



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1997

City of Scottsdale, Arizona

Cover Design:

**Rick Forcus
Graphic Designer
City of Scottsdale**



CITY OF SCOTTSDALE
COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

Fiscal Year Ended June 30, 1997

CITY COUNCIL
Sam Kathryn Campana, Mayor

Gregory S. Bielli

Mary Manross

Robert C. Pettycrew

Donald J. Prior

Dennis E. Robbins

Richard Thomas



CITY MANAGER
Richard A. Bowers

ASSISTANT CITY MANAGERS

Barbara A. Burns
David L. Ellison
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

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
David Ellison
994-7820**

**Assistant City Manager
Barbara A. Burns
994-2599**

**Fire
(by contract)
Karl Keierleber
481-3220**

**Police
Michael Heidingsfield
391-5310**

**Organizational Effectiveness
Neal Shearer
994-2604**

**Redevelopment/
Urban Design
Gary Roc
994-2318**

**Community Planning
Debbi Dollar
994-2635**

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

**Communications & Public Affairs
Pat Dodds
994-2336**

**Community Services
Bill Exham
994-2377**

**Financial Services
James Jenkins
994-2427**

**Information Systems
Carter Hunt
994-2322**

**Intergovernmental Relations
Jeff Kulaga
994-2423**

Uniformed Services
Investigative Services
Administrative Services
Communications
Professional Standards
Emergency Services

Corporate Development
Human Resources
Quality Resource Management
Strategic Initiatives

Redevelopment
Urban Design Studio

Citizen Service Centers
Community Planning
Environmental Management

Community Maintenance and Recreation
Library Systems
Human Services
Cultural Council Contract Admin

Accounting and Budget
Risk Management
Purchasing
Customer Service

Geographic Information Systems
Advanced Technology
Communication Services
Application Development
Computer Operations
Systems Support

**Transportation
Steve Hogan
994-2539**

**Water Resources
Roger Klingler
391-5681**

**Community Development
John Faramelli
994-2583**

**Municipal Services
Al Dreska
391-5555**

**Preservation
Bob Cafarella
994-2319**

**Economic Development
Dave Roderique
994-7601**

Airport
Transit
Traffic Engineering
Transportation Planning

Water Resources Operations
Water Quality & Engineering

Development Services
Project Review
Inspection Services
Project Coordination

Capital Project Management
Field Services
Solid Waste Management
Fleet Management

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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 30, 1997

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 or Scottsdale), Arizona, for the fiscal year ended June 30, 1997, 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.

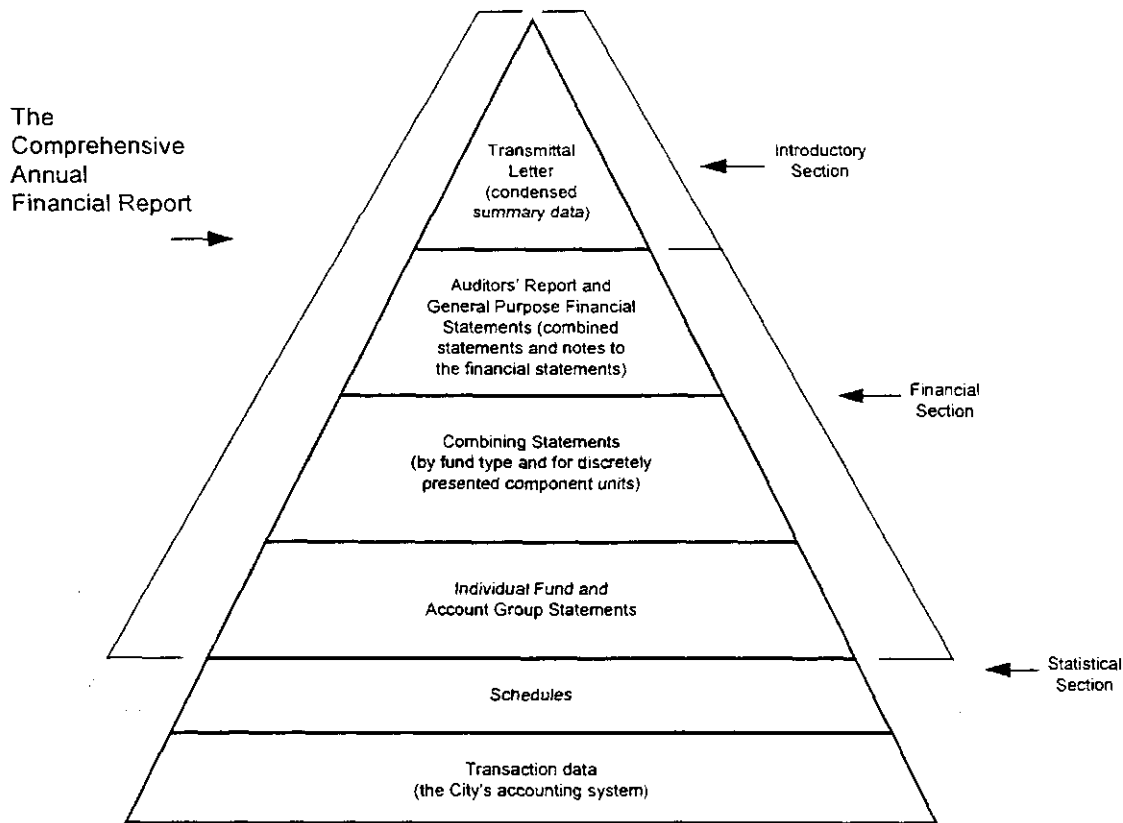
This report represents management's report to its governing body, constituents, legislative and oversight bodies, and investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, national repositories, and other agencies which have 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, DC Ranch Community Facilities District, Scottsdale Preserve Authority, 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.

The economic climate remained strong for the City of Scottsdale during fiscal year 1996/97. Local economic indicators recorded positive gains, albeit at a slower pace than previous years, and Scottsdale's economic indicators once again exceeded the averages for metro Phoenix. Significant reasons for Scottsdale's positive economic condition at fiscal year end 1996/97 and continued favorable outlook for fiscal year 1997/98 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 1996/97 were up by 11 percent overall, and are projected to grow by 9 percent for 1997/98. In 1996/97 the construction of a large urban entertainment complex (the Scottsdale Waterfront) and expansion of Fashion Square Mall (including a new Nordstrom's Department Store) began 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 several new car dealerships.

Assessed Property Values. The average base price of new residential homes prepared by Commerce Realty Advisors on Valley standard plan and semi-custom residential construction continue to show the strength of the Scottsdale market. Scottsdale retail home price average \$258,500 at the end of the first quarter of 1997, an annual increase of 6.2 percent as compared to the Valley-wide average new home base price at \$157,331 for an .8 percent annualized increase. Assessed property values increased 6.5 percent during 1996/97, a good indicator of the communities economic well-being and revenue base. Assessed property values are expected to grow by 10.5 percent in 1997/98.

Residential Construction. Single family permits issued in 1996/97 totaled 3,170 units compared to 3,074 in 1995/96. Despite the increasing base price of residential homes referenced in the above section the personal income levels are anticipated to support this level of increased pricing and activity in new home starts. This type of market is reflective of the numerous master planned communities (D.C. Ranch, McDowell Mountain Ranch, Desert Mountain, Bellesera, Winfield, Legend Trail, Troon North, and Grayhawk) in operation in North Scottsdale. Presently (as of the end of March 1997) the City has an existing inventory of 4,215 improved single family home sites ready to be issued permits. North Scottsdale has a planned inventory of 13,000 home sites within the master planned communities.

Multifamily permits issued totaled 1,274 in 1996/97 as compared to 1,594 units in 1995/96. The multifamily market is expected to decline somewhat over the next two years as new units on the market become rented and absorbed into occupied status.

Commercial Activity. Construction will increase next year with much of the focus on downtown Scottsdale, including the Waterfront 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. Additional development will include the Portales mixed use project and the redevelopment of the old Scottsdale High School site. The Four Seasons Resort at Crescent Moon (North Scottsdale) and the Ritz Carlton at Grayhawk will also begin construction in 1997/98.

Vacancy Rates. Commercial vacancy rates dropped substantially over the past year. Office vacancies are estimated very low at 5 percent, retail vacancies at 7 percent and industrial vacancies at about 4 percent. A large amount of speculative construction has begun, but absorption remains strong, and therefore vacancy rates should remain low over the next year.

Job Growth. Scottsdale attracted 16 major new firms with over 5,000 new jobs in 1996/97. Additionally there are 17 active prospective firms looking at Scottsdale, with a potential for another 4,300 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 and in corporate headquarters operations (including The Dial Corporation and Finova Capital Group's decisions to relocate their headquarters to Scottsdale).

Employment. Scottsdale remains a net importer of labor, as the number of jobs physically located in the City (about 125,000) far outweighs the local labor force (about 97,000). Scottsdale's unemployment rate is the lowest of any major City in the Valley (currently a record low 2.0 percent), and is expected to remain at this level through the end of 1997.

Tourism. Scottsdale's number one industry continues to perform very well. The number of visitors to Scottsdale rose by 10 percent last year to about 7.0 million annually, hotel occupancy rates remained a high 74 percent, and hotel bed tax receipts were up 14 percent. The tourism industry will likely remain strong in 1997/98 with the addition of another seven new hotels (which will increase the total room stock by an additional 1,000 rooms), and with continued strong growth in national tourism trends.

These factors contributed to Scottsdale's strong economy in 1996/97, and will likely continue into 1997/98. 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 1997/98, 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

During 1996/97 we continued to invest in programs and amenities that define the special character of our City and will keep Scottsdale as a "livable" community for generations to come - a sustainable economic base, meaningful open space, neighborhood preservation, and human services, cultural and arts programs.

Use of thoughtful, integrated community-based strategic planning continues to be the key to achieving a sustainable community. The foundation of our community-based strategic planning process is premised upon long-term citizen driven plans - the 1992 Shared Vision Report, Cityshape 2020, the City's General Plan elements for land use, transportation, water resources, open space and other public amenities, as well as citizen participation in the Biennial Budget process and Five Year Balanced Financial Plan.

Service efforts to shape and maintain Scottsdale as a sustainable community were made in the past year include enhancements to the quality services we provide for our citizens; contributions made to environmentally and fiscally sound infrastructure; and, contributions towards building and maintaining a sustainable economic base. The following are some of the service efforts and accomplishments of City staff during 1996/97:

General Government

- Continued Scottsdale's tradition of national and regional leadership with key appointments, including the appointment of Mayor Campana as vice-chair of the Arts, Culture and Recreation Committee of the U. S. Conference of Mayors, appointment of Councilman Bielli as chairman of the Transportation and Communications Policy Committee of the National League of Cities (NLC), and the reappointment of Councilwoman Manross to another term of the NLC Energy, Environment and Natural Resources Policy Committee.
- Facilitated significant public participation in a wide range of issues, including proposed street widening projects, water facilities plans and land-use planning.
- Developed and implemented a Managed Competition process to enable departments to compare service performance to other similar service providers and to seek out best practices so that we will continue to provide the most effective and efficient level of service.
- Formed a twenty member cross-departmental City negotiation team to address future negotiation opportunities.
- Increased community outreach by securing grant funds to build a Victim's Assistance Program, and by partnering with the Police Department to establish a specialized unit to combat domestic violence.

Police

- Gained national crime laboratory accreditation from the American Society of Crime Laboratory Directors in June 1996, becoming one of only 150 accredited police laboratories in the country.

- Received a federal grant to hire six police officers to establish a second bicycle unit, resulting in the leverage of available grant monies to address specific public safety needs in the waterfront and downtown areas.
- Established the first officer housing program, in partnership with the Chamber of Commerce, in the Paiute Park neighborhood in an effort to stabilize the neighborhood and foster community policing.
- Established the Criminal Justice Team with representatives from Police, City Court, and City Prosecutor's Office resulting in the identification of 33 processes requiring review and assessment, resulting in four major improvements in the criminal justice system.

Financial Services

- Replaced Water & Sewer bond reserve requirements with a surety bond, eliminating \$10 million in future reserve requirements over 5 years.
- Property tax full cash values were increased by \$33,900,000 due to errors discovered by the City Property Tax Auditor. The City tax effect was approximately \$119,000 and the tax effect for all taxing jurisdictions is over \$900,000.
- Implemented an Owner Control Insurance Program for the construction of the Water Campus and associated collection system, Expansion of the CAP Water Treatment Plant, and the Indian School Road widening project with expected savings up to \$1,200,000.
- Received STAR status from the Arizona Division of Occupational Safety and Health after qualifying in their Voluntary Protection Program.
- Maintained its AA- bond rating from Fitch for its Water and Sewer Revenue bonds, and its AA+ bond rating from Standard & Poor's for its Municipal Property Corporation bonds.

Transportation

- Completed the Airport Part 150/Master Plan Study, with substantial community involvement.
- Extended the former Scottsdale Connection Route 81 (Hayden Road) south to Ray Road in Chandler (Route 82) through an agreement with the RPTA.
- Extended Route 72 (Scottsdale Road) from Tempe north to Fashion Square during evenings and weekends.
- Completed construction of Loloma Station, Scottsdale's downtown transit center in Spring 1997.
- Completed 8.5 miles of bike lanes, and 3 miles of multi-use paths.

Community Services

- Implemented the Maintenance 2000 Task Force report, creating a new division within the department called Community Maintenance and Recreation. This Division is managed with geographically based "service areas," and consolidated Facilities Maintenance, Medians and Rights of Way, Parks Maintenance, and Recreation operations into the new division.
- Completed and opened both Palomino and Arabian Libraries. Both of these libraries are located at schools and represent a new method of providing service to citizens through a shared use agreement with the Scottsdale School District.
- Completed the LINKS Community Prevention Plan for youth. This "first of its kind" prevention plan includes shared community goals, strategies to reach the goals, and long term outcome indicators to measure community progress. In addition, LINKS helped to facilitate collaborative grant applications sponsored by the Scottsdale School District and Scottsdale Memorial Health System which resulted in \$560,000 in Tobacco Tax funding for prevention and primary care needs in Scottsdale.
- Completed and opened Horizon Park Community Center, the City's newest community center at 23 acre Horizon Park. Major renovation of McCormick Stillman Railroad Park is underway to improve layout and enhance use of this popular facility.

Information Systems

- Created the City's Internet "Home Page" and provided Internet and Intranet access as needed for all City staff.
- Reoriented and expanded the City's technology education and communication programs.
- Moved Geographic Information Systems from development to service delivery.
- Expanded the Advanced Technology Program research and development efforts.
- Received world-wide recognition and awards for Scottsdale's technology initiatives.

Community Planning

- Through a variety of mechanisms, provided information and tools for every Scottsdale household to participate in some type of neighborhood collaborative activity.
- Completed CityShape 2020 public process, developed implementation plan and realigned staff resources to effectively implement "character-based" planning.

Redevelopment and Urban Design

- Completed the reorganization and establishment of the Redevelopment and Urban Design Studio.
- Stadium Focus Area Request for Proposal (RFP) completed and negotiations started with a developer.
- Issued RFP's for Downtown Gateway, Loloma site and Waterfront Gateway.
- Redevelopment plans for the Waterfront area, Downtown, and Scottsdale Papago approved by City Council.

Community Development

- Produced VISIONCHECK, a quarterly community publication, featuring planning and development efforts, in partnership with Communications and Public Affairs.
- 87% (over 180,000) of building inspections scheduled in 1996 were scheduled by the public through the automated Voice Response System. Phase II, a data base of case information from application to permit which will complete the Development Activity automated information service is underway by the reengineering team.
- Community Planning and Development class developed and successfully established at Scottsdale Community College to educate the community and promote interest in community planning and development as a career.

Economic Development

- Broadened the tax base through the attraction of a number of key retail developments, including new shopping centers and auto dealers.
- Increased the number of jobs within Scottsdale by over 3,000 through recruitment of targeted opportunities and through the retention and expansion of existing businesses, contributing to the lowest unemployment rate in the City's history (2.0%).
- Continued to strongly support the City's tourism industry through a broad based tourism development program, which includes support through marketing, research, event promotion, and the creation of new attractions, resulting in a 74% occupancy rate and a 16% increase in bed tax receipts over the prior year.

Preservation

- Acquired 525 acres of land in the Recommended Study Boundary for inclusion in the McDowell Sonoran Preserve bringing the total acreage in the preserve to 3,745 acres.

Fire

- On January 1, 1996, the City completed the first 10 years of comprehensive Scottsdale Sprinkler Ordinance. This visionary action continues to provide the citizens a higher degree of safety than is available in most cities and established Scottsdale as a national leader in community fire protection.
- Conducted extensive public education programs which included leadership and student academies, CPR, first aid training classes, school talks, station tours and E.D.I.T.H. (exit drills in the home) events for over 55,000 of Scottsdale's citizens and children.
- In July 1996, successfully commanded and managed the largest single fire incident to ever impact the City of Scottsdale. Over 23,000 acres of open space land was burned, 500 people were evacuated from their homes and 150 homes were threatened during this three day event. No residential structures were lost and no civilian injuries occurred.

Water Resources

- Maintained federal and state environmental quality compliance for all municipal water, wastewater and reclaimed water systems to continue providing safe water to our customers.
- Completed over \$6 million worth of Capital projects that upgraded the reliability of our water and sewer systems.
- Incorporated Fiscal Impact of Development Study results into major revision of development fees to allow new development to pay fair share of growth capital costs.
- Completed design and began construction on Water Campus project that will optimize water resources and conserve ground water supplies.
- Completed Assured Water Supply application to obtain designation as a water provider with a 100 year sustainable water supply.

Municipal Resources

- Coordinated various programs to promote the beautification and vitality of Scottsdale neighborhoods such as SNAP Clean-ups, bi-annual rubbish roundups, Household Hazardous Waste collections, Holiday Tree recycling collection, as well as providing support to Take Pride in Scottsdale clean-ups.
- Completed implementation of Transfer Station Operations and City-wide Curbside Recycling Programs to improve operational efficiency of the Solid Waste Division.
- Completed the programming of the traffic signal controllers to notify the on-call technician by pager immediately upon malfunction at an intersection, resulting in significantly reduced response times.
- Leased two EV1 Coupes (electric vehicle) from GMAC to evaluate new electric vehicle technology and feasibility of municipal use.
- Completed 43 capital improvement projects with budgets totaling \$70 million at a savings of \$4.4 million. Major projects completed include Shea Boulevard 124th to 136th, Pima Road buffering phases; McDowell Road improvements; Automall; Rio Montana & Horizon Parks; Transit Center; Paiute Neighborhood Center Phase 2; Pinnacle Peak Road crossing at Reata Pass; and Hayden-Greenway extension bridges.

FOR THE FUTURE

Plans articulated in the 1997/99 Biennial Budget and Five Year Balanced Financial Plan 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. The following are the Critical Objectives identified in Scottsdale's Strategic Plan for the next two years:

- **Implement a strategic approach to land use, open space, infrastructure, and development** - Integrate recommendations from CityShape 2020 and Scottsdale Visioning into a comprehensive plan for the development/redevelopment of a sustainable community that preserves and enhances the unique character of Scottsdale.
- **Recognize public safety in the formation of community** - Establish a proactive approach in the pursuit of community security and public safety through the integration of city and community resources.
- **Preserve and promote the health, stability and long-term vitality of our neighborhoods** - Provide a sense of community and security, as well as livability, within all Scottsdale neighborhoods.
- **Focus on the positive development of youth and social well-being of families and adults of all ages** - Scottsdale will be widely recognized as a "family-friendly" place to live and work, where citizens are supported in their efforts to safely grow, learn, overcome hardships, achieve full potential and contribute to the well being of others and the total community.

- **Apply creativity and innovation to the organizational structure and the delivery of services** - To fully integrate new technologies into redesigned work systems and processes, ensuring all services are benchmarked and competitive in both cost and quality, leveraging our capacity to create and innovate.
- **Continue to strengthen and enhance our economic and fiscal vitality** - The overall target of this goal is to ensure that Scottsdale continues to enjoy its economic advantage by maintaining a comprehensive overall Economic Development program which helps the community's economic base grow at a faster pace than population growth.
- **Seek organizational renewal on a continual basis** - This organizational objective seeks to develop a high performing, learning organization that excels in a rapidly changing world.
- **Enhance opportunities for informed community dialogue and involvement** - This objective seeks to enhance the quality and quantity of connections and understanding between City staff and community through focused efforts at both the individual and the organizational level.

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, 1997 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, 1997, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues				
Classification	1997 Amount (000s)	Percent of Total	Increase (Decrease) From 1996 Amounts (000s)	Percentage Increase (Decrease) From 1996
Taxes	\$110,294	52.4%	\$10,298	10.3%
Intergovernmental	41,095	19.5	6,446	18.6
Grants	7,489	3.6	1,704	29.5
Special Assessments	6,696	3.2	(1,199)	(15.2)
Licenses	1,107	0.5	52	4.9
Charges for Services	14,424	6.9	1,837	14.6
Fines and Forfeitures	3,344	1.6	596	21.7
Use of Money and Property	9,044	4.3	(89)	(1.0)
Reimbursements from Outside Sources	3,740	1.8	460	14.0
Streetlight Districts	505	0.2	31	6.5
Other	12,813	6.0	1,196	10.3
Total	\$210,550	100.0%	\$21,331	11.3%

The increase in General Governmental Revenues was a result of Scottsdale's continued strong economy. Taxes and charges for current services (which includes building permits) continued to increase at a double digit rate. Special Assessment revenues are down due to bond defeasances and retirement of debt. Charges for Services increased due to continued population growth combined with user fee rate increases. Grants and Intergovernmental revenues reflect the City's increased activities devoted to obtaining funds from other governmental sources. Fines and Forfeitures revenues reflect additional police staffing and the addition of photo radar fines. Other Revenue increased due to developer contributions to the Community Facilities Districts. Reimbursements from outside sources increased due to County reimbursements for the Shea Boulevard widening project.

The following schedule presents a summary of General, Special Revenue, Debt Service, and Capital Projects Funds expenditures for the fiscal year ended June 30, 1997, and the amount and percentage of increases and decreases in relation to prior year expenditures.

Expenditures				
Department	1997 Amount (000s)	Percent of Total	Increase (Decrease) From 1996 Amounts (000s)	Percentage Increase (Decrease) From 1996
General Government	\$17,449	7.2%	\$652	3.9%
Police	30,745	12.6	3,492	12.8
Financial Services	5,389	2.2	422	8.5
Transportation	7,551	3.1	2,681	55.1
Community Services	30,961	12.7	11,024	55.3
Planning & Development	18,117	7.4	1,564	9.4
Fire	10,906	4.5	774	7.6
Municipal Services	8,853	3.6	(7,552)	(46.0)
Streetlight Districts	523	0.2	37	7.6
Capital Improvements	74,259	30.5	31,418	73.3
Debt Service	38,923	16.0	2,483	6.8
Total	\$243,676	100.0%	\$46,995	23.9%

The large variances in Community Services and Municipal Services are the result of a reorganization effort called Workforce 2000 that moved some field maintenance staff to Community Services to allow for more efficient operations. Capital projects expenditures increased as a result of land purchases for the Scottsdale Preserve Authority. Transportation expenditures increased because of large grants for transit related activity. The Police department expenditures continue to grow as the result of grants for more police officers.

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, 1997, compared to the prior year.

Total Fund Balances (Deficit)			
Fund	June 30, 1996	June 30, 1997	Increase (Decrease)
General	\$66,254,895	\$60,726,259	(\$5,528,636)
Special Revenue:			
Highway User	48,980	149,051	100,071
Community Development	97,067	(5,507)	(102,574)
Grants	665,091	419,169	(245,922)
Section 8	(221,773)	(227,402)	(5,629)
Debt Service	6,743,676	6,839,912	96,236
Capital Projects	38,956,552	64,344,117	25,387,565
Total	\$112,544,488	\$132,245,599	\$19,701,111

The General Fund balance decreased primarily as a result of a planned use of fund balance included in the 1996/97 budget as a result of revenue increases (especially privilege tax and construction permits). The Grants Fund balance decreased due to the City expending grant monies received in prior years. 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 new bond funds not yet expended for designated projects. The Highway User Fund balance increased because of increased highway user tax receipts. The Community Development and Section 8 Fund decreases were the result of an acceleration of expenditures.

Proprietary Funds. Scottsdale'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, 1996	June 30, 1997	Increase (Decrease)
Water and Sewer Utility	\$137,348,289	\$167,069,523	\$29,721,234
Airport	951,081	1,003,525	52,444
Solid Waste	896,809	(189,421)	(1,086,230)
Motor Pool	5,812,472	7,793,680	1,981,208
Self-Insurance	(3,909,624)	(2,100,424)	1,809,200
Total	\$141,099,027	\$173,576,883	\$32,477,856

Retained earnings increase for the Water and Sewer Utility Fund are due to a combination 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 improved airport operating revenues. The Solid Waste Fund retained earnings decrease is due to planned operating expenses relating to a new curb-side recycling program. 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.

