | 111,871 | 14,677,069 | 94.8 | 1,354,977 | 8.8 |
| 1994 | 17,133,276 | 16,403,621 | 95.7 | 1,225,789 | 36,361 | 17,665,771 | 103.1 | 697,135 | 4.1 |
| 1995 | 20,272,696 | 18,993,325 | 93.7 | 636,791 | 8,963 | 19,639,079 | 96.9 | 727,688 | 3.6 |
| 1996 | 21,475,486 | 20,960,272 | 97.6 | 622,938 | 18,502 | 21,601,712 | 100.6 | 706,087 | 3.3 |

Source: Maricopa County Treasurer's Office
Annual Collection and Delinquency Report

① Amounts represent property taxes recorded in the General, Special Revenue, and, beginning in 1995, the Self-Insurance Fund.

CITY OF SCOTTSDALE, ARIZONA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

TABLE VIIIa

COMPARATIVE ASSESSED VALUATION CLASSIFICATION

| FISCAL YEAR | REAL ESTATE ① | IMPROVEMENTS | SECURED PERSONAL | UNSECURED PERSONAL | UTILITIES RAILS WIRES | GROSS VALUATION | EXEMPTIONS | NET TAXABLE VALUATION | ESTIMATED ACTUAL VALUATION (000) |
|-------------|------------------|---------------|------------------|--------------------|-----------------------|-----------------|------------|-----------------------|----------------------------------|
| 1987 P | - | \$754,011,020 | \$20,209,940 | \$51,209,830 | \$37,742,485 | \$863,173,275 | \$544,917 | \$862,628,358 | \$5,924,016 |
| S | \$359,032,815 | 543,595,755 | 20,209,940 | 51,284,540 | 37,742,495 | 1,011,865,545 | 536,119 | 1,011,329,426 | 6,818,621 |
| 1988 P | - | 884,855,850 | 15,960,085 | 52,975,475 | 46,231,835 | 1,000,023,245 | 511,936 | 999,511,309 | 6,824,658 |
| S | 500,624,140 | 539,400,325 | 15,960,085 | 53,014,855 | 46,258,720 | 1,155,258,125 | 501,752 | 1,154,756,373 | 7,766,372 |
| 1989 P | - | 997,492,015 | 16,141,580 | 61,292,800 | 48,590,545 | 1,123,516,940 | 506,116 | 1,123,010,824 | 7,599,557 |
| S | 575,199,010 | 584,018,330 | 16,141,580 | 61,280,715 | 48,689,065 | 1,285,328,700 | 506,543 | 1,284,822,157 | 8,503,650 |
| 1990 P | - | 1,135,696,035 | 16,335,940 | 72,491,425 | 52,966,020 | 1,277,489,420 | 475,955 | 1,277,013,465 | 8,660,247 |
| S | 657,418,600 | 641,834,315 | 16,335,940 | 72,491,425 | 53,002,235 | 1,441,082,515 | 478,065 | 1,440,604,450 | 9,609,263 |
| 1991 P | - | 1,223,412,100 | 17,661,195 | 77,524,985 | 56,007,880 | 1,374,606,160 | 462,542 | 1,374,143,616 | 9,328,072 |
| S | 659,705,245 | 667,306,900 | 17,661,195 | 77,544,940 | 56,057,300 | 1,478,275,580 | 462,211 | 1,477,813,367 | 9,921,082 |
| 1992 P | - | 1,220,208,593 | 13,420,160 | 81,408,370 | 59,724,632 | 1,374,761,755 | 462,386 | 1,374,299,369 | 9,455,811 |
| S | 626,794,230 | 644,386,540 | 13,420,160 | 81,436,505 | 59,805,265 | 1,425,842,700 | 464,083 | 1,425,378,617 | 9,753,991 |
| 1993 P | - | 1,187,255,765 | 20,121,045 | 86,390,875 | 60,550,760 | 1,354,318,445 | 446,309 | 1,353,872,136 | 9,421,433 |
| S | 568,714,830 | 643,541,770 | 20,121,045 | 86,390,875 | 60,568,640 | 1,379,337,160 | 448,396 | 1,378,888,764 | 9,557,639 |
| 1994 P | - | 1,136,492,041 | 30,271,207 | 94,650,835 | 67,694,174 | 1,329,108,257 | 477,507 | 1,328,630,750 | 9,415,061 |
| S | 541,279,527 | 619,463,313 | 30,271,207 | 94,662,190 | 67,724,546 | 1,353,400,783 | 478,546 | 1,352,922,237 | 9,560,216 |
| 1995 P | - | 1,175,120,569 | 32,826,310 | 93,393,680 | 70,031,345 | 1,371,371,904 | 455,969 | 1,370,915,935 | 9,913,549 |
| S | 537,114,149 | 666,181,636 | 32,826,310 | 93,393,680 | 70,057,553 | 1,399,573,328 | 447,149 | 1,399,126,179 | 10,081,538 |
| 1996 P | - | 1,296,788,974 | 32,768,270 | 50,495,555 | 73,949,425 | 1,454,002,224 | 410,156 | 1,453,592,068 | 10,916,431 |
| S | 550,624,508 | 822,631,456 | 32,768,270 | 50,495,555 | 73,975,954 | 1,530,495,743 | 407,426 | 1,530,088,317 | 11,361,417 |

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Source: Maricopa County Finance Department

① Real estate and improvements are combined in the primary valuation.

