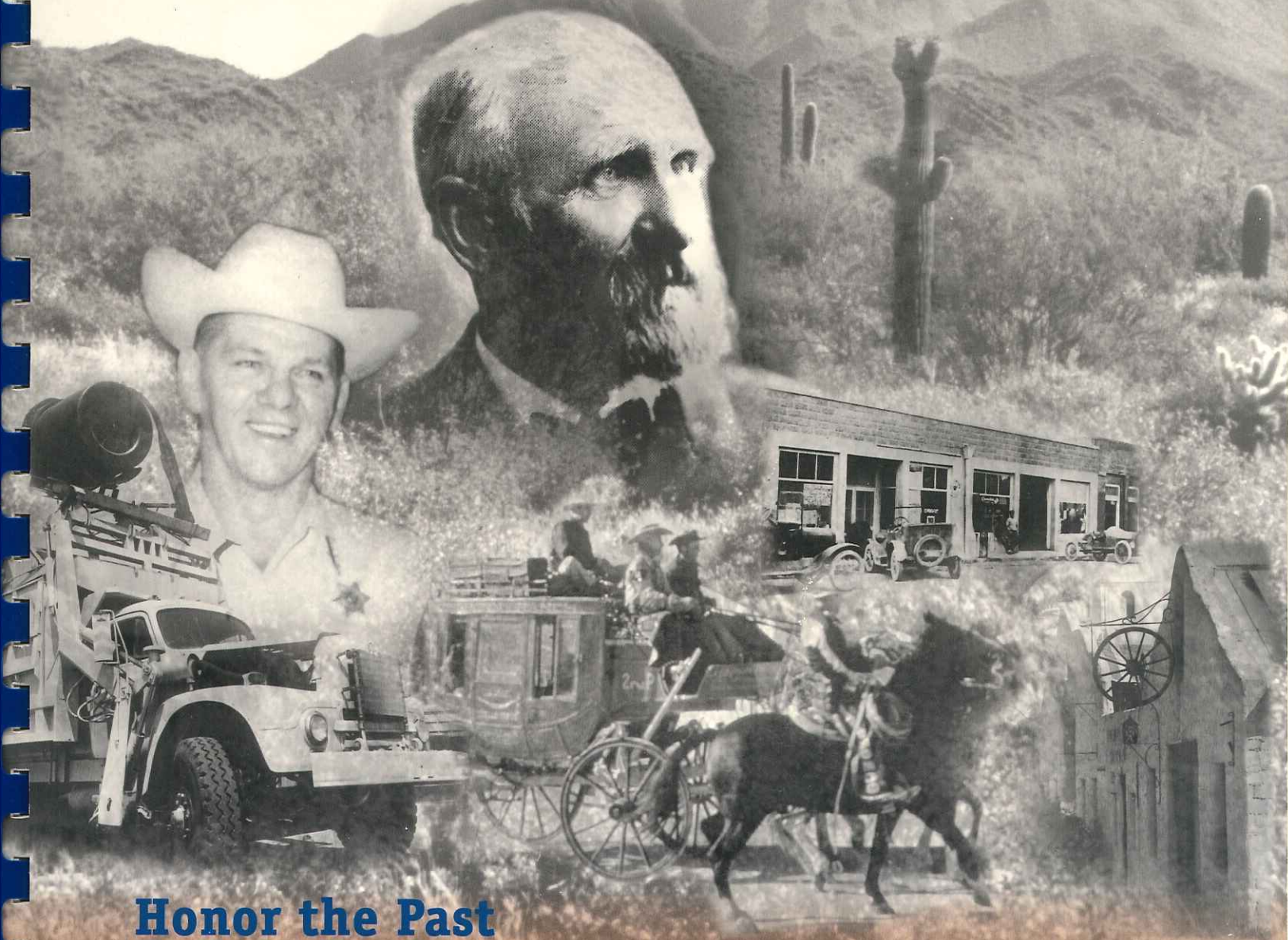


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF SCOTTSDALE, ARIZONA

FOR THE FISCAL YEAR ENDED JUNE 30, 2002



## Honor the Past Imagine the Future

- Enhance & Protect the Community/Neighborhoods
- Preserve Scottsdale's Character & Environment
- Provide for the Safe & Efficient Movement of People & Goods
- Position Scottsdale for Long-Term Economic Prosperity
- Balance Infrastructure & Resources
- Be Accessible, Responsive, & Accountable
- Ensure Fiscal Responsibility



1951

CITY OF SCOTTSDALE

2001

Honor the Past - Imagine the Future

**City of Scottsdale, Arizona**



**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2002**

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**Prepared by:**

Financial Services Department

Craig Clifford, CPA  
Chief Financial Officer

Lisa Murphy, CPA  
Accounting Director

# City of Scottsdale, Arizona

## Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2002

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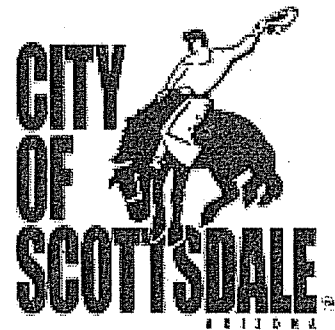


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## **Introductory Section**

THIS SECTION INCLUDES THE TRANSMITTAL LETTER FROM THE CHIEF FINANCIAL OFFICER AND THE GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING.



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2001/2002  
CITY OF SCOTTSDALE, ARIZONA



**Transmittal  
Letter**

For the Fiscal Year  
Ended June 30, 2002

City of Scottsdale  
Scottsdale, Arizona

September 13, 2002

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

The Comprehensive Annual Financial Report of the City of Scottsdale (the City), Arizona, for the fiscal year ended June 30, 2002, is submitted in accordance with Article 6, Section 14, of the City Charter. This report was prepared by the City's Accounting and Budget Divisions, in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Scottsdale. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Scottsdale has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Scottsdale's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Scottsdale's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Scottsdale's financial statements have been audited by Cronstrom & Trbovich, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Scottsdale for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Scottsdale's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Scottsdale was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Scottsdale's separately issued Single Audit Report.



GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Scottsdale's MD&A can be found immediately following the report of the independent auditors.

### **CITY OF SCOTTSDALE PROFILE**

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing an area approximately 184.6 square miles. Lying at an elevation of 1,260 feet above sea level, the City averages 314 days of sunshine and 7.74 inches of rainfall per year, with the average minimum and maximum temperatures ranging from 55.7 degrees to 84.6 degrees, respectively. The City is bordered to the west by Phoenix, the state capital, by Tempe to the south, and by the Salt River/Pima Maricopa Indian Community to the east. Scottsdale, together with its neighboring cities, forms the greater metropolitan Phoenix area, which is the economic, political, and population center of the state.

Scottsdale was founded in the 1800's when retired Army Chaplain Major Winfield Scott homesteaded what is now the center of the City. The City incorporated in 1951 and the City Charter, under which it is presently governed, was adopted in 1961. The City has experienced significant increases in population, with the 1950 census reporting 2,032 residents. The City's 1990 census was 130,069. The population grew to 168,176 in October 1995 and was estimated at approximately 215,320 in June 2002.

Scottsdale operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected at large on a non-partisan ballot for a four-year term. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations. The City Manager, in turn, appoints City employees and department General Managers under service procedures specified by Charter. City service departments provide a full range of services including police and fire protection, sanitation/solid waste service, water and sewer services, construction and maintenance of streets, recreational activities, and cultural events.

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally

allocates, or appropriates, available monies for the General Fund, Highway User Fuel Tax Special Revenue Fund, Preserve and Transportation Privilege Funds, 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. 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 2001/02, there were no supplemental budgetary appropriations to the original budget.

The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year. Upon the recommendation of the City Manager, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; and (2) unexpended appropriations may be transferred from one department to another. Management control of budgets is further maintained at a line item level within the department.

### **FACTORS AFFECTING THE CITY'S FINANCIAL CONDITION**

The 2001/02 fiscal year posed several significant challenges for Scottsdale's economy. Similar to the United States and Arizona economies, Scottsdale began the fiscal year in a recession. As early as March 2001, Scottsdale's economy began exhibiting signs of slowing economic growth. Specifically, sales tax, hotel/motel occupancy tax, and development permit and fee receipts were all below prior year levels. The September 11, 2001 terrorist attacks compounded the already slowing economy, particularly the hotel/motel industry. The hotel/motel occupancy rate fell to 40.7% in September 2001 versus 60.5% in September 2000. In December 2001 and early 2002, Scottsdale's economy began to improve as the hospitality

industry began to rebound and consumer confidence improved. While the slowdown has affected the local economy, the overall economic and business environment continues to exhibit strength. Scottsdale's June 2002 unemployment rate stood at 4.0 percent versus 5.6 percent for the Phoenix-Mesa Metropolitan Statistical Area and 6.3 percent for Arizona. The following represent significant reasons for Scottsdale's slower economic growth in the fiscal year-end 2001/02, and slower outlook for economic growth relative to past years.

**Retail Sales** - Scottsdale's largest revenue source is sales tax generated from a well-balanced variety of business categories including automotive, construction, food stores, hotels/motels, department stores, retail stores, restaurants, utilities, and rentals. After thirty consecutive years of positive sales tax growth, City sales tax posted negative year-over-year growth in the 2001/02 fiscal year. Fiscal year 2001/02 sales tax receipts were down approximately 1% over the prior year. The national and local recessions, coupled with the fallout from the September 11 terrorist attacks fueled the decline. Of positive note, certain sales tax categories exhibited growth in fiscal year 2001/02. Sales tax generated from automotive sales increased approximately 3.0 percent as consumers took advantage of low interest rates and zero percent financing.