The Motor Pool Fund retained earnings increased because of a change in policy that requires operating transfers to fund new vehicle purchases, maintenance, and replacement costs. Retained earnings of the Self-Insurance Fund increased due to property tax receipts for tort claim payments.

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 Deferred Compensation Agency Fund had a net increase of \$3,642,019 due to employees' continued contributions to the deferred compensation plan.

Debt Administration. At June 30, 1997, the City had outstanding debt issues of \$394,120,171. The breakdown was:

Debt	Principal Balance June 30, 1997
General Obligation Bonds	\$185,362,636
Revenue Bonds	42,201,995
Scottsdale Municipal Property Corporation Bonds	89,380,000
Preserve Authority Bonds	20,500,000
Special Assessment Bonds	23,690,168
Community Facilities District Bonds	17,400,000
Contracts	15,585,372
Total	\$394,120,171

During the 1996/97 fiscal year, \$27,500,000 general obligation bonds, \$7,550,000 Municipal Property Corporation bonds and \$20,500,000 Preserve Authority Bonds, were issued, as well as \$4,991,000 in contract debt. 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. Scottsdale 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, 1997, the City's 20 percent debt limitation was \$318,360,180, providing a debt margin of \$212,839,788, and the 6 percent debt limitation was \$95,508,057, providing a debt margin of \$21,183,457.

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 1996/97 fiscal year was 5.63 percent, and the average daily investment balance was \$264,405,561.

Scottsdale 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, 1997 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.

Scottsdale 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.

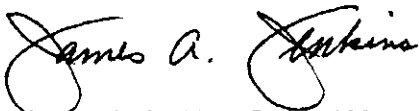
In addition to this report, the auditors were also contracted to perform the Single Audit of the City's federal grant programs. This audit was designed to meet the requirements for non-Federal entities that administer Federal awards and implement the Single Audit Act amendments of 1996. Due to the size 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, 1996, marking twenty-four 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.

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,



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, 1996

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.



Arthur R. Lynch
President

Jeffrey L. Esser
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
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, 1997, 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, 1997, 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, 1997, 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 30, 1997, on our consideration of the City of Scottsdale, Arizona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Deloitte & Touche LLP
September 30, 1997



City of Scottsdale, Arizona
Combined Balance Sheet - All Fund Types, Account Groups,
and Discretely Presented Component Unit

Exhibit A-1

June 30, 1997

with Comparative Totals for June 30, 1996 (Primary Government Only)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash and Short-Term Investments	\$ 31,789,431	\$ 2,526,773	\$ 29,277,044	\$ 63,513,337
Investments	30,710,000	-	423,610	-
Construction to be Provided	-	-	-	-
Prepaid Expense	-	-	-	-
Receivables	-	-	-	-
Accrued Interest	320,798	-	9,867	362,346
Privilege Tax	1,552,927	-	-	1,292,849
Hotel/Motel Tax	144,160	-	-	-
Fire Premium Tax	186,285	-	-	-
Property Tax	676,608	-	196,185	-
Special Assessments	-	-	21,363,876	-
State Shared Sales Tax	1,028,124	-	-	-
Fuel Tax	-	1,340,452	-	-
Grants	-	1,809,338	-	-
Accounts	-	-	-	-
Miscellaneous	557,580	-	-	75,578
Note Receivable	-	-	-	-
Deferred Issuance Costs, Net of Accumulated Amortization	-	-	-	-
Due from Other Funds	1,534,200	-	-	-
Supplies Inventory	304,270	-	-	-
Restricted Cash and Investments	-	-	-	-
Equity in Joint Venture	-	-	-	-
Property, Plant, and Equipment, Net of Accumulated Depreciation	-	-	-	-
Excess Purchase Price over Fair Market Value of Water System Assets Acquired, Net	-	-	-	-
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	\$ 68,804,383	\$ 5,676,563	\$ 51,270,582	\$ 65,244,110
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable	\$ 1,387,584	\$ 1,189,254	\$ -	\$ 752,351
Accrued Payroll	6,017,482	173,693	-	-
Claims Payable	-	-	-	-
Designated Deferred Compensation Benefits	-	-	-	-
Due to Other Funds	-	1,534,200	-	-
Contracts Payable - Current Portion	-	-	-	-
Bond Interest Payable	-	659,105	7,278,754	-
Bonds Payable - Current Portion	-	1,785,000	12,355,000	-
Deferred Revenue	-	-	-	-
Property Tax	571,657	-	3,004,254	-
Special Assessments	-	-	21,363,876	-
Other	101,401	-	-	-
Guaranty and Other Deposits	-	-	-	-
Other	-	-	428,786	147,641
Long-Term Debt (Net of Current Portion)	-	-	-	-
Total Liabilities	8,078,124	5,341,252	44,430,670	899,992
Equity and Other Credits				
Contributed Capital, Net of Accumulated Depreciation	-	-	-	-
Investment in General Fixed Assets	-	-	-	-
Retained Earnings (Accumulated Deficit)	-	-	-	-
Reserved for				
Water and Sewer System Replacement	-	-	-	-
Acquisition and Construction	-	-	-	-
Unreserved	-	-	-	-
Unreserved Minority Interest	-	-	-	-
Fund Balances				
Reserved for				
Encumbrances	2,294,307	236,897	-	12,094,172
Streetlight Districts	784,813	-	-	-
Debt Service	-	-	6,839,912	-
Library Acquisitions	-	-	-	-
Unreserved	57,647,139	98,414	-	52,249,946
Total Retained Earnings (Accumulated Deficit)/Fund Balances	60,726,259	335,311	6,839,912	64,344,118
Total Equity and Other Credits	60,726,259	335,311	6,839,912	64,344,118
Total Liabilities, Equity, and Other Credits	\$ 68,804,383	\$ 5,676,563	\$ 51,270,582	\$ 65,244,110

SEE NOTES TO FINANCIAL STATEMENTS

Proprietary Fund Types		Fiduciary Fund Type	Accounts Groups		Totals (Memorandum Only)		Component Unit	Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Primary Government		Scottswater Company, Inc.	Reporting Entity
					June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1997
\$ 78,605,560	\$ 11,592,849	\$ 6,478,518	\$ -	\$ -	\$ 223,783,512	\$ 153,263,277	\$ 252,785	\$ 224,036,297
-	-	15,704,956	-	-	46,838,566	70,701,139	3,235,308	50,073,874
252,305	-	-	-	-	252,305	404,047	-	252,305
166,412	-	-	-	-	166,412	-	-	166,412
706,740	73,045	16,428	-	-	1,489,224	2,599,600	1,436	1,490,660
-	-	-	-	-	2,845,776	1,847,431	-	2,845,776
-	-	-	-	-	144,160	118,580	-	144,160
-	-	-	-	-	186,285	-	-	186,285
-	-	-	-	-	872,793	983,876	-	872,793
-	-	-	-	-	21,363,876	30,739,167	-	21,363,876
-	-	-	-	-	1,028,124	1,007,497	-	1,028,124
-	-	-	-	-	1,340,452	1,107,417	-	1,340,452
-	-	-	-	-	1,809,338	808,243	-	1,809,338
10,667,170	-	-	-	-	10,667,170	9,866,566	-	10,667,170
1,219,993	57,926	1,348,104	1,219,993	-	3,259,181	4,437,455	1,444	3,260,625
-	-	4,000,000	-	-	4,000,000	4,000,000	-	4,000,000
-	-	-	-	-	-	-	675,705	675,705
-	-	-	-	-	1,534,200	2,053,306	-	1,534,200
-	327,186	-	-	-	631,456	665,224	-	631,456
41,950,420	-	-	-	-	41,950,420	53,106,779	-	41,950,420
23,943,190	-	-	-	-	23,943,190	17,589,305	-	23,943,190
364,610,236	12,245,263	-	1,482,726,080	-	1,859,581,579	1,688,268,374	1,031,007	1,860,612,586
345,013	-	-	-	-	345,013	365,854	-	345,013
-	-	-	-	-	-	-	445,869	445,869
-	-	-	-	6,839,912	6,839,912	6,743,676	-	6,839,912
-	-	-	-	343,890,364	343,890,364	304,544,495	-	343,890,364
<u>\$ 522,467,039</u>	<u>\$ 24,296,269</u>	<u>\$ 27,548,006</u>	<u>\$ 1,482,726,080</u>	<u>\$ 350,730,276</u>	<u>\$ 2,598,763,308</u>	<u>\$ 2,355,221,308</u>	<u>\$ 5,643,554</u>	<u>\$ 2,604,406,862</u>
\$ 5,474,636	\$ 21,812	\$ -	\$ -	\$ -	\$ 8,825,637	\$ 7,349,037	\$ 347,452	\$ 9,173,089
2,090,495	769,262	-	-	-	9,050,932	6,410,358	-	9,050,932
-	6,366,910	-	-	-	6,366,910	5,997,995	-	6,366,910
-	-	15,704,956	-	-	15,704,956	12,062,937	-	15,704,956
-	-	-	-	-	1,534,200	2,053,306	-	1,534,200
1,299,416	-	-	-	-	1,299,416	266,687	-	1,299,416
1,434,756	-	-	-	-	9,372,615	9,070,809	-	9,372,615
4,735,000	-	-	-	-	18,875,000	15,330,000	-	18,875,000
-	-	-	-	-	3,575,911	734,241	-	3,575,911
-	-	-	-	-	21,363,876	30,739,167	-	21,363,876
-	-	4,160,000	-	-	4,261,401	13,494,749	-	4,261,401
-	-	2,470,971	-	-	2,470,971	4,072,852	-	2,470,971
7,952,511	-	-	-	-	8,528,938	68,238	-	8,528,938
54,283,302	-	-	-	350,730,276	405,013,578	368,447,708	19,190,000	424,203,578
77,270,116	7,157,984	22,335,927	-	350,730,276	516,244,341	476,098,084	19,537,452	535,781,793
277,313,296	11,445,029	-	-	-	288,758,325	268,453,506	3,500,000	292,358,325
-	-	-	1,482,726,080	-	1,482,726,080	1,352,003,695	-	1,482,726,080
8,911,102	-	-	-	-	8,911,102	8,911,102	-	8,911,102
33,039,318	-	-	-	-	33,039,318	44,195,677	-	33,039,318
125,933,207	5,693,256	-	-	-	131,626,463	87,992,248	(206,330)	131,420,133
-	-	-	-	-	-	-	(17,287,568)	(17,287,568)
-	-	77,036	-	-	14,702,412	9,775,110	-	14,702,412
-	-	-	-	-	784,813	802,638	-	784,813
-	-	-	-	-	6,839,912	6,563,789	-	6,839,912
-	-	185,735	-	-	185,735	193,715	-	185,735
-	-	4,949,308	-	-	114,944,807	100,231,744	-	114,944,807
167,883,627	5,693,256	5,212,079	-	-	311,034,562	258,666,023	(17,493,898)	293,540,664
445,196,923	17,138,285	5,212,079	1,482,726,080	-	2,082,516,967	1,679,123,224	(13,893,898)	2,068,625,069
<u>\$ 522,467,039</u>	<u>\$ 24,296,269</u>	<u>\$ 27,548,006</u>	<u>\$ 1,482,726,080</u>	<u>\$ 350,730,276</u>	<u>\$ 2,598,763,308</u>	<u>\$ 2,355,221,308</u>	<u>\$ 5,643,554</u>	<u>\$ 2,604,406,862</u>

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

All Governmental Fund Types and Expendable Trust Fund

For the Fiscal Year Ended June 30, 1997

With Comparative Totals for the Fiscal Year Ended June 30, 1996

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	June 30, 1997	June 30, 1996
Revenues							
Taxes - Local	\$ 63,411,086	\$ -	\$ 25,674,955	\$ 21,207,587	\$ -	\$110,293,628	\$ 99,995,747
Taxes - Intergovernmental	24,604,670	16,489,837	-	-	-	41,094,507	34,648,673
Grants	-	7,488,955	-	-	-	7,488,955	5,785,611
Special Assessments	-	-	6,696,260	-	-	6,696,260	7,895,567
Licenses	1,107,118	-	-	-	-	1,107,118	1,054,866
Charges for Current Services	14,423,661	-	-	-	-	14,423,661	12,586,956
Fines and Forfeitures	3,343,880	-	-	-	-	3,343,880	2,747,841
Use of Money and Property	5,656,987	-	342,504	3,044,573	59,050	9,103,114	9,204,653
Reimbursements from Outside Sources	-	-	-	3,739,589	-	3,739,589	3,279,782
Streetlight Districts	505,069	-	-	-	-	505,069	473,987
Other	11,294,261	510,195	943,758	64,605	1,829,611	14,642,430	14,125,718
Total Revenues	124,346,732	24,488,987	33,657,477	28,056,354	1,888,661	212,438,211	191,799,401
Expenditures							
Current Operating Departments							
General Government	16,895,558	553,772	-	-	-	17,449,330	16,797,056
Police	29,245,231	1,499,430	-	-	-	30,744,661	27,253,064
Financial Services	5,389,047	-	-	-	-	5,389,047	4,967,431
Transportation	-	7,551,466	-	-	-	7,551,466	4,870,062
Community Services	29,582,079	1,378,780	-	-	-	30,960,859	19,937,442
Planning & Development	14,408,926	3,708,037	-	-	-	18,116,963	16,553,197
Fire	10,905,666	-	-	-	-	10,905,666	10,131,958
Municipal Services	1,063,811	7,789,070	-	-	-	8,852,881	16,405,247
Streetlight Districts	522,893	-	-	-	-	522,893	485,782
Expendable Trusts	-	-	-	-	1,280,490	1,280,490	1,309,500
Capital Improvements	-	-	-	74,259,471	-	74,259,471	42,841,083
Debt Service							
Principal	1,383,503	1,785,000	17,966,065	-	-	21,134,568	18,634,831
Interest and Fiscal Charges	197,118	1,318,860	16,272,495	-	-	17,788,473	17,804,742
Total Expenditures	109,593,832	25,584,415	34,238,560	74,259,471	1,280,490	244,956,768	197,991,395
Excess (Deficiency) of Revenues Over Expenditures	14,752,900	(1,095,428)	(581,083)	(46,203,117)	608,171	(32,518,557)	(6,191,994)
Other Sources (Uses)							
Operating Transfers In	-	898,124	712,831	19,890,312	-	21,501,267	9,315,595
Operating Transfers Out	282,179	(56,750)	(35,512)	(1,416,658)	(410,783)	(1,637,524)	(10,206,740)
Bond Proceeds	-	-	-	52,750,000	-	52,750,000	18,500,000
Proceeds of Contract Payable	(20,563,715)	-	-	-	-	(20,563,715)	-
Proceeds from Sale of Real Estate	-	-	-	367,028	-	367,028	-
Total Other Sources (Uses)	(20,281,536)	841,374	677,319	71,590,682	(410,783)	52,417,056	17,608,855
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(5,528,636)	(254,054)	96,236	25,387,565	197,388	19,898,499	11,416,861
Fund Balances July 1, 1996	66,254,895	589,365	6,743,676	38,956,553	4,828,792	117,373,281	105,956,420
Fund Balances June 30, 1997	\$ 60,726,259	\$ 335,311	\$ 6,839,912	\$ 64,344,118	\$ 5,026,180	\$137,271,780	\$117,373,281

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
For the Fiscal Year Ended June 30, 1997

Exhibit A-3

	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	\$ 83,599,778	\$ 63,411,086	\$ (188,692)	\$ -	\$ -	\$ -	\$ 25,285,250	\$ 25,412,215	\$ 126,965	\$ 88,885,028	\$ 88,823,301	\$ (61,727)
Taxes - Intergovernmental	24,669,422	24,604,670	(64,752)	16,136,454	16,489,837	353,383	-	-	-	40,805,876	41,094,507	288,631
Special Assessments	-	-	-	-	-	-	8,103,694	6,696,260	(1,407,434)	8,103,694	6,696,260	(1,407,434)
Licenses	1,063,964	1,107,118	43,154	-	-	-	-	-	-	1,063,964	1,107,118	43,154
Charges for Current Services	14,411,281	14,423,662	12,381	-	-	-	-	-	-	14,411,281	14,423,662	12,381
Fines and Forfeitures	3,379,793	3,343,880	(35,913)	-	-	-	-	-	-	3,379,793	3,343,880	(35,913)
Use of Money and Property	7,250,354	5,656,987	(1,593,367)	-	-	-	100,000	43,487	(56,513)	7,350,354	5,700,474	(1,649,880)
Other	1,400,000	1,041,088	(358,912)	-	-	-	306,140	286,146	(19,994)	1,706,140	1,327,234	(378,906)
Total Revenues	115,774,592	113,588,491	(2,186,101)	16,136,454	16,489,837	353,383	33,795,084	32,438,108	(1,356,976)	165,706,130	162,516,436	(3,189,694)
Expenditures												
Current Operating Departments												
General Government	17,383,310	17,237,590	145,720	-	-	-	-	-	-	17,383,310	17,237,590	145,720
Police	30,343,609	29,367,749	975,860	-	-	-	-	-	-	30,343,609	29,367,749	975,860
Financial Services	5,881,574	5,445,712	435,862	-	-	-	-	-	-	5,881,574	5,445,712	435,862
Transportation	-	-	-	5,135,302	5,035,263	100,039	-	-	-	5,135,302	5,035,263	100,039
Community Services	31,124,966	30,690,386	434,580	1,475,644	1,394,822	80,822	-	-	-	32,600,610	32,085,208	515,402
Planning & Development	14,739,927	14,703,435	36,492	-	-	-	-	-	-	14,739,927	14,703,435	36,492
Fire	10,919,041	10,908,453	10,588	-	-	-	-	-	-	10,919,041	10,908,453	10,588
Municipal Services	1,194,018	1,082,740	111,278	7,708,024	7,800,510	(92,486)	-	-	-	8,902,042	8,883,250	18,792
Debt Service												
Principal	1,735,388	1,580,621	154,767	1,785,000	1,785,000	-	17,264,624	17,966,065	(701,441)	20,785,012	21,331,686	(546,674)
Interest and Fiscal Charges	-	-	-	1,320,210	1,318,860	1,350	17,945,376	14,924,718	3,020,658	19,265,586	16,243,578	3,022,008
Total Expenditures	113,321,833	111,016,686	2,305,147	17,424,180	17,334,455	89,725	35,210,000	32,890,783	2,319,217	165,956,013	161,241,924	4,714,089
Excess (Deficiency) of Revenues Over Expenditures	2,452,759	2,571,805	119,046	(1,287,726)	(844,618)	443,108	(1,414,916)	(452,675)	962,241	(249,883)	1,274,512	1,524,395
Other Sources (Uses)												
Operating Transfers In	15,203,452	10,535,351	(4,668,101)	322,565	898,124	575,559	1,187,208	512,831	(674,377)	16,713,225	11,946,306	(4,766,919)
Operating Transfers Out	(17,856,211)	(20,563,715)	(2,907,504)	-	(56,750)	(56,750)	-	(35,512)	(35,512)	(17,856,211)	(20,655,977)	(2,999,766)
Total Other Sources (Uses)	(2,452,759)	(10,028,364)	(7,575,605)	322,565	841,374	518,809	1,187,208	477,319	(709,869)	(942,986)	(8,709,671)	(7,766,685)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	(7,456,559)	(7,456,559)	(965,161)	(3,244)	961,917	(227,708)	24,844	252,352	(1,192,869)	(7,435,159)	(6,242,290)
Encumbrances Cancelled	-	1,538,847	1,538,847	-	48,980	48,980	-	-	-	-	1,587,827	1,587,827
Fund Balances (Deficits) July 1, 1996	-	8,173,638	8,173,638	-	(156,283)	(156,283)	1,310,200	5,368,789	4,058,589	1,310,200	13,386,144	12,075,944
Fund Balances (Deficits) June 30, 1997	\$ -	\$ 2,255,926	\$ 2,255,926	\$ (965,161)	\$ (110,547)	\$ 854,614	\$ 1,082,492	\$ 5,393,433	\$ 4,310,941	\$ 117,331	\$ 7,538,812	\$ 7,421,481

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona

Exhibit A-4

Combined Statement of Revenues, Expenses and Changes
in Retained Earnings (Accumulated Deficit)/Fund Balances - All Proprietary Fund Types,
Nonexpendable Trust Fund, and Discretely Presented Component Unit

For the Fiscal Year Ended June 30, 1997

With Comparative Totals for the Fiscal Year Ended June 30, 1996 (Primary Government Only)

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only) Primary Government		Component Unit Scottswater Company, Inc.	Totals (Memorandum Only) Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1997
Operating Revenues							
Water Service Fees	\$ 45,463,857	\$ -	\$ -	\$ 45,463,857	\$ 44,372,263	\$ 2,941,470	\$ 48,405,327
Sewer Service Fees	14,467,721	-	-	14,467,721	11,966,515	-	14,467,721
Reclaimed Water Distribution	3,434,035	-	-	3,434,035	3,373,033	-	3,434,035
Groundwater Treatment Plant	1,048,101	-	-	1,048,101	1,471,824	-	1,048,101
Solid Waste Fees	11,892,550	-	-	11,892,550	10,340,534	-	11,892,550
Airport Fees	968,090	-	-	968,090	859,592	-	968,090
Billings to User Programs	-	11,448,538	-	11,448,538	10,176,995	-	11,448,538
Interest Earnings	-	-	9,761	9,761	9,369	-	9,761
Other	2,927,359	261,669	-	3,189,028	1,586,841	-	3,189,028
Total Operating Revenues	80,201,713	11,710,207	9,761	91,921,681	84,156,966	2,941,470	94,863,151
Operating Expenses							
Water Operations	22,354,709	-	-	22,354,709	21,864,388	1,284,123	23,638,832
Sewer Operations	7,603,744	-	-	7,603,744	5,954,101	-	7,603,744
Solid Waste Operations	10,934,000	-	-	10,934,000	8,719,905	-	10,934,000
Airport Operations	769,657	-	-	769,657	755,243	-	769,657
Motor Pool Operations	-	5,033,199	-	5,033,199	4,625,074	-	5,033,199
Self-Insurance Administration	-	1,176,716	-	1,176,716	1,093,993	-	1,176,716
Self-Insurance Claims	-	2,522,677	-	2,522,677	4,274,474	-	2,522,677
Trust Operations	-	-	17,578	17,578	9,695	-	17,578
Indirect Costs	5,693,352	-	-	5,693,352	6,215,315	-	5,693,352
In-Lieu Property Tax	1,565,004	-	-	1,565,004	1,491,012	-	1,565,004
Franchise Fees	2,994,816	-	-	2,994,816	2,780,508	-	2,994,816
Depreciation and Amortization	9,469,487	2,568,528	-	12,038,015	11,791,331	144,938	12,182,953
Total Operating Expenses	61,384,769	11,301,120	17,578	72,703,467	69,575,039	1,429,061	74,132,528
Operating Income (Loss)	\$ 18,816,944	\$ 409,087	\$ (7,817)	\$ 19,218,214	\$ 14,581,927	\$ 1,512,409	\$ 20,730,623

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Combined Statement of Revenues, Expenses and Changes
in Retained Earnings (Accumulated Deficit)/Fund Balances - All Proprietary Fund Types,
Nonexpendable Trust Fund, and Discretely Presented Component Unit

Exhibit A-4
(Continued)

For the Fiscal Year Ended June 30, 1997

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.	Reporting Entity
				June 30, 1997	June 30, 1996	June 30, 1997	June 30, 1997
Non-Operating Revenues (Expenses)							
Property Tax	\$ -	\$ 1,842,996	\$ -	\$ 1,842,996	\$ 453,687	\$ -	\$ 1,842,996
Interest Earnings	7,416,346	595,790	-	8,012,136	6,612,590	213,283	8,225,419
Interest Expense	(3,591,588)	-	-	(3,591,588)	(3,239,943)	(795,836)	(4,387,424)
Litigation Recovery	913,798	-	-	913,798	3,637,210	-	913,798
Net Non-Operating Revenues (Expenses)	4,738,556	2,438,786	-	7,177,342	7,463,544	(582,553)	6,594,789
Operating Transfers In	341,466	1,041,696	-	1,383,162	1,362,546	-	1,383,162
Operating Transfers Out	(301,850)	(99,161)	-	(401,011)	(471,400)	-	(401,011)
Net Operating Transfers In	39,616	942,535	-	982,151	891,146	-	982,151
Net Income (Loss)	23,595,116	3,790,408	(7,817)	27,377,707	22,936,617	929,856	28,307,563
Add Depreciation on Fixed Assets Acquired By Contributed Capital	5,092,332	-	-	5,092,332	4,577,226	-	5,092,332
Increase (Decrease) In Retained Earnings (Accumulated Deficit)/Fund Balance	28,687,448	3,790,408	(7,817)	32,470,039	27,513,843	929,856	33,399,895
Retained Earnings (Accumulated Deficit)/ Fund Balance July 1, 1996	139,196,179	1,902,848	193,715	141,292,742	113,778,899	(18,423,754)	122,868,988
Retained Earnings (Accumulated Deficit)/ Fund Balance June 30, 1997	\$ 167,883,627	\$ 5,693,256	\$ 185,898	\$ 173,762,781	\$ 141,292,742	\$ (17,493,898)	\$ 156,268,883