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

ASSESSED VALUES BY PROPERTY CLASS
LAST TEN FISCAL YEARS

TABLE VIIIb

| FISCAL YEAR | CLASS 2 UTILITIES | CLASS 3 COMMERCIAL | CLASS 4 VACANT LAND | CLASS 5 RESIDENTIAL | CLASS 6 RENTED RESIDENTIAL | CLASS 8 HISTORICAL | CLASS 10B HISTORICAL RENTED RESIDENTIAL | CLASS 11 IMPROVEMENTS ON GOVERNMENT PROPERTY | TOTAL NET FULL CASH ASSESSED VALUE |
|-------------|-------------------|--------------------|---------------------|---------------------|----------------------------|--------------------|---|--|------------------------------------|
| 1987 P | \$35,380,685 | \$294,567,527 | \$86,511,874 | \$348,235,976 | \$97,929,006 | \$3,290 | - | - | \$862,628,358 |
| S | 35,380,685 | 348,726,069 | 146,152,054 | 371,453,280 | 109,612,898 | 4,440 | - | - | 1,011,329,426 |
| 1988 P | 42,671,505 | 335,971,112 | 128,316,121 | 397,851,311 | 94,691,433 | 5,132 | - | - | 999,506,614 |
| S | 42,671,505 | 375,874,187 | 222,146,580 | 414,219,343 | 99,832,903 | 7,160 | - | - | 1,154,751,678 |
| 1989 P | 43,939,855 | 385,803,297 | 163,237,782 | 429,633,087 | 100,392,353 | 4,450 | - | - | 1,123,010,824 |
| S | 43,939,855 | 444,221,727 | 253,517,558 | 437,349,078 | 105,788,039 | 5,900 | - | - | 1,284,822,157 |
| 1990 P | 48,800,726 | 440,747,098 | 208,645,463 | 471,956,166 | 106,859,077 | 4,935 | - | - | 1,277,013,465 |
| S | 48,800,726 | 486,625,184 | 314,428,116 | 479,914,364 | 110,829,675 | 6,385 | - | - | 1,440,604,450 |
| 1991 P | 43,215,227 | 488,832,901 | 239,360,252 | 499,843,286 | 102,886,527 | 5,425 | - | - | 1,374,143,618 |
| S | 43,215,227 | 521,041,917 | 304,470,173 | 504,412,569 | 104,667,098 | 6,385 | - | - | 1,477,813,369 |
| 1992 P | 46,776,336 | 476,394,419 | 239,096,614 | 517,233,050 | 94,773,830 | 12,066 | - | - | 1,374,286,315 |
| S | 46,776,336 | 490,136,001 | 272,312,329 | 520,084,030 | 96,064,146 | 5,775 | - | - | 1,425,378,617 |
| 1993 P | 45,828,070 | 484,619,388 | 201,567,942 | 533,104,153 | 88,746,323 | 6,260 | - | - | 1,353,872,136 |
| S | 45,828,070 | 494,350,123 | 215,082,726 | 534,464,840 | 89,156,745 | 6,260 | - | - | 1,378,888,764 |
| 1994 P | 51,199,357 | 458,830,925 | 186,348,823 | 552,151,868 | 80,086,449 | 6,260 | - | \$7,068 | 1,328,630,750 |
| S | 51,199,357 | 470,717,424 | 193,930,770 | 554,900,677 | 82,160,681 | 6,260 | - | 7,068 | 1,352,922,237 |
| 1995 P | 52,594,412 | 457,581,726 | 186,548,463 | 597,708,157 | 76,427,846 | 6,611 | \$48,570 | 150 | 1,370,915,935 |
| S | 52,594,412 | 473,000,873 | 192,308,136 | 602,266,565 | 78,900,862 | 6,611 | 48,570 | 150 | 1,399,126,179 |
| 1996 P | 55,882,074 | 450,852,461 | 170,988,826 | 688,355,968 | 87,279,358 | 174,461 | - | 58,920 | \$1,453,592,068 |
| S | 55,882,073 | 493,284,268 | 186,704,289 | 694,908,407 | 98,650,458 | 599,902 | - | 58,920 | 1,530,088,317 |

A statewide reappraisal program assesses property values by usage classification on varying percentages of actual cash value. These percentages are as follows:

| Property Class | Ratio |
|-----------------------------|-------|
| 2. Utilities | 29% |
| 3. Commercial-Industrial | 25 |
| 4. Agriculture, Vacant Land | 16 |
| 5. Residential | 10 |
| 6. Lease-Rental | 10 |
| 8. Historic | 5 |
| 10B. Historical Rental | 10 |
| 11. Livestock | 1 |

Source: Arizona Department of Revenue
Abstract of the Assessment Roll Publication
Maricopa County Department of Finance