**Residential Activity** - The 2001/02 fiscal year resulted in \$435 million in residential development construction. Permits for all dwelling unit types (custom single family, production single family, condominium, apartment, guest homes, and residential additions) declined by 25 percent over fiscal year 2000/01. However, the custom home construction value declined 16 percent compared to the production home value 53 percent decline. A decreasing production home lot inventory spurred the decline. The average custom home permit value increased 10 percent over fiscal year 2000/01 (\$311,000 versus \$282,000) while the average production home permit value increased 18 percent over 2000/01 (\$200,500 versus \$170,000).

Residential renovations declined 10 percent in number and increased 10 percent in average value (averaging \$34,000). Residential renovation projects in 2002/2003 are anticipated to increase by 10 percent with a \$35,000 average value. The City is undertaking a strong focus to encourage reinvestment south of Indian Bend Road. This area offers 40,000 homes averaging \$150,000 to \$250,000. The Indian Bend Area of Scottsdale, along with Tempe and Paradise Valley, has become

the residential location of choice for access to professional athletic events, live theatre, dining and entertainment.

Multi-family development construction declined by 29 percent over fiscal year 2000/01 (746 units in 2001/02 versus 1,058 units in 2000/01). The decrease was due in large part to the slower economy as financial institutions increased performance standards for construction financing; additionally, apartment to condominium conversions increased. Multi-family activity in 2002/2003 is anticipated to reach 700 to 900 new units.

**Commercial Activity** - Commercial development construction reached \$255 million in 2001/2002 declining 14 percent from the \$295 million in 2000/01. The completion of the new Loop 101 freeway is expected to facilitate office construction in the next 12 months. Commercial construction is anticipated to reach \$350 million in fiscal year 2002/03.

**Vacancy Rates** - The Citywide vacancy rate for commercial buildings was 21 percent in fiscal year 2001/02, approximately on the Valleywide average. However, the weighted average asking rent was 13 percent higher than the Valley average, evidence that Scottsdale remains a relatively attractive city to conduct business. The fiscal year 2002/03 vacancy rate forecast is for flat to slight improvement, in line with the cautious economic outlook.

**Job Growth** - Scottsdale attracted 17 major new-targeted firms representing approximately 1,700 new jobs in 2001/02 with a \$68,000 average salary. The City benefits not only from strong population growth, but also higher income levels resulting from the gains in higher wage jobs. Major new employers to announce moves to Scottsdale last fiscal year included eFunds, DHL Worldwide Express, New York Life, Pegasus Solutions, and Pulte Homes. Collectively, these firms represent approximately 79 percent of new jobs in Scottsdale from new-targeted businesses.

**Employment** - Scottsdale remains a net importer of labor, as the number of jobs physically located in the City (approximately 145,000) far outweighs Scottsdale's labor force (approximately 111,000). Scottsdale's unemployment rate (4.0 percent as of June 2002) is the lowest of any major city in the Phoenix metropolitan area.

**Tourism** - While the outlook for tourism remains positive, the national and local recessions and September 11 terrorist attacks changed the City's economic growth outlook. Hotel occupancy tax

receipts declined approximately 11 percent in fiscal year 2001/02 versus 2000/01 receipts. The local tourism industry continues to exhibit signs of moderate recovery as leisure and business travelers return to Scottsdale; however, hotel room rates remain soft as hoteliers offer discounts to spur demand. Therefore, while the long-term outlook for local tourism remains cautiously optimistic, slower hotel occupancy tax growth is expected relative to historical levels.

Similar to other communities in Arizona and around the United States, Scottsdale's economy faced significant challenges in the 2001/02 fiscal year. The City's current and projected economic outlook changed because of the national and local recessions and September 11 terrorist attacks. While sales tax and hotel occupancy tax receipts declined over the prior year, Scottsdale's economy remained resilient. Unemployment is the lowest of any major city in the Phoenix metropolitan area and the City was successful in recruiting 17 new firms representing approximately 1,700 new jobs and approximately 467,000 square feet of office space. Scottsdale's five-year financial plan and budget are premised upon conservative economic forecasts in anticipation of slower economic growth. These factors, coupled with an emphasis on long-range strategic planning that balances desired results with available resources, will enable Scottsdale to continue to prosper with slower resource growth relative to past years.

**Long-term Financial Planning** - The Mayor and City Council have co-created a mission statement as well as seven broad goal categories, which represent key interests and priorities of the Mayor, City Council, and reflect their constituency's suggestions and expectations for the future. Council's approval of these Mission and Goal statements enable staff to create strategic plans and a programmatic budget that directly responds to the Council's and community's goals and expectations. Plans articulated in the 2002/2003 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 also addressing the City Council's broad goals and citizen expectations for the community. The following are the mission and broad goals identified by Scottsdale's Mayor and City Council:

**Mission** - It is the mission of the City of Scottsdale to build citizen trust by fostering/practicing open, accountable, and responsive government; to provide quality services; to preserve

Scottsdale's unique southwestern character; to plan and manage growth in harmony with its desert surroundings; and to promote livability by enhancing and protecting its neighborhoods. Quality of life for residents and visitors shall be the paramount consideration.

#### **Broad Goals**

- Enhance and protect a diverse, family-oriented community where neighborhoods are safe, protected from adverse impacts, and well maintained.
- Preserve the character and environment of Scottsdale.
- Provide for the safe, efficient and affordable movement of people and goods.
- Position Scottsdale for long-term economic prosperity by diversifying our economic resources.
- Coordinate planning to balance infrastructure and resource needs within budget.
- Make government accessible, responsive, and accountable so that pragmatic decisions reflect community input and expectations.
- Ensure Scottsdale is fiscally responsible and fair in its management of taxpayer money and City assets.

**Strategic Financial Plan** - An appropriate financial plan for the City of Scottsdale requires many elements all working in concert with one another. The following identifies some of the financial plan elements, which Scottsdale uses to chart a course for the future. Scottsdale's Financial Services Department recognized the economy slowing in the Summer of 2001. The economy has continued to decline subsequent to the terrorist attacks last fall and we are now seeing only modest signs of a recovery. Expectations are now for very modest revenue growth, potential for State reductions of revenue sharing, and we continue to see additional demands for "essential" City services such as police, fire, transportation and social services. Financial Services management role will be to maintain and enhance financial plan elements and ensure the continued financial stability for the City of Scottsdale, i.e., "manage stability."

**Financial Resource Planning** - Strategic planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts coupled with financial trend analysis techniques and



Careful reserve analysis will preserve the fiscal well being of Scottsdale. Strategic planning is a critical element to not only meet long-term financial stability goals but also to determine what critical objectives of Council will require special financial planning to achieve success.

**Multi-Year Financial (Budget) Planning** - Multi-year financial planning (budgeting) encompasses long-range operating expenditure plans (including the operating impacts of planned capital projects), which are linked to community expectations and broad goals of the City Council. A multi-year approach provides a better opportunity for staff to change its financial paradigm. This paradigm shift can result from the following questions from, "What do we need?"/"What can we get this year?", to "How do we accomplish our service objectives over time given our financial capacity?" While the City is required to adopt an annual budget to meet State statutory requirements Scottsdale builds a financial plan for the next five years to help anticipate future impacts and ensure achievement of City objectives.

**Strategic Capital Improvement Project Planning**

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

<b>Estimated Operating Impacts                      Attributable to Capital Projects                      For the five years ending June 30, 2007                      (In Thousands of Dollars)</b>	
Enhance & Protect Community & Neighborhoods	\$24,587.4
Preserve Character & Environment	4,932.5
Movement of People and Goods	8,097.3
Long Term Economic Prosperity	49.8
Balance Infrastructure & Resources	1,773.7
Accessible & Responsive Government	8.0
Ensure Fiscal Responsibility	1,542.8
<b>Total Estimated Operating Impacts</b>	<b>\$40,991.5</b>

**Debt Management**

Scottsdale has a financial policy prohibiting the issuance of debt for operating expenses. With that as a governing framework all debt issuances are for the purposes of financing capital infrastructure (or long-lived costly assets). Each debt issuance is evaluated against multiple additional policies addressing: debt service as a percent of operating expenditures, tax and revenue bases for the repayment of debt, the overall debt burden on the community, statutory limitations and market factors affecting tax-exempt interest costs. In all cases a long-term analysis is made considering the financial (debt) capacity that fits the wherewithal (and willingness) of our community to pay for the capital projects. Every additional \$1 million dollars in new debt costs just under \$100,000 in annual debt service operating expense, when amortized over 20 years. Sizing of the City's Capital Improvement Project Plan based on debt capacity in conjunction with conservatively estimated pay-as-you-go revenues will help stabilize per capita debt and lower annual debt service costs to the City over the long-term.

**Cash Management policies and practices**

- Cash temporarily idle during the year, excluding that of the Municipal Property Corporation (MPC), and the Community Facilities Districts, 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 2001/2002 fiscal year was 4.04 percent, and the average daily investment balance was \$403,237,700.

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

**Risk Management** - The City is exposed to various risks of loss related to public, property, and aviation liability, and workers compensation. Public liability includes public officials' errors and omissions, automobile and general

liability. During the fiscal year 2001/02 the City was self-insured for the first \$1,000,000 of public liability, the first \$50,000 of property liability, and the first \$250,000 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, 2002, 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 that 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.