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-5

For the Fiscal Year Ended June 30, 1997

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, 1997	Reporting Entity June 30, 1997
				June 30, 1997	June 30, 1996		
Cash Flows from Operating Activities:							
Operating Income (Loss)	\$ 18,816,944	\$ 409,087	\$ (7,817)	\$ 19,218,214	\$ 14,581,927	\$ 1,512,409	\$ 20,730,623
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:							
Depreciation	9,449,646	2,568,528	-	12,018,174	11,771,490	46,321	12,064,495
Amortization	19,841	-	-	19,841	19,841	28,169	48,010
Interest Earnings	-	-	(9,761)	(9,761)	(9,369)	-	(9,761)
Changes in Assets and Liabilities (Sources (Uses) of Cash):							
Accounts Receivable	(800,604)	-	-	(800,604)	(2,417,912)	-	(800,604)
Miscellaneous Receivables	281,652	(11,252)	-	270,400	699,332	-	270,400
Supplies Inventory	-	12,395	-	12,395	(81,912)	-	12,395
Other Assets	-	-	-	-	-	9,970	9,970
Accounts Payable	1,806,922	(224,336)	-	1,582,586	1,552,530	54,647	1,637,233
Accrued Payroll	1,148,636	409,329	-	1,557,965	214,237	-	1,557,965
Due to General Fund	(1,670,000)	-	-	(1,670,000)	1,495,600	-	(1,670,000)
Claims Payable	-	368,915	-	368,915	1,534,102	-	368,915
Deferred Revenue	(1,298,819)	-	-	(1,298,819)	5,116,433	-	(1,298,819)
Other Liabilities	(254,090)	-	-	(254,090)	59,408	-	(254,090)
Total Adjustments	8,683,184	3,123,579	(9,761)	11,797,002	19,953,780	139,107	11,936,109
Net Cash Provided By (Used For) Operating Activities	\$ 27,500,128	\$ 3,532,666	\$ (17,578)	\$ 31,015,216	\$ 34,535,707	\$ 1,651,516	\$ 32,666,732

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-5
(Continued here and on following page)

For the Fiscal Year Ended June 30, 1997

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, 1997	Reporting Entity June 30, 1997
				June 30, 1997	June 30, 1996		
Cash Flows from Non-Capital Financing Activities:							
Operating Transfers In	\$ 341,466	\$ 1,041,696	\$ -	\$ 1,383,162	\$ 1,362,546	\$ -	\$ 1,383,162
Operating Transfers Out	(301,850)	(99,161)	-	(401,011)	(471,400)	-	(401,011)
Other	913,798	1,842,996	-	4,090,897	4,090,897	-	4,090,897
Net Cash Provided by Non-Capital Financing Activities	953,414	2,785,531	-	5,073,048	4,982,043	-	5,073,048
Cash Flows from Capital and Related Financing Activities:							
Acquisition and Construction of Property and Equipment	(50,422,859)	(2,326,040)	-	(52,748,899)	(35,344,643)	-	(52,748,899)
Construction to be Provided	151,742	-	-	151,742	(404,047)	-	151,742
Principal Payments on Long-Term Debt	(5,427,506)	-	-	(5,427,506)	(2,191,517)	(935,000)	(6,362,506)
Interest Paid on Long-Term Debt	(3,601,270)	-	-	(3,601,270)	(3,430,404)	(810,817)	(4,412,087)
Accumulated Accretion	2,292,288	-	-	2,292,288	-	-	2,292,288
Capital Contributions from Other Government Units	287,417	-	-	287,417	1,680,902	-	287,417
Water and Sewer Development Fees	18,895,755	-	-	18,895,755	15,820,750	-	18,895,755
Proceeds for Contracts Payable	1,974,000	-	-	1,974,000	-	-	1,974,000
Prepaid Expense	(166,412)	-	-	(166,412)	-	-	(166,412)
Bond Proceeds	2,675,197	-	-	2,675,197	3,500,000	-	2,675,197
Net Cash Used For Capital and Related Financing Activities	(33,341,648)	(2,326,040)	-	(35,667,688)	(20,368,959)	(1,745,817)	(37,413,505)
Cash Flows from Investing Activities:							
Purchase of Investments	-	-	-	-	-	(6,018,114)	(6,018,114)
Proceeds from Sale of Investments	-	-	-	-	-	6,088,562	6,088,562
Interest Received on Investments	7,967,438	616,096	9,761	8,593,295	5,738,441	215,231	8,808,526
Restricted Funds/Debt Service	-	-	-	-	-	(101,026)	(101,026)
Net Cash Provided By Investing Activities	7,967,438	616,096	9,761	8,593,295	5,738,441	184,653	8,777,948
Net Increase (Decrease) in Cash and Cash Equivalents	3,079,332	4,608,253	(7,817)	9,013,871	24,887,232	90,352	9,104,223
Cash and Cash Equivalents at Beginning of Year	117,476,648	6,984,596	193,715	124,654,959	99,767,727	162,434	124,817,393
Cash and Cash Equivalents at End of Year	\$ 120,555,980	\$ 11,592,849	\$ 185,898	\$ 133,668,830	\$ 124,654,959	\$ 252,786	\$ 133,921,616

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**
 For the Fiscal Year Ended June 30, 1997
 With Comparative Totals for the Fiscal Year Ended June 30, 1996 (Primary Government Only)

Exhibit A-5
 (Continued)

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund type</u>	<u>Totals (Memorandum Only)</u>		<u>Component Unit</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	<u>Primary Government</u>		<u>Scottswater Company, Inc.</u>	<u>Reporting Entity</u>
				<u>June 30, 1997</u>	<u>June 30, 1996</u>	<u>June 30, 1997</u>	<u>June 30, 1997</u>
Cash and Cash Equivalents							
At End of Year Includes:							
Cash and Short-Term Investments	\$ 78,605,560	\$ 11,592,849	\$ 185,898	\$ 90,384,307	\$ 51,333,616	\$ 252,786	\$ 90,637,093
Investments	-	-	-	-	20,214,564	-	-
Restricted Cash and Investments	41,950,420	-	-	41,950,420	53,108,779	-	41,950,420
Total Cash and Cash Equivalents	\$ 120,555,980	\$ 11,592,849	\$ 185,898	\$ 132,334,727	\$ 124,654,959	\$ 252,786	\$132,587,513
Supplemental Disclosure of Noncash Financing Activities:							
Additions to Property, Plant, and Equipment							
Contributions							
From Developers	\$ 5,709,063	\$ -	\$ -	\$ 5,709,063	\$ 14,888,384	\$ -	\$ 5,709,063
From Other Government Units	-	504,917	-	504,917	145,043	-	504,917
	\$ 5,709,063	\$ 504,917	\$ -	\$ 6,213,980	\$ 15,033,427	\$ -	\$ 6,213,980
Reconciliation of Fiduciary Fund Cash:							
Nonexpendable Trust Fund - Cash and Cash Equivalents	\$ 185,898						
Expendable Trust Fund - Cash and Short-Term Investments	6,292,620						
Total Cash and Short-Term Investments, Fiduciary Funds	\$ 6,478,518						

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Combined Statement of Revenues and Expenses -
Budget and Actual - Budget Basis - Enterprise Funds
For the Fiscal Year Ended June 30, 1997

Exhibit A-6

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water Service Fees	\$ 44,188,237	\$ 45,463,828	\$ 1,275,591
Sewer Service Fees	14,186,968	14,467,721	280,753
Solid Waste Fees	11,795,614	11,892,550	96,936
Airport Fees	891,391	968,090	76,699
Property Rental	45,000	106,238	61,238
Interest Earnings	2,170,031	2,617,568	447,537
Operating Transfers In	227,292	40,166	(187,126)
Other	625,967	2,067,887	1,441,920
Total Revenues	74,130,500	77,624,048	3,493,548
Expenses			
Water Operations	20,414,324	20,541,076	(126,752)
Sewer Operations	5,016,618	4,860,491	156,127
Solid Waste Operations	9,730,445	9,743,347	(12,902)
Airport Operations	854,286	793,520	60,766
Debt Service and Reserves	7,887,241	7,646,118	241,123
Operating Transfers Out	139,133	145,250	(6,117)
Indirect Costs	10,022,778	9,803,784	218,994
Total Expenses	54,064,825	53,533,586	531,239
Excess (Deficiency) of Revenues Over Expenses	\$ 20,065,675	\$ 24,090,462	\$ 4,024,787

SEE NOTES TO FINANCIAL STATEMENTS



City of Scottsdale, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 1997

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 Preserve Authority (SPA), a non-profit corporation, was created by the City in 1997 for the purpose of financing land acquisitions for the McDowell Sonoran Preserve. The City Council must approve the election of the SPA's Board of Directors. For financial reporting purposes, transactions of the SPA are included as if it were part of the City's operations.
- c. Scottsdale Mountain, McDowell Mountain Ranch, and DC Ranch Community Facilities Districts were formed by petition to the City Council in 1992, 1994, and 1997, 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, SPA and Scottsdale Mountain and McDowell Mountain Ranch 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. DC Ranch Community Facilities District was newly formed during fiscal year 1996/97, and had no activity as of June 30, 1997.

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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1996. For additional discussion of the Company and disclosures regarding the amounts presented in the component unit column, refer to Note 19.

Separate unaudited financial statements of the Company, and separate audited financial statements of the Partnership for the year ended December 31, 1996, 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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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 1996/97 budget appropriation is established and reflected in the financial statements as follows:

- The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Fuel Tax Special Revenue Fund, Debt Service Funds (except for the Community Facilities Districts Debt Service Fund), and Enterprise 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, Internal Service Funds, and Trust and Agency Funds have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds. Budgets for the Community Development, Grants, and Section 8 Funds are established pursuant to the terms of the related grant awards. Budgets for the Community Facilities Districts are established in accordance with Arizona Revised Statutes, which do not require their inclusion in the City budget or adoption by the City Council. Budgets for Capital Projects Funds are established for individual projects and unexpended funds are re-appropriated each year until the project is completed and capitalized. Budgets for Internal Service Funds are established in order to help departments control operational costs. Budgets for Trust and Agency Funds are established in accordance with the trust/agency agreements.
- On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments.
- 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 1996/97, 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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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.

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.

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.

Depreciation is not recorded on general fixed assets.

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

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 System	25 to 50 Years
Buildings and Improvements.....	25 Years
Machinery and Equipment.....	20 Years
Motor Vehicles.....	3 to 10 Years
Furniture, Fixtures, and Office Equipment	5 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.

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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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 five 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 Scottsdale Preserve Authority (SPA) Debt Service Fund accounts for bonds issued by the SPA, which are repaid through collections of a two tenths of one percent City sales tax approved by voters in May 1995 to be used specifically for this purpose.
4. The Special Assessments Debt Service Fund accounts for and services all special assessment bonds, which are paid via assessments on the property owners.
5. The Community Facilities Districts (CFD's) Debt Service Fund accounts for all debt issued by the CFD's and repaid through property taxes collected from property owners residing in the CFD's. CFD 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. Employees who retire on or after July 1, 1996, and who have accumulated 300 or more hours of sick leave, may elect to apply the value of the sick leave toward their City medical plan premiums. The amount of both types of compensated absences expected to be paid 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. The remaining noncurrent amount of compensated absences is recorded in the General Long-Term Debt Account Group (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).

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

Transfers

In prior years, transfers from the General Obligation Bond Construction Fund to the All Other Construction Fund had been incorrectly excluded from the City's Capital Projects Funds. Therefore, these are recorded as an increase in the All Other Construction beginning fund balance and a decrease in the General Obligation Bond Construction beginning fund balance of the Capital Projects Combining Statement of Revenues, Expenditures and Changes in Fund Balance. The correction has no effect on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance.

Investments

In prior years a \$3,000,000 investment owned by Scottsdale Mountain Community Facilities District had been incorrectly excluded as an asset in the City's Debt Service Fund. The City's June 30, 1996 financial statements have been restated to reflect this correction. The correction had the effect of increasing investments and total assets by \$3,000,000, and increasing deferred revenue and total liabilities by \$3,000,000. The correction has no effect on beginning retained earnings for the year ending June 30, 1997.

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) - Enterprise Fund.

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 - Enterprise Fund, 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 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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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	\$124,346,732	\$24,488,987	\$33,657,477
Deduct revenues for which appropriated annual budgets are not prepared:			
Streetlight and Community Facilities Districts	(505,069)	-	(1,219,369)
CDBG, Grants, & Section 8 Special Revenue Funds	-	(7,999,150)	-
Deduct items recorded as revenues for GAAP purposes that are recorded as operating transfers in from the Enterprise Fund for budget purposes:			
Indirect costs	(5,693,352)	-	-
Franchise fees	(2,994,816)	-	-
In-lieu property tax	(1,565,004)	-	-
Total reconciling items	(10,758,241)	(7,999,150)	(1,219,369)
Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Basis	\$113,588,491	\$16,489,837	\$32,438,108
Total Expenditures	General	Special Revenue	Debt Service
GAAP Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	\$109,593,832	\$25,584,415	\$34,238,560
Deduct expenditures of districts/funds for which appropriated budgets are not prepared:			
Streetlight and Community Facilities Districts	(522,893)	-	(1,347,777)
CDBG, Grants, & Section 8 Special Revenue Funds	-	(8,353,275)	-
Items recorded as expenditures for GAAP purposes that are not recognized for budget purposes:			
Deduct increase in compensated absences	(348,560)	(45,736)	-
Add reserve for encumbrances at June 30, 1997, recognized as expenditures for budget purposes	2,294,307	149,051	-
Total reconciling items	1,422,854	(8,249,960)	(1,347,777)
Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Basis	\$111,016,686	\$17,334,455	\$32,890,783

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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	(\$20,281,536)	\$841,374	\$677,319
Add items recorded as revenues for GAAP purposes that are recorded as operating transfers in from the Enterprise Fund for budget purposes:			
Indirect costs	5,693,352	-	-
Franchise fees	2,994,816	-	-
In-lieu property tax	1,565,004	-	-
Deduct items recorded in funds for which appropriated budgets are not prepared:			
Community Facilities Districts - Total other sources	-	-	(200,000)
Total reconciling items	10,253,172	-	(200,000)
Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	(\$10,028,364)	\$841,374	\$477,319

Fund Balance (Deficit) at June 30, 1997	General	Special Revenue	Debt Service
GAAP Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	\$60,726,259	\$335,311	\$6,839,912
Add (deduct) total reconciling items previously described for:			
Revenues	(10,758,241)	(7,999,150)	(1,219,369)
Expenditures	(1,422,854)	8,249,960	1,347,777
Other Sources/Uses	10,253,172	-	(200,000)
Add canceled encumbrances	1,538,847	48,980	-
Deduct July 1, 1996 fund balance of funds for which appropriated budgets are not prepared:			
Community Facilities Districts	-	-	(1,374,887)
CDBG, Grants, & Section 8 Special Revenue Funds	-	(540,385)	-
Deduct difference in July 1, 1996 GAAP basis fund balance, compared to July 1, 1996 budget basis fund balance. (Difference results from GAAP/budget differences for prior years)	(58,081,257)	(205,263)	
Total reconciling items	(58,470,333)	(445,858)	(1,446,479)
Budget Basis - Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	\$2,255,926	(\$110,547)	\$5,393,433

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 3- Budgetary Basis Of Accounting (Continued)

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

Revenues	Enterprise
GAAP Basis - Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Accumulated Deficit)	
Operating revenues	\$80,201,713
Non-operating revenues - interest	7,416,346
Litigation Recovery	913,798
Property Tax	-
Operating transfers in	<u>341,466</u>
Total revenues and transfers in	88,873,323
Deduct operating transfer in to non-budgeted fund	(301,300)
Deduct revenue received for non-budgeted funds	(6,149,198)
Deduct interest earnings on bond funds not recognized as income for budget purposes	<u>(4,798,777)</u>
Total reconciling items	<u>(11,249,275)</u>
Budget Basis - Combined Statement of Revenues and Expenditures - Budget and Actual	<u><u>\$77,624,048</u></u>

Expenses	Enterprise
GAAP Basis - Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Accumulated Deficit)	
Operating expenses	\$61,384,769
Non-operating expenses - interest	3,591,588
Operating transfers out	<u>301,850</u>
Total expenses and transfers out	65,278,207
Deduct items recorded as GAAP expenses that are not recognized as expenditures for budget purposes:	
Compensated absences	(1,106,197)
Depreciation and amortization	(9,469,487)
Operating transfer out for non-budgeted funds	(156,600)
Add items recorded as expenditures for budget purposes that are not recognized as expenses for GAAP purposes:	
Capital outlay	112,989
Encumbrances at June 30, 1997	536,995
Debt service principal payments	4,054,530
Deduct expenditures related to non-budgeted bond activity	<u>(5,716,850)</u>
Total reconciling items	<u>(11,744,620)</u>
Budget Basis - Combined Statement of Revenues and Expenditures - Budget and Actual	<u><u>\$53,533,587</u></u>

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1997, are not available for 1996/97; accordingly, such taxes will not be recognized as revenue until 1997/98. 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, 1997, the book value of the City's deposits was (\$10,111,259), and the bank balance was \$1,818,620. The \$11,929,879 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 \$1,597,485 at June 30, 1997. 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 \$221,135 at June 30, 1997, and were held in the name of the Municipal Property Corporation (MPC). At June 30, 1997, 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, 1997, 100 percent of the funds invested in mutual funds were in funds whose portfolios consist solely of U.S. Government Treasury and Agency securities.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 5 - Cash And Investments (Continued)

The City's investments at June 30, 1997, 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 \$29,639,188 of investments of the MPC, held by the MPC's agent in the name of the MPC. At June 30, 1997, 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	\$39,893,790	\$1,916,830	\$41,810,620	\$41,808,939
U.S. Agency Securities	36,806,796	423,610	37,230,406	37,118,715
Repurchase Agreements	-	27,315,780	27,315,780	27,315,780
	<u>\$76,700,586</u>	<u>\$29,656,220</u>	<u>106,356,806</u>	<u>106,243,434</u>
LGIP			117,612,720	117,612,720
Mutual Funds			77,464,609	74,537,064
International City Management Association			15,704,956	15,704,956
Guaranteed Investment Contracts			4,207,488	4,207,488
Money Market Funds			1,337,177	1,337,177
Total Investments			<u><u>\$322,683,756</u></u>	<u><u>\$319,642,839</u></u>

↔ Reconciliation of Note 5 to Exhibit A-1 ↔

Note 5		Exhibit A-1	
Total Cash/ Book Value	(\$10,111,259)	Cash and Short-Term Investments	
Total Investments	<u>322,683,757</u>	General Fund	\$31,789,431
Total	<u><u>\$312,572,498</u></u>	Special Revenue Fund	2,526,773
		Debt Service Fund	29,277,044
		Capital Projects Fund	63,513,337
		Enterprise Fund	78,605,560
		Internal Service Fund	11,592,849
		Trust and Agency Fund	6,478,518
		Investments	
		General Fund	30,710,000
		Debt Service Fund	423,610
		Trust and Agency Fund	15,704,956
		Restricted Cash and Investments	
		Enterprise Fund	<u>41,950,420</u>
		Total (Primary Government)	<u><u>\$312,572,498</u></u>

Cash and Investments for Scottswater, Inc. are discussed in Note 19.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

NOTE 6 - FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance June 30, 1996	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 1997
Land	\$61,398,700	\$35,508,438	\$(7,705)	\$96,899,433
Buildings and Improvements	179,598,788	12,968,072	(335,036)	192,231,824
Streets and Storm Drains	1,038,723,926	78,315,566	(45,648)	1,116,993,844
Machinery and Equipment	35,432,210	15,158,592	(13,719,310)	36,871,492
Construction in Progress	36,850,071	29,716,115	(26,836,699)	39,729,487
Total	\$1,352,003,695	\$171,666,782	(\$40,944,397)	\$1,482,726,080

General fixed asset construction in progress commitments at June 30, 1997, included as a line item above, were composed of the following:

	Construction In Progress	Commitments	Budget
Streets	\$19,776,943	\$31,031,932	\$50,808,875
Transit	3,108,119	-	3,108,119
Drainage/Flood Control	11,190,021	12,139,326	23,329,347
Parks/Recreation	2,177,257	1,375,771	3,553,028
Specialty Areas	874,021	6,516,788	7,390,809
Service Facilities	732,801	2,643,453	3,376,254
Public Safety	1,870,325	2,930,175	4,800,500
Total	\$39,729,487	\$56,637,445	\$96,366,932

Estimated costs of general fixed assets contributed to the City through June 30, 1997, are as follows:

Land	\$16,389,927
Streets and Storm Drains	885,118,422
Traffic Signal Equipment	606,000

A summary of proprietary funds' fixed assets at June 30, 1997, follows:

	Enterprise	Internal Service
Land and Land Improvements	\$19,301,578	-
Water Rights	39,694,594	-
Water System	227,057,102	-
Sewer System	110,140,154	-
Buildings and Improvements	6,634,194	\$1,448,103
Motor Vehicles	-	21,111,227
Machinery and Equipment	5,285,943	882,680
Furniture and Fixtures	621,468	26,141
Construction in Progress	45,061,811	805,395
	453,796,844	24,273,546
Accumulated Depreciation	(89,186,608)	(12,028,283)
Net Fixed Assets	\$364,610,236	\$12,245,263

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 6 - Fixed Assets (Continued)

Enterprise and Internal Service Funds construction in progress commitments at June 30, 1997, included as a line item above, were composed of the following:

	Construction In Progress	Commitments	Budget
Enterprise:			
Water System Projects	\$28,565,330	\$71,791,870	\$100,357,200
Sewer System Projects	14,845,303	63,381,697	78,227,000
Airport Projects	1,651,178	265,933	1,917,111
Total	\$45,061,811	\$135,439,500	\$180,501,311
Internal Service:			
Motor Vehicle Projects	\$805,395	\$327,452	\$1,132,847

Estimated costs of fixed assets contributed to the proprietary funds through June 30, 1997, are as follows:

Water and Sewer Utility Fund Assets:
Water System and Sewer System\$143,740,347

Fixed Assets for Scottswater, Inc. are discussed in Note 19.

NOTE 7 - LONG-TERM DEBT

The following are brief descriptions of bonds outstanding at June 30, 1997. The totals shown are the principal amount outstanding, net of the current portion due July 1, 1997.

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, 1997, the City had \$48,529,500 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.

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	\$3,375,000
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.	6,855,000
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.	2,045,000
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.	17,535,000

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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. \$28,587,289 of these bonds are recorded in and paid out of the Water Fund. Of the total outstanding at June 30, 1997, \$5,305,310 bonds are capital appreciation bonds maturing in 2004 and 2005, of which \$3,447,288 are included in the amount paid out of the Water Fund. The original issue amount for the 1993 Refunding Bonds was \$45,015,000.	\$45,075,311
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.	17,340,000
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, 1997, \$2,672,325 bonds are capital appreciation bonds maturing in 2000, 2002, and 2003. The original issue amount for the 1993A Refunding Bonds was \$24,265,000.	24,677,325
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.	12,975,000
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.	14,650,000
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.	14,175,000
1989 Capital Improvement Project Serial Bonds (Series H issued January 1, 1997) due in annual installments of \$870,000 to \$2,115,000 through July 1, 2016; interest at 5.0 percent to 7.5 percent. Original issue amount, \$27,500,000.	26,660,000
Total General Obligation bonds outstanding	\$185,362,636
Less General Obligation bonds paid out of Water Enterprise Fund	(29,902,289)
Net General Obligation bonds outstanding recorded as General Long-Term Debt	<u>\$155,460,347</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.

1993 Highway User Revenue Refunding Serial Bonds due in annual installments of \$405,000 to \$2,990,000 through July 1, 2007; interest at 4.25 percent to 5.5 percent. Original issue amount, \$26,690,000.	<u>\$23,770,000</u>
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City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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 and \$2,800,000 of the 1996 MPC 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.	\$2,550,000
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.	40,200,000
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.	28,090,000
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	6,555,000
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.	2,815,000
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.	3,190,000
1996 Municipal Property Corporation Excise Tax Revenue Bonds for McCormick/Stillman Park, computers, and curbside recycling (issued July 1, 1996) due in annual installments of \$310,000 to \$1,570,000 through July 1, 2004; interest at 4.4 percent to 5.4 percent. The curbside recycling portion (\$2,800,000 issued, \$2,295,000 outstanding) of bonds are recorded in and paid out of the Solid Waste Enterprise Fund. Original issue amount, \$7,550,000.	5,980,000
Total MPC bonds outstanding	\$89,380,000
Less MPC bonds paid out of Solid Waste Enterprise Fund	(5,485,000)
Net MPC bonds outstanding recorded as General Long-Term Debt	<u>\$83,895,000</u>

Scottsdale Preserve Authority Bonds

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

1997 Scottsdale Preserve Authority Excise Tax Revenue Bonds due in annual installments of \$170,000 to \$1,475,000 beginning July 1, 1998, through July 1, 2020; interest at 7.75 percent to 5.625 percent. Original issue amount \$20,500,000.	<u>\$20,500,000</u>
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City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1997, 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, 1997, 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.	\$3,975,000
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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.	4,130,000
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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.	1,585,000
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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 \$748,005 at June 30, 1997.	8,741,995
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Total Water and Sewer Revenue Bonds outstanding	<u>\$18,431,995</u>
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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, 1997, 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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1997, there were 15 separate series of special assessment improvement bonds outstanding, each series issued as serial bonds to be repaid over 10 years.