CITY OF SCOTTSDALE, ARIZONA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

TABLE IXa

TAX RATES PER \$100 ASSESSED VALUATIONS

| FISCAL YEAR | SCHOOL DISTRICTS | | | | | | | | | | | TOTAL |
|-------------|--------------------|--------------------|-------------------|-----------------|------------------|----------------|-------------------------|---------------|---------|-------|----------------------|---------|
| | CITY OF SCOTTSDALE | SCOTTSDALE UNIFIED | COMMUNITY COLLEGE | MARICOPA COUNTY | STATE OF ARIZONA | FLOOD DISTRICT | CENTRAL ARIZONA PROJECT | FIRE DISTRICT | LIBRARY | EVIT | EDUCA. EQUALI-ZATION | |
| 1987 P | .4200 | 4.9100 | .6600 | 1.4500 | .3800 | - | - | - | - | - | - | 7.8200 |
| S | .4400 | .6500 | .0800 | .2200 | - | .5000 | .0700 | - | - | - | - | 1.9600 |
| TOTAL | .8600 | 5.5600 | .7400 | 1.6700 | .3800 | .5000 | .0700 | - | - | - | - | 9.7800 |
| 1988 P | .4100 | 5.2000 | .6100 | 1.4300 | .3800 | - | - | - | - | - | - | 8.0300 |
| S | .4200 | .4900 | .0700 | .2100 | - | .5000 | .1000 | .0100 | .0300 | - | - | 1.8300 |
| TOTAL | .8300 | 5.6900 | .6800 | 1.6400 | .3800 | .5000 | .1000 | .0100 | .0300 | - | - | 9.8600 |
| 1989 P | .4031 | 4.3393 | .6473 | 1.4370 | .4700 | - | - | - | - | - | - | 7.2967 |
| S | .3556 | .8458 | .0684 | .1656 | - | .5000 | .1000 | .0087 | .0445 | - | - | 2.0886 |
| TOTAL | .7587 | 5.1851 | .7157 | 1.6026 | .4700 | .5000 | .1000 | .0087 | .0445 | - | - | 9.3853 |
| 1990 P | .3919 | 4.3220 | .6869 | 1.4426 | .4700 | - | - | - | - | - | - | 7.3134 |
| S | .3373 | .9637 | .0639 | .1637 | - | .4303 | .1000 | .0064 | .0420 | - | - | 2.1073 |
| TOTAL | .7292 | 5.2857 | .7508 | 1.6063 | .4700 | .4303 | .1000 | .0064 | .0420 | - | - | 9.4207 |
| 1991 P | .3941 | 4.1697 | .7047 | 1.5045 | .4700 | - | - | - | - | - | - | 7.2430 |
| S | .4772 | .9093 | .0916 | .1683 | - | .4235 | .1000 | .0064 | .0420 | - | - | 2.2183 |
| TOTAL | .8713 | 5.0790 | .7963 | 1.6728 | .4700 | .4235 | .1000 | .0064 | .0420 | - | - | 9.4613 |
| 1992 P | .4101 | 4.1346 | .7459 | 1.5143 | .4700 | - | - | - | - | - | - | 7.2749 |
| S | .4750 | 1.1437 | .0943 | .1741 | - | .4447 | .1400 | .0082 | .0444 | - | - | 2.5244 |
| TOTAL | .8851 | 5.2783 | .8402 | 1.6884 | .4700 | .4447 | .1400 | .0082 | .0444 | - | - | 9.7993 |
| 1993 P | .4926 | 4.1373 | .7938 | 1.6039 | .4700 | - | - | - | - | - | - | 7.4976 |
| S | .6387 | 1.2120 | .0572 | .1409 | - | .3901 | .1400 | .0099 | .0426 | - | - | 2.6314 |
| TOTAL | 1.1313 | 5.3493 | .8510 | 1.7448 | .4700 | .3901 | .1400 | .0099 | .0426 | - | - | 10.1290 |
| 1994 P | .4940 | 4.3194 | .8532 | 1.5848 | .4700 | - | - | - | - | - | - | 7.7214 |
| S | .7812 | 1.5225 | - | .1878 | - | .3632 | .1400 | .0104 | .0417 | - | - | 3.0468 |
| TOTAL | 1.2752 | 5.8419 | .8532 | 1.7726 | .4700 | .3632 | .1400 | .0104 | .0417 | - | - | 10.7682 |
| 1995 P | .5987 | 4.5296 | .8934 | 1.2394 | .4700 | - | - | - | - | - | .5300 | 8.2611 |
| S | .8623 | 1.4114 | - | .0032 | - | .3632 | .1400 | .0107 | .0417 | .0554 | - | 2.8879 |
| TOTAL | 1.4610 | 5.9410 | .8934 | 1.2426 | .4700 | .3632 | .1400 | .0107 | .0417 | .0554 | .5300 | 11.1490 |
| 1996 P | .5477 | 4.6058 | .9455 | 1.1580 | .4700 | - | - | - | - | - | .5300 | 8.2570 |
| S | .8832 | 1.4597 | .1675 | .1484 | - | .3332 | .1400 | .0108 | .0099 | .0693 | - | 3.2200 |
| TOTAL | 1.4309 | 6.0655 | 1.1130 | 1.3044 | .4700 | .3332 | .1400 | .0108 | .0099 | .0693 | .5300 | 11.4770 |

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Scottsdale residents residing outside
Scottsdale Unified School District:

| School District | 1995/96 Tax Rate Total |
|------------------|------------------------|
| Balsz Elementary | \$15.31 |
| Cave Creek | 11.70 |
| Fountain Hills | 13.05 |
| Paradise Valley | 13.61 |
| Tempe | 13.95 |

Source: Maricopa County Assessor's Office
Maricopa County Tax Levies and Rates Publication