**Post-Employment Benefits** - The City participates in the Arizona State Retirement System, the Public Safety Personnel Retirement System, and the Elected Officials' Retirement Plan. In addition, the City provides an option of post-retirement health care benefits, in accordance with Chapter 14 of the City Code. At retirement, employees with medical leave accumulated prior to September 6, 1976 are eligible for payment of medical leave at one hundred percent cash value at current rate of pay. Employees hired before July 1, 1982 can elect to receive cash equal to fifty percent of the first five hundred twenty hours of unused medical leave plus twenty-five percent of all hours in excess of five hundred twenty. The conversion rate is the employee's average hourly base pay rate for the five years immediately preceding retirement. Any retiring employee with 300 or more hours of accumulated medical leave, who chooses to remain on the city medical plan, may elect to apply the value of the sick leave to the employee's portion of the health care premiums, up until age 65. The value of the accumulated medical leave is calculated at the employee's hourly rate of pay at the time of retirement. The number of participants during fiscal year 2001/02 was 56 and is expected to grow as more employees reach retirement age. The projected liability for this benefit was actuarially determined on January 1, 2002 and was used to calculate the liability recorded in the financial statements. (See Section V of the Notes to the Financial Statements for additional information on this benefit)

## **MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS**

During 2001/02 Scottsdale continued to invest in basic government service programs and amenities that define the special character of the City. These programs and amenities will assist in maintaining Scottsdale as a "livable" community for future generations.

Service efforts to shape and maintain Scottsdale as a sustainable community that were made in the past year included enhancements to the quality citizen services; contributions to environmentally and fiscally sound infrastructure; and contributions toward building and maintaining a sustainable economic base. The following are some department service efforts and accomplishments for the 2001/02 fiscal year.

### **Police**

Successfully negotiated a new photo enforcement contract for four speed enforcement vehicles and six red light camera systems, thereby continuing the Focus on Safety program to reduce vehicle accidents.

Negotiated a new three-year agreement for fire services with Rural/Metro. In addition, a new EMS contract for advanced life support services with Rural/Metro was also implemented.

Implemented the SmartZone digital radio system to enhance broadcast capabilities in all areas of the City, particularly in areas north and east of Pinnacle Peak and Pima Roads. The SmartZone system will effectively eliminate former communication dead zones.

Successfully completed the Department's strategic plan and a separate Technology strategic plan.

### **Fire**

Completed designs of four new permanent City fire stations. The new facilities, located at 16701 North 100<sup>th</sup> Street (McDowell Mountain) and 27777 North Alma School Road (Troon Park), were approved by the Development Review Board with construction bids awarded by the City Council on July 1. These two facilities are expected to be operational in the beginning of the 2003 calendar year. The new permanent facility for the Scottsdale Airport received Development Review approval. The final fire station will be located on the Northwest corner of Pima and Ranch Roads. The preliminary design has been completed and received approval from the Planning Commission.

Twelve of the 16 first responding fire units are now equipped with portable thermal imaging cameras. These new devices are one of the most technologically advanced firefighting tools available. Thermal imaging cameras allow firefighters to "see" heat through smoke-filled rooms and walls making it much quicker and easier to find a trapped person or locate the source of a hidden fire. With the approval of the next year's budget, all of the first responding fire units assigned in the City will be equipped with this technology.

The City aggressively continued with the policy of acquiring ownership of all large fire apparatus. In fiscal year 2001/02 the City took delivery and put into service five new fire pumpers and a new 75 foot ladder truck. Additional purchases for fiscal year 2002/03 will include water tenders, a new large airport rescue vehicle, new brush vehicles, additional pumpers and a new 100-foot aerial device.

Maximus Consulting Group conducted an independent, third party evaluation of the City's fire protection service. Maximus identified areas where the City emergency protection levels met or exceeded national best practices, evaluated the costs for the services received, and identified areas for improvement. The City and Rural Metro incorporated elements of the Maximus recommendations in the new emergency fire and medical service contract. Before this evaluation, citizens gave the fire service a 99% approval rating and the emergency medical service a 98% approval rating.

### **Financial Services**

The three major credit rating agencies, FitchRatings, Moody's Investors Service, and Standard and Poor's, affirmed the City's triple-A rating (the highest possible) on outstanding general obligation bonds.

Issued Municipal Property Corporation, General Obligation, and Scottsdale Preserve Authority refunding bonds to take advantage of low interest rates and the City's high credit rating resulting in \$4.7 million debt service savings. Sold \$35 million of Preservation General Obligation bonds and \$7.5 million of Bell Road II Improvement District bonds.

Coordinated the effort to buy Ford Motor Credits' interest in Scottswater Company, Inc. (see Section V of the Notes to the Financial Statements) and replaced variable rate Industrial Development Authority bonds with fixed rate Municipal Property Corporation bonds, saving the City approximately \$1 million in debt service costs.

Implemented a Utility Billing Interactive Voice Response system that allows customers to pay their utility bills by touch-tone telephone.

### **Transportation**

Successfully launched the Cab Connection taxi voucher program for eligible seniors and disabled individuals.

Initiated a Major Investment Study to address the City's growing travel demands and to maintain the potential to connect to a regional transit system.

Completed the first phase of the Traffic Management Center laying the groundwork for the next stage of the Intelligent Transportation System.

### **Community Services**

Pinnacle Peak Park was dedicated to the City and the land for the trailhead was acquired from the State Land Department. Opened La Mirada Desert Park, Phase I and began planning for Phase II in response to neighbors' requests. Completed Apache Park and initiated development at Ironwood and Stonegate Parks.

Vista Del Camino assisted 2,351 families in need of emergency services for utility assistance, food boxes, and financial assistance to prevent eviction and homelessness.

The Library System expanded to 101 public access personal computers in the Library that have Internet access, the library catalog, and electronic reference sources available.

### **Information Systems**

Implemented Virtual Private Network Technology to allow City employees to securely connect to the City's Internet and desktop services utilizing their own Internet Service Provider via a public network.

Implemented an Outlook Web Access server that allows all City employees to securely access their email and schedule from anywhere in the world using a standard Web browser and any public Internet Service Provider.

Implemented Storage Area Network (SAN) to create a "Disk Storage Farm" for Citywide consolidated storage of electronic information. Benefits include improved disk storage utilization, stability, performance and less down time through the use of pooled disk resources.

Improved the security of the City's computing assets by implementing a software "Security Rollout" suite, requiring "Strong Passwords", adding a "Legal Notice" to the login process,



designing effective "content scanning" for email attachments, and requiring use of Personal Firewalls for access to the network.

Implemented an automated Pavement Management System. This solution automates the compilation of pavement treatment cost estimates, simplifies retrieval of pavement treatment histories, and ensures that the City meets the minimum requirements for pavement management as mandated by the Federal Government.

### **Planning Systems**

In an ongoing effort to improve community awareness/involvement, Current Planning Services has modified the public hearing notice from a first class letter to a postcard. The "user-friendly" postcard is sent to all property owners within a 300 foot radius of the proposed development; is written in basic language, includes a site map and references to additional resources, and is one-third the cost of the previously used first-class letter.

The One Stop Shop added an enhancement to the Community Development System using Intellinc e-pads. Plans are logged out with the electronic signatures that become a permanent record in the Community Development System and eliminate the need to retain hard copy signatures. This process has reduced staff time and errors resulting in better customer service.

### **Preservation**

Acquired 532 acres for inclusion in the McDowell Sonoran Preserve.

Achieved reclassification of over 13,000 acres of State Trust land in far north Scottsdale through the State Land Commissioner's August 2001 Arizona Preserve Initiative Order.

### **Water Resources**

Scottsdale's Water Resources Department's substantial efforts to acquire renewable water supplies were rewarded this year when the State of Arizona's Department of Water Resources approved the extension of the City's designation of assured water supply to approximately 2008.

Design of the \$50 million Chaparral Treatment Plant was initiated in November 2001 with anticipated completion in Summer 2003. Significant milestones completed thus far during design include the award of an \$8.8 million micro filtration membrane purchase agreement and City Council approval of the facility's Master Site Plan.

Within the Capital Program, completed the Southeast Pump Station, the final facility in the \$19 million East Leg Pumpback System project. The entire system of six pump stations and twelve miles of pipeline is now complete to provide wastewater to the Water Campus for treatment and reuse.

Within the Treatment Division, completed the modification and retrofit of the Gainey Ranch Water Reclamation Plant. The improvements will allow the plant to improve water quality and reduce phosphorus levels to the Gainey Ranch Golf Course.

### **Municipal Services**

Completed several major construction improvement projects including: Oak Street Storm Drain project - 97 homes and 2 commercial businesses removed from the floodplain maps; Scottsdale Drinkwater Road Realignment; Via Linda Senior Center; Stonegate and Ironwood Parks; Pinnacle Peak Trailhead (planned); Pima Road water line (planned).

Completed initial phase of alley 300-gallon replacement program. Solid Waste replaced 420 unsightly/unsanitary containers in the southern part of the City. The second phase is to be completed by January 2003.

Enhanced the Pavement Management System to provide information on street maintenance repairs and street cut moratoriums. The system reduces multiple street disruptions by providing outside contractors with information to coordinate their work with scheduled City street maintenance.

Fleet management upgraded its fifteen-year old fuel management system. The new system can calculate total cost per mile and miles per gallon for individual vehicles, provide exception reporting, initiate fuel reordering, and reconcile fuel usage with inventory levels. The final product is improved accountability and better environmental health reporting.