Special Assessment Bonds issued October 1, 1987, through September 1, 1994, maturing January 1, 1998, through January 1, 2005; due in annual installments of \$50,000 to \$1,575,000; interest at 4.9 percent to 8.1 percent. Total original issue amount, \$53,110,000.

\$23,690,168

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, 1997, 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 unimproved district property to the proposed district debt, is a minimum of 3 to 1, and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the 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.	<u>1,925,000</u>
Total Community Facilities Districts General Obligation bonds outstanding	<u>\$17,400,000</u>

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1997:

General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks and Open Spaces		General Obligation Bonds Issued for All Other Purposes	
20% Constitutional Limit	\$318,360,188	6% Constitutional Limit	\$95,508,057
Less General Obligation 20% Bonds Outstanding	<u>(105,520,400)</u>	Less General Obligation 6% Bonds Outstanding	<u>(74,324,600)</u>
Available 20% Limitation Borrowing Capacity	<u>\$212,839,788</u>	Available 6% Limitation Borrowing Capacity	<u>\$21,183,457</u>

Contracts Payable

The City of Scottsdale has entered into various purchase contracts related to economic development, acquisition of water system facilities, acquisition of recreational facilities, and airport improvements. The contract for the acquisition of water system facilities is payable only from the operating revenue of the water and sewer utility system. The contract for airport improvements will be paid through the forfeiture of future FAA grants. Contracts payable at June 30, 1997, 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, 1998; 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.	3,617,590
Contract payable for the construction of the West Couplet; due in annual installments through January, 1999; non-interest bearing.	1,569,854
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.	136,557
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.	1,303,064

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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. \$2,100,000

Contract payable for the purchase of WestWorld; due in annual installments beginning January 1998 through January 2001; interest at 4.76%. 3,997,000

Total Long-Term Contracts Payable from General Fund 12,829,065

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 through March 1, 2002; non-interest bearing. 2,081,723

Payable out of the Airport Fund

Contract payable for airport improvements; due in annual installments beginning June 1998 through June 1999; interest at 5.8%. 1,974,000

Subtotal \$16,884,788

Less Current Portion (1,299,416)

Total Long-Term Contracts Payable, All Funds \$15,585,372

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

Total Requirements to Maturity All Contracts Payable	
Fiscal Year Ending	Total
1998	\$5,260,347
1999	5,439,644
2000	1,897,995
2001	1,742,557
2002	724,754
2003-2032	<u>6,322,010</u>
Total all years	21,387,307
Less amount representing interest	<u>(4,502,519)</u>
Net Amount Outstanding	<u>\$16,884,788</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, 1997. General long-term debt excludes all bonds and contracts recorded in and paid out of the Enterprise Fund.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 7 - Long-Term Debt (Continued)

Changes in General Long-Term Debt (Continued)

	General Obligation Bonds ①	HURF Revenue Bonds	Municipal Property Corp Bonds	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Contracts Payable	Compen- sated Absences	Total
Balance July 1, 1996	\$151,064,472	\$25,555,000	\$85,780,000	-	\$32,765,789	\$10,596,868	\$5,526,042	\$311,288,171
New Debt Issued	27,500,000	-	4,750,000	\$20,500,000	-	3,997,000	-	56,747,000
Debt Retired During Year	-	-	(1,410,000)	-	(8,550,621)	(1,764,803)	-	(11,725,424)
Current Year Accretion on Capital Apprec. Bonds	900,875	-	-	-	-	-	-	900,875
Increase in Compensated Absences Liability	-	-	-	-	-	-	7,659,654	7,659,654
Debt to be Retired July 1, 1997	(6,605,000)	(1,785,000)	(5,225,000)	-	(525,000)	-	-	(14,140,000)
Balance June 30, 1997	\$172,860,347	\$23,770,000	\$83,895,000	\$20,500,000	\$23,690,168	\$12,829,065	\$13,185,696	\$350,730,276

① Includes Community Facilities District debt

Changes in Enterprise Funds Long-Term Debt

The following table summarizes all changes in bonds and contracts recorded in and paid out of the Enterprise Funds during the year ended June 30, 1997.

	Water and Sewer Utility Fund				Airport Fund	Solid Waste Fund
	General Obligation Bonds	Water and Sewer Revenue Bonds	Water and Sewer Contracts	Total Water and Sewer Utility Fund	Airport Contract	Municipal Property Corporation Bonds
Balance at July 1, 1996	\$31,302,696	\$21,250,000	\$2,085,723	\$54,638,419	-	\$3,350,000
New Debt Issued	-	-	-	-	\$994,000	2,800,000
Amortization of Deferred Loss and Issuance Costs	-	(748,005)	-	(748,005)	-	-
Debt Retired	-	-	(323,416)	(323,416)	-	-
Current Year Accretion on Capital Appreciation Bonds	599,593	-	-	599,593	-	-
Debt to be Retired July 1, 1997	(2,000,000)	(2,070,000)	-	(4,070,000)	-	(665,000)
Balance at June 30, 1997	\$29,902,289	\$18,431,995	\$1,762,307	\$50,096,591	\$994,000	\$5,485,000

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1997. 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	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Water and Sewer Revenue Bonds	Community Facilities District Bonds	Total
1998	\$18,737,465	\$3,098,538	\$11,275,783	\$1,705,664	\$5,007,818	\$3,324,501	\$1,316,350	\$44,466,119
1999	19,160,058	3,103,488	11,434,458	1,670,356	4,546,363	3,315,881	1,416,352	44,646,956
2000	19,969,711	3,201,913	11,615,603	1,655,094	4,339,588	2,484,966	1,770,677	45,037,552
2001	20,488,798	3,003,588	11,849,293	1,638,281	4,200,991	1,571,611	1,773,145	44,525,707
2002	20,363,638	3,102,800	10,208,991	1,619,919	3,092,768	1,558,811	1,768,020	41,714,947
2003-Maturity	182,329,849	15,630,367	86,326,541	31,096,933	7,329,119	14,457,264	28,327,892	365,497,965
	281,049,519	31,140,694	142,710,669	39,386,247	28,516,647	26,713,034	36,372,436	585,889,246
Less amount representing interest	(95,686,883)	(7,370,694)	(53,330,669)	(18,886,247)	(4,826,479)	(8,281,039)	(18,972,436)	(207,354,447)
Net Amount Outstanding	\$185,362,636	\$23,770,000	\$89,380,000	\$20,500,000	\$23,690,168	\$18,431,995	\$17,400,000	\$378,534,799

Advance Refundings

There were no refundings during fiscal year 1996/97. In prior years, the City refinanced other bond issues through the issuance of refunding bonds. The proceeds from the refunding bonds have been deposited in irrevocable trusts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded.

The assets, liabilities, and financial transactions of all of these trust accounts and the liability for refunded (defeased) bonds are not reflected in the financial statements of the City. Refunded debt outstanding at June 30, 1997, net of any amounts to be paid or retired by the trustee on July 1, 1997, was as follows:

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
1989 Water Revenue Series A Bonds	5,740,000
1989 Water Revenue Series C Bonds	3,005,000
1963 Sewer Revenue Bonds Series 1964	5,450
	\$31,700,450

Long-Term Debt for Scottswater Company, Inc. is discussed in Note 19.

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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 8 - Retirement and Pension Plans (Continued)

The following note disclosures conform to GASB Statement 5, Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers. All three pension plans have not yet implemented or provided information for the City to be in conformance with GASB Statement 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

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, 1997, was \$48,760,264; the City's total payroll was \$64,790,449.

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.

At June 30, 1996 and 1995 (**the latest information available**), the number of participating local government employer groups was:

Employer Units	1996	1995
School Districts	219	217
Charter Schools	22	
Cities and Towns	61	59
Counties	14	14
Special Districts	27	20
Community College Districts	10	10
State Government	1	1
Total	354	321

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, 1996, and 1995, the statewide System membership consisted of:

Employee Members	1996	1995
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	90,545	79,996
Current Employees	159,572	155,444
Total	250,117	235,440

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

Note 8 - Retirement and Pension Plans (Continued)

Arizona State Retirement System (Continued)

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 least 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.

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, 1996, and 1995. 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 1995/96, 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 an increase during fiscal year 1995/96 due to the actuarial assumptions for contributions required for fiscal year 1997/98 of \$38,473,211.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1996, and 1995 (**the latest information available**), the assets in excess of the pension benefit obligation for the System as a whole were as follows:

	June 30	
	1996	1995
Pension Benefit Obligation		
Retirees and beneficiaries currently receiving benefits	\$4,934,947,180	\$4,251,271,839
Disabled members receiving benefits	137,936,630	99,210,500
Terminated employees not yet receiving benefits	223,485,640	180,036,859
Current Employees		
Accumulated employee contributions, including allocated investment income	2,279,984,283	2,191,928,489
Employer financed - vested	3,481,128,871	3,198,576,811
Employer financed - non-vested	308,617,283	368,715,180
Total Pension Benefit Obligation	11,366,099,887	10,289,739,678
Net assets available for benefits, at cost (market value \$14,298,622,583 and \$12,464,462,045, respectively)	12,359,178,555	10,752,929,723
Assets in Excess of Pension Benefit Obligation	\$993,078,668	\$463,190,045

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 1996 was based on June 30, 1994 information). The actuarial assumptions used in this measure are those adopted by the System's Board on May 22, 1992. The contribution rates were actuarially determined using the Projected Unit Credit funding method, the use of which was established by legislative action in 1989. 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 30 years. The current amortization period is 11 years.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 8 - Retirement and Pension Plans (Continued)

Arizona State Retirement System (Continued)

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, 1996 and 1995 were as follows:

ARIZONA STATE RETIREMENT SYSTEM	1995/96		1994/95	
	Amount	Percent of Covered Payroll	Amount	Percent of Covered Payroll
Normal Cost	\$499,689,060	11.13%	\$447,773,245	10.59%
Amortization of Over - Funded Past Service Liability	(153,992,226)	(3.43)	(130,653,383)	(3.09)
Total	\$345,696,834	7.7%	\$317,119,862	7.5%
Employers' Share	\$172,848,417	3.85%	\$158,559,931	3.75%
Employees' Share	172,848,417	3.85	158,559,931	3.75
Total	\$345,696,834	7.7%	\$317,119,862	7.5%

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	1996/97		1995/96		1994/95	
	Amount	Percent	Amount	Percent	Amount	Percent
City Share	\$1,813,772	3.69%	\$1,743,493	3.85%	\$1,559,559	3.75%
Employee Share	1,813,772	3.69	1,743,493	3.85	1,559,559	3.75
Total Scottsdale Contributions	\$3,627,544	7.38%	\$3,486,986	7.7%	\$3,119,118	7.50%

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Available trend information for ten 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	20.4%	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	7.2	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
1996	12,539.2	11,366.1	108.7	993.1	4,632.3	21.4	3.85

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 8 - Retirement and Pension Plans (Continued)

Arizona State Retirement System (Continued)

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.

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, 1997, was \$13,234,514; the City's total payroll was \$64,790,449.

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 162 local boards.

At June 30, 1996, and 1995 (the latest information available), the number of participating local government employer groups was:

Employer Units	1996	1995
Cities and Towns	109	107
Counties	19	18
State Agencies	9	8
Special Districts	25	23
Total	162	156

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, 1996, and 1995, statewide PSPRS membership consisted of:

Employee Members	1996	1995
Retirees and beneficiaries currently receiving benefits	4,210	3,959
Terminated Vested Employees	17	
Current Employees		
Vested	6,040	5,548
Non-Vested	6,437	6,423
Total	16,704	15,930

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.

Note 8 - Retirement and Pension Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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.

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, 1996, and 1995. 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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 8 - Retirement and Pension Plans (Continued)

Public Safety Personnel Retirement System (Continued)

At June 30, 1996, and 1995 (the latest information available), the assets in excess of the City's pension benefit obligation for the PSPRS were as follows:

	June 30	
	1996	1995
Pension Benefit Obligation		
Retirees and beneficiaries currently receiving benefits	\$13,266,515	\$12,804,380
Terminated employees not yet receiving benefits	16,140	None
Current Employees		
Accumulated employee contributions including allocated investment income	7,151,371	6,349,572
Employer financed - vested	15,558,805	12,902,932
Employer financed - non-vested	3,465,123	3,421,124
Health Insurance	1,059,924	998,164
Total Pension Benefit Obligation	40,517,878	36,476,172
Net assets available for benefits, at cost (market value \$50,692,126 and \$42,806,882, respectively)	42,927,693	38,130,653
Assets In Excess of Pension Benefit Obligation	\$2,409,815	\$1,654,481

During the year ended June 30, 1996 the City experienced a net change of \$4,041,427 in the pension benefit obligation.

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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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-one 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, 1996 and 1995, made in accordance with contribution requirements determined by an actuarial valuation of the plan as of June 30, 1994 and 1993, respectively, were as follows:

PSPRS	1995/96		1994/95	
	Amount	Percent of Covered Payroll	Amount	Percent of Covered Payroll
Normal Cost	\$51,627,171	8.74%	\$45,367,699	8.59%
Amortization of Over-Funded Past Service Liability	(5,257,229)	(.89)	(4,911,753)	(.93)
Total	\$46,369,942	7.65%	\$40,455,946	7.66%
Employers' Share	\$46,369,942	N/A	\$40,455,946	N/A
Employees' Share	39,500,494	7.65%	35,341,047	7.65%
Total	\$85,870,436		\$75,796,993	

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 1995/96 and 2.5 percent in 1994/95, were as follows. Total contributions for all PSPRS members for 1996/97 are not available.

Scottsdale	1996/97		1995/96		1994/95	
	Amount	Percent	Amount	Percent	Amount	Percent
City Share	\$1,316,834	9.95%	\$1,206,486	9.66%	\$1,064,760	9.53%
Employee Share	1,012,440	7.65	955,477	7.65	854,714	7.65
Total Scottsdale Contributions	\$2,329,274	17.60%	\$2,161,963	17.31%	\$1,919,474	17.18%

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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 ten 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)	(7)
						Assets In Excess of PBO As A Percentage of Covered Payroll (4) / (5)	City's Contribution As a Percent of Covered Payroll
1987 ^①	\$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 ^②	18,267.5	17,498.5	104.4	769.0	6,614.7	11.6	7.18
1990 ^①	20,747.0	19,995.3	103.8	751.7	7,639.7	9.8	6.72
1991 ^①	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 ^②	38,130.6	36,476.1	104.5	1,654.4	11,468.2	14.4	7.66
1996	42,927.6	40,517.8	105.9	2,409.8	12,616.5	19.1	7.65

- ① Change in benefit provisions.
- ② 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.

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, 1997, was \$110,397; the City's total payroll was \$64,790,449.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1996, and 1995 (the latest information available), the number of participating local government employer groups was:

Employer Units	1996	1995
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, 1996, and 1995, statewide EORP membership consisted of:

Employee Members	1996	1995
Retirees and beneficiaries		
currently receiving benefits	472	466
Terminated vested employees	94	78
Current Employees		
Vested	399	391
Non-Vested	285	334
Total	1,250	1,269

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.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 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; 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, 1995, and 1994 (the latest information available), the assets in excess of the pension benefit obligation for the EORP as a whole were as follows:

	June 30	
	1995	1994
Pension Benefit Obligation		
Retirees and beneficiaries currently receiving benefits	\$72,334,404	\$62,128,488
Terminated employees not yet receiving benefits	1,623,645	933,521
Current Employees		
Accumulated employee contributions, including allocated investment income	14,745,753	14,196,043
Employer financed - vested	44,504,627	43,686,206
Employer financed - non-vested	5,017,719	3,909,540
Health Insurance	2,787,312	2,766,676
Total Pension Benefit Obligation	141,013,460	127,620,474
Net assets available for benefits	148,159,074	140,145,022
Assets in Excess of Pension Benefit Obligation	\$7,145,614	\$12,524,548

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 8 - Retirement and Pension Plans (Continued)

Elected Officials' Retirement Plan (Continued)

Funding Status and Progress (continued)

During the year ended June 30, 1995, the EORP experienced a change of \$13,392,986 in the pension benefit obligation. During the year ended June 30, 1994, the EORP experienced a change of \$7,699,763 in the pension benefit obligation.

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-five years remain from June 30, 1997.

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, 1994 and 1993, respectively, were as follows:

EORP	1995/96		1994/95	
	Amount	Percent of Covered Payroll	Amount	Percent of Covered Payroll
Normal Cost	\$4,973,295	16.04%	\$5,250,651	16.09%
Amortization of Over-Funded Past Service Liability	(86,816)	(.28)	(26,106)	(.08)
Total	\$4,886,479	15.76%	\$5,224,545	16.01%
Employers' Share	\$4,886,479	N/A	\$5,224,545	N/A
Employees' Share	2,358,224	7.0%	2,237,578	7.0%
Total	\$7,244,703		\$7,462,123	

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	1996/97		1995/96		1994/95	
	Amount	Percent	Amount	Percent	Amount	Percent
City Share	\$16,294	14.76%	\$18,172	15.76%	\$18,636	16.01%
Employee Share	7,727	7.00	8,071	7.00	8,148	7.00
Total Scottsdale Contributions	\$24,021	21.76%	\$26,243	22.76%	\$26,784	23.01%

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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 nine 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	16.55%
1994	140,145.0	127,620.4	109.8	12,524.5	29,633.4	42.3	15.62
1995	148,159.0	141,013.4	105.1	7,145.6	30,323.7	23.6	16.01

* 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 nine year comparison.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

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, 1997, was as follows (in thousands of dollars):

	Water and Sewer Utility	Airport	Solid Waste	Total
Operating Revenue	\$67,341	\$968	\$11,893	\$80,202
Depreciation and Amortization	8,693	587	189	9,469
Operating Transfers In	102	199	40	341
Operating Transfers (Out)	(195)	(5)	(102)	(302)
Operating Income (Loss)	20,271	(728)	(726)	18,817
Net Income (Loss)	25,216	(535)	(1,086)	23,595
Contributions				
Developers	5,709	-	-	5,709
Development Fees	18,896	-	-	18,896
Other Government Units	-	287	-	287
Property, Plant, and Equipment				
Additions	48,952	632	839	50,423
Net Working Capital	74,975	1,324	285	76,584
Total Assets	498,332	16,485	7,650	522,467
Long-Term Debt (Net of Current Portion) and Other Liabilities:				
Payable From Operating Revenue	47,804	994	5,485	54,283
Payable From Other Sources	7,952	1	-	7,953
Total Equity	430,469	14,468	260	445,197

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

NOTE 11 - CONTRIBUTED CAPITAL

During the year ended June 30, 1997, Enterprise Funds' contributed capital increased by the following amounts (in thousands of dollars):

Source	Water and Sewer Utility	Airport	Solid Waste	Total
Development Fees	\$18,896	-	-	\$18,896
Subdividers	5,709	-	-	5,709
Federal Government - Capital Construction	-	\$287	-	287
Less Depreciation	(4,505)	(587)	-	(5,092)
Total Change	20,100	(300)	-	19,952
Contributed Capital July 1, 1996	243,300	13,764	\$449	257,513
Contributed Capital June 30, 1997	\$263,400	\$13,464	\$449	\$277,313

The Internal Service Fund's contributed capital increased by \$504,917 as a result of Motor Pool assets contributed from other City funds.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to public, property, and aviation premises 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 \$25,000 of property liability, the first \$5,000 of aviation property damage 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, 1997 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. All claims liabilities are reported at their present value, which has been calculated using a 6 percent discount rate. For the year ending June 30, 1996, the City elected to early implement GASB

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 12 - Risk Management (Continued)

Statement No. 30, *Risk Financing Omnibus*, an amendment of GASB Statement No. 10. GASB Statement No. 30 requires that 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 did 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 ↻	
	1997	1996
Claims payable, July 1	\$5,997,995	\$4,463,893
Current year claims incurred	2,512,365	4,242,089
Current year claim payments	(2,143,450)	(2,707,987)
Claims payable June 30	<u>\$6,366,910</u>	<u>\$5,997,995</u>

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

NOTE 13 - INTERFUND TRANSFERS AND INTERFUND ASSETS/LIABILITIES

Net operating transfers are reported in the following funds:

Operating Transfers Out		Operating Transfers In	
From:		To:	
General	\$20,563,715	Internal Service (Motor Pool)	\$857,735
		Special Revenue (HURF)	704,124
		Special Revenue (Accounted for as HURF maintenance of effort)	194,000
		Enterprise (Airport)	199,100
		Capital Projects (All Other Construction)	18,608,756
Internal Service (Self Insurance)	4,461	Internal Service (Motor Pool)	4,461
Enterprise (Water & Sewer Utility)	194,900	Internal Service (Motor Pool)	38,300
		Capital Projects (All Other Construction)	156,600
Capital Projects (All Other Construction)	1,165,861	Enterprise (Solid Waste)	4,654
		Capital Projects (Transportation)	750,000
		Capital Projects (G.O. Bonds)	1,376
		Debt Service (Community Facilities)	200,000
		Debt Service (Municipal Properties)	209,831
Capital Projects (G.O. Bonds)	250,797	Capital Projects (All Other)	250,797
Internal Service (Motor Pool)	94,700	Internal Service (Risk Management)	94,700
Special Revenue (Highway User)	56,750	Internal Service (Motor Pool)	41,750
		Capital Projects (All Other)	15,000
Debt Service (MPC)	35,512	Enterprise (Solid Waste)	35,512
Trust and Agency (Expendable Trust)	410,783	Capital Projects (All Other)	107,783
		Debt Service (MPC)	303,000
Enterprise (Airport)	4,750	Internal Service (Motor Pool)	4,750
Enterprise (Solid Waste)	102,200	Enterprise (Water & Sewer Utility)	102,200
Total	\$22,884,429	Total	\$22,884,429

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 13 - 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, 1997:

Due From/To Other Funds

Receivable Fund	Amount	Payable Fund	Amount
General	\$1,534,200	Special Revenue	
		Community Development	\$503,478
		Grants	803,320
		Section 8	227,402
Total	\$1,534,200	Total	\$1,534,200

NOTE 14 - DEFICITS IN FUND BALANCE/FUND EQUITY/EXCESS OF EXPENDITURES OVER APPROPRIATION

The Section 8 Housing Fund had a deficit fund balance of (\$227,402) caused by a deficit transferred from Maricopa County when the administration of the program was transferred to City of Scottsdale. This deficit is currently being resolved between Maricopa County and the City.

The Community Development Fund had a deficit fund balance of (\$5,507) caused by expenditures for which reimbursement will be applied for during fiscal year 1997/98.

The Self-Insurance Fund had an accumulated deficit of (\$2,100,424) caused by higher than anticipated insurance claims. The deficit is being eliminated by property taxes levied for reimbursement of tort judgments.

Enterprise Solid Waste Fund has an accumulated deficit of (\$189,421) caused by expenses related to the new recycling program.

Enterprise Water Operations had an excess of expenses over appropriations of \$126,752 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 \$12,902 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.

NOTE 15 - 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 16 - 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 \$10,905,666 for the year ended June 30, 1997. The annual amount due to Rural/Metro in fiscal year 1998 will approximate \$11,852,000.
- 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 \$2,077,795 for the year ended June 30, 1997. Annual amounts due in fiscal year 1998 will approximate \$2,140,000.
- 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 1996/97 were \$3,040,368. 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 19.

- D. On August 1, 1997 the City issued \$19,900,000 General Obligation Refunding Bonds, Series 1997, to provide funds to retire General Obligation Series C (\$5,505,000), General Obligation Series E (\$4,325,000) and General Obligation Series 1994 (\$9,525,000) and to provide for payment of issuance costs and call premiums.
- E. On September 11, 1997 the McDowell Mountain Ranch Community Facilities District issued \$6,910,000 of General Obligation Bonds, Series 1997, to finance public infrastructure construction such as streets, sewer and water lines, and drainage.
- F. In connection with the Waterfront Area Redevelopment Plan, the City has entered into two garage lease agreements in order to provide unrestricted public parking. One lease has an initial term of 50 years with rent commencing upon opening of the garage. The lease is payable over 30 years in the amount of \$31,375,000, plus interest at 9.14% per annum, subject to an interest rate buy down option. The exclusive funding source for the lease payments will be new retail sales tax revenues generated by the Nordstrom department store, and the multi-level retail bridge linking Nordstrom to Fashion Square, as well as increased retail sales tax revenues (over 1995) from Fashion Square.