East Valley Institute of Technology

CITY OF SCOTTSDALE, ARIZONA

PROPERTY TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

TABLE IXb

TAX LEVIES

SCHOOL DISTRICTS

| FISCAL YEAR | CITY OF SCOTTSDALE | SCOTTSDALE UNIFIED | COMMUNITY COLLEGE | MARICOPA COUNTY | STATE OF ARIZONA | FLOOD DISTRICT | CENTRAL ARIZONA PROJECT | FIRE DISTRICT | LIBRARY | EAST VALLEY INSTITUTE OF TECHNOLOGY | EDUCATION EQUALIZATION | TOTAL |
|-------------|--------------------|--------------------|-------------------|-----------------|------------------|----------------|-------------------------|---------------|-------------|-------------------------------------|------------------------|---------------|
| 1987 P | \$3,609,800 | \$53,017,998 | \$64,252,038 | \$140,945,425 | \$37,058,981 | - | - | - | - | - | - | \$298,884,242 |
| S | 4,364,000 | 7,966,614 | 8,936,900 | 26,639,165 | - | \$44,850,000 | \$7,674,515 | - | - | - | - | 100,431,194 |
| TOTAL | 7,973,800 | 60,984,612 | 73,188,938 | 167,584,590 | 37,058,981 | 44,850,000 | 7,674,515 | - | - | - | - | 399,315,436 |
| 1988 P | 4,131,980 | 63,154,347 | 70,272,141 | 165,318,498 | 43,656,031 | - | - | - | - | - | - | 346,532,997 |
| S | 4,812,000 | 8,532,030 | 9,057,513 | 27,251,761 | - | 47,860,799 | 12,402,458 | \$1,184,118 | \$4,135,868 | - | - | 113,236,545 |
| TOTAL | 8,943,980 | 69,686,377 | 79,329,654 | 192,570,259 | 43,656,031 | 47,860,799 | 12,402,458 | 1,184,118 | 4,135,868 | - | - | 459,769,542 |
| 1989 P | 4,526,857 | 57,697,334 | 80,098,810 | 177,809,767 | 58,121,461 | - | - | - | - | - | - | 378,254,229 |
| S | 4,569,000 | 12,426,366 | 9,218,850 | 12,324,183 | - | 50,832,192 | 13,480,787 | 1,179,127 | 6,000,000 | - | - | 110,030,505 |
| TOTAL | 9,095,857 | 70,123,700 | 89,317,660 | 190,133,950 | 58,121,461 | 50,832,192 | 13,480,787 | 1,179,127 | 6,000,000 | - | - | 488,284,734 |
| 1990 P | 5,004,816 | 63,662,375 | 94,016,141 | 197,430,202 | 64,324,340 | - | - | - | - | - | - | 424,457,674 |
| S | 4,859,000 | 15,336,527 | 9,362,900 | 24,041,307 | - | 47,234,724 | 14,887,785 | 982,630 | 6,618,870 | - | - | 123,143,743 |
| TOTAL | 9,863,816 | 79,018,902 | 103,399,041 | 221,471,509 | 64,324,340 | 47,234,724 | 14,887,785 | 982,630 | 6,618,870 | - | - | 547,601,417 |
| 1991 P | 5,413,466 | 64,113,108 | 99,559,163 | 209,542,215 | 63,689,678 | - | - | - | - | - | - | 442,317,630 |
| S | 7,052,177 | 14,778,034 | 13,524,900 | 26,049,981 | - | 46,551,742 | 14,187,398 | 1,192,863 | 5,958,707 | - | - | 129,295,822 |
| TOTAL | 12,465,643 | 78,891,142 | 113,084,063 | 235,592,196 | 63,689,678 | 46,551,742 | 14,187,398 | 1,192,863 | 5,958,707 | - | - | 571,613,452 |
| 1992 P | 5,636,002 | 63,651,363 | 103,498,218 | 210,113,008 | 65,215,394 | - | - | - | - | - | - | 448,113,985 |
| S | 6,770,426 | 16,014,779 | 13,421,470 | 25,868,883 | - | 46,536,815 | 19,929,247 | 1,167,284 | 6,320,418 | - | - | 138,029,322 |
| TOTAL | 12,406,428 | 81,666,142 | 116,919,688 | 235,981,891 | 65,215,394 | 46,536,815 | 19,929,247 | 1,167,284 | 6,320,418 | - | - | 586,143,307 |
| 1993 P | 6,668,686 | 62,866,388 | 108,004,302 | 218,224,368 | 63,945,919 | - | - | - | - | - | - | 459,709,663 |
| S | 8,606,588 | 18,650,305 | 7,898,265 | 19,461,200 | - | 39,254,429 | 19,332,340 | 1,367,073 | 5,682,555 | \$1,586,673 | - | 122,239,426 |
| TOTAL | 15,475,472 | 81,516,693 | 115,902,567 | 237,685,568 | 63,945,919 | 39,254,429 | 19,332,340 | 1,367,073 | 5,682,555 | 1,586,673 | - | 581,949,289 |
| 1994 P | 6,564,100 | 63,548,946 | 113,440,000 | 140,248,266 | 62,492,117 | - | - | - | - | - | \$70,469,834 | 456,763,263 |
| S | 10,569,176 | 22,689,826 | - | 25,360,203 | - | 35,142,441 | 18,905,751 | 1,404,427 | 5,631,213 | 3,595,963 | - | 123,299,000 |
| TOTAL | 17,133,276 | 86,238,772 | 113,440,000 | 165,608,469 | 62,492,117 | 35,142,441 | 18,905,751 | 1,404,427 | 5,631,213 | 3,595,963 | 70,469,834 | 580,062,263 |
| 1995 P | 8,207,959 | 67,792,691 | 118,841,866 | 164,865,317 | 62,520,935 | - | - | - | - | - | 70,502,331 | 492,731,099 |
| S | 12,064,737 | 21,559,083 | - | 428,377 | - | 35,318,672 | 18,929,645 | 1,447,315 | 5,638,330 | 2,663,873 | - | 98,250,032 |
| TOTAL | 20,272,696 | 89,351,774 | 118,841,866 | 165,293,694 | 62,520,935 | 35,318,672 | 18,929,645 | 1,447,315 | 5,638,330 | 2,663,873 | 70,502,331 | 590,981,131 |
| 1996 P | 7,961,161 | 71,666,142 | 127,583,281 | 156,257,472 | 63,420,563 | - | - | - | - | - | 71,516,805 | 500,816,247 |
| S | 13,514,325 | 23,677,497 | 23,643,816 | 20,670,863 | - | 36,078,354 | 19,767,209 | 1,517,982 | 1,397,824 | 1,452,107 | - | 141,719,977 |
| TOTAL | 21,475,486 | 95,363,639 | 151,227,097 | 176,928,335 | 63,420,563 | 36,078,354 | 19,767,209 | 1,517,982 | 1,397,824 | 3,842,930 | 71,516,805 | 642,536,224 |

Source: Maricopa County Assessor's Office Maricopa County Tax Levies and Rates Publication

The primary (P) tax levy is for maintenance and operation of cities, school districts, community college districts, counties, and the state. The secondary (S) tax levy is for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

CITY OF SCOTTSDALE, ARIZONA

PRINCIPAL TAXPAYERS
JUNE 30, 1996

TABLE X

| TAXPAYER | TYPE OF BUSINESS | ASSESSED VALUATION | % OF SECONDARY ASSESSED VALUATION |
|---------------------------------|---------------------------|----------------------|-----------------------------------|
| Arizona Public Service | Electric Utility | \$35,193,218 | 2.52% |
| U.S. West Communications | Telecommunications | 24,175,883 | 1.73 |
| Motorola GEG | Electronics Manufacturing | 20,121,402 | 1.44 |
| Westcor Company | Shopping Centers | 16,739,940 | 1.20 |
| Scottsdale Princess Partnership | Resort/Vacant Land | 15,970,376 | 1.14 |
| Gainey Ranch | Real Estate Development | 13,887,567 | .99 |
| Mayo Foundation | Medical Facility | 13,867,309 | .99 |
| Herberger Enterprises | Vacant Land | 10,631,066 | .76 |
| Business Realty of Arizona | Commercial Real Estate | 8,151,575 | .58 |
| Scottsdale Sportsplex | Commercial Real Estate | 5,990,612 | .43 |
| Southwest Gas Corporation | Gas Utility | 5,951,960 | .43 |
| PCS, Inc. | Commercial Real Estate | 5,287,755 | .38 |
| | | \$175,968,663 | 12.59% |