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Scottsdale for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the 29th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City's triple-a ratings from all three rating agencies on uninsured general obligation bonds were reaffirmed by the Rating Agencies in September 2002 in conjunction with the issuance of general obligation refunding bonds. (See the Management's Discussion and Analysis for additional information on the bond ratings by bond type.)

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Craig Clifford". The signature is written in a cursive, flowing style.

Craig Clifford, CPA, CGFM,  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Scottsdale,  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

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



*Timothy A. Howe*  
President

*Jeffrey L. Esser*  
Executive Director



**Comprehensive  
Annual  
Financial  
Report**

For the Fiscal Year  
Ended June 30, 2002

City of Scottsdale  
Scottsdale, Arizona

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

**City Council**

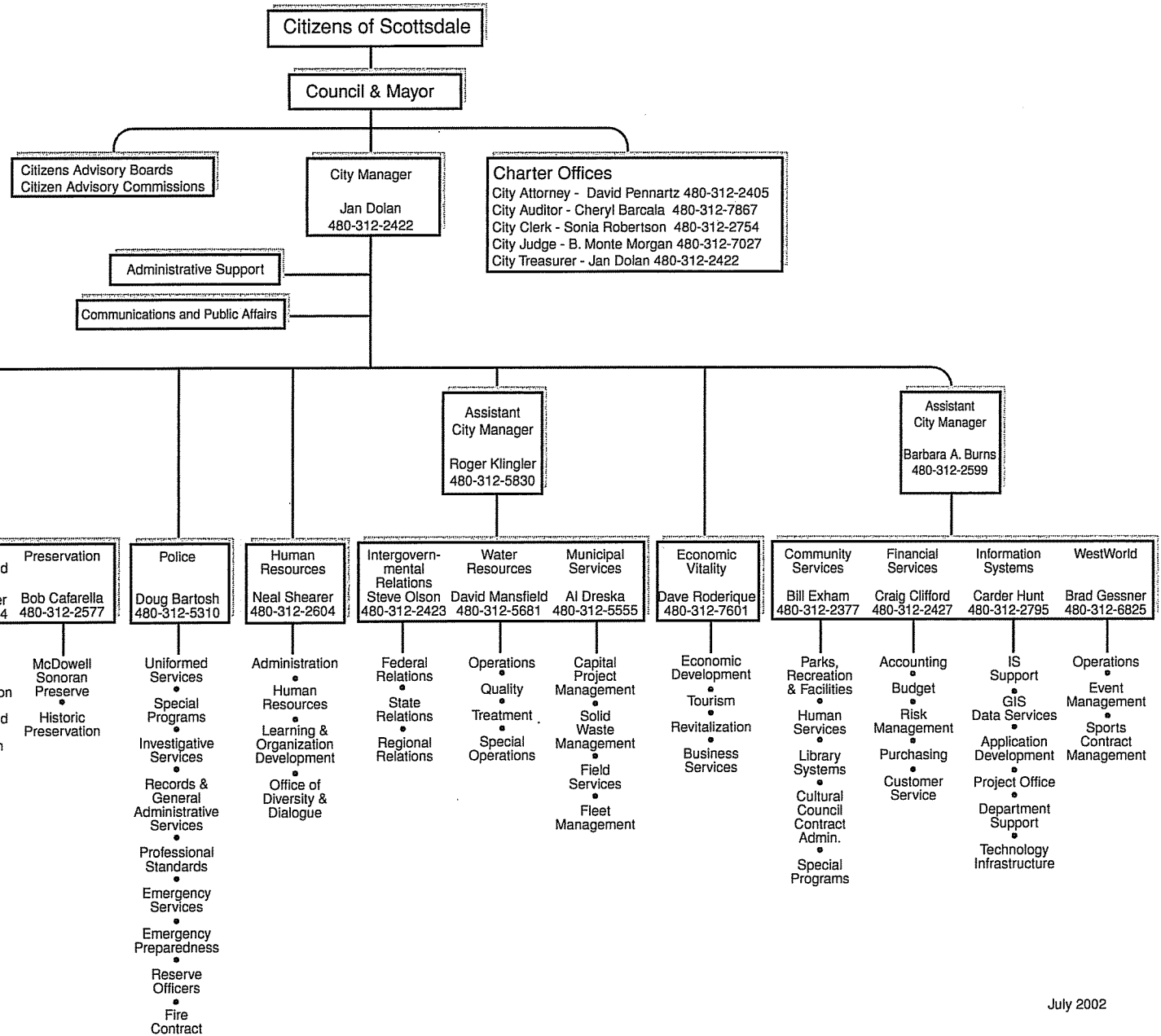
Mary Manross, Mayor  
David Ortega, Vice Mayor  
Wayne Ecton  
Robert W. Littlefield  
Cynthia Lukas  
Ned O'Hearn  
Tom Silverman

**Charter Offices**

David Pennartz, City Attorney  
Cheryl Barcala, City Auditor  
Sonia Robertson, City Clerk  
B. Monte Morgan, City Judge  
Jan Dolan, City Treasurer

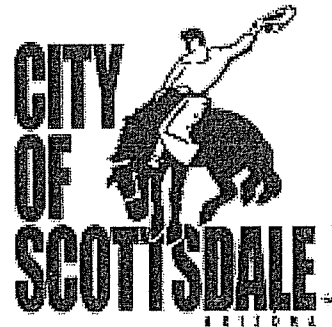
**Administrative Staff**

Jan Dolan, City Manager  
Barbara A. Burns, Assistant City Manager  
Ed Gawf, Deputy City Manager  
Roger Klingler, Assistant City Manager



## **Financial Section**

THIS SECTION INCLUDES THE INDEPENDENT AUDITORS' REPORT, THE MANAGEMENT'S DISCUSSION AND ANALYSIS, THE BASIC FINANCIAL STATEMENTS, NOTES TO FINANCIAL STATEMENTS, THE REQUIRED SUPPLEMENTARY INFORMATION, AND THE COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES.

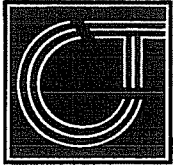


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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2001/2002  
CITY OF SCOTTSDALE, ARIZONA





**CRONSTROM & TRBOVICH**

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements and combining and individual fund statements and schedules of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Scottsdale, Arizona as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, based on our audit, the combining and individual fund statements and schedules of the City of Scottsdale, Arizona, present fairly, in all material respects, the financial position of each of the individual funds as of June 30, 2002, and the result of operations of such funds and the cash flows of individual proprietary funds for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note IV.A to the financial statements, adjustments were made by the City to reflect a change in accounting policy and to correct errors in the previously issued financial statements.

Our audit was performed for the purpose of forming an opinion on the basic financial statements and on the combining and individual fund statements and schedules taken as a whole. The accompanying financial information listed as supplemental schedules in the 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 supplemental 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 basic and combining, and individual fund statements and schedules 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 taken as a whole.

The other information included in this report, designated as the "Statistical Section" in the table of contents, was not audited by us and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

September 13, 2002

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scottsdale's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

## **FINANCIAL HIGHLIGHTS**

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$2.5 billion (net assets). Of this amount, \$328 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$127 million during the fiscal year.

As of June 30, 2002, the City's governmental funds reported combined ending fund balances of \$283 million. Approximately 95% of this total amount, \$268.7 million, is unreserved fund balance available for spending at the government's discretion.

At the close of the current fiscal year, unreserved fund balance for the general fund was \$74 million or 45 percent of total general fund expenditures of \$164 million.

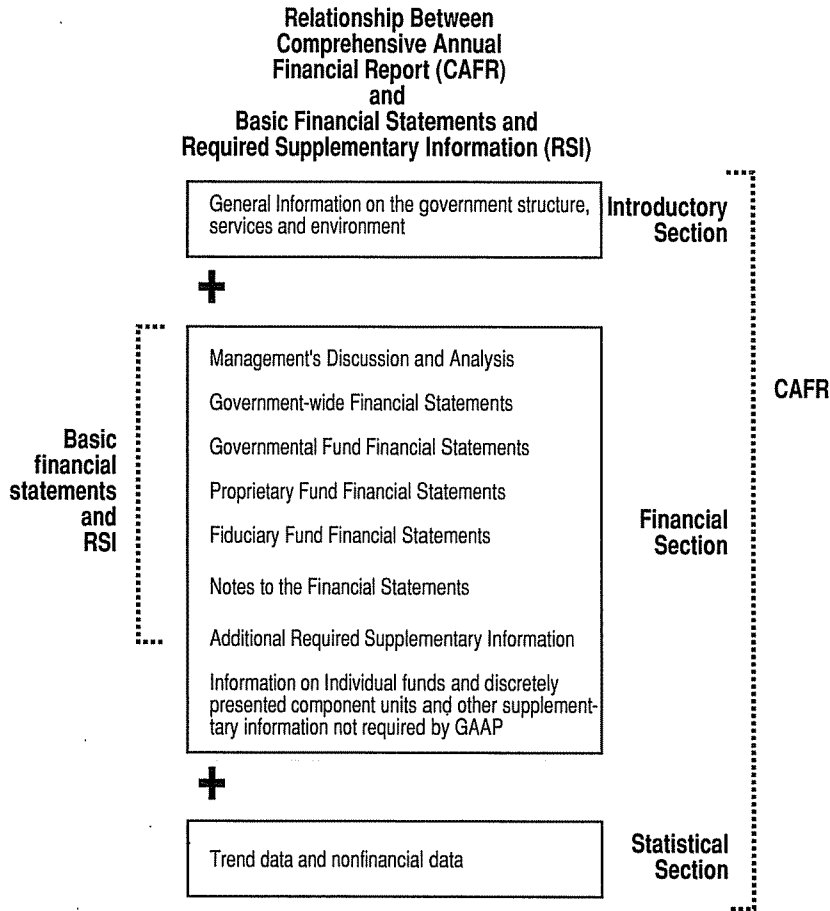
During fiscal year 2002, the City's total bonded debt increased by approximately \$52.5 million. The key factors were the issuances of \$68 million for various capital projects, \$10.5 million for the Scottswater Project, and \$7.5 million for the Bell Road II Special Assessment District.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, financial services, transportation, community services, information systems, planning and development, fire, municipal services and citizen and neighborhood resources. The business-type activities of the City include water, sewer, solid waste, and airport operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate nonprofit corporation, Scottsdale Water Company, Inc., and Los Arcos Multi-Purpose Facilities District for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. Included within the governmental activities of the government-wide financial statements are the operations of the City of Scottsdale Municipal Property Corporation, The Scottsdale Preserve Authority, Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, and Via Linda Road Community Facilities Districts. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City.