The second lease has an initial term of 50 years with rent commencing upon opening of the garage. The lease is payable over 25 years to a maximum amount of \$7,700,000, plus interest at 9% per annum. The exclusive funding source for the lease payments will be new retail sales tax revenues generated by new Waterfront businesses other than Nordstrom, the retail bridge, and Fashion Square.

- G. The City has entered into several agreements whereby it will reimburse businesses for the construction costs of certain public infrastructure improvements. The City does not become liable for the reimbursements until construction is complete. The funding source for the reimbursements will come from new tax revenues generated by the projects. The City's maximum liability under these agreements is \$3,248,000.

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

NOTE 17 - 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 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 City records its share of SROG's cash operating expenses, and its equity in the joint venture in the City's Water and Sewer Utility Fund. For the year ended June 30, 1996 (the latest audited information available from SROG), the City's net investment in SROG was \$17,007,000. SROG's net cash operating expenses for the year ended June 30, 1996 was \$19,585,284, of which the City's share was 8.8 percent, or \$1,720,988. For the year ended June 30, 1997, the City paid SROG \$6,936,358 for capital contributions (which increased the City's net investment in SROG), and \$2,866,667 for operation expenses.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1996 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 18 - 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 19 - 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, 1996. The financial statements for the City of Scottsdale Enterprise Fund for the year ended June 30, 1997 include a \$1,699,299 reimbursement paid to the Partnership for expenses of operating the water treatment plant for the six months ended June 30, 1997. This amount is not reflected in the consolidated financial

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 19 - 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, 1997.

Cash and Investments

At December 31, 1996, the book value of the Company's deposits was \$252,785, and the bank balance was \$259,114. The \$6,329 difference represents outstanding checks.

Risk category one cash balances, which are covered entirely through federal depository insurance funds, equaled \$100,000 at December 31, 1996. 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 \$152,785. At December 31, 1996, 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, 1996 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	\$236,993	\$236,993	\$236,915
U.S. Treasury Bills	343,241	343,241	343,329
	<u>\$580,234</u>	<u>580,234</u>	<u>580,244</u>
Money Market Funds		2,655,074	2,655,074
Total Investments		<u>\$3,235,308</u>	<u>\$3,235,318</u>

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, 1996, follows:

Land and Land Improvements	\$616,132
Equipment	24,848,465
	<u>25,464,597</u>
Accumulated depreciation	<u>(24,433,590)</u>
Net Fixed Assets	<u>\$1,031,007</u>

City of Scottsdale, Arizona
Notes to Financial Statements
(Continued)

Note 19 - 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, 1996, the interest rate on these bonds was 3.8 percent and the weighted average interest rate during 1996 was 4.06 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, 1996:

<u>Debt Service Requirements to Maturity</u>	
1997	\$1,739,220
1998	1,780,840
1999	1,829,420
2000	1,879,580
2001	1,931,130
2002-2008	13,763,880
	<u>22,924,070</u>
Less amount representing interest	<u>(3,734,070)</u>
Net amount outstanding	<u>\$19,190,000</u>

Operating Lease

During 1996, the Partnership incurred \$62,445 of expense under an operating lease for the land on which the water treatment plant is located. The Partnership leases the land from the City. The remaining term of the lease is 38 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.

Subsequent to December 1996, the Partnership entered into a sublease with the City whereby the City will sublease land from the Partnership in order to construct expansion facilities at the plant. Sublease payments will equal the lease payments of the subleased premises. The sublease terminates on the same date as the operating lease.

City of Scottsdale, Arizona
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.

City of Scottsdale, Arizona

Exhibit B-1

General Fund

Balance Sheet

June 30, 1997

ASSETS

Cash and Short-Term Investments	\$ 31,789,431
Investments	30,710,000
Receivables	
Accrued Interest	320,798
Privilege Tax	1,552,927
Hotel/Motel Tax	144,160
Fire Premium Tax	186,285
Property Tax	676,608
State Shared Sales Tax	1,028,124
Miscellaneous	557,580
Due from Other Funds	1,534,200
Supplies Inventory	304,270
	<hr/>
Total Assets	\$ 68,804,383

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	\$ 1,387,584
Accrued Payroll	6,017,482
Deferred Revenue	
Property Tax	571,657
Other	101,401
	<hr/>
Total Liabilities	8,078,124
Fund Balance	
Reserved for	
Encumbrances	2,294,307
Streetlight Districts	784,813
Unreserved	57,647,139
	<hr/>
Total Fund Balance	60,726,259
	<hr/>
Total Liabilities and Fund Balance	\$ 68,804,383

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
General Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 1997

Exhibit B-2

Revenues	
Taxes - Local	\$ 63,411,086
Taxes - Intergovernmental	24,604,670
Licenses	1,107,118
Charges for Current Services	14,423,661
Fines and Forfeitures	3,343,880
Use of Money and Property	5,656,987
Streetlight Districts	505,069
Other	<u>11,294,261</u>
 Total Revenues	 124,346,732
Expenditures	
Current Operating Departments	
General Government	16,895,558
Police	29,245,231
Financial Services	5,389,047
Community Services	29,582,079
Planning & Development	14,408,926
Fire	10,905,666
Municipal Services	1,063,811
Streetlight Districts	522,893
Debt Service	
Principal	1,383,503
Interest and Fiscal Charges	<u>197,118</u>
 Total Expenditures	 <u>109,593,832</u>
 Excess of Revenues Over Expenditures	 14,752,900
Other Sources (Uses)	
Operating Transfers Out	(20,563,715)
Proceeds of Contract Payable	<u>282,179</u>
 Total Other Uses	 <u>(20,281,536)</u>
 Excess of Revenues Over Expenditures and Other Uses	 (5,528,636)
 Fund Balance July 1, 1996	 <u>66,254,895</u>
 Fund Balance June 30, 1997	 <u>\$ 60,726,259</u>

SEE NOTES TO FINANCIAL STATEMENTS

General Fund

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual - Budget Basis

For the Fiscal Year Ended June 30, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes - Local	\$ 63,599,778	\$ 63,411,086	\$ (188,692)
Taxes - Intergovernmental	24,669,422	24,604,670	(64,752)
Licenses	1,063,964	1,107,118	43,154
Charges for Current Services	14,411,281	14,423,662	12,381
Fines and Forfeitures	3,379,793	3,343,880	(35,913)
Use of Money and Property	7,250,354	5,656,987	(1,593,367)
Other	1,400,000	1,041,088	(358,912)
Total Revenues	115,774,592	113,588,491	(2,186,101)
Expenditures			
Current Operating Departments			
General Government	17,383,310	17,237,590	145,720
Police	30,343,609	29,367,749	975,860
Financial Services	5,881,574	5,445,712	435,862
Community Services	31,124,966	30,690,386	434,580
Planning & Development	14,739,927	14,703,435	36,492
Fire	10,919,041	10,908,453	10,588
Municipal Services	1,194,018	1,082,740	111,278
Debt Service	1,735,388	1,580,621	154,767
Total Expenditures	113,321,833	111,016,686	2,305,147
Excess of Revenues Over Expenditures	2,452,759	2,571,805	119,046
Other Sources (Uses)			
Operating Transfers In	15,203,452	10,535,351	(4,668,101)
Operating Transfers Out	(17,656,211)	(20,563,715)	(2,907,504)
Total Other Sources (Uses)	(2,452,759)	(10,028,364)	(7,575,605)
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	(7,456,559)	(7,456,559)
Encumbrances Cancelled	-	1,538,847	1,538,847
Fund Balance July 1, 1996	-	8,173,638	8,173,638
Fund Balance June 30, 1997	\$ -	\$ 2,255,926	\$ 2,255,926

General Fund

Schedule of Revenues - Budget and Actual - Budget Basis

For the Fiscal Year Ended June 30, 1997

	Budget	Actual	Variance Favorable (Unfavorable)
Taxes - Local			
Property	\$ 8,187,515	\$ 8,146,557	\$ (40,958)
Transaction Privilege	43,870,707	43,544,149	(326,558)
Hotel/Motel Transient	6,328,700	6,493,377	164,677
Light and Power Franchise	3,488,904	3,484,262	(4,642)
Cable TV Franchise	1,284,251	1,274,652	(9,599)
Salt River Project In-Lieu	264,701	281,804	17,103
Fire Insurance Premium	175,000	186,285	11,285
	63,599,778	63,411,086	(188,692)
Taxes - Intergovernmental			
State-Shared Sales	11,993,944	11,870,268	(123,676)
State Revenue Sharing	12,675,478	12,734,402	58,924
	24,669,422	24,604,670	(64,752)
Licenses			
Business and Liquor Licenses	1,063,964	1,107,118	43,154
Charges for Current Services			
Building and Related Permits	12,400,000	12,018,713	(381,287)
Recreation Fees	2,011,281	2,404,949	393,668
	14,411,281	14,423,662	12,381
Fines and Forfeitures			
Court Fines	2,826,515	2,862,581	36,066
Parking	185,300	178,635	(6,665)
Library	367,978	302,664	(65,314)
	3,379,793	3,343,880	(35,913)
Use of Money and Property			
Interest Earnings	4,047,916	3,354,173	(693,743)
Property Rental	3,202,438	2,302,814	(899,624)
	7,250,354	5,656,987	(1,593,367)
Other	1,400,000	1,041,088	(358,912)
Total Revenues	\$ 115,774,592	\$ 113,588,491	\$ (2,186,101)

City of Scottsdale, Arizona

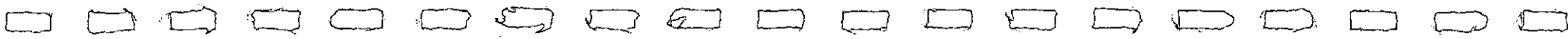
Exhibit B-5

General Fund

Schedule of Expenditures by Object

For the Fiscal Year Ended June 30, 1997

	PERSONAL SERVICES	OTHER SERVICES	SUPPLIES	DEBT SERVICE	CAPITAL OUTLAY	TOTAL
Current Operating Departments						
General Government	\$ 10,604,370	\$ 4,693,497	\$ 1,084,139	\$ -	\$ 513,552	\$ 16,895,558
Police	23,155,581	4,529,358	937,284	-	623,008	29,245,231
Financial Services	3,989,200	1,136,137	(24,290)	-	288,000	5,389,047
Community Services	14,217,254	11,984,090	2,874,514	-	506,221	29,582,079
Planning & Development	7,573,788	6,411,527	222,671	-	200,940	14,408,926
Fire	-	10,870,478	32,140	-	3,048	10,905,666
Municipal Services	728,310	278,212	24,288	-	33,001	1,063,811
Streetlight Districts	-	522,893	-	-	-	522,893
Debt Service						
Principal	-	-	-	1,383,503	-	1,383,503
Interest and Fiscal Charges	-	-	-	197,118	-	197,118
Expenditures	<u>\$ 60,268,503</u>	<u>\$ 40,426,192</u>	<u>\$ 5,150,746</u>	<u>\$ 1,580,621</u>	<u>\$ 2,167,770</u>	<u>\$ 109,593,832</u>
Operating Transfers Out						
Highway User Fuel Tax Fund	\$ 898,124					
Capital Projects Fund	18,608,756					
Motor Pool Fund	857,735					
Airport Fund	199,100					
	<u>\$ 20,563,715</u>					



City of Scottsdale, Arizona
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
Combining Balance Sheet
June 30, 1997

Exhibit C-1

	Highway User Fuel Tax	Community Development	Grants	Section 8	Total All Funds
ASSETS					
Cash and Short-Term Investments	\$ 2,514,249	\$ -	\$ 12,524	\$ -	\$ 2,526,773
Receivables					
Fuel Tax	1,340,452	-	-	-	1,340,452
Grants	-	501,952	1,307,386	-	1,809,338
Total Assets	\$ 3,854,701	\$ 501,952	\$ 1,319,910	\$ -	\$ 5,676,563
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 1,087,852	\$ 3,981	\$ 97,421	\$ -	\$ 1,189,254
Accrued Payroll	173,693	-	-	-	173,693
Due to Other Funds					
General Fund	-	503,478	803,320	227,402	1,534,200
Bond Interest Payable	659,105	-	-	-	659,105
Bonds Payable - Current Portion	1,785,000	-	-	-	1,785,000
Total Liabilities	3,705,650	507,459	900,741	227,402	5,341,252
Fund Balances (Deficit)					
Reserved for Encumbrances	149,051	2,211	82,126	3,509	236,897
Unreserved	-	(7,718)	337,043	(230,911)	98,414
Total Fund Balances (Deficit)	149,051	(5,507)	419,169	(227,402)	335,311
Total Liabilities and Fund Balances	\$ 3,854,701	\$ 501,952	\$ 1,319,910	\$ -	\$ 5,676,563

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 1997

Exhibit C-2

	HIGHWAY USER FUEL TAX	COMMUNITY DEVELOPMENT	GRANTS	SECTION 8	TOTAL ALL FUNDS
Revenues					
Taxes-Intergovernmental	\$ 16,489,837	\$ -	\$ -	\$ -	\$ 16,489,837
Grants	-	1,511,914	3,899,312	2,077,729	7,488,955
Other	-	4,527	500,004	5,664	510,195
Total Revenues	16,489,837	1,516,441	4,399,316	2,083,393	24,488,987
Expenditures					
Current Operating Departments					
General Government	-	-	553,772	-	553,772
Police	-	-	1,499,430	-	1,499,430
Transportation	4,965,041	-	2,586,425	-	7,551,466
Community Services	1,373,169	-	5,611	-	1,378,780
Planning & Development	-	1,619,015	-	2,089,022	3,708,037
Municipal Services	7,789,070	-	-	-	7,789,070
Debt Service					
Principal	1,785,000	-	-	-	1,785,000
Interest and Fiscal Charges	1,318,860	-	-	-	1,318,860
Total Expenditures	17,231,140	1,619,015	4,645,238	2,089,022	25,584,415
Excess (Deficiency) of Revenues Over Expenditures	(741,303)	(102,574)	(245,922)	(5,629)	(1,095,428)
Other Sources (Uses)					
Operating Transfers In					
From General Fund	704,124	-	-	-	704,124
HURF Maintenance of Effort	194,000	-	-	-	194,000
Operating Transfers Out	(56,750)	-	-	-	(56,750)
Total Other Sources (Uses)	841,374	-	-	-	841,374
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	100,071	(102,574)	(245,922)	(5,629)	(254,054)
Fund Balances (Deficit) July 1, 1996	48,980	97,067	665,091	(221,773)	589,365
Fund Balances (Deficit) June 30, 1997	\$ 149,051	\$ (5,507)	\$ 419,169	\$ (227,402)	\$ 335,311

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Special Revenue Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Deficit -
Budget and Actual - Budget Basis
For the Fiscal Year Ended June 30, 1997

Exhibit C-3

	<u>Highway User Fuel</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes - Intergovernmental	\$ 16,136,454	\$ 16,489,837	\$ 353,383
Total Revenues	16,136,454	16,489,837	353,383
Expenditures			
Current Operating Departments			
Transportation	5,135,302	5,035,263	100,039
Community Services	1,475,644	1,394,822	80,822
Municipal Services	7,708,024	7,800,510	(92,486)
Debt Service			
Principal	1,785,000	1,785,000	-
Interest and Fiscal Charges	1,320,210	1,318,860	1,350
Total Expenditures	17,424,180	17,334,455	89,725
Deficiency of Revenues Over Expenditures	(1,287,726)	(844,618)	443,108
Other Sources (Uses)			
Operating Transfers In			
From General Fund	128,565	704,124	575,559
HURF Maintenance of Effort	194,000	194,000	-
Operating Transfers Out	-	(56,750)	(56,750)
Total Other Sources (Uses)	322,565	841,374	518,809
Deficiency of Revenues and Other Sources Over Expenditures	(965,161)	(3,244)	961,917
Encumbrances Cancelled	-	48,980	48,980
Fund Deficit July 1, 1996	-	(156,283)	(156,283)
Fund Deficit June 30, 1997	\$ (965,161)	\$ (110,547)	\$ 854,614

City of Scottsdale, Arizona
Special Revenue Fund
Combining Schedule of Revenues and Other Sources
For the Fiscal Year Ended June 30, 1997

Exhibit C-4

	Highway User Fuel Tax	Community Development	Grants	Section 8	Total All Funds
Taxes - Intergovernmental					
Auto Lieu Tax	\$ 4,508,359	\$ -	\$ -	\$ -	\$ 4,508,359
Fuel Tax	10,844,150	-	-	-	10,844,150
Local Transportation Assistance Fund	1,137,328	-	-	-	1,137,328
	16,489,837	-	-	-	16,489,837
Grants					
Federal	-	1,102,860	3,401,542	2,077,729	6,582,131
State	-	-	415,332	-	415,332
Miscellaneous	-	409,054	82,438	-	491,492
	-	1,511,914	3,899,312	2,077,729	7,488,955
Other	-	4,527	500,004	5,664	510,195
Total Revenues	16,489,837	1,516,441	4,399,316	2,083,393	24,488,987
Other Sources (Uses)					
Operating Transfers In					
From General Fund	704,124	-	-	-	704,124
HURF Maintenance of Effort	194,000	-	-	-	194,000
Operating Transfers Out	(56,750)	-	-	-	(56,750)
Total Other Sources	841,374	-	-	-	841,374
Total Revenues and Other Sources	\$ 17,331,211	\$ 1,516,441	\$ 4,399,316	\$ 2,083,393	\$ 25,330,361

City of Scottsdale, Arizona
 Special Revenue Funds
 Combining Schedule of Expenditures by Object
 For the Fiscal Year Ended June 30, 1997

Exhibit C-5

	Personal Services	Other Services	Supplies	Debt Service	Capital Outlay	Total
HIGHWAY USER FUEL TAX						
Current Operating Departments						
Transportation	\$ 1,556,006	\$ 3,332,144	\$ 45,550	\$ -	\$ 31,341	\$ 4,965,041
Community Services	600,334	686,015	83,993	-	2,827	1,373,169
Municipal Services	1,899,495	5,439,929	444,786	-	4,860	7,789,070
Debt Service						
Principal	-	-	-	1,785,000	-	1,785,000
Interest and Fiscal Charges	-	-	-	1,318,860	-	1,318,860
	4,055,835	9,458,088	574,329	3,103,860	39,028	17,231,140
COMMUNITY DEVELOPMENT						
Current Operating Departments						
Planning & Development	241,901	1,327,143	7,852	-	42,119	1,619,015
GRANTS						
Current Operating Departments						
General Government	340,241	181,101	14,367	-	18,063	553,772
Police	940,173	21,382	33,368	-	504,507	1,499,430
Transportation	26,300	111,593	5,816	-	2,442,716	2,586,425
Community Services	2,466	1,711	1,434	-	-	5,611
	1,309,180	315,787	54,985	-	2,965,286	4,645,238
SECTION 8						
Current Operating Departments						
Planning & Development	166,495	1,919,494	2,939	-	94	2,089,022
Total Expenditures	\$ 5,773,411	\$ 13,020,512	\$ 640,105	\$ 3,103,860	\$ 3,046,527	\$ 25,584,415

**City of Scottsdale, Arizona
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 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 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 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 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.

Scottsdale Preserve Authority Fund

This fund accounts for the principal and interest requirements of excise tax revenue bonds issued by the Scottsdale Preserve Authority. Financing is provided by a 2 percent transaction privilege tax.

City of Scottsdale, Arizona
Debt Service Funds
Combining Balance Sheet
June 30, 1997

Exhibit D-1

	General Obligation Bond	Municipal Property Corporation	Special Assessments	Community Facilities Districts	Scottsdale Preserve Authority	Total All Funds
ASSETS						
Cash and Short-Term Investments	\$ 11,526,997	\$ 7,992,646	\$ 4,598,373	\$ 5,060,063	\$ 98,965	\$ 29,277,044
Investments	-	423,610	-	-	-	423,610
Receivables						
Accrued Interest		9,867	-	-	-	9,867
Property Tax	147,338	-	-	48,847	-	196,185
Special Assessments	-	-	21,363,876	-	-	21,363,876
Total Assets	\$ 11,674,335	\$ 8,426,123	\$ 25,962,249	\$ 5,108,910	\$ 98,965	\$ 51,270,582
LIABILITIES AND FUND BALANCES						
Liabilities						
Bond Interest Payable	\$ 4,481,235	\$ 1,290,885	\$ 749,492	\$ 658,177	\$ 98,965	\$ 7,278,754
Bonds Payable - Current Portion	6,605,000	5,225,000	525,000	-	-	12,355,000
Deferred Revenue						
Property Taxes	-	-	-	3,004,254	-	3,004,254
Special Assessments	-	-	21,363,876	-	-	21,363,876
Funds Held for Defeasance	-	-	428,786	-	-	428,786
Total Liabilities	11,086,235	6,515,885	23,067,154	3,662,431	98,965	44,430,670
Fund Balances						
Reserved for Debt Service	588,100	1,910,238	2,895,095	1,446,479	-	6,839,912
Total Fund Balances	588,100	1,910,238	2,895,095	1,446,479	-	6,839,912
Total Liabilities and Fund Balances	\$ 11,674,335	\$ 8,426,123	\$ 25,962,249	\$ 5,108,910	\$ 98,965	\$ 51,270,582

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
 Debt Service Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances

Exhibit D-2

For the Fiscal Year Ended June 30, 1997

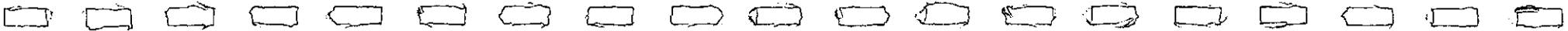
	General Obligation Bond	Municipal Property Corporation	Special Assessments	Community Facilities Districts	Scottsdale Preserve Authority	Total All Funds
Revenues						
Taxes - Local						
Property	\$ 14,426,743	\$ -	\$ -	\$ 262,740	\$ -	\$ 14,689,483
Transaction Privilege	-	10,985,472	-	-	-	10,985,472
	14,426,743	10,985,472	-	262,740	-	25,674,955
Special Assessments	-	-	6,696,260	-	-	6,696,260
Use of Money and Property						
Interest Earnings	893	42,594	-	299,017	-	342,504
Developer Contributions	-	-	-	657,612	-	657,612
Other	-	286,146	-	-	-	286,146
	893	328,740	-	956,629	-	1,286,262
Total Revenues	14,427,636	11,314,212	6,696,260	1,219,369	-	33,657,477
Expenditures						
Debt Service						
Principal	6,605,000	6,635,000	4,726,065	-	-	17,966,065
Interest and Fiscal Charges	8,064,469	5,156,531	1,703,718	1,347,777	-	16,272,495
Total Expenditures	14,669,469	11,791,531	6,429,783	1,347,777	-	34,238,560
Excess (Deficiency) of Revenues Over Expenditures	(241,833)	(477,319)	266,477	(128,408)	-	(581,083)
Other Sources (Uses)						
Operating Transfers In	-	512,831	-	200,000	-	712,831
Operating Transfers Out	-	(35,512)	-	-	-	(35,512)
Total Other Sources	-	477,319	-	200,000	-	677,319
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(241,833)	-	266,477	71,592	-	96,236
Fund Balances July 1, 1996	829,933	1,910,238	2,628,518	1,374,887	-	6,743,676
Fund Balances June 30, 1997	\$ 588,100	\$ 1,910,238	\$ 2,895,095	\$ 1,446,479	\$ -	\$ 6,839,912

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
 Debt Service Funds
 Combining Schedule of Revenues, Expenditures, and Changes in Fund
 Balances - Budget and Actual - Budget Basis
 For the Fiscal Year Ended June 30, 1997

	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	\$ 14,377,564	\$ 14,426,743	\$ 49,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,377,564	\$ 14,426,743	\$ 49,179
Transaction Privilege	-	-	-	10,421,293	10,985,472	564,179	-	-	-	10,421,293	10,985,472	564,179
Hotel/Motel Transient	-	-	-	486,393	-	(486,393)	-	-	-	486,393	-	(486,393)
	14,377,564	14,426,743	49,179	10,907,686	10,985,472	77,786	-	-	-	25,285,250	25,412,215	126,965
Special Assessments	-	-	-	-	-	-	8,103,694	6,696,260	(1,407,434)	8,103,694	6,696,260	(1,407,434)
Use of Money and Property												
Interest Earnings	-	893	893	100,000	42,594	(57,406)	-	-	-	100,000	43,487	(56,513)
Other	-	-	-	306,140	286,146	(19,994)	-	-	-	306,140	286,146	(19,994)
	-	893	893	406,140	328,740	(77,400)	-	-	-	406,140	329,833	(76,507)
Total Revenues	14,377,564	14,427,636	50,072	11,313,826	11,314,212	386	8,103,694	6,696,260	(1,407,434)	33,795,084	32,438,108	(1,356,976)
Expenditures												
Debt Service												
Principal	5,765,000	6,805,000	(840,000)	6,635,000	6,635,000	-	4,864,624	4,726,065	138,559	17,264,624	17,966,065	(701,441)
Interest and Fiscal Charges	9,012,272	8,064,469	947,803	5,694,034	5,156,531	537,503	3,239,070	1,703,718	1,535,352	17,945,376	14,924,718	3,020,658
Total Expenditures	14,777,272	14,669,469	107,803	12,329,034	11,791,531	537,503	8,103,694	6,429,783	1,673,911	35,210,000	32,890,783	2,319,217
Excess of Revenues Over Expenditures	(399,708)	(241,833)	157,875	(1,015,208)	(477,319)	537,889	-	266,477	266,477	(1,414,916)	(452,675)	962,241
Other Sources (Uses)												
Operating Transfers In	-	-	-	1,187,208	512,831	(674,377)	-	-	-	1,187,208	512,831	(674,377)
Operating Transfers Out	-	-	-	-	(35,512)	(35,512)	-	-	-	-	(35,512)	(35,512)
Total Other Sources (Uses)	-	-	-	1,187,208	477,319	(709,889)	-	-	-	1,187,208	477,319	(709,889)
Excess of Revenues and Other Sources Over Expenditures and Other Uses	(399,708)	(241,833)	157,875	172,000	-	(172,000)	-	266,477	266,477	(227,708)	24,644	252,352
Fund Balances July 1, 1996	1,310,200	829,933	(480,267)	-	1,910,238	1,910,238	-	2,628,618	2,628,618	1,310,200	5,368,789	4,058,589
Fund Balances June 30, 1997	\$ 910,492	\$ 588,100	\$ (322,392)	\$ 172,000	\$ 1,910,238	\$ 1,738,238	\$ -	\$ 2,895,095	\$ 2,895,095	\$ 1,082,492	\$ 5,393,433	\$ 4,310,941

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City of Scottsdale, Arizona
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.