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

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS**

TABLE XI

| FISCAL YEAR | SPECIAL ASSESSMENTS BILLED | CURRENT ASSESSMENTS COLLECTED | RATIO OF COLLECTIONS TO AMOUNT DUE | TOTAL OUTSTANDING CURRENT AND DELINQUENT ASSESSMENTS ① |
|--------------------|-----------------------------------|--------------------------------------|---|---|
| 1987 | \$2,145,044 | \$2,128,060 | 99.2 | \$16,984 |
| 1988 | 3,052,968 | 3,029,100 | 99.2 | 23,868 |
| 1989 | 3,039,493 | 3,000,260 | 98.7 | 39,233 |
| 1990 | 3,000,779 | 2,936,746 | 97.9 | 64,033 |
| 1991 | 3,154,734 | 3,107,553 | 98.5 | 47,181 |
| 1992 | 4,277,490 | 4,232,313 | 98.9 | 45,177 |
| 1993 | 4,922,155 | 4,893,184 | 99.4 | 28,971 |
| 1994 | 5,646,017 | 5,598,649 | 99.2 | 47,368 |
| 1995 | 6,436,272 | 6,404,060 | 99.5 | 32,212 |
| 1996 | 7,029,786 | 7,008,633 | 99.7 | 21,153 |

Source: City of Scottsdale Financial Services Department

- ① Under Arizona law, public auctions are held in January of each year at which disposition of delinquent assessments is made. By bid, special lien rights to properties against which due but unpaid assessments exist are offered in return for payment of all outstanding amounts plus penalties. In the event there are not interested bidders, the delinquency must be satisfied from budgetary funds of the sponsoring governmental unit. Thus, in January of each year, all outstanding delinquent assessments are collected. The amounts shown in this column represent unpaid balances of the June 1 semi-annual interest installment only.

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

TABLE XII

| FISCAL YEAR | ASSESSED VALUE | POPULATION (JUNE 30) | GENERAL OBLIGATION BONDED DEBT ① | LESS FUND BALANCE RESERVED FOR DEBT SERVICE ② | NET BONDED DEBT | RATIO OF NET BONDED DEBT TO ASSESSED VALUE | NET BONDED DEBT PER CAPITA |
|------------------------|---------------------------|---------------------------------|---|--|--------------------------------|---|---|
| 1987 | \$1,011,329,426 | 120,541 | \$36,335,000 | \$7,769,234 | \$28,565,766 | 2.8 | \$236.98 |
| 1988 | 1,154,756,373 | 124,562 | 32,950,000 | 7,028,420 | 25,921,580 | 2.2 | 208.10 |
| 1989 | 1,284,822,157 | 127,553 | 29,535,000 | 6,256,289 | 23,278,711 | 1.8 | 182.50 |
| 1990 | 1,440,604,450 | 130,720 | 52,400,000 | 5,438,209 | 46,961,791 | 3.3 | 359.25 |
| 1991 | 1,477,813,367 | 133,949 | 50,615,000 | 5,674,407 | 44,940,593 | 3.0 | 335.51 |
| 1992 | 1,425,378,617 | 139,050 | 67,290,000 | 4,931,821 | 62,358,179 | 4.4 | 448.46 |
| 1993 | 1,378,884,764 | 145,920 | 80,300,000 | 3,021,190 | 77,278,810 | 5.6 | 529.60 |
| 1994 | 1,352,922,237 | 155,260 | 110,965,000 | 3,478,905 | 107,486,095 | 7.9 | 692.30 |
| 1995 | 1,399,126,179 | 165,620 | 121,915,000 | 342,402 | 121,572,598 | 8.6 | 734.05 |
| 1996 | 1,530,088,317 | 174,000 | 131,340,000 | 829,933 | 130,510,067 | 8.5 | 750.06 |

Source: City of Scottsdale Financial Services Department

① Includes all General Obligation Bonds outstanding at June 30 except for the 1986 Water System Improvement General Obligation Bonds and all general obligation refunding bonds paid out of the Water Enterprise Fund. Excludes accretion on capital appreciation bonds and original issue premium. Also excludes all general obligation bonds of community facilities districts, since such bonds are not obligations of the City.

② Includes the fund balance of the General Obligation Bond Debt Service Fund only.

**COMPUTATION OF LEGAL DEBT MARGINS
JUNE 30, 1996**

TABLE XIII

| | | |
|---|--------------|-----------------------------|
| Net Secondary Assessed Valuation as of June 30, 1996 | | \$1,530,088,317 |
| Debt Limit Equal to 20% of Assessed Valuation | | \$306,017,663 |
| General Obligation Bonded Debt Subject to 20% Debt Limit (net of amounts available in Debt Service Funds for payment on July 1, 1996): | | |
| 1986 Water Improvements | \$1,220,000 | |
| 1991 Refunding | 2,555,000 | |
| 1989 Series C (1992) CIP | 11,500,000 | |
| 1993 Refunding (Note B) | 30,131,000 | |
| 1989 Series D (1993) | 15,000,000 | |
| 1993A Refunding | 14,654,400 | |
| 1989 Series E (1994) | 7,400,000 | |
| 1994 Various Purpose | 7,300,000 | |
| 1995 Storm Sewer & Streets | 12,500,000 | |
| | <hr/> | |
| Net Outstanding Bonded Debt Subject to 20% Limit | | 102,260,400 |
| Legal 20% Debt Margin (Available 20% Borrowing Capacity) | | <u>\$203,757,263</u> |
| | | |
| Debt Limit Equal to 6% of Assessed Valuation | | \$91,805,299 |
| General Obligation Bonded Debt Subject to 6% Debt Limit (net of amounts available in Debt Service Funds for payment on July 1, 1996): | | |
| 1989 Series A (1990) CIP | \$ 4,345,000 | |
| 1989 Series B (1991) CIP | 7,595,000 | |
| 1991 Refunding | 100,000 | |
| 1989 Series C (1992) CIP | 6,785,000 | |
| 1993 Refunding | 12,429,000 | |
| 1989 Series D (1993) | 2,980,000 | |
| 1993A Refunding (Note B) | 8,505,600 | |
| 1989 Series E (1994) | 6,025,000 | |
| 1994 Various Purpose | 7,825,000 | |
| 1995 Pima Road Improvements | 2,100,000 | |
| | <hr/> | |
| Net Outstanding Bonded Debt Subject to 6% Limit | | 58,689,600 |
| Legal 6% Debt Margin (Available 6% Borrowing Capacity) | | <u>\$33,115,699</u> |

- (1) 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.
- (2) The computation of legal debt margins does not include accreted principal on capital appreciation bonds.
- (3) 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.