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

The government-wide financial statements can be found on pages 30-31 of this report.

## **Fund Financial Statements**

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

### Governmental Funds

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

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

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, GO Bond debt service fund, General CIP Construction Capital Projects Fund and Preserve Privilege Tax Capital Projects Funds, which are considered to

be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

#### **Proprietary Funds**

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

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

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

#### **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City has two private-purpose trust funds and two agency funds,

which are reported under the fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

#### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

#### **Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements — and Management's Discussion and Analysis (MD&A) — for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of financial data, the City has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years when prior-year information is available a comparative analysis of government-wide data will be included in this report.



**Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$2.5 billion at the close of the current fiscal year.

The largest portion of the City's net assets (81 percent) reflects its investment of \$2.06 billion in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

<b>Net Assets</b>			
June 30, 2002 (in thousands of dollars)			
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current and other assets	\$ 387,530	\$ 210,073	\$ 597,603
Capital Assets	1,977,725	741,373	2,719,098
<b>Total Assets</b>	<b>2,365,255</b>	<b>951,446</b>	<b>3,316,701</b>
<b>Liabilities</b>			
Long-term liabilities outstanding	552,788	96,300	649,088
Other liabilities	96,781	34,017	130,798
<b>Total Liabilities</b>	<b>649,569</b>	<b>130,317</b>	<b>779,886</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,429,495	629,106	2,058,601
Restricted	133,460	16,399	149,859
Unrestricted	152,731	175,624	328,355
<b>Total Net Assets</b>	<b>1,715,686</b>	<b>821,129</b>	<b>2,536,815</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,365,255</b>	<b>\$ 951,446</b>	<b>\$ 3,316,701</b>

An additional portion of the City's net assets, \$149.8 million (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$328 million (13 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Analysis of Changes in Net Assets**

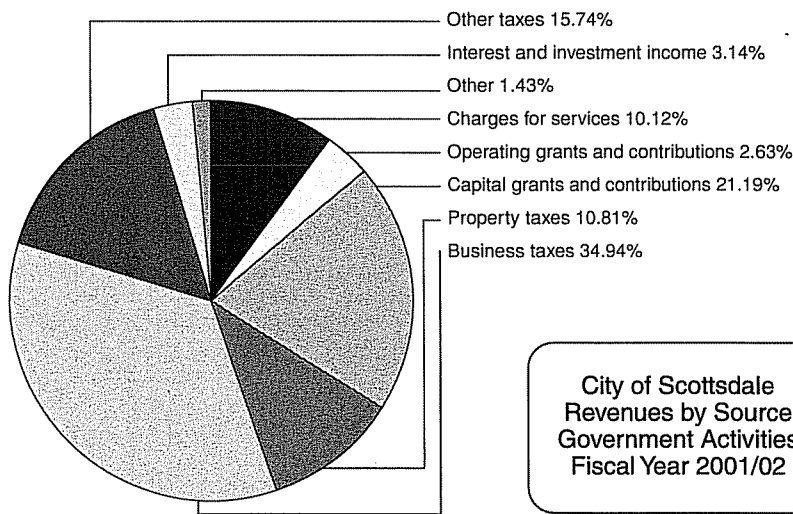
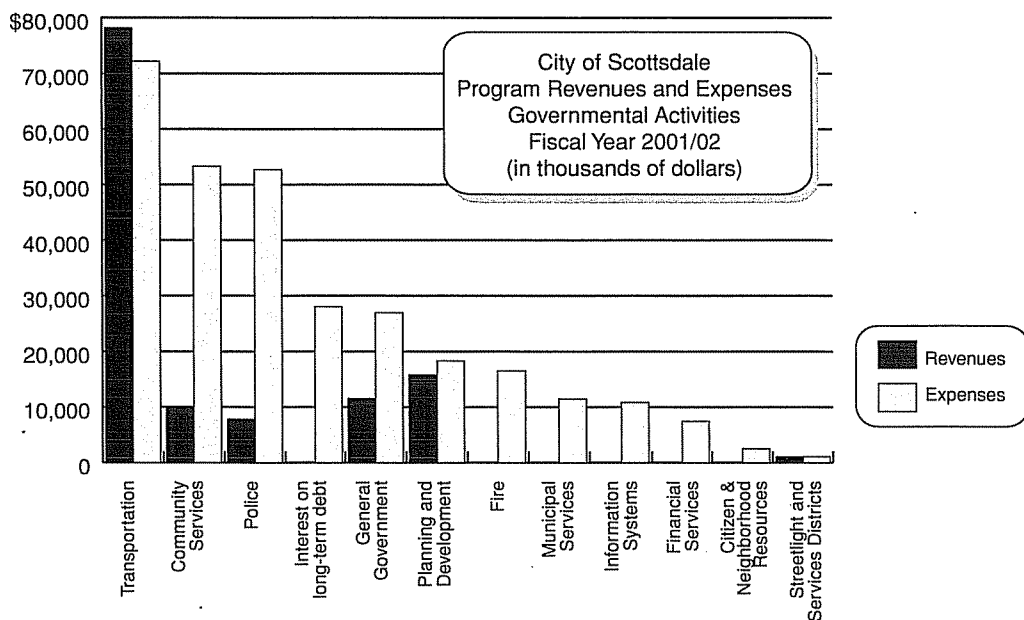
The City's net assets overall increased by \$127.2 million during the current fiscal year. These increases are explained in the government and business-type activities discussion below, and are primarily a result of contributions from developers of infrastructure assets.

<b>Changes in Net Assets</b>			
For the Year Ended June 30, 2002 (in thousands of dollars)			
	Governmental Activities	Business- Type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 36,954	\$ 109,566	\$ 146,520
Operating grants and contributions	9,626	-	9,626
Capital grants and contributions	77,412	38,733	116,145
General revenues:			
Property taxes	39,485	-	39,485
Business taxes	127,620	-	127,620
Other taxes	57,492	-	57,492
Interest and investment income	11,485	5,820	17,305
Other	5,213	-	5,213
<b>Total revenues</b>	<b>365,287</b>	<b>154,119</b>	<b>519,406</b>
<b>Expenses</b>			
General Government	\$ 26,982	\$ -	\$ 26,982
Police	52,719	-	52,719
Transportation	72,159	-	72,159
Financial Services	7,464	-	7,464
Community Services	53,325	-	53,325
Information Systems	10,821	-	10,821
Planning and Development	18,269	-	18,269
Fire	16,494	-	16,494
Municipal Services	11,482	-	11,482
Citizen & Neighborhood Resources	2,484	-	2,484
Streetlight and Services Districts	1,044	-	1,044
Interest on long-term debt	28,063	-	28,063
Water Utility	-	51,125	51,125
Sewer Utility	-	24,007	24,007
Airport	-	2,648	2,648
Solid Waste	-	14,071	14,071
<b>Total expenses</b>	<b>301,306</b>	<b>91,851</b>	<b>393,157</b>
Increase in assets before special items and transfers	63,981	62,268	126,249
Special items	234	874	1,108
Transfers	6,223	(6,289)	(66)
<b>Increase in net assets</b>	<b>70,438</b>	<b>56,853</b>	<b>127,291</b>
Net assets at beginning of year	1,645,248	764,276	2,409,524
<b>Net assets at end of year</b>	<b>\$ 1,715,686</b>	<b>\$ 821,129</b>	<b>\$ 2,536,815</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$70.4 million, thereby accounting for 55 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:

Infrastructure assets donated by developers accounted for the majority \$70 million increase in net assets.