Scottsdale Preserve Authority Fund

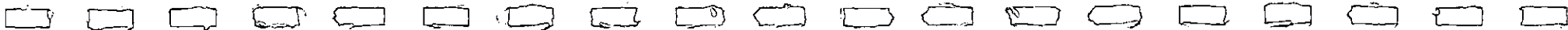
Accounts for the expenditure of proceeds of revenue bonds issued by the Scottsdale Preserve Authority for acquisition of land within the McDowell Sonoran Preserve.

City of Scottsdale, Arizona
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 1997

Exhibit E-1

	General Obligation Bond Construction	McDowell Preserve Privilege Tax	Transportation Privilege Tax	All Other Construction	Scottsdale Preserve Authority	Total All Funds
ASSETS						
Cash and Short-Term Investments	\$ 24,143,344	\$ 5,103,283	\$ 11,045,070	\$ 23,221,640	\$ -	\$ 63,513,337
Receivables						
Accrued Interest	78,978	55,792	127,447	100,129	-	362,346
Privilege Tax	-	937,195	355,654	-	-	1,292,849
Miscellaneous	-	-	-	75,578	-	75,578
Total Assets	\$ 24,222,322	\$ 6,096,270	\$ 11,528,171	\$ 23,397,347	\$ -	\$ 65,244,110
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 388,595	\$ -	\$ 8,796	\$ 354,960	\$ -	\$ 752,351
Other	122,517	-	-	25,124	-	147,641
Total Liabilities	511,112	-	8,796	380,084	-	899,992
Fund Balances						
Reserved for Encumbrances	9,901,808	-	561,404	1,630,960	-	12,094,172
Unreserved	13,809,402	6,096,270	10,957,971	21,386,303	-	52,249,946
Total Fund Balances	23,711,210	6,096,270	11,519,375	23,017,263	-	64,344,118
Total Liabilities and Fund Balances	\$ 24,222,322	\$ 6,096,270	\$ 11,528,171	\$ 23,397,347	\$ -	\$ 65,244,110

SEE NOTES TO FINANCIAL STATEMENTS



City of Scottsdale, Arizona
Capital Projects Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Fiscal Year Ended June 30, 1997

Exhibit E-2

	General Obligation Bond Construction	McDowell Preserve Privilege Tax	Transportation Privilege Tax	All Other Construction	Scottsdale Preserve Authority	Total All Funds
Revenues						
Taxes Local						
Transaction Privilege Tax	\$ -	\$ 10,662,579	\$ 10,545,008	\$ -	\$ -	\$ 21,207,587
Use of Money and Property	644,177	455,065	644,907	1,300,424	-	3,044,573
Reimbursements from Outside Sources	-	-	-	3,739,589	-	3,739,589
Other	-	-	-	64,605	-	64,605
Total Revenues	644,177	11,117,644	11,189,915	5,104,618	-	28,056,354
Expenditures						
Capital Improvements	12,126,855	11,827,255	11,225,350	18,580,011	20,500,000	74,259,471
Excess (Deficiency) of Revenues Over Expenditures	(11,482,678)	(709,611)	(35,435)	(13,475,393)	(20,500,000)	(46,203,117)
Other Sources (Uses)						
Operating Transfers In	1,376	-	750,000	19,138,936	-	19,890,312
Operating Transfers Out	(250,797)	-	-	(1,165,861)	-	(1,416,658)
Bond Proceeds	27,500,000	-	-	4,750,000	20,500,000	52,750,000
Proceeds from Sale of Real Estate	-	-	-	367,028	-	367,028
Total Other Sources (Uses)	27,250,579	-	750,000	23,090,103	20,500,000	71,590,682
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	15,767,901	(709,611)	714,565	9,614,710	-	25,387,565
Fund Balances July 1, 1996						
As Previously Reported	8,641,233	6,805,881	10,804,810	12,704,629	-	38,956,553
Prior Period Adjustment	(697,924)			697,924		-
Fund Balances July 1, 1996 As Restated	7,943,309	6,805,881	10,804,810	13,402,553	-	38,956,553
Fund Balances June 30, 1997	\$ 23,711,210	\$ 6,096,270	\$ 11,519,375	\$ 23,017,263	\$ -	\$ 64,344,118

SEE NOTES TO FINANCIAL STATEMENTS

Capital Projects Funds

Combining Schedule of Expenditures by Object

For the Fiscal Year Ended June 30, 1997

	Personal Services	Other Services	Supplies	Capital Outlay	Debt Service	Total
General Obligation Bond Construction Fund Capital Improvements	\$ 269,967	\$ 832,453	\$ 3,058	\$ 11,021,377	\$ -	\$ 12,126,855
McDowell Preserve Privilege Tax Capital Improvements	2,687	115,528	-	11,709,040	-	11,827,255
Transportation Privilege Tax Capital Improvements	296,827	1,276,869	1,026	9,650,628	-	11,225,350
All Other Construction Fund Capital Improvements	187,831	1,016,158	261,543	17,079,183	35,296	18,580,011
Scottsdale Preserve Authority Capital Improvements	-	-	-	20,500,000	-	20,500,000
Total Expenditures	\$ 757,312	\$ 3,241,008	\$ 265,627	\$ 69,960,228	\$ 35,296	\$ 74,259,471

**City of Scottsdale, Arizona
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.).

City of Scottsdale, Arizona
Enterprise Funds
Combining Balance Sheet
June 30, 1997

Exhibit F-1

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds
ASSETS				
Current Assets				
Cash and Short-Term Investments	\$ 76,919,120	\$ 1,572,812	\$ 113,628	\$ 78,605,560
Construction to be Provided	-	-	252,305	252,305
Prepaid Expense	-	166,412	-	166,412
Receivables				
Accrued Interest	700,544	2,255	3,941	706,740
Accounts	8,983,206	-	1,683,964	10,667,170
Miscellaneous	479,743	604,650	135,600	1,219,993
Total Current Assets	87,082,613	2,346,129	2,189,438	91,618,180
Restricted Cash and Investments				
Water and Sewer System Replacement	8,611,102	-	-	8,611,102
Scottsdale Water Service Company Replacement Reserve	300,000	-	-	300,000
Acquisition and Construction Reserve Development Fees	33,039,318	-	-	33,039,318
Total Restricted Cash and Investments	41,950,420	-	-	41,950,420
Equity In Joint Venture	23,943,190	-	-	23,943,190
Property, Plant, and Equipment				
Land and Land Improvements	3,314,710	15,300,782	686,086	19,301,578
Water Rights	39,694,594	-	-	39,694,594
Water System	227,057,102	-	-	227,057,102
Sewer System	110,140,154	-	-	110,140,154
Buildings and Improvements	-	3,710,813	2,923,381	6,634,194
Machinery and Equipment	2,763,029	141,042	2,381,872	5,285,943
Furniture and Fixtures	606,666	14,802	-	621,468
Construction in Progress	43,410,633	1,651,178	-	45,061,811
Total Property, Plant, and Equipment	426,986,888	20,818,617	5,991,339	453,796,844
Accumulated Depreciation	(81,976,191)	(6,679,399)	(531,018)	(89,186,608)
Total Property, Plant, and Equipment, Net of Accumulated Depreciation	345,010,697	14,139,218	5,460,321	364,610,236
Excess Purchase Price Over Fair Market Value of Water System Assets Acquired, Net of Accumulated Amortization of \$2,576,245				
	345,013	-	-	345,013
Total Assets	\$ 498,331,933	\$ 16,485,347	\$ 7,649,759	\$ 522,467,039

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
 Enterprise Funds
 Combining Balance Sheet
 June 30, 1997

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	\$ 5,185,412	\$ 19,896	\$ 269,328	\$ 5,474,636
Accrued Payroll	1,252,177	22,634	815,684	2,090,495
Contracts Payable - Current Portion	319,416	980,000	-	1,299,416
Bond Interest Payable	1,279,953	-	154,803	1,434,756
Bonds Payable - Current Portion	4,070,000	-	665,000	4,735,000
Total Current Liabilities	12,106,958	1,022,530	1,904,815	15,034,303
Other Liabilities				
Deferred Revenue	4,728,714	-	-	4,728,714
Accumulated Accretion	2,292,288	-	-	2,292,288
Customer Advances and Deposits	930,534	975	-	931,509
Total Other Liabilities	7,951,536	975	-	7,952,511
Long-Term Debt (Net of Current Portion)				
Bonds Payable, Net of Def. Loss/Costs	46,041,995	-	5,485,000	51,526,995
Contracts Payable	1,762,307	994,000	-	2,756,307
Total Long-Term Debt	47,804,302	994,000	5,485,000	54,283,302
Total Liabilities	67,862,796	2,017,505	7,389,815	77,270,116
Fund Equity				
Contributed Capital	302,177,407	20,202,955	449,365	322,829,727
Less Depreciation	(38,777,793)	(6,738,638)	-	(45,516,431)
Net Contributed Capital	263,399,614	13,464,317	449,365	277,313,296
Retained Earnings (Accumulated Deficit)				
Reserved for Water and Sewer System Replacement	8,911,102	-	-	8,911,102
Reserved for Acquisition and Construction	33,039,318	-	-	33,039,318
Unreserved	125,119,103	1,003,525	(189,421)	125,933,207
Total Retained Earnings (Accumulated Deficit)	167,069,523	1,003,525	(189,421)	167,883,627
Total Fund Equity	430,469,137	14,467,842	259,944	445,196,923
Total Liabilities and Fund Equity	\$ 498,331,933	\$ 16,485,347	\$ 7,649,759	\$ 522,467,039

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Enterprise Funds
Combining Statement of Revenues, Expenses,
and Changes In Retained Earnings
For the Fiscal Year Ended June 30, 1997

Exhibit F-2

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds
Operating Revenues				
Water Service Fees	\$ 45,463,857	\$ -	\$ -	\$ 45,463,857
Sewer Service Fees	14,467,721	-	-	14,467,721
Reclaimed Water Distribution	3,434,035	-	-	3,434,035
Groundwater Treatment Plant	1,048,101	-	-	1,048,101
Solid Waste Fees	-	-	11,892,550	11,892,550
Airport Fees	-	968,090	-	968,090
Other	2,927,359	-	-	2,927,359
Total Operating Revenues	67,341,073	968,090	11,892,550	80,201,713
Operating Expenses				
Water Operations	22,354,709	-	-	22,354,709
Sewer Operations	7,603,744	-	-	7,603,744
Solid Waste Operations	-	-	10,934,000	10,934,000
Airport Operations	-	769,657	-	769,657
Indirect Costs	3,923,759	274,646	1,494,947	5,693,352
In-Lieu Property Tax	1,500,000	65,004	-	1,565,004
Franchise Fees	2,994,816	-	-	2,994,816
Depreciation and Amortization	8,692,838	586,870	189,779	9,469,487
Total Operating Expenses	47,069,866	1,696,177	12,618,726	61,384,769
Operating Income (Loss)	20,271,207	(728,087)	(726,176)	18,816,944
Non-Operating Revenues (Expenses)				
Interest Earnings	7,366,943	18,393	31,010	7,416,346
Interest Expense	(3,243,476)	(19,082)	(329,030)	(3,591,588)
Litigation Recovery	913,798	-	-	913,798
Net Non-Operating Revenues (Expenses)	5,037,265	(689)	(298,020)	4,738,556
Operating Transfers In	102,200	199,100	40,166	341,466
Operating Transfers Out	(194,900)	(4,750)	(102,200)	(301,850)
Net Operating Transfers In (Out)	(92,700)	194,350	(62,034)	39,616
Net Income (Loss)	25,215,772	(534,426)	(1,086,230)	23,595,116
Add Depreciation on Fixed Assets Acquired By Contributed Capital	4,505,462	586,870	-	5,092,332
Increase (Decrease) in Retained Earnings	29,721,234	52,444	(1,086,230)	28,687,448
Retained Earnings July 1, 1996	137,348,289	951,081	896,809	139,196,179
Retained Earnings (Accumulated Deficit) June 30, 1997	\$ 167,069,523	\$ 1,003,525	\$ (189,421)	\$ 167,883,627

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 1997

Exhibit F-3
(Continued on Following Page)

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 20,271,206	\$ (728,086)	\$ (726,176)	\$ 18,816,944
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	8,672,997	586,870	189,779	9,449,646
Amortization	19,841	-	-	19,841
Changes In Assets and Liabilities (Sources (Uses) of Cash):				
Accounts Receivable	(613,765)	-	(186,839)	(800,604)
Miscellaneous Receivables	51,849	320,159	(90,356)	281,652
Accounts Payable	1,866,039	13,614	(72,731)	1,806,922
Accrued Payroll	708,812	(6,885)	446,709	1,148,636
Due to General Fund	-	(268,000)	(1,402,000)	(1,670,000)
Deferred Revenue	(1,298,819)	-	-	(1,298,819)
Other Liabilities	(254,065)	(25)	-	(254,090)
Total Adjustments	9,152,889	645,733	(1,115,438)	8,683,184
Net Cash Provided by (Used for) Operating Activities	29,424,095	(82,353)	(1,841,614)	27,500,128
Cash Flows from Non-Capital Financing Activities:				
Operating Transfers In	102,200	199,100	40,166	341,466
Operating Transfers Out	(194,900)	(4,750)	(102,200)	(301,850)
Litigation Recovery	913,798	-	-	913,798
Net Cash Provided by (Used for) Non-Capital Financing Activities	821,098	194,350	(62,034)	953,414
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Property and Equipment	(48,952,043)	(631,602)	(839,214)	(50,422,859)
Construction to be Provided	-	-	151,742	151,742
Principal Payments on Long-Term Debt	(5,427,506)	-	-	(5,427,506)
Interest Paid on Long-Term Debt	(3,257,961)	(19,082)	(324,227)	(3,601,270)
Accumulated Accretion	2,292,288	-	-	2,292,288
Capital Contributions from Other Government Units	-	287,417	-	287,417
Water and Sewer Development Fees	18,895,755	-	-	18,895,755
Proceeds from Contracts Payable	-	1,974,000	-	1,974,000
Prepaid Expense	-	(166,412)	-	(166,412)
Bond Proceeds	-	-	2,675,197	2,675,197
Net Cash Used for Capital and Related Financing Activities	(36,449,467)	1,444,321	1,663,498	(33,341,648)
Cash Flows from Investing Activities:				
Interest Received on Investments	7,903,135	16,257	48,046	7,967,438
Net Increase (Decrease) in Cash and Cash Equivalents	1,698,861	1,572,575	(192,104)	3,079,332
Cash and Cash Equivalents at Beginning of Year	117,170,679	237	305,732	117,476,648
Cash and Cash Equivalents at End of Year	\$ 118,869,540	\$ 1,572,812	\$ 113,628	\$ 120,555,980

City of Scottsdale, Arizona
Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 1997

Exhibit F-3
(Continued)

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds
Cash and Cash Equivalents at End of Year Includes:				
Cash and Short-Term Investments	\$ 76,919,120	\$ 1,572,812	\$ 113,628	\$ 78,605,560
Restricted Cash and Investments	41,950,420	-	-	41,950,420
Total Cash and Cash Equivalents	\$ 118,869,540	\$ 1,572,812	\$ 113,628	\$ 120,555,980
Supplemental Disclosure of Non-Cash Financing Activities:				
Additions to Property, Plant, and Equipment Contributions from Developers	\$ 5,709,063	\$ -	\$ -	\$ 5,709,063
Total Non-Cash Financing Activities	\$ 5,709,063	\$ -	\$ -	\$ 5,709,063

SEE NOTES TO FINANCIAL STATEMENTS

Enterprise Funds

**Combining Schedule of Revenues and Expenses -
Budget and Actual - Budget**

For the Fiscal Year Ended June 30, 1997

	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	\$ 44,189,237	\$ 45,463,828	\$ 1,275,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,189,237	\$ 45,463,828	\$ 1,275,591
Sewer Service Fees	14,186,968	14,467,721	280,753	-	-	-	-	-	-	14,186,968	14,467,721	280,753
Solid Waste Fees	-	-	-	-	-	-	11,795,614	11,892,550	96,936	11,795,614	11,892,550	96,936
Airport Fees	-	-	-	891,391	968,090	76,699	-	-	-	891,391	968,090	76,699
Property Rental	45,000	106,238	61,238	-	-	-	-	-	-	45,000	106,238	61,238
Interest Earnings	2,130,031	2,568,165	438,134	-	18,393	18,393	40,000	31,010	(8,990)	2,170,031	2,617,568	447,537
Operating Transfers In	-	-	-	227,292	-	(227,292)	-	40,166	40,166	227,292	40,166	(187,126)
Other	625,967	2,067,887	1,441,920	-	-	-	-	-	-	625,967	2,067,887	1,441,920
Total Revenues	61,176,203	64,673,839	3,497,636	1,118,683	986,483	(132,200)	11,835,614	11,963,726	128,112	74,130,500	77,624,048	3,493,548
Expenditures												
Water Operations	20,414,324	20,541,076	(126,752)	-	-	-	-	-	-	20,414,324	20,541,076	(126,752)
Sewer Operations	5,016,618	4,860,491	156,127	-	-	-	-	-	-	5,016,618	4,860,491	156,127
Solid Waste Operations	-	-	-	-	-	-	9,730,445	9,743,347	(12,902)	9,730,445	9,743,347	(12,902)
Airport Operations	-	-	-	854,288	793,520	60,766	-	-	-	854,288	793,520	60,766
Debt Service and Reserves	6,894,244	6,633,006	261,238	-	19,082	(19,082)	992,997	994,030	(1,033)	7,887,241	7,646,118	241,123
Operating Transfers Out	36,800	38,300	(1,500)	-	4,750	(4,750)	102,333	102,200	133	139,133	145,250	(6,117)
Indirect Costs	8,188,185	7,969,187	218,998	339,646	339,650	(4)	1,494,947	1,494,947	-	10,022,778	9,803,784	218,994
Total Expenditures	40,550,171	40,042,060	508,111	1,193,932	1,157,002	36,930	12,320,722	12,334,524	(13,802)	54,064,825	53,533,586	531,239
Excess (Deficiency) of Revenues Over Expenditures	\$ 20,626,032	\$ 24,631,779	\$ 4,005,747	\$ (76,249)	\$ (170,519)	\$ (95,270)	\$ (485,108)	\$ (370,798)	\$ 114,310	\$ 20,065,675	\$ 24,090,462	\$ 4,024,787



City of Scottsdale, Arizona
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.

City of Scottsdale, Arizona
Internal Service Funds
Combining Balance Sheet
June 30, 1997

Exhibit G-1

	Motor Pool	Self- Insurance	Total All Funds
ASSETS			
Current Assets			
Cash and Short-Term Investments	\$ 5,308,366	\$ 6,284,483	\$ 11,592,849
Receivables			
Accrued Interest	34,795	38,250	73,045
Miscellaneous	5,715	52,211	57,926
Supplies Inventory	327,186	-	327,186
Total Current Assets	5,676,062	6,374,944	12,051,006
Property, Plant, and Equipment			
Buildings and Improvements	1,448,103	-	1,448,103
Motor Vehicles	21,111,227	-	21,111,227
Machinery and Equipment	882,680	-	882,680
Furniture and Fixtures	2,131	24,010	26,141
Construction in Progress	805,395	-	805,395
Total Property, Plant, and Equipment	24,249,536	24,010	24,273,546
Accumulated Depreciation	(12,004,273)	(24,010)	(12,028,283)
Total Property, Plant, and Equipment, Net of Accumulated Depreciation	12,245,263	-	12,245,263
Total Assets	\$ 17,921,325	\$ 6,374,944	\$ 24,296,269
LIABILITIES AND FUND EQUITY			
Current Liabilities			
Accounts Payable	\$ 21,758	\$ 54	\$ 21,812
Accrued Payroll	643,946	125,316	769,262
Claims Payable	-	6,366,910	6,366,910
Total Current Liabilities	665,704	6,492,280	7,157,984
Fund Equity			
Contributed Capital	9,461,941	1,983,088	11,445,029
Retained Earnings (Accumulated Deficit)	7,793,680	(2,100,424)	5,693,256
Net Fund Equity	17,255,621	(117,336)	17,138,285
Total Liabilities and Fund Equity	\$ 17,921,325	\$ 6,374,944	\$ 24,296,269

SEE NOTES TO FINANCIAL STATEMENTS

Internal Service Funds

Combining Statement of Revenues, Expenses,
and Changes in Retained Earnings (Accumulated Deficit)

For the Fiscal Year Ended June 30, 1997

	Motor Pool	Self- Insurance	Total All Funds
Operating Revenues			
Billings To User Programs	\$ 8,182,231	\$ 3,266,307	\$ 11,448,538
Other	261,669	-	261,669
Total Operating Revenues	8,443,900	3,266,307	11,710,207
Operating Expenses			
Motor Pool Operations	5,033,199	-	5,033,199
Self-Insurance Administration	-	1,176,716	1,176,716
Self-Insurance Claims	-	2,522,677	2,522,677
Depreciation	2,565,592	2,936	2,568,528
Total Operating Expenses	7,598,791	3,702,329	11,301,120
Operating Income (Loss)	845,109	(436,022)	409,087
Non-Operating Revenues			
Property Tax	-	1,842,996	1,842,996
Interest Earnings	283,803	311,987	595,790
Total Non-Operating Revenues	283,803	2,154,983	2,438,786
Operating Transfers In	946,996	94,700	1,041,696
Operating Transfers Out	(94,700)	(4,461)	(99,161)
Net Operating Transfers In	852,296	90,239	942,535
Net Income	1,981,208	1,809,200	3,790,408
Retained Earnings (Accumulated Deficit)			
July 1, 1996	5,812,472	(3,909,624)	1,902,848
Retained Earnings (Accumulated Deficit) June 30, 1997	<u>\$ 7,793,680</u>	<u>\$ (2,100,424)</u>	<u>\$ 5,693,256</u>

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 1997

Exhibit G-3

	Motor Pool	Self- Insurance	Total All Funds
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ 845,109	\$ (436,022)	\$ 409,087
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	2,565,592	2,936	2,568,528
Changes in Assets and Liabilities (Sources (Uses) of Cash):			
Miscellaneous Receivables	4,841	(16,093)	(11,252)
Supplies Inventory	12,395	-	12,395
Accounts Payable	(224,133)	(203)	(224,336)
Accrued Payroll	336,346	72,983	409,329
Claims Payable	-	368,915	368,915
Total Adjustments	2,695,041	428,538	3,123,579
Net Cash Provided by (Used for) Operating Activities	3,540,150	(7,484)	3,532,666
Cash Flows from Non-Capital Financing Activities:			
Property Tax	-	1,842,996	1,842,996
Operating Transfers In	946,996	94,700	1,041,696
Operating Transfers Out	(94,700)	(4,461)	(99,161)
Net Cash Provided by Non-Capital Financing Activities	852,296	1,933,235	2,785,531
Cash Flows from Capital and Related Financing Activities:			
Acquisition, Construction, and Disposal of Property and Equipment	(2,342,465)	16,425	(2,326,040)
Cash Flows from Investing Activities:			
Interest Received on Investments	293,281	322,815	616,096
Net Decrease in Cash and Cash Equivalents	2,343,262	2,264,991	4,608,253
Cash and Cash Equivalents at Beginning of Year	2,965,104	4,019,492	6,984,596
Cash and Cash Equivalents at End of Year	\$ 5,308,366	\$ 6,284,483	\$ 11,592,849
Supplemental Disclosure of Noncash Financing Activities:			
Additions to Property, Plant, and Equipment Contributions from Other Government Units	\$ 504,917	\$ -	\$ 504,917

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
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.