Source: City of Scottsdale Financial Services

**RATIO OF TOTAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL OPERATING EXPENDITURES
LAST TEN FISCAL YEARS**

TABLE XIV

| FISCAL YEAR | PRINCIPAL | INTEREST | TOTAL DEBT SERVICE ① | TOTAL GENERAL GOVERNMENTAL OPERATING EXPENDITURES ② | RATIO OF TOTAL DEBT SERVICE TO TOTAL OPERATING EXPENDITURES |
|------------------------|------------------|-----------------|---------------------------------|--|--|
| 1987 | \$3,385,000 | \$2,651,968 | \$6,036,968 | \$84,961,071 | 7.11 |
| 1988 | 3,415,000 | 2,339,321 | 5,754,321 | 91,528,855 | 6.29 |
| 1989 | 3,445,000 | 2,178,611 | 5,623,611 | 95,645,945 | 5.88 |
| 1990 | 2,475,000 | 2,724,699 | 5,199,699 | 84,881,157 | 6.13 |
| 1991 | 2,515,000 | 3,462,318 | 5,977,318 | 92,217,407 | 6.48 |
| 1992 | 2,325,000 | 4,448,878 | 6,773,878 | 98,616,817 | 6.87 |
| 1993 | 6,045,000 | 4,586,896 | 10,631,896 | 114,024,019 | 9.32 |
| 1994 | 4,585,000 | 4,896,738 | 9,481,738 | 122,504,960 | 7.74 |
| 1995 | 5,050,000 | 6,860,083 | 11,910,083 | 134,366,213 | 8.86 |
| 1996 | 5,575,000 | 7,492,959 | 13,067,959 | 153,840,812 | 8.49 |

Source: City of Scottsdale Financial Services Department

- ① Amounts exclude 1986 Water System Improvement General Obligation Bonds and all general obligation refunding bonds paid out of the Water Enterprise Fund. Also excluded are all general obligation bonds of community facilities districts, since such bonds are not obligations of the City.
- ② Includes total expenditures of the General, Special Revenue, and Debt Service Funds.

CITY OF SCOTTSDALE, ARIZONA

RATIO (COVERAGE) OF NET WATER AND SEWER UTILITY REVENUE
TO TOTAL BOND EXPENSE
LAST TEN FISCAL YEARS

TABLE XV

RATIO INCLUDING 1986 WATER SYSTEM IMPROVEMENT GENERAL OBLIGATION BONDS
AND ALL GENERAL OBLIGATION REFUNDING BOND EXPENSES PAID OUT OF THE WATER ENTERPRISE FUND

| FISCAL YEAR | GROSS REVENUE ① | OPERATING & MAINTENANCE EXPENSES ② | NET REVENUE AVAILABLE FOR DEBT SERVICE | PRINCIPAL | INTEREST | TOTAL BOND EXPENSE | RATIO OF NET REVENUE TO TOTAL BOND EXPENSE | REQUIRED RATIO |
|-------------|-----------------|------------------------------------|--|-----------|-------------|--------------------|--|----------------|
| 1987 | \$19,757,728 | \$11,333,904 | \$8,423,824 | \$690,000 | \$3,001,897 | \$3,691,897 | 2.28 | 1.20 |
| 1988 | 26,327,551 | 12,208,834 | 14,118,717 | 1,050,000 | 3,624,851 | 4,674,851 | 3.02 | 1.20 |
| 1989 | 28,081,975 | 15,044,722 | 13,037,253 | 1,170,000 | 3,562,876 | 4,732,876 | 2.75 | 1.20 |
| 1990 | 33,204,682 | 19,749,304 | 13,455,378 | 1,295,000 | 3,742,838 | 5,037,838 | 2.67 | 1.20 |
| 1991 | 34,101,914 | 25,034,722 | 9,067,192 | 1,605,000 | 3,956,008 | 5,561,008 | 1.63 | 1.20 |
| 1992 | 36,784,727 | 23,685,494 | 13,099,233 | 1,785,000 | 3,849,104 | 5,634,104 | 2.33 | 1.20 |
| 1993 | 38,534,538 | 26,113,738 | 12,420,800 | 1,912,500 | 2,467,289 | 4,379,789 | 2.84 | 1.20 |
| 1994 | 49,233,337 | 33,423,319 | 15,810,018 | 2,850,000 | 2,945,990 | 5,795,990 | 2.73 | 1.20 |
| 1995 ③ | 56,899,957 | 31,737,939 | 25,162,018 | 3,610,000 | 3,532,793 | 7,142,793 | 3.52 | 1.20 |
| 1996 | 68,523,076 | 48,156,761 | 20,366,315 | 3,545,000 | 3,340,253 | 6,885,253 | 2.96 | 1.20 |

RATIO EXCLUDING 1986 WATER SYSTEM IMPROVEMENT GENERAL OBLIGATION BONDS
AND ALL GENERAL OBLIGATION REFUNDING BOND EXPENSES PAID OUT OF THE WATER ENTERPRISE FUND