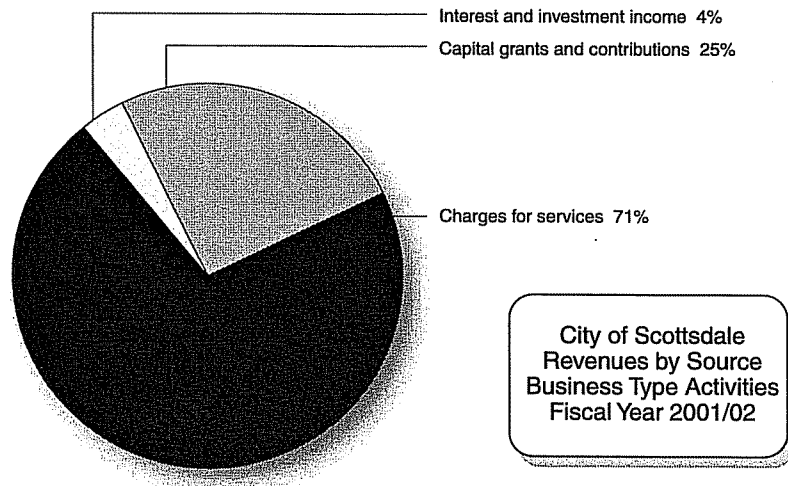
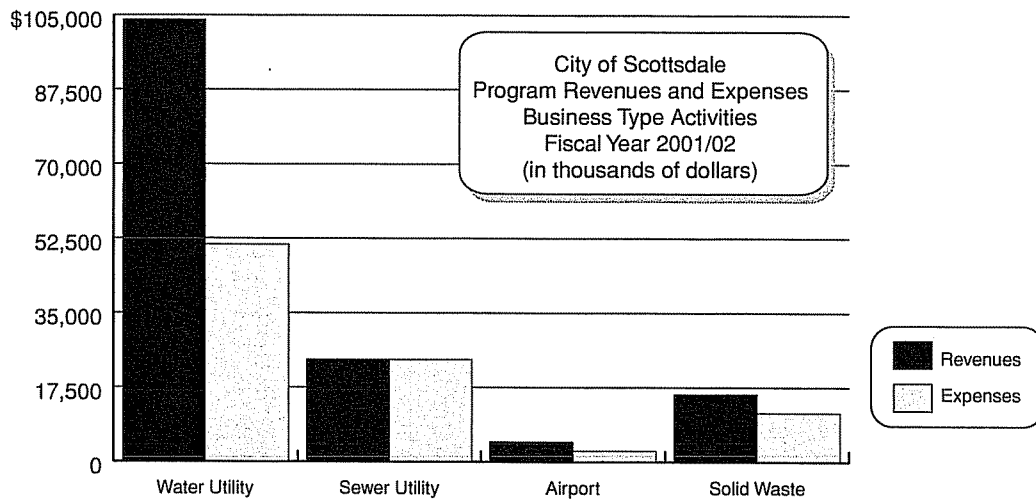
Total revenues and expenditures for the governmental funds remained almost flat from the previous year. After thirty consecutive years of positive sales tax growth, City sales tax posted negative year-over-year growth in the 2001/02 fiscal year. Fiscal year 2001/02 sales tax receipts were down approximately 1% over the prior year. The national and local recessions, coupled with the fallout from the September 11 terrorist attacks fueled the decline. Budget reductions were made in each department during the year to ensure that the decrease in revenue inflows were offset and that total net assets did not decline.



The charts above illustrate the City's governmental expenses and revenues by function, and its revenues by source. As shown, transportation is the largest function in expense (24 percent), followed by community services (18 percent) and police (17 percent). General revenues such as property, business, and privilege taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, business taxes are the largest single source of funds (34.94 percent), followed by capital grants and contributions (21.19 percent) and other local taxes (15.74 percent). As with the statement of net assets and the statement of activities, because the GASB No. 34 reporting model significantly changes the form of financial data, the City has not restated prior fiscal year revenue and expenditure information. Year to year comparisons will be included in future reports.

**Business-type activities.** Business-type activities increased the City's net assets by \$56.8 million, accounting for 45 percent of the total growth in the City's net assets. Key factors of this increase are as follows:

Capital contributions from developers are the major revenue source for the Water and Sewer fund, and resulted in \$38.7 million in revenue. The majority of this amount is from infrastructure donated from developers and development fees received as development continues throughout the City.



As shown in the charts above, the largest of Scottsdale's business-type activities, Water & Sewer utilities, each had expenses in excess of \$51 million and \$24 million, respectively, in fiscal year 2002, followed by Solid Waste with operating expenses of approximately \$14 million. For the fiscal year, revenues exceeded expenses in all four areas of business activity. Fees provided the largest share of revenues (71 percent) followed by capital grants and contributions, which are largely developer contributions and development fees, (25 percent) for all of the business-type activities.

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

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

#### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$283 million, an increase of \$61 million in comparison with the prior year. The increase is primarily due to the issuance of debt. Approximately \$268 million of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to pay debt service (\$12.8 million), (2) for the repayment of a long-term loan from another fund (\$1.1 million), (3) to pay for the ongoing cost of the streetlight and services districts (\$882,000).

Revenues for governmental functions overall totaled approximately \$289.9 million in the fiscal year ended June 30, 2002, which represents a decrease of 2.4 percent or \$7 million from the fiscal year ended June 30, 2001. Expenditures for governmental functions, totaling \$316 million, decreased by approximately 1 percent (\$2.7 million) from the fiscal year ended June 30, 2001. In the fiscal year ended June 30, 2002, expenditures for governmental functions exceeded revenues by approximately \$26 million, or slightly more than 9 percent.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$74.3 million, while total fund balance was \$76.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45 percent of total general fund expenditures of \$163.9 million, while total fund balance represents 46 percent of that same amount.

The fund balance in the City's general fund decreased by \$962,000 during the fiscal year mainly due to the decrease in revenues resulting from the terrorist attacks of September 11<sup>th</sup>. The decrease was offset by budget reductions for all departments during the year. Overall, the general fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2002 of \$14.7 million, a decrease of 39 percent over the comparable figure from the prior year of \$24.2 million.

#### **Proprietary Funds**

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

At the end of the fiscal year, the unrestricted net assets for the Water and Sewer Utility were \$171.8 million, Scottsdale Airport were \$459,000 and the Solid Waste Utility Fund \$3 million. The internal service funds, which are used to account for certain governmental activities also had unrestricted net assets of \$19.8 million.

The total growth in net assets for the enterprise funds was \$56.8 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In particular, the Scottsdale Water and Sewer net assets increased by \$51.5 million due to capital contributions of \$35.7 million and increased water and sewer fees of \$4 million.

**Fiduciary Funds**

The City maintains fiduciary funds for the assets of the Family Self-Sufficiency Agency Fund, the Retainage Escrow Agency Fund, the Handicap Scholarship Private Purpose Trust Fund, the Scottsdale Memorial Hospital Redevelopment Private Purpose Trust Fund. The Hospital Trust Fund manages the investment of monies held in trust for the redevelopment of the Scottsdale Memorial Hospital. As of the end of fiscal year 2001-2002, the net assets of the Scottsdale Memorial Hospital Trust Fund totaled \$728,000, representing an increase of \$111,000 in total net assets since June 30, 2001. The change is primarily related to expenses directly related to the redevelopment area. Changes to the other fiduciary funds were immaterial for the fiscal year.

**General Fund budgetary highlights**

The City's final budget differs from the original budget due to budget reductions that were made during the fiscal year. In fiscal year 2002, significant reductions in expenditure budgets were made in order to offset the reduced revenue received from sales and other local taxes due to the downturn in the economy after the terrorist attacks of September 11<sup>th</sup>. Net budget reductions in the departments totaled \$3,413,000 and were as follows:

\$780,000	General Government
\$595,000	Police
\$514,000	Information Systems
\$308,000	Fire
\$183,000	Financial Services
\$29,000	Municipal Services
\$46,000	Citizen and Neighborhood Resources
\$971,000	Community Services

These reductions were offset by the increases in the budget for transfers from the contingency budget for items approved by the City Council in the following function:

\$13,000	Planning and Development
----------	--------------------------

During the year, actual revenues and other resources fell short of budgetary estimates by \$17 million. The majority of this amount is attributable to local taxes—specifically the property, privilege, and hotel occupancy taxes where actual performance was lower than estimates due to the slowdown in the economy which began in March 2001 and was exacerbated by the terrorist attacks on September 11, 2001.



**Capital Assets and Debt Administration**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2002, amount to \$2.7 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, water and sewer systems, water rights vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation) for the current fiscal year was 9.8 percent (a 3 percent increase for governmental activities and a 6.8 percent increase for business-type activities) as shown in the table below.

	Governmental Activities	Business- Type Activities	Total
Land	\$ 324,138	\$ 13,916	\$ 338,054
Buildings and Land Improvements	154,059	9,746	163,805
Streets and Storm Drains	1,346,180	-	1,346,180
Machinery and Equipment	23,193	3,002	26,195
Water Rights	-	64,489	64,489
Water System	-	332,675	332,675
Sewer System	-	212,755	212,755
Motor Vehicles and Maintenance by Fleet	23,461	-	23,461
Furniture, Fixtures and Office Equipment	-	286	286
Construction in Progress	106,694	104,504	211,198
<b>Total</b>	<b>\$1,977,725</b>	<b>\$ 741,373</b>	<b>\$2,719,098</b>

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

The acquisition of \$25 million in land as a part of the Sonoran Preserve Initiative.

The acquisition of the interest in the Central Arizona Project water treatment plant formerly owned through a limited partnership with Ford Motor Company. \$6.75 million was paid from capital projects funded through the Water and Sewer Fund. An additional, \$10.00 million was paid from Municipal Property Corporation bond proceeds.

Governmental activities construction in progress increased by \$23.5 million due to progress on the Bell Road II Improvement District, Family Advocacy Center, Pinnacle Peak Mountain Park, Scottsdale Flood Control Program, Traffic Management Program and various recreation and park, and public works improvement projects.

Business-type activities construction in progress increased by \$21.9 million due to progress on the Chaparral Water Treatment Plan, McDowell Mountain, Ranch Reservoir Expansion, Pima Road – Ashler Hills to Cave Creek Waterline, Pima Road-Jomax to Ashler Hills Waterline, and the water Zone 5-7 Pump Station, and the Zone 9 Reservoir Expansion.