City of Scottsdale, Arizona
Trust and Agency Funds
Combining Balance Sheet
June 30, 1997

Exhibit H-1

	Expendable Trust	Non- Expendable Trust	Deferred Compensation Agency	Total All Funds
ASSETS				
Cash and Short-Term Investments	\$ 6,292,620	\$ 185,898	\$ -	\$ 6,478,518
Investments	-	-	15,704,956	15,704,956
Receivables				
Accrued Interest	16,428	-	-	16,428
Miscellaneous	1,348,104	-	-	1,348,104
Note Receivable	4,000,000	-	-	4,000,000
Total Assets	\$ 11,657,152	\$ 185,898	\$ 15,704,956	\$ 27,548,006
LIABILITIES AND FUND BALANCES				
Liabilities				
Designated Deferred Compensation Benefits	\$ -	\$ -	\$ 15,704,956	\$ 15,704,956
Deferred Revenue	4,160,000	-	-	4,160,000
Guaranty and Other Deposits	2,470,971	-	-	2,470,971
Total Liabilities	6,630,971	-	15,704,956	22,335,927
Fund Balances				
Reserved for Encumbrances	76,873	163	-	77,036
Reserved for Library Acquisitions	-	185,735	-	185,735
Unreserved	4,949,308	-	-	4,949,308
Total Fund Balances	5,026,181	185,898	-	5,212,079
Total Liabilities and Fund Balances	\$ 11,657,152	\$ 185,898	\$ 15,704,956	\$ 27,548,006

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Expendable Trust Fund
Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 1997

Exhibit H-2

	<u>Expendable Trust</u>
Revenues	
Interest Earnings	\$ 59,050
Donations and Other Trust Revenues	<u>1,829,611</u>
Total Revenues	1,888,661
Expenditures	
Expendable Trusts	<u>1,280,490</u>
Excess of Revenues Over Expenditures	608,171
Other Uses	
Operating Transfers Out	<u>(410,783)</u>
Total Other Uses	<u>(410,783)</u>
Excess of Revenues Over Expenditures and Other Uses	197,388
Fund Balance July 1, 1996	<u>4,828,792</u>
Fund Balance June 30, 1997	<u><u>\$ 5,026,180</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Expendable Trust Fund
Schedule of Expenditures by Object
For the Fiscal Year Ended June 30, 1997

Exhibit H-3

	<u>Personal Services</u>	<u>Other Services</u>	<u>Supplies</u>	<u>Capital Outlay</u>	<u>Total</u>
Expendable Trust	\$ 122,813	\$ 900,854	\$ 176,268	\$ 80,555	\$ 1,280,490

City of Scottsdale, Arizona
Nonexpendable Trust Fund
Statement of Revenues, Expenses,
and Changes in Fund Balance
For the Fiscal Year Ended June 30, 1997

Exhibit H-4

	<u>Non- Expendable Trust</u>
Operating Revenues	
Interest Earnings	\$ 9,761
Operating Expenses	
Trust Operations	<u>17,578</u>
Operating Loss	<u>(7,817)</u>
Net Loss	(7,817)
Fund Balance July 1, 1996	<u>193,715</u>
Fund Balance June 30, 1997	<u><u>\$ 185,898</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
Nonexpendable Trust Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 1997

Exhibit H-5

	<u>Non-Expendable Trust</u>
Cash Flows from Operating Activities:	
Operating Loss	\$ (7,817)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Deduct Interest Earnings	<u>(9,761)</u>
Net Cash Used for Operating Activities	(17,578)
Cash Flows from Investing Activities:	
Interest Received on Investments	<u>9,761</u>
Net Decrease in Cash and Cash Equivalents	(7,817)
Cash and Cash Equivalents at Beginning of Year	<u>193,715</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 185,898</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

City of Scottsdale, Arizona
 Deferred Compensation Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 1997

Exhibit H-6

<u>Deferred Compensation Agency</u>				
	<u>Balance</u> <u>July 1, 1996</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 1997</u>
<u>ASSETS</u>				
Investments	\$ 12,062,937	\$ 4,231,944	\$ 589,925	\$ 15,704,956
Total Assets	\$ 12,062,937	\$ 4,231,944	\$ 589,925	\$ 15,704,956
<u>LIABILITIES</u>				
Designated Deferred Compensation Benefits	\$ 12,062,937	\$ 4,231,944	\$ 589,925	\$ 15,704,956
Total Liabilities	\$ 12,062,937	\$ 4,231,944	\$ 589,925	\$ 15,704,956

SEE NOTES TO FINANCIAL STATEMENTS



City of Scottsdale, Arizona
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.

City of Scottsdale, Arizona
Schedule of General Fixed Assets by Source
June 30, 1997

Exhibit I-1

General Fixed Assets:

Land	\$	96,899,433
Buildings and Improvements		192,231,824
Streets and Storm Drains		1,116,993,844
Machinery and Equipment		36,871,492
Construction in Progress		39,729,487
		<hr/>
Total General Fixed Assets	\$	<u>1,482,726,080</u>

Investment in General Fixed Assets by Source:

General Fund	\$	65,481,084
Special Revenue Funds		102,475,101
Capital Projects Funds		374,225,813
Contributions		896,476,158
Improvement Districts		44,067,924
		<hr/>
Total Investment in General Fixed Assets	\$	<u>1,482,726,080</u>

Schedule of General Fixed Assets by Function and Activity

June 30, 1997

DEPARTMENT	Land	Buildings and Improvements	Streets and Storm Drains	Machinery and Equipment	Total
General Government	\$ 454,153	\$ 4,337,384	\$ 97,891	\$ 8,799,420	\$ 13,698,848
Police	40,855	996,281	48,038	2,921,374	4,006,548
Financial Services	-	293,720	-	411,905	705,625
Transportation	-	7,128,098	-	22,740	7,150,838
Community Services	7,444,399	9,666,203	132,513	1,684,380	18,927,495
Planning & Development	-	170,067	-	140,423	310,490
Fire	-	396,762	-	265,565	662,327
Municipal Services	-	-	-	109,290	109,290
Capital Projects	88,950,026	169,243,309	1,116,715,402	22,516,395	1,397,425,132
Total General Fixed Assets Allocated to Functions	\$ 96,899,433	\$ 192,231,824	\$ 1,116,993,844	\$ 36,871,492	\$ 1,442,996,593
Construction in Progress					39,729,487
Total General Fixed Assets					\$ 1,482,726,080

City of Scottsdale, Arizona
 Schedule of Changes in General Fixed Assets
 By Function and Activity
 For the Fiscal Year Ended June 30, 1997

Exhibit I-3

Department	July 1, 1996	Additions	Deletions	June 30, 1997
General Government	\$ 14,475,269	\$ 10,050,005	\$ (10,826,426)	\$ 13,698,848
Police	4,830,562	262,330	(1,086,344)	4,006,548
Financial Services	1,167,465	176,026	(637,866)	705,625
Transportation	7,288,687	-	(137,849)	7,150,838
Community Services	19,484,795	156,928	(714,228)	18,927,495
Planning & Development	526,012	190,914	(406,436)	310,490
Fire	691,891	-	(29,564)	662,327
Municipal Services	231,172	-	(121,882)	109,290
Capital Projects	1,266,457,771	131,114,464	(147,103)	1,397,425,132
Construction in Progress	36,850,071	29,716,115	(26,836,699)	39,729,487
Total General Fixed Assets	\$ 1,352,003,695	\$ 171,666,782	\$ (40,944,397)	\$ 1,482,726,080

City of Scottsdale, Arizona
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*
 For the Fiscal Year Ended June 30, 1997

Exhibit J-1

	July 1, 1996	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions & Contract Adjustments	June 30, 1997	Final Payment Date
GENERAL OBLIGATION BONDS								
1986 Water Acquisition	\$ 1,220,000	\$ -	\$ 1,220,000	\$ -	\$ -	\$ -	\$ -	07/01/97
1989 Series A (1990)	4,345,000	-	970,000	-	-	-	3,375,000	07/01/00
1989 Series B (1991)	7,595,000	-	740,000	-	-	-	6,855,000	07/01/04
1991 GO Refunding	2,655,000	-	810,000	-	-	-	2,045,000	07/01/00
1989 Series C (1992)	18,285,000	-	750,000	-	-	-	17,535,000	07/01/12
1993 Refunding	45,163,197	-	1,010,000	-	-	922,114	45,075,311	07/01/09
1989 Series D (1993)	17,980,000	-	640,000	-	-	-	17,340,000	07/01/13
1993A GO Refunding	24,573,971	-	475,000	-	-	578,354	24,677,325	07/01/11
1989 Series E (1994)	13,425,000	-	450,000	-	-	-	12,975,000	07/01/14
1994 Various Purpose	15,125,000	-	475,000	-	-	-	14,650,000	07/01/14
1995 GO / Pima Road	14,600,000	-	425,000	-	-	-	14,175,000	07/01/15
1997 Series H - Roads/ Strm Sew/ Pima	-	27,500,000	840,000	-	-	-	26,660,000	07/01/16
Total General Obligation Bonds	\$ 164,967,168	\$ 27,500,000	\$ 8,605,000	\$ -	\$ -	\$ 1,500,468	\$ 185,362,636	
REVENUE BONDS								
1989 HURF Refunding	\$ 1,380,000	\$ -	\$ 1,380,000	\$ -	\$ -	\$ -	\$ -	07/01/97
1993 HURF Refunding	24,175,000	-	405,000	-	-	-	23,770,000	07/01/07
1992 Utility Refunding	5,405,000	-	1,430,000	-	-	-	3,975,000	07/01/00
1989 Utility Series B (1992)	4,295,000	-	165,000	-	-	-	4,130,000	07/01/12
1989 Utility Series C (1994)	1,735,000	-	150,000	-	-	-	1,585,000	07/01/05
1996 Utility Revenue Series Refunding	8,986,118	-	325,000	-	-	80,877	8,741,995	07/01/14
Total Revenue Bonds	\$ 45,976,118	\$ -	\$ 3,855,000	\$ -	\$ -	\$ 80,877	\$ 42,201,995	
MUNICIPAL PROPERTY CORPORATION BONDS								
1987 AMFP Certificate of Participation	\$ 3,100,000	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ 2,550,000	07/01/01
1987 Refunding	2,250,000	-	2,250,000	-	-	-	-	07/01/97
1992 Asset Transfer Refunding	41,610,000	-	1,410,000	-	-	-	40,200,000	11/01/14
1993 Refunding	28,605,000	-	515,000	-	-	-	28,090,000	07/01/05
1994 Refunding	7,330,000	-	775,000	-	-	-	6,555,000	07/01/04
1995 MPC Taxable Excise - TPC Land	2,885,000	-	70,000	-	-	-	2,815,000	07/01/15
1996 McCormick/Stillman Park	-	2,300,000	240,000	-	-	-	2,060,000	07/01/04
1996 Computer Project	-	2,450,000	825,000	-	-	-	1,625,000	07/01/01
1995 Transfer Station	3,350,000	-	160,000	-	-	-	3,190,000	06/30/10
1996 Recycle	-	2,800,000	505,000	-	-	-	2,295,000	07/01/01
Total Municipal Property Corporation Bonds	\$ 89,130,000	\$ 7,550,000	\$ 7,300,000	\$ -	\$ -	\$ -	\$ 89,380,000	
SCOTTSDALE PRESERVE AUTHORITY BONDS								
1997 Excise Tax Revenue	\$ -	\$ 20,500,000	\$ -	\$ -	\$ -	\$ -	\$ 20,500,000	07/01/22

* 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, 1997

Exhibit J-1
 (continued)

	July 1, 1996	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions & Contract Adjustments	June 30, 1997	Final Payment Date
SPECIAL ASSESSMENT BONDS								
N. Airport Industrial Series 88	\$ 525,000	\$ -	\$ 525,000	\$ -	\$ -	\$ -	\$ -	07/01/97
NW Airpark Series 89	340,000	-	170,000	-	-	-	170,000	01/01/98
Via Linda Series 90	230,000	-	115,000	-	-	-	115,000	01/01/98
CAP @ Hayden Road Series 91	200,000	-	70,000	-	-	-	130,000	01/01/99
Pima/CAP Series 92	4,327,820	-	865,564	-	-	-	3,462,256	01/01/01
Pima Acres Series 93	650,000	-	130,000	-	-	-	520,000	01/01/01
Old Scottsdale/West Main Series 94	655,000	-	110,000	-	-	-	545,000	01/01/02
Fifth Ave/Marshall Way Series 95	720,000	-	120,000	-	-	-	600,000	01/01/02
Section 31 Series 96	305,000	-	55,000	-	-	-	250,000	01/01/02
Pinnacle Vista Series 97	640,000	-	95,000	-	-	-	545,000	01/01/03
North Area Water Series 98	1,235,000	-	180,000	-	-	-	1,055,000	01/01/03
Adobe Miller Series 99	745,000	-	110,000	-	-	-	635,000	01/01/03
Craftsman Court Series 100	120,000	-	15,000	-	-	-	105,000	01/01/04
Bell Road Series 101	10,016,790	-	1,115,389	-	4,058,804	-	4,842,597	01/01/05
Desert Ranch Water Series 102	526,179	-	25,112	-	290,752	-	210,315	01/01/04
Desert Ranch Infrastructure Series 103	11,530,000	-	1,025,000	-	-	-	10,505,000	01/01/05
Total Special Assessment Bonds	\$ 32,765,789	\$ -	\$ 4,726,065	\$ -	\$ 4,349,556	\$ -	\$ 23,690,168	
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	\$ 350,239,075	\$ 55,550,000	\$ 24,486,065	\$ -	\$ 4,349,556	\$ 1,581,345	\$ 378,534,799	
CONTRACTS PAYABLE								
East Couplet/Galleria	\$ 105,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,000	07/01/98
US Corps of Engineers	3,651,438	-	43,848	-	-	-	3,617,590	2032
West Couplet/Camelview	2,149,465	-	579,611	-	-	-	1,569,854	01/31/99
Scottsdale Towne Center	269,150	-	132,593	-	-	-	136,557	02/01/97
Scottsdale Fiesta Center	2,311,815	-	627,450	-	-	(381,301)	1,303,064	02/01/02
Scottsdale Auto Mall	2,100,000	-	-	-	-	-	2,100,000	09/25/99
WestWorld	-	3,997,000	-	-	-	-	3,997,000	2001
Carefree Ranch	2,085,723	-	266,180	-	-	(57,236)	1,762,307	03/01/02
Arizona Department of Transportation	-	994,000	-	-	-	-	994,000	1999
Total Contracts	\$ 12,682,591	\$ 4,991,000	\$ 1,649,682	\$ -	\$ -	\$ (438,537)	\$ 15,585,372	
TOTAL BONDS AND CONTRACTS	\$ 362,921,666	\$ 60,541,000	\$ 26,135,747	\$ -	\$ 4,349,556	\$ 1,142,808	\$ 394,120,171	

* 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*
For the Fiscal Year Ended June 30, 1997

Exhibit J-2

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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
1998	\$ 1,695,000	\$ 5,340,005	\$ 7,035,005	\$ 7,265,000	\$ 4,437,460	\$ 11,702,460	\$ 8,960,000	\$ 9,777,465	\$ 18,737,465
1999	3,200,000	5,257,003	8,457,003	6,765,000	3,938,055	10,703,055	9,965,000	9,195,058	19,160,058
2000	4,540,000	5,104,643	9,644,643	6,485,000	3,840,068	10,325,068	11,025,000	8,944,711	19,969,711
2001	5,865,000	4,877,348	10,742,348	6,815,000	2,931,450	9,746,450	12,680,000	7,808,798	20,488,798
2002	6,315,000	4,571,728	10,886,728	4,610,000	4,866,910	9,476,910	10,925,000	9,438,638	20,363,638
2003	6,690,000	4,235,453	10,925,453	4,860,000	4,599,523	9,459,523	11,550,000	8,834,976	20,384,976
2004	2,905,000	9,968,533	12,873,533	5,480,000	2,005,885	7,485,885	8,385,000	11,974,418	20,359,418
2005	4,584,400	9,974,698	14,559,098	4,160,600	1,685,610	5,846,210	8,745,000	11,660,308	20,405,308
2006	10,236,000	3,614,008	13,850,008	5,174,000	1,467,180	6,641,180	15,410,000	5,081,188	20,491,188
2007	5,225,000	3,082,688	8,307,688	5,615,000	1,190,870	6,805,870	10,840,000	4,273,558	15,113,558
2008	6,115,000	2,815,580	8,930,580	5,300,000	891,190	6,191,190	11,415,000	3,706,770	15,121,770
2009	7,005,000	2,496,945	9,501,945	5,035,000	607,500	5,642,500	12,040,000	3,104,445	15,144,445
2010	11,220,000	2,122,563	13,342,563	1,560,000	338,000	1,898,000	12,780,000	2,460,563	15,240,563
2011	7,865,000	1,539,285	9,404,285	1,640,000	260,000	1,900,000	9,505,000	1,799,285	11,304,285
2012-2016	22,060,000	2,873,338	24,933,338	3,560,000	271,000	3,831,000	25,620,000	3,144,338	28,764,338
	105,520,400	67,873,818	173,394,218	74,324,600	33,330,701	107,655,301	179,845,000	101,204,519	281,049,519
Capital									
Appreciation **	3,525,311	(3,525,311)		1,992,325	(1,992,325)		5,517,636	(5,517,636)	
TOTALS	\$ 109,045,711	\$ 64,348,507	\$ 173,394,218	\$ 76,316,925	\$ 31,338,376	\$ 107,655,301	\$ 185,362,636	\$ 95,686,883	\$ 281,049,519

*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
 For the Fiscal Year Ended June 30, 1997

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

Fiscal Year	Highway User Revenue Bonds			Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	\$ 1,890,000	\$ 1,208,538	\$ 3,098,538	\$ 2,275,000	\$ 1,049,501	\$ 3,324,501	\$ 7,240,000	\$ 4,035,783	\$ 11,275,783	\$ 170,000	\$ 1,535,664	\$ 1,705,664
1999	1,980,000	1,123,488	3,103,488	2,390,000	925,881	3,315,881	7,600,000	3,834,458	11,434,458	455,000	1,215,356	1,670,356
2000	2,170,000	1,031,913	3,201,913	1,690,000	794,966	2,484,966	7,990,000	3,825,603	11,815,603	475,000	1,180,094	1,655,094
2001	2,070,000	933,588	3,003,588	875,000	696,611	1,571,611	8,425,000	3,424,293	11,849,293	495,000	1,143,281	1,638,281
2002	2,275,000	827,800	3,102,800	915,000	643,811	1,558,811	7,025,000	3,183,991	10,208,991	515,000	1,104,919	1,619,919
2003	2,395,000	714,050	3,109,050	960,000	589,140	1,549,140	7,425,000	3,042,671	10,467,671	540,000	1,065,006	1,605,006
2004	2,515,000	591,306	3,106,306	1,000,000	540,117	1,540,117	7,840,000	2,886,465	10,726,465	565,000	1,023,156	1,588,156
2005	2,660,000	459,269	3,119,269	1,080,000	488,230	1,568,230	6,785,000	2,713,760	9,498,760	595,000	979,369	1,574,369
2006	2,825,000	316,294	3,141,294	1,130,000	431,295	1,561,295	2,795,000	2,615,623	5,410,623	620,000	933,256	1,553,256
2007	2,990,000	164,448	3,154,448	1,200,000	372,410	1,572,410	2,970,000	2,745,923	5,715,923	655,000	897,606	1,552,606
2008	-	-	-	1,270,000	308,810	1,578,810	3,150,000	2,875,793	6,025,793	685,000	862,891	1,547,891
2009	-	-	-	1,340,000	240,375	1,580,375	3,355,000	3,024,300	6,379,300	720,000	825,901	1,545,901
2010	-	-	-	710,000	166,900	876,900	3,570,000	3,175,925	6,745,925	760,000	786,301	1,546,301
2011	-	-	-	735,000	126,675	861,675	3,445,000	3,335,288	6,780,288	800,000	744,501	1,544,501
2012-2016	-	-	-	1,610,000	158,312	1,768,312	9,765,000	8,810,794	18,575,794	12,450,000	4,588,946	17,038,946
Deferred Loss and Issuance Costs	-	-	-	(748,005)	748,005	-	-	-	-	-	-	-
TOTALS	\$ 23,770,000	\$ 7,370,694	\$ 31,140,694	\$ 18,431,995	\$ 8,281,039	\$ 26,713,034	\$ 89,380,000	\$ 53,330,669	\$ 142,710,669	\$ 20,500,000	\$ 18,886,247	\$ 39,386,247

City of Scottsdale, Arizona
 Debt Service Requirements to Maturity
 Special Assessment Bonds, Contracts Payable, and
 Community Facilities Districts General Obligation Bonds
 For the Fiscal Year Ended June 30, 1997

Exhibit J-2
 (Continued)

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Fiscal Year	Special Assessment Bonds			Contracts Payable			Community Facilities Districts General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	\$ 3,726,379	\$ 1,281,439	\$ 5,007,818	\$ 4,770,523	\$ 489,824	\$ 5,260,347	\$ -	\$ 1,316,350	\$ 1,316,350
1999	3,486,379	1,059,984	4,546,363	5,062,206	377,438	5,439,644	100,000	1,316,352	1,416,352
2000	3,491,379	848,209	4,339,588	1,622,556	275,439	1,897,995	460,000	1,310,677	1,770,677
2001	3,566,379	634,612	4,200,991	1,517,323	225,234	1,742,557	495,000	1,278,145	1,773,145
2002	2,640,815	451,953	3,092,768	549,861	174,893	724,754	525,000	1,243,020	1,768,020
2003	2,445,815	309,005	2,754,820	59,151	172,015	231,166	560,000	1,205,695	1,765,695
2004	2,165,815	180,855	2,346,670	62,177	168,989	231,166	610,000	1,165,761	1,775,761
2005	2,167,207	60,422	2,227,629	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	-	-	-	2,706,967	1,534,549	4,241,516	9,185,000	3,408,070	12,593,070
	<u>\$ 23,690,168</u>	<u>\$ 4,826,479</u>	<u>\$ 28,516,647</u>	<u>\$ 16,884,788</u>	<u>\$ 4,502,519</u>	<u>\$ 21,387,307</u>	<u>\$ 17,400,000</u>	<u>\$ 18,972,436</u>	<u>\$ 36,372,436</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
1988	\$3,532,276	\$13,571,954	\$2,665,064	\$13,592,848	\$12,455,464	\$4,482,015	\$5,758,673	\$4,155,740	\$1,283,892	-	\$408,668	\$1,269,248	\$26,551,691	\$89,727,533
1989	5,202,464	14,138,466	2,856,972	6,504,125	12,323,666	4,441,009	5,889,490	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	5,020,994	-	2,891,348	432,177	-	25,752,256	84,881,157
1991	5,305,286	17,057,240	3,535,711	2,312,664	13,704,744	4,150,444	8,424,594	5,810,722	-	9,998,678	431,424	-	26,121,373	96,852,880
1992	6,104,747	18,399,147	3,550,155	2,308,548	14,410,886	4,445,653	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	21,619,410	4,300,956	3,128,180	16,467,971	-	12,932,762	7,544,821	-	13,992,754	469,644	-	29,611,405	122,504,960
1995	13,976,893	24,225,550	4,496,186	3,878,146	18,256,121	-	14,002,241	8,434,827	-	14,282,577	457,954	-	31,221,315	133,231,810
1996	16,797,055	27,253,065	4,967,431	4,870,062	19,937,442	-	16,553,197	10,131,958	-	16,405,247	485,762	-	36,439,573	153,840,812
①1997	17,449,330	30,744,661	5,389,047	7,551,466	30,960,859	-	18,116,963	10,905,666	-	8,852,881	522,893	-	38,923,041	169,416,807

Source: City of Scottsdale Financial Services Department

① A departmental reorganization occurred in fiscal 1996/97. Prior years have not been recast.