| FISCAL YEAR | GROSS REVENUE ① | OPERATING & MAINTENANCE EXPENSES ② | NET REVENUE AVAILABLE FOR DEBT SERVICE | PRINCIPAL | INTEREST | TOTAL BOND EXPENSE | RATIO OF NET REVENUE TO TOTAL BOND EXPENSE |
|-------------|-----------------|------------------------------------|--|-----------|-----------|--------------------|--|
| 1988 | \$26,327,551 | \$12,208,834 | \$14,118,717 | \$725,000 | \$999,798 | \$1,724,798 | 8.19 |
| 1989 | 28,081,975 | 15,044,722 | 13,037,253 | 765,000 | 964,798 | 1,729,798 | 7.54 |
| 1990 | 33,204,682 | 19,749,304 | 13,455,378 | 800,000 | 1,178,375 | 1,978,375 | 6.80 |
| 1991 | 34,101,914 | 25,034,722 | 9,067,192 | 1,020,000 | 2,014,346 | 3,034,346 | 2.99 |
| 1992 | 36,784,727 | 23,685,494 | 13,099,233 | 1,095,000 | 1,374,281 | 2,469,281 | 5.30 |
| 1993 | 38,534,538 | 26,113,738 | 12,420,800 | 1,112,500 | 681,594 | 1,794,094 | 6.92 |
| 1994 | 49,233,337 | 33,423,319 | 15,810,018 | 1,425,000 | 1,247,210 | 2,672,210 | 5.92 |
| 1995 | 56,899,957 | 31,737,939 | 25,162,018 | 1,835,000 | 1,381,208 | 3,216,208 | 7.82 |
| 1996 | 68,523,076 | 48,156,761 | 20,366,315 | 1,655,000 | 1,243,160 | 2,898,160 | 7.03 |

Source: City of Scottsdale Financial Services Department

- ① Revenue - includes all operating revenues and interest earnings recorded in the Water and Sewer Utility Enterprise Fund.
- ② Expenses - includes total operating expenses of the Water and Sewer Utility Enterprise Fund, excluding depreciation and amortization.
- ③ 1995 interest expense has been restated to reflect an accounting adjustment.

TOTAL DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT

TABLE XVI

The City's proportionate share of general obligation debt of all local governmental units which provide services within the City's boundaries and which must be borne by properties in the City is summarized below:

| Name of Governmental Unit | Net Bonds Outstanding | % Applicable within the City of Scottsdale | \$ Applicable within the City of Scottsdale |
|---|-----------------------|--|---|
| Maricopa County | \$169,400,000 | 10.84% | \$18,362,960 |
| Maricopa County Community College District | 104,750,000 | 10.84 | 11,354,900 |
| Tempe Elementary School District No. 3 | 35,350,000 | 0.01 | 3,535 |
| Balsz Elementary School District No. 31 | 18,800,000 | 0.50 | 94,000 |
| Scottsdale Unified School District No. 48 | 214,315,000 | 73.31 | 157,114,327 |
| Paradise Valley Unified School District No. 69 | 220,210,000 | 12.61 | 27,768,481 |
| Cave Creek Unified School District No. 93 | 40,710,000 | 6.49 | 2,642,079 |
| Tempe Union High School District No. 213 | 115,465,000 | 0.01 | 11,547 |
| Phoenix Union High School District No. 210 | 121,660,000 | 0.27 | 328,482 |
| Fountain Hills Unified School District No. 98 | 27,000,000 | 0.02 | 5,400 |
| East Valley Institute | 9,500,000 | 20.21 | 1,919,950 |
| Scottsdale Mountain Community Facilities District | 5,450,000 | 100.00 | 5,450,000 |
| McDowell Mountain Community Facilities District | 11,950,000 | 100.00 | 11,950,000 |
| Total Overlapping Debt | | | 237,005,661 |
| City of Scottsdale ① | 160,950,000 | 100.00 | 160,950,000 |
| Total Direct and Overlapping Debt | | | \$397,955,661 |

Source: The City of Scottsdale's Financial Advisor, obtained from the Maricopa County Assessor's Office

- ① Amounts include total stated principal amount of general obligation bonds outstanding (without regard to premium). Amounts exclude 1986 Water System Improvement General Obligation Bonds and all general obligation refunding bonds paid out of the Water Enterprise Fund, and exclude accretion on capital appreciation bonds.

**DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

TABLE XVII

| FISCAL YEAR | POPULATION ① | PER CAPITA INCOME | | MEDIAN AGE | | EDUCATION LEVEL IN YEARS OF SCHOOLING | SCHOOL ENROLLMENT ④ | UNEMPLOYMENT RATE ⑤ |
|----------------|-----------------|----------------------|---|---------------|---|--|---------------------------|---------------------------|
| | | ② | ③ | ② | ③ | | | |
| 1987 | 120,541 | \$14,975 | | 39.0 | | N/A | 19,337 | 4.3 |
| 1988 | 124,562 | 16,891 | | 39.0 | | N/A | 20,081 | 3.5 |
| 1989 | 127,553 | 17,926 | | 35.0 | | N/A | 19,350 | 2.7 |
| 1990 | 130,720 | 20,543 | | 35.0 | | N/A | 19,276 | 3.0 |
| 1991 | 133,949 | 20,937 | | 37.0 | | N/A | 19,647 | 3.1 |
| 1992 | 139,050 | 23,482 | | 39.1 | | N/A | 20,357 | 4.7 |
| 1993 | 145,920 | 24,186 | | 39.1 | | N/A | 21,130 | 4.2 |
| 1994 | 155,270 | 24,925 | | 39.1 | | N/A | 22,096 | 3.1 |
| 1995 | 165,270 | 28,000 | | 39.1 | | N/A | 24,089 | 2.7 |
| 1996 | 174,000 | 29,288 | | 39.1 | | N/A | 24,467 | 2.2 |

Sources:

- ① City Planning staff
- ② *Inside Phoenix* (Republic and Gazette) (fiscal year 1987 only)
- ③ City Planning staff (beginning fiscal year 1988)
- ④ Arizona Department of Education (Enrollment statistics are not available until six months after the close of the fiscal year. The numbers presented on each line represent the prior year's statistics.)
- ⑤ Arizona Department of Economic Security (fiscal years 1987 and 1994); City Planning staff (fiscal years 1988 through 1993, 1995, and 1996)

**PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

TABLE XVIII

| FISCAL YEAR | PROPERTY VALUE ① | | | COMMERCIAL CONSTRUCTION ② | | RESIDENTIAL CONSTRUCTION ② | | BANK DEPOSITS MARICOPA COUNTY (000) ③ |
|----------------|------------------|-----------------|---------------|------------------------------|---------------|-----------------------------------|---------------|---|
| | COMMERCIAL | RESIDENTIAL | NONTAXABLE | NUMBER OF PERMITS | VALUE | NUMBER OF DWELLING UNITS | VALUE | |
| 1987 | \$2,419,008,011 | \$4,339,613,412 | \$300,069,057 | 2,369 | \$241,225,414 | 3,907 | \$400,622,346 | \$16,305,623 |
| 1988 | 3,034,294,469 | 4,807,553,647 | 390,010,293 | 1,416 | 172,700,000 | 3,996 | 545,900,000 | 15,373,219 |
| 1989 | 3,507,955,829 | 5,076,358,189 | 457,067,285 | 1,287 | 243,007,000 | 1,932 | 360,424,000 | 14,491,100 |
| 1990 | 4,074,473,248 | 5,534,789,752 | 606,445,209 | 1,035 | 116,911,202 | 1,571 | 229,271,970 | 17,119,454 |
| 1991 | 4,131,284,706 | 5,789,786,355 | 607,232,155 | 935 | 53,179,292 | 2,028 | 363,705,832 | 18,992,331 |
| 1992 | 3,818,532,680 | 5,935,463,922 | 621,380,175 | 1,296 | 33,101,112 | 2,327 | 490,763,126 | 19,425,952 |
| 1993 | 3,474,552,966 | 6,083,107,311 | 677,123,439 | 2,489 | 89,192,106 | 4,663 | 618,384,060 | 19,011,574 |
| 1994 | 3,265,815,082 | 6,294,430,240 | 671,709,817 | 2,516 | 153,331,023 | 4,595 | 593,418,369 | 20,598,522 |
| 1995 | 3,269,863,844 | 6,810,084,933 | 743,350,656 | 2,751 | 162,541,354 | 4,954 | 652,362,926 | 20,753,634 |
| 1996 | 3,345,470,222 | 8,024,933,904 | 735,697,810 | 2,923 | 152,488,291 | 4,449 | 607,709,758 | 21,124,505 |

Sources:

- ① Abstract published by the Arizona Department of Revenue
- ② City Building Inspection staff
- ③ Arizona Bankers Association

MISCELLANEOUS STATISTICAL DATA
JUNE 30, 1996

TABLE XIX

Date of Incorporation - June 25, 1951
Date Charter Adopted - November 16, 1961
Form of Government - Council/Manager

| Area (Square Miles) | |
|---------------------|--------|
| 1951 | .62 |
| 1961 | 8.80 |
| 1970 | 62.20 |
| 1975 | 85.80 |
| 1979 | 88.60 |
| 1982 | 113.60 |
| 1986 | 183.60 |
| 1987 | 184.30 |
| 1988 | 184.80 |
| 1990 | 185.20 |

| Population | |
|---------------------|---------|
| 1950 Census | 2,032 |
| 1960 Census | 10,026 |
| 1965 Special Census | 54,504 |
| 1970 Census | 67,823 |
| 1975 Special Census | 78,065 |
| 1980 Census | 88,412 |
| 1985 Census | 108,447 |
| 1990 Census | 130,069 |
| 1996 Est. 06/30/96 | 174,000 |



Miles of Sewers
Storm 60
Sanitary 782

Fire Protection
Number of Stations 7

The City of Scottsdale has no fire employees but contracts with Rural/Metro Corporation to provide fire service to all residents.

Police Protection
Number of Employees 390
Number of Traffic Citations (excluding parking and Criminal) 48,813
Number of Vehicles 198

The City jail is a holding facility. All long-term prisoners are incarcerated in the County jail.

Recreation
Parks - Developed parks acreage 515
Number of Swimming Pools 3
Number of Other Recreation Facilities 43

These include schools and school playgrounds in cooperation with Scottsdale Unified School District.

Water Enterprise
Number of Water Customers 60,941
Annual Consumption (Gallons) 20,463,705,000
System Capacity (Gallons Per Day) 100,437,760
Miles of Distribution Lines 1,125

Number of Streetlights 8,704

Employees as of June 30, 1996
Full-Time 1,356
Part-Time 331
Grant and trust funded 23
Total 1,710

Elections
Number of registered voters as of last regular election, March 1996 101,373
Number/% voting in last municipal election 25,373/25.0%

Population
Median Age of Residents 39.1
Mean Average Household Income \$60,000
Mean Average Home Value - Single Family \$180,000

Source: City of Scottsdale Financial Services Department

CITY OF SCOTTSDALE, ARIZONA

**SCHEDULE OF INSURANCE
JUNE 30, 1996**

TABLE XX

| CARRIER | POLICY DESCRIPTION | AMOUNT OF COVERAGE |
|------------------------------------|--|---|
| Arkwright Mutual Insurance Company | Property Insurance Repair or Replace \$50,000 Deductible | \$203,082,980 |
| Lexington Insurance Company | Excess Liability Coverage \$1,000,000 Deductible | \$20,000,000 |
| Associate Aviation Underwriters | Airport, Hangarkeepers Non-owned Aviation, Air Fair, T-Bird Balloon Classic Insurance \$5,000 Deductible | \$50,000,000 |
| American Home Insurance Company | Excess Workers' Compensation Insurance \$300,000 Deductible | Statutory |
| Lumbermans Mutual Casualty Company | Fidelity/Crime Insurance No Deductible | \$1,000,000 Primary \$4,000,000 excess, specific positions only |

Source: City of Scottsdale Risk Management Division

**SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
FOR FISCAL YEAR ENDED JUNE 30, 1996**

TABLE XXI

| OFFICIAL TITLE | MAXIMUM | BOND |
|---|----------------|-----------------------------|
| Mayor | \$27,600 | \$10,000 |
| Councilmen (6) | 13,800 | 10,000 |
| City Manager | 127,760 | 1,000,000 |
| City Clerk | 55,141 | 1,000,000 |
| City Attorney | 98,592 | 1,000,000 |
| City Treasurer | 95,701 | 1,000,000 |
| City Judge | 86,653 | 1,000,000 |
| City Auditor | 63,149 | 1,000,000 |
| PUBLIC EMPLOYEES HONESTY AND FAITHFUL PERFORMANCE BOND | | |
| All City Employees | | \$1,000,000 per employee |

Source: City of Scottsdale Financial Services Department