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

The City has recorded its infrastructure as part of the general fixed asset account group in past years and has recorded infrastructure for the water and sewer funds in the appropriate funds at it was built or donated. With the implementation of GASB 34, the City reduced

the governmental capital assets for the appropriate accumulated depreciation amount of \$654 million. During fiscal year 2002, ongoing infrastructure projects are accounted for in construction in progress.

**Debt Administration**

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$687.5 million. Of this amount, \$337.9 million is general obligation bonds backed by the full faith and credit of the City and \$105.4 million is revenue bonds, commercial paper, loans, and other obligations of the City's business enterprises. The remainder includes revenue bonds, certificates of participation, and other obligations of \$244.1 million of governmental activities.

During the fiscal year, the City issued \$51,155,000 of General Obligation Refunding Bonds, Series 2001, dated July 18th, 2001, with an average interest rate of 5.1%, to refund \$49,835,000 of Series 1991,

1992, 1994, 1995 and 1999 General Obligation and Preservation Bonds with an average interest rate of 5.6%. The City will reduce its total debt service payments over the next 20 years by approximately \$1,861,280 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,268,629. In addition, the City issued \$17,495,000 of Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds, Series 2001, dated July 18th, 2001, with an average interest rate of 4.9%, to refund \$16,690,000 of Series 1997 Excise Tax Revenue Refunding Bonds with an average interest rate of 5.6%. The City refunded the bonds to reduce its total debt service payments over the next 20 years by approximately \$619,921 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$435,418.

During fiscal year 2002, the City's total bonded debt increased by approximately \$52.5 million.

<b>Outstanding Debt</b>			
As of June 30, 2002 (in thousands of dollars)			
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
General obligation bonds	\$ 319,657	\$ 18,315	\$ 337,972
Revenue bonds	13,385	73,945	87,330
Municipal Property Corporation bonds	49,870	11,555	61,425
Scottsdale Preserve Authority bonds	90,585	-	90,585
Special assessments bonds	13,061	-	13,061
Community Facilities Districts			
general obligation bonds	34,935	-	34,935
Add deferred issuance premiums	1,572	225	1,797
Less deferred amounts on refunding	(3,585)	(288)	(3,873)
<b>Total bonds payable</b>	<b>519,480</b>	<b>103,752</b>	<b>623,232</b>
Contracts payable	21,416	-	21,416
Capital lease	28,750	-	28,750
Compensated absences	12,455	1,628	14,083
<b>Total long-term liabilities</b>	<b>\$ 582,101</b>	<b>\$ 105,380</b>	<b>\$ 687,481</b>

The key factors were the issuances of \$68 million for various capital projects, \$10.5 million for the Scottswater Project, and \$7.5 million for the Bell Road II Special Assessment District.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2002 is \$114.9 million in the 6% capacity and \$410.4 million in the 20% capacity. Additional information on the debt limitations and capacities may be found in Section IV of the Notes to the financial statements and also in Table XV in the statistical section of this report.

The City's ratings on uninsured general obligation bonds as provided above were affirmed by the Rating Agencies in September 2002 in conjunction with the issuance of general obligation refunding bonds. Rating Agencies also reviewed and confirmed several of the revenue based bond ratings at various times throughout the year.

<b>City of Scottsdale Bonded Debt Ratings</b>			
As of June 30, 2002			
	<b>Moody's Investors Service</b>	<b>Standard and Poor's Rating Group</b>	<b>Fitch Investors Service, Inc.</b>
General Obligation (GO)	Aaa	AAA	AAA
Municipal Property Corp (MPC)	Aa1	AA+	AA+
Water and Sewer Revenue (W&S)	Aa1	AA	AA
Highway User Revenue Fund (HURF)	Aa3	AA	Not Rated
Scottsdale Preserve Authority (SPA)	Aa3	AA-	AA-

Subsequent to June 30, 2002 the following events related to debt occurred:

DC Ranch Community Facilities District (CFD) received authorization from the CFD Board to issue \$12,165,000 in General Obligation bonds (the remainder of its bond authorization). The bonds will be sold during the fiscal year 2002/03. The bonds will be used to construct roadways from Horseshoe Canyon south on 94th Street to the property line, and west toward Pima Road and the associated utilities. Upon completion the roadways will be dedicated to the City.

The City of Scottsdale Municipal Property Corporation (MPC) issued \$30,570,000 of Excise Tax Revenue Forward Delivery Refunding Bonds, Series 2002, dated August 7, 2002, with an interest rate of 5.5%, to refund \$30,885,000 of Series 1992 Excise Tax Revenue Bonds with an average interest rate of 6.27%. The MPC refunded the bonds to reduce its total debt service payments over the next 10 years by approximately \$2,059,698 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,073,838.

On September 10, 2002, the City sold \$72,000,000 in refunding bonds. Several maturities of the Series C (1992), Series D (1993), Series E (1994), Series 1994, Series 1995, Series 1997, Series 1998, Series 1999A, Series 1999, and Series 2001 General Obligation Bonds were refunded.

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

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

The 2001/02 fiscal year posed several significant challenges for Scottsdale's economy. Similar to the United States and Arizona economies,

Scottsdale began the fiscal year in a recession. As early as March 2001, Scottsdale's economy began exhibiting signs of slowing economic growth. Specifically, sales tax, hotel/motel occupancy tax, and development permit and fee receipts were all below prior year levels.

The September 11, 2001 terrorist attacks compounded the already slowing economy, particularly the hotel/motel industry. The hotel/motel occupancy rate fell to 40.7% in September 2001 versus 60.5% in September 2000.

In December 2001 and early 2002, Scottsdale's economy began to improve as the hospitality industry began to rebound and consumer confidence improved. While the slowdown has affected the local economy, the overall economic and business environment continues to exhibit strength. Scottsdale's June 2002 unemployment rate stood at 4.0 percent versus 5.6 percent for the Phoenix-Mesa Metropolitan Statistical Area and 6.3 percent for Arizona.

All of the above factors were considered in preparing the City's budget for fiscal year 2003. The budget for the 2002/03 year includes:

A conservative economic forecast and limited revenue growth.

A zero-based approach to the operating budget, leading to limited increases or, in some cases, overall reductions in department budgets.

No net increases in positions supported by General Fund tax dollars.

Continued investment in the city's basic infrastructure and public facilities, combined with a careful analysis of their operating costs.

An emphasis on a "pay-as-you-go" approach to funding city capital investments.

Sustained funding of General Fund and economic investment reserves to ensure the city can provide basic services during economic downturns or major emergencies and make strategic investments in Scottsdale's economic base.

Both the Water and Sewer rates were increased for the 2003 budget year. The water rates were increased by 5% and the sewer rates were increased by 1.5%. The water rates were increased to finance increased operating and capital costs resulting from proposed Environmental Protection Agency regulations. Sewer rates were increased to help provide for the costs associated with expansion of the multi-city 91<sup>st</sup> Avenue Wastewater Treatment Facility and related facilities to accommodate existing customers' sewer treatment needs.

**REQUESTS FOR INFORMATION**

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

City of Scottsdale  
Financial Services Department  
Accounting Division  
7447 E. Indian School Road, Suite 210  
Scottsdale, AZ 85251

(480) 312-2437

Or visit our website at:

<http://www.ci.scottsdale.az.us/budget>

**Basic Financial Statements**

## Statement of Net Assets

June 30, 2002 (in thousands of dollars)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 351,211	\$ 130,763	\$ 481,974	\$ 9
Accounts Receivable (net of uncollectible amounts of \$4,891 for the primary government):				
Property Taxes and Penalties	6,229	-	6,229	-
Other Local Taxes	15,558	-	15,558	-
Intergovernmental	1,466	760	2,226	-
Charges for Services	129	12,199	12,328	-
Interest and Other	11,112	1,541	12,653	-
Due From Other Governments	31	-	31	-
Supplies Inventory	1,231	-	1,231	-
<b>Total Current Assets</b>	<b>386,967</b>	<b>145,263</b>	<b>532,230</b>	<b>9</b>
<b>Noncurrent Assets:</b>				
<b>Restricted Cash, Cash Equivalents, and Investments Assets:</b>				
Water and Sewer System Replacement	-	14,045	14,045	-
Acquisition and Construction Reserve Development Fees	-	2,354	2,354	-
<b>Total Restricted Cash, Cash Equivalents, and Investments Assets:</b>	<b>-</b>	<b>16,399</b>	<b>16,399</b>	<b>-</b>
Equity In Joint Venture	-	48,196	48,196	-
Deferred Charges	563	215	778	-
<b>Capital Assets:</b>				
Land, Water Rights, and Construction in Progress	430,832	182,909	613,741	-
Facilities, Infrastructure, and Equipment (net of accumulated depreciation)	1,546,893	558,464	2,105,357	-
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>1,977,725</b>	<b>741,373</b>	<b>2,719,098</b>	<b>-</b>
<b>Total Noncurrent Assets</b>	<b>1,978,288</b>	<b>806,183</b>	<b>2,784,471</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 2,365,255</b>	<b>\$ 951,446</b>	<b>\$ 3,316,701</b>	<b>\$ 9</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 9,678	\$ 8,086	\$ 17,764	\$ 9
Accrued Payroll and Benefits	5,956	627	6,583	-
Accrued Compensated Absences	1,648	168	1,816	-
Claims Payable	8,420	-	8,420	-
Due to Other Governments	1,020	-	1,020	-
Matured Bonds	20,555	8,515	29,070	-
Bonds, Loans, Capital Leases, and Other Payables-Due Within One Year	29,313	9,080	38,393	-
Accrued Interest Payable	13,596	2,639	16,235	-
Customer Deposits	3,028	-	3,028	-
Unearned Revenue	2,773	-	2,773	-
Other Liabilities	794	-	794	-
<b>Total Current Liabilities</b>	<b>96,781</b>	<b>29,115</b>	<b>125,896</b>	<b>9</b>
<b>Liabilities Payable from Restricted Assets:</b>				
Customer Advances and Deposits	-	1,212	1,212	-
Deferred Revenue	-	3,690	3,690	-
<b>Total Liabilities Payable from Restricted Assets:</b>	<b>-</b>	<b>4,902</b>	<b>4,902</b>	<b>-</b>
<b>Noncurrent Liabilities:</b>				
Accrued Compensated Absences	12,455	1,628	14,083	-
<b>Bonds, Loans, Capital Leases, and Other Payables:</b>				
Due in More Than One Year	540,333	94,672	635,005	-
<b>Total Noncurrent Liabilities</b>	<b>552,788</b>	<b>96,300</b>	<b>649,088</b>	<b>-</b>
<b>Total Liabilities</b>	<b>649,569</b>	<b>130,317</b>	<b>779,886</b>	<b>9</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,429,495	629,106	2,058,601	-
<b>Restricted:</b>				
Debt Service	13,443	-	13,443	-
Transportation and Preserve Privilege Tax Activities	67,623	-	67,623	-
Capital Projects	51,106	-	51,106	-
Grants	406	-	406	-
Streetslight and Service District	882	-	882	-
Water and Sewer System Replacement	-	14,045	14,045	-
Acquisition and Construction	-	2,354	2,354	-
Unrestricted	152,731	175,624	328,355	-
<b>Total net assets</b>	<b>\$ 1,715,686</b>	<b>\$ 821,129</b>	<b>\$ 2,536,815</b>	<b>\$ -</b>