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
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	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
1997	89,086,041	41,094,507	6,696,260	1,107,118	14,423,661	3,343,880	5,999,491	505,069	20,237,169	182,493,196

Source: City of Scottsdale Financial Services Department

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City of Scottsdale, Arizona
Tax Revenues by Source
General, Special Revenue, and Debt Service Funds
Last Ten Fiscal Years

Table III

Fiscal Year	Privilege & Use	Transient Occupancy Tax	General Property	Franchise	In-Lieu Property	Total Taxes
1988	\$24,315,105	\$1,638,194	\$9,094,087	\$2,407,878	\$105,620	\$37,560,884
1989	25,816,236	2,585,026	9,125,216	2,720,995	101,829	40,349,302
1990	27,242,055	3,220,066	9,822,930	2,935,445	80,334	43,300,830
1991	27,803,826	3,355,669	11,924,840	3,122,093	151,954	46,358,382
1992	29,743,502	3,419,920	12,287,540	3,281,655	157,602	48,890,219
1993	32,883,245	3,856,181	14,677,069	3,597,046	200,563	55,214,104
1994	37,740,940	4,465,415	17,665,772	3,885,445	238,635	63,996,207
1995	43,755,416	5,047,986	18,382,963	4,159,498	289,474	71,635,337
1996	49,476,176	5,702,290	21,396,327	4,532,820	281,439	81,389,052
1997	54,529,621	6,493,377	22,836,041	4,945,198	281,804	89,086,041

Source: City of Scottsdale Financial Services Department



City of Scottsdale, Arizona
Excise Tax Collections by Source
General, Debt Service, and Capital Projects Funds
Last Ten Fiscal Years

Table IV

Fiscal Year	Privilege & Use - General	Privilege & Use - Transportation	Privilege & Use - McDowell Mtn	Transient Occupancy Tax	State Shared Sales	State Revenue Sharing	Light & Power Franchise
1988	\$24,315,105	-	-	\$1,638,194	\$6,103,255	\$5,841,228	\$1,875,015
1989	25,816,236	-	-	2,585,026	6,680,399	6,375,140	2,061,528
1990	27,242,055	-	-	3,220,066	6,978,440	6,630,937	2,163,258
1991	27,803,826	\$5,043,226	-	3,355,669	7,199,220	7,303,349	2,279,126
1992	29,743,502	5,627,759	-	3,419,920	7,874,427	8,059,664	2,404,508
1993	32,883,245	6,226,443	-	3,856,181	8,497,024	8,409,335	2,634,645
1994	37,740,940	7,205,262	-	4,465,415	9,209,619	8,479,364	2,821,729
1995	43,755,416	8,481,878	-	5,047,986	10,019,685	9,375,240	3,004,165
1996	49,476,176	9,521,843	\$9,084,851	5,702,290	10,675,911	9,936,322	3,186,961
1997	54,529,621	10,545,008	10,662,579	6,493,377	11,870,268	12,734,402	3,484,262

Fiscal Year	Cable TV Franchise	Fire Insurance Franchise	Business Licenses & Fees	Development Permits & Fees	Recreation Fees	Fines & Forfeitures	Total
1988	\$381,665	\$151,198	\$489,775	\$5,119,833	\$1,052,202	\$1,515,621	\$48,483,091
1989	511,374	148,093	596,233	4,451,464	1,212,128	1,838,594	52,276,215
1990	620,686	151,501	617,200	4,069,761	1,394,192	2,052,306	55,140,402
1991	693,109	149,858	630,070	3,623,083	1,529,674	2,215,138	61,825,348
1992	735,777	141,370	704,935	4,726,282	1,610,238	2,228,091	67,276,473
1993	819,009	143,392	737,854	5,970,233	1,616,570	1,720,511	73,514,442
1994	916,197	147,519	875,563	8,732,504	1,766,958	1,711,295	84,072,365
1995	1,003,439	151,894	950,215	10,590,062	1,820,400	1,989,546	96,189,926
1996	1,175,283	170,576	1,054,866	10,917,901	1,669,055	2,747,842	115,319,877
1997	1,274,652	186,285	1,107,118	12,018,713	2,404,949	3,343,880	130,718,114

Source: City of Scottsdale Financial Services Department

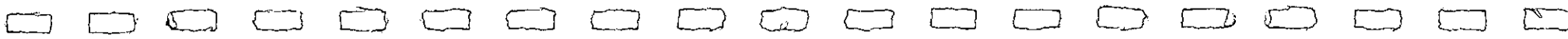
City of Scottsdale, Arizona
Privilege and Use Tax Collections by Category
General, Debt Service, and Capital Projects Funds
Last Ten Fiscal Years

Table V

Fiscal Year	Automotive	Construction	Food	Hotel	Major Department Stores	Misc. Retail	Other Tax	Rentals	Restaurants	Utilities	License Fees, Penalties, Interest & Refunds	Total
1988	\$3,338,020	\$4,440,909	\$1,743,110	\$1,520,137	\$3,175,151	\$3,478,425	\$1,568,247	\$2,102,071	\$1,555,346	\$1,184,534	\$325,603	\$24,431,553
1989	3,564,633	4,308,633	1,659,514	1,883,952	3,614,683	3,933,318	1,432,253	2,409,060	1,615,272	1,296,156	275,926	25,993,400
1990	4,094,977	4,019,530	1,866,704	2,345,782	3,747,356	4,419,946	1,780,002	2,789,671	1,901,748	1,461,192	511,842	28,938,750
1991	4,542,078	4,332,523	2,296,554	2,483,558	4,202,030	5,214,309	1,939,815	3,227,507	2,195,545	1,688,003	725,130	32,847,052
1992	4,700,912	4,795,717	2,585,589	2,438,312	4,334,794	5,821,293	2,144,673	3,511,754	2,465,553	1,843,756	728,908	35,371,261
1993	5,282,944	5,612,123	2,908,296	2,585,283	4,497,068	6,654,958	2,288,212	3,872,041	2,734,377	1,868,059	806,327	39,109,688
1994	6,273,749	7,498,000	3,261,262	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	10,322,236	3,682,377	3,373,325	4,755,407	8,706,997	2,784,890	4,815,931	3,590,953	2,334,867	860,697	52,237,294
1996	9,402,923	14,009,553	4,802,588	4,459,110	5,687,726	11,437,163	4,174,251	5,921,855	4,632,320	3,026,382	528,999	68,082,870
1997	10,494,306	16,078,200	5,570,599	5,034,976	5,765,211	12,159,684	5,189,033	6,677,210	4,929,564	3,389,818	448,607	75,737,208

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Source: City of Scottsdale Financial Services Department



City of Scottsdale, Arizona
 Privilege and Use Tax Collections by Source ①
 General, Debt Service, and Capital Projects Funds
 Last Ten Fiscal Years

Table VI

Fiscal Year	General	Transportation ②	McDowell Preserve ③	Total
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
1997	54,529,621	10,545,008	10,662,579	75,737,208

Source: City of Scottsdale Financial Services Department

- ① Privilege Tax rates are 1 percent General, .2 percent for Transportation, and .2 percent for McDowell Reserve. Total City Privilege Tax rate is 1.4 percent.
- ② Transportation Privilege Tax Legislation became effective in 1990 and is restricted to use for transportation capital projects only.
- ③ McDowell Preserve Privilege Tax Legislation became effective in 1996 and is restricted to use for acquisition of land for the McDowell Preserve.

City of Scottsdale, Arizona
Property Tax Levies and Collections
 Last Ten Fiscal Years

Table VII

Tax Year	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	1988	\$8,943,980	\$8,321,524	93.0%	\$669,796	\$102,767	\$9,094,087	101.7%	\$602,824	6.7%
1988	1989	9,095,857	8,540,625	93.9	537,687	46,904	9,125,216	100.3	692,636	7.6
1989	1990	9,863,616	9,179,323	93.1	601,806	41,967	9,823,096	99.6	740,805	7.5
1990	1991	12,465,643	11,220,265	90.0	644,872	59,702	11,924,839	95.7	933,490	7.5
1991	1992	12,406,428	11,242,860	90.6	833,008	111,672	12,187,540	98.2	850,230	6.9
1992	1993	15,475,472	14,124,653	91.3	440,545	111,871	14,677,069	94.8	1,354,977	8.8
1993	1994	17,133,276	16,403,621	95.7	1,225,789	36,361	17,665,771	103.1	697,135	4.1
1994	1995	20,272,696	18,993,325	93.7	636,791	8,963	19,639,079	96.9	727,688	3.6
1995	1996	21,475,486	20,960,272	97.6	622,938	18,502	21,601,712	100.6	706,087	3.3
1996	1997	24,408,075	23,862,295	97.8	532,902	21,099	24,416,296	100.0	552,799	2.3

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

① Amounts represent property taxes recorded in the General and Debt Service, 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)
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
1997 P	-	1,484,460,185	39,384,315	45,357,855	101,114,901	1,670,317,256	122,496,413	1,547,820,843	11,615,286
S	625,326,243	909,634,578	39,384,315	45,357,855	101,143,260	1,720,846,251	129,045,309	1,591,800,942	11,869,943

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

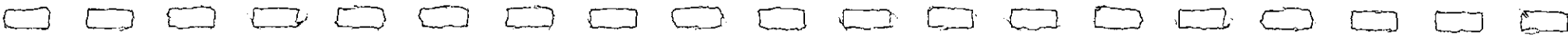
Fiscal Year	Class 2 Utilities	Class 3 Commercial	Class 4 Vacant Land	Class 5 Residential	Class 6 Rented Residential	Class 8 Historical	Class 10B Historical Rented Residential	Class 11 Improvements on Government Property	Class 12 Possessory Interest	Total Net Full Cash Assessed Value
1988 P	\$42,671,505	\$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
1997P	60,726,894	487,528,326	169,960,388	725,150,516	104,196,744	181,085	-	-	\$76,890	1,547,820,843
S	60,726,894	513,849,075	178,832,354	727,402,931	110,977,763	235,035	-	-	76,890	1,591,800,942

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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	28%
3. Commercial-Industrial	25
4. Agriculture, Vacant Land	16
5. Residential	10
6. Lease-Rental	10
8. Historic	5
12. Possessory Interest	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 Valuation

Fiscal Year	School Districts										Educa. Equalization	Total
	City of Scottsdale	Scottsdale Unified	Community College	Maricopa County	State of Arizona	Flood District	Central Arizona Project	Fire District	Library	EVIT ①		
1988 P	\$.4100	\$5.2000	\$.6100	\$1.4300	\$.3800	-	-	-	-	-	-	\$.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	.1464	-	.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
1997 P	.6480	4.3390	.9772	1.1054	-	-	-	-	-	-	.5300	7.5996
S	.9032	1.5526	.0704	.1575	-	.3425	.1400	.0109	.0421	.1616	-	3.3808
Total	1.5512	5.8916	1.0476	1.2629	-	.3425	.1400	.0109	.0421	.1616	.5300	10.9804

Scottsdale residents residing outside
 Scottsdale Unified School District:

School District	1996/97 Tax Rate Total
Balsz Elementary	\$14.36
Cave Creek	10.63
Fountain Hills	12.24
Paradise Valley	12.70
Tempe	13.06

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

① East Valley Institute of Technology

City of Scottsdale, Arizona
Property Tax Levies - Direct and Overlapping Governments
Last Ten Fiscal Years

Table IXb

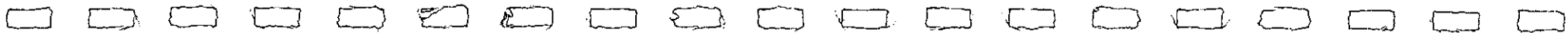
Tax Levies

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	East Valley Institute of Technology	Education Equalization		
1988 P	\$4,131,980	\$63,154,347	\$70,272,141	\$165,318,498	\$43,656,031	-	-	-	-	-	-	-	\$346,532,997
S	4,812,000	6,532,030	9,057,513	27,251,761	-	\$47,860,799	\$12,402,456	\$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	12,402,456	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	5,004,616	63,682,375	94,016,141	197,430,202	64,324,340	-	-	-	-	-	-	-	424,457,674
S	4,859,000	15,336,527	9,382,900	24,041,307	-	47,234,724	14,687,785	982,630	6,618,870	-	-	-	123,143,743
TOTAL	9,863,616	79,018,902	103,399,041	221,471,509	64,324,340	47,234,724	14,687,785	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	1,192,883	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	1,192,883	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	18,014,779	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	6,668,886	62,866,388	108,004,302	218,224,368	63,945,919	-	-	-	-	-	-	-	459,709,863
S	8,806,586	18,650,305	7,898,265	19,461,200	-	39,254,429	19,332,340	1,367,073	5,882,555	\$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	5,882,555	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	2,863,873	-	-	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	2,863,873	70,502,331	-	590,981,131
1996 P	7,961,161	71,686,142	127,583,281	156,257,472	63,420,563	-	-	-	-	-	2,390,823	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
1997 P	10,030,511	71,235,494	136,570,230	154,487,036	-	-	-	-	-	3,231,860	74,071,041	-	449,626,172
S	14,377,564	26,054,014	10,099,590	22,590,472	-	38,118,477	20,080,420	1,567,061	6,038,469	6,120,184	-	-	145,046,251
TOTAL	24,408,075	97,289,508	146,669,820	177,077,508	-	38,118,477	20,080,420	1,567,061	6,038,469	9,352,044	74,071,041	-	594,672,423

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.

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City of Scottsdale, Arizona
Principal Taxpayers
 June 30, 1997

Table X

Taxpayer	Type of Business	Assessed Valuation	% of Secondary Assessed Valuation
Arizona Public Service	Gas and Electric Utility	\$40,244,372	2.53%
U.S. West Communications	Telecommunications	26,709,046	1.68
Scottsdale Fashion Square	Shopping Center	21,229,280	1.33
Motorola	Electronics Manufacturing	20,708,951	1.30
Scottsdale Princess	Resort	18,185,060	1.14
Mayo Foundation	Medical Facility	15,278,828	.96
Gainey Dr. Associates	Resort	11,588,199	.73
PCS, Inc.	Commercial Real Estate	9,876,562	.62
Evans Withycombe, Inc.	Multifamily Real Estate	8,808,162	.55
Southwest Gas Corporation	Gas and Electric Utility	7,980,524	.50
Scottsdale Conference Center	Commercial Real Estate	6,580,807	.42
		\$187,189,791	11.76%

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.

The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in lieu of ad valorem taxation. The 1996/97 secondary assessed valuation of the Salt River Project within the City is \$18,166,894. The estimated secondary in lieu contribution is \$164,083.

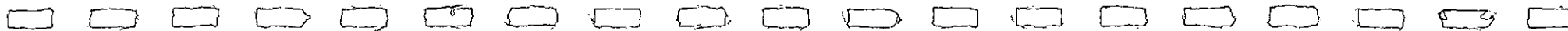
City of Scottsdale, Arizona
Special Assessment Billings and Collections
 Last Ten Fiscal Years

Table XI

Fiscal Year	Special Assessments Billed	Current Assessments Collected	Ratio of Collections to Amount Due	Total Outstanding Current and Delinquent Assessments ①
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	7,488,340	7,467,187	99.7	21,153
1997	5,852,784	5,832,462	99.7	20,322

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.



City of Scottsdale, Arizona
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
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
1997	1,591,800,942	183,030	152,235,000	588,100	151,646,900	9.5	828.54

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.

City of Scottsdale, Arizona
Computation of Legal Debt Margins
 June 30, 1997

Table XIII

Net Secondary Assessed Valuation as of June 30, 1997 \$1,591,800,942

Debt Limit Equal to 20% of Assessed Valuation 318,360,188

General Obligation Bonded Debt Subject to 20% Debt Limit (net of amounts available in Debt Service Funds for payment on July 1, 1997):

1991 Refunding	\$ 2,045,000
1989 Series C (1992) CIP	11,500,000
1993 Refunding	29,121,000
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
1997 Series H Storm Sewer	<u>6,000,000</u>

Net Outstanding Bonded Debt Subject to 20% Limit 105,520,400

Legal 20% Debt Margin (Available Borrowing Capacity) \$212,839,788

Debt Limit Equal to 6% of Assessed Valuation \$95,508,057

General Obligation Bonded Debt Subject to 6% Debt Limit (net of amounts available in Debt Service Funds for payment on July 1, 1997):

1989 Series A (1990) CIP	3,375,000
1989 Series B (1991) CIP	6,855,000
1989 Series C (1992) CIP	6,035,000
1993 Refunding	12,429,000
1989 Series D (1993) CIP	2,340,000
1993A Refunding	8,030,600
1989 Series E (1994)	5,575,000
1994 Various Purpose	7,350,000
1995 Pima Road Improvements	1,675,000
1997 Series H Pima Road	3,200,000
1997 Series H Roads	<u>17,460,000</u>

Net Outstanding Bonded Debt Subject to 6% Limit 74,324,600

Legal 6% Debt Margin (Available Borrowing Capacity) \$21,183,457

- (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 excludes premium 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

City of Scottsdale, Arizona
Summary of General Governmental Bond Expenditures and Debt Ratios
 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
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
1997	6,605,000	8,064,469	14,669,469	169,416,807	8.66

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
Summary of Water and Sewer Utility Bond Expense and Debt Ratios
Last Ten Fiscal Years

Fiscal Year	Operating Revenue ①	Operating & Maintenance Expenses ②	Net Operating Revenue	Development Fee Revenue	Total Net Revenue	General		
						Revenue Bond Expense	Obligation Bond Expense	Total Bond Expense
1988	\$26,327,551	\$12,208,834	\$14,118,717	\$7,255,336	\$21,374,053	\$1,724,798	\$2,950,053	\$4,674,851
1989	28,081,975	15,044,722	13,037,253	5,930,109	18,967,362	1,729,798	3,003,078	4,732,876
1990	33,204,682	19,749,304	13,455,378	4,368,326	17,823,704	1,978,375	3,059,463	5,037,838
1991	34,101,914	25,034,722	9,067,192	5,401,611	14,468,803	3,034,346	2,526,662	5,561,008
1992	36,784,727	23,685,494	13,099,233	6,050,006	19,149,239	2,469,281	3,164,823	5,634,104
1993	38,534,538	26,113,738	12,420,800	10,040,502	22,461,302	1,794,094	2,585,695	4,379,789
1994	49,233,337	33,423,319	15,810,018	12,376,897	28,186,915	2,672,210	3,123,780	5,795,990
1995 ③	56,899,957	31,737,939	25,162,018	14,934,055	40,096,073	3,216,208	3,926,585	7,142,793
1996	68,523,076	39,422,196	29,100,880	15,820,749	44,921,629	2,898,160	3,987,093	6,885,253
1997	74,708,016	41,620,504	33,087,512	18,895,754	51,983,266	3,231,173	3,401,835	6,633,008

Fiscal Year	Ratio of Total Net Revenue to Total Bond Expense	Ratio of Net Operating Revenue to Total Bond Expense	Ratio of Net Operating Revenue to Total Revenue Bond Expense		
			Ratio of Net Operating Revenue to Total Revenue Bond Expense	Ratio of Total Net Revenue to Total Revenue Bond Expense	Revenue Bond Indenture Required Ratio
1988	4.57	3.02	8.19	12.39	1.20
1989	4.01	2.75	7.54	10.97	1.20
1990	3.54	2.67	6.80	9.01	1.20
1991	2.60	1.63	2.99	4.77	1.20
1992	3.40	2.32	5.30	7.75	1.20
1993	5.13	2.84	6.92	12.52	1.20
1994	4.86	2.73	5.92	10.55	1.20
1995 ③	5.61	3.52	7.82	12.47	1.20
1996	6.52	4.23	10.04	15.50	1.20
1997	7.84	4.99	10.24	16.09	1.20

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 and interest expense of the Water and Sewer Utility Enterprise Fund, excluding depreciation and amortization.
- ③ 1995 interest expense has been restated to reflect an accounting adjustment.

City of Scottsdale, Arizona
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:

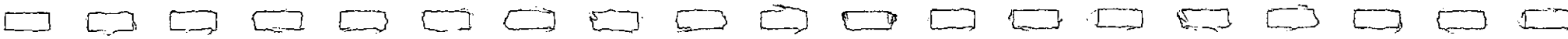
Name of Governmental Unit	Net Bonds Outstanding	% Applicable within the City of Scottsdale	\$ Applicable within the City of Scottsdale
Maricopa County	\$137,215,000	11.10%	\$15,230,865
Maricopa County Community College District	205,720,000	11.10	22,834,920
Tempe Elementary School District No. 3	44,905,000	0.005	2,245
Balsz Elementary School District No. 31	24,650,000	4.05	998,325
Scottsdale Unified School District No. 48	220,210,000	69.46	152,957,866
Paradise Valley Unified School District No. 69	277,515,000	20.09	55,752,764
Cave Creek Unified School District No. 93	77,395,000	45.77	35,423,692
Tempe Union High School District No. 213	161,575,000	0.002	3,232
Phoenix Union High School District No. 210	189,540,000	0.28	530,712
Fountain Hills Unified School District No. 98	23,855,000	0.23	54,867
East Valley Institute	41,055,000	20.15	8,272,583
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			309,462,071
City of Scottsdale	185,362,636	100.00	185,362,636
Total Direct and Overlapping Debt			\$494,824,707

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

Fiscal Year	Population ①	Per Capita Income ①	Median Age ①	School Enrollment ②	Unemployment Rate ③
1988	124,562	\$16,891	39.0	20,081	3.5
1989	127,553	17,926	35.0	19,350	2.7
1990	130,720	20,543	35.0	19,276	3.0
1991	133,949	20,937	37.0	19,647	3.1
1992	139,050	23,482	39.1	20,357	4.7
1993	145,920	24,186	39.1	21,130	4.2
1994	155,260	24,925	39.1	22,096	3.1
1995	165,260	28,000	39.1	24,089	2.7
1996	174,000	29,288	39.1	24,467	2.2
1997	183,030	30,460	39.7	25,103	2.5

Sources:

- ① City Planning staff
- ② 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.)
- ③ Arizona Department of Economic Security (fiscal year 1994); City Planning staff (fiscal years 1988 through 1993, 1995 through 1997)



City of Scottsdale, Arizona
 Property Value, Construction, and Bank Deposits
 Last Ten Fiscal Years

Table XVIII

Fiscal Year	Property Value ①			Number of Permits	Commercial Construction ②	Residential Construction ②	Bank Deposits Maricopa County (000) ③	
	Commercial	Residential	Nontaxable		Value	Number of Dwelling Units		Value
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
1997	3,400,494,977	8,448,076,246	723,544,918	3,275	305,831,585	4,451	621,891,408	20,998,441

Sources:

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

Carrier	Policy Description	Amount of Coverage
Arkwright Mutual Insurance Company	Property Insurance Repair or Replace \$25,000 Deductible	\$200,000,000 Per Occurrence
Lexington Insurance Company	Excess Liability Coverage \$1,000,000 Deductible Per Occurrence	\$20,000,000 Per Occurrence and Aggregate
Associated Aviation Underwriters	Airport Premises and Hangarkeepers Liability	\$50,000,000 Per Occurrence and Aggregate
American Home Insurance Company	Excess Workers' Compensation Coverage \$300,000 Deductible each Occurrence.	Statutory
Lumberman's Mutual Casualty Company	Fidelity/Crime Insurance No Deductible	\$1,000,000 Primary \$4,000,000 Excess for specific positions only

Source: City of Scottsdale Risk Management Division

City of Scottsdale, Arizona
Salaries and Surety Bonds of Principal Officials
 For Fiscal Year Ended June 30, 1997

Table XX

Official Title	Maximum	Bond
Mayor	\$27,600	\$10,000
Councilmen (6)	13,800	10,000
City Manager	130,832	1,000,000
City Clerk	62,857	1,000,000
City Attorney	112,923	1,000,000
City Treasurer	97,614	1,000,000
City Judge	88,379	1,000,000
City Auditor	76,419	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

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
1997	184.50

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
1995 Census	168,176
1997 Est. 06/30/97	184,740



Miles of Sewers

Storm 60
 Sanitary 862

Fire Protection

Number of Stations 9

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 407
 Number of Traffic Citations (Excluding parking and Criminal) 43,575
 Number of Photo Radar Citations (Began Photo Radar in Jan, 1997) 26,087
 Number of Vehicles 203

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

Recreation

Parks - Developed parks acreage 541.2
 Number of Swimming Pools 3
 Number of Other Recreation Facilities 56

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

Water Enterprise

Number of Water Customers 64,112
 Annual Consumption (Gallons) 20,497,710,000
 System Capacity (Gallons Per Day) 100,437,760
 Miles of Distribution Lines 1,203

Number of Streetlights 9,068

Employees as of June 30, 1997

Full-Time 1,422
 Part-Time 285
 Grant and trust funded 45
 Total 1,752

Elections

Number of registered voters as of last regular election, March 1996 101,371
 Number/% voting in last municipal election 25,373/25.0%

Population

Median Age of Residents 39.7
 Mean Average Household Income \$62,000
 Mean Average Home Value - Single Family \$180,000

Source: City of Scottsdale Financial Services Department