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



# Statement of Activities

For the Year Ended June 30, 2002 (in thousands of dollars)

Function/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 26,982	\$ 11,243	\$ 253	\$ -	\$ (15,486)	\$ -	\$ (15,486)	\$ -
Police	52,719	5,706	1,975	79	(44,959)	-	(44,959)	-
Transportation	72,159	-	831	77,333	6,005	-	6,005	-
Financial Services	7,464	-	-	-	(7,464)	-	(7,464)	-
Community Services	53,325	3,229	6,567	-	(43,529)	-	(43,529)	-
Information Systems	10,821	-	-	-	(10,821)	-	(10,821)	-
Planning and Development	18,269	15,764	-	-	(2,505)	-	(2,505)	-
Fire	16,494	-	-	-	(16,494)	-	(16,494)	-
Municipal Services	11,482	-	-	-	(11,482)	-	(11,482)	-
Citizen & Neighborhood Resources	2,484	-	-	-	(2,484)	-	(2,484)	-
Streetlight and Services Districts	1,044	1,012	-	-	(32)	-	(32)	-
Interest on Long-term Debt	28,063	-	-	-	(28,063)	-	(28,063)	-
<b>Total Governmental Activities</b>	<b>301,306</b>	<b>36,954</b>	<b>9,626</b>	<b>77,412</b>	<b>(177,314)</b>	<b>-</b>	<b>(177,314)</b>	<b>-</b>
<b>Business-type activities:</b>								
Water Utility	51,125	68,064	-	35,755	-	52,694	52,694	-
Sewer Utility	24,007	24,017	-	-	-	10	10	-
Airport	2,648	1,689	-	2,978	-	2,019	2,019	-
Solid Waste	14,071	15,796	-	-	-	1,725	1,725	-
<b>Total Business-Type Activities</b>	<b>91,851</b>	<b>109,566</b>	<b>-</b>	<b>38,733</b>	<b>-</b>	<b>56,448</b>	<b>56,448</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 393,157</b>	<b>\$ 146,520</b>	<b>\$ 9,626</b>	<b>\$ 116,145</b>	<b>\$ (177,314)</b>	<b>\$ 56,448</b>	<b>\$ (120,866)</b>	<b>\$ -</b>
<b>Component Units:</b>								
Scottswater Company, Inc.	\$ 1,571	\$ 2,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 621
Los Arcos Multipurpose Facilities District	65	-	-	-	-	-	-	(65)
<b>Total Component Units</b>	<b>\$ 1,636</b>	<b>\$ 2,192</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 556</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property Taxes					\$ 39,485	\$ -	\$ 39,485	\$ -
Sales and Use Taxes					119,963	-	119,963	-
Franchise Taxes					7,657	-	7,657	-
<b>Intergovernmental</b>								
State Share Sales					15,621	-	15,621	-
State Revenue Sharing					21,142	-	21,142	-
Highway User					12,574	-	12,574	-
Other					8,155	-	8,155	-
Interest and Investment Income					11,485	5,820	17,305	237
Other Revenue					5,213	-	5,213	-
<b>Special Items -</b>								
Gain(Loss) on Sale of Capital Asset					234	-	234	(8,167)
Proceeds from Dissolution of Company					-	-	-	17,073
Litigation Recovery					-	874	874	-
Transfers					6,288	(6,289)	(1)	-
Transfers - Component Unit					(65)	-	(65)	65
<b>Total general revenues, special items, and transfers</b>					<b>247,752</b>	<b>405</b>	<b>248,157</b>	<b>9,208</b>
Change in net assets					70,438	56,853	127,291	9,764
Net assets - beginning					1,645,248	764,276	2,409,524	(9,764)
<b>Net assets - ending</b>					<b>\$ 1,715,686</b>	<b>\$ 821,129</b>	<b>\$ 2,536,815</b>	<b>\$ -</b>

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

## Balance Sheet

### Governmental Funds

June 30, 2002 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General Obligation Bond Capital Project	General CIP Construction Capital Project	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Investments	\$ 76,699	\$ 27,789	\$ 51,381	\$ 73,046	\$ 93,272	\$ 322,187
Receivables (net of allowance for uncollectibles)						
Interest	158	4	198	347	390	1,097
Privilege Tax	8,012	-	-	23	2,521	10,556
Hotel/Motel Tax	313	-	-	-	-	313
Property Tax	503	811	-	-	92	1,406
State Shared Sales Tax	1,308	-	-	-	-	1,308
Franchise Fee	1,672	-	-	-	-	1,672
Court Receivable	4,803	-	-	-	-	4,803
Highway User Tax	-	-	-	-	1,147	1,147
Auto Lieu Tax	-	-	-	-	562	562
Intergovernmental	-	-	-	-	820	820
Grants	-	-	-	-	646	646
Special Assessments	-	-	-	-	4,314	4,314
Note	4,000	-	-	-	-	4,000
Miscellaneous	1,467	-	-	21	8	1,496
Due from County Treasurer	-	-	-	-	31	31
Due from Other Funds	235	-	-	-	24	259
Supplies Inventory	763	-	-	-	-	763
Advances to Other Funds	1,124	-	-	-	-	1,124
Total Assets	\$ 101,057	\$ 28,604	\$ 51,579	\$ 73,437	\$ 103,827	\$ 358,504

(Continued on next page)

## Balance Sheet

### Governmental Funds

June 30, 2002 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General Obligation Bond Capital Project	General CIP Construction Capital Project	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 3,430	\$ -	\$ 409	\$ 881	\$ 3,902	\$ 8,622
Accrued Payroll and Benefits	7,044	-	-	-	403	7,447
Due to Other Funds	-	-	-	-	259	259
Bond Interest Payable	-	9,071	-	-	4,516	13,587
Bonds Payable - Current Portion	-	10,505	-	-	10,050	20,555
Deferred Revenue						
Property Tax	359	579	-	-	92	1,030
Special Assessments	-	-	-	-	4,314	4,314
Court	4,803	-	-	-	-	4,803
Tax Audit	1,574	-	-	-	-	1,574
Intergovernmental	-	-	-	-	1,008	1,008
Other	4,265	-	-	-	1,500	5,765
Advances From Other Funds	-	-	-	-	1,124	1,124
Due to Other Governments	-	-	982	38	-	1,020
Guaranty and Other Deposits	3,019	-	-	-	9	3,028
Other	194	-	41	5	554	794
<b>Total Liabilities</b>	<b>24,688</b>	<b>20,155</b>	<b>1,432</b>	<b>924</b>	<b>27,731</b>	<b>74,930</b>
Fund Balances:						
Reserved for:						
Advances	1,124	-	-	-	-	1,124
Streetlight and Services Districts	882	-	-	-	-	882
Debt Service	-	8,449	-	-	4,431	12,880
Unreserved, reported in:						
General fund	74,363	-	-	-	-	74,363
Capital Projects funds	-	-	50,147	72,513	45,890	168,550
Special Revenue funds	-	-	-	-	25,775	25,775
<b>Total Fund Balances</b>	<b>76,369</b>	<b>8,449</b>	<b>50,147</b>	<b>72,513</b>	<b>76,096</b>	<b>283,574</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 101,057</b>	<b>\$ 28,604</b>	<b>\$ 51,579</b>	<b>\$ 73,437</b>	<b>\$ 103,827</b>	<b>\$ 358,504</b>

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

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

June 30, 2002 (in thousands of dollars)

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Fund Balances -Total Governmental Funds	\$ 283,574
---	------------

Amounts reported for governmental activities in the statement of net assets  
are different because (see Section II A):

Capital Assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	1,951,619
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Bond issue costs are not financial resources and, therefore, are not reported in the funds.	563
--	-----

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(581,756)
---	-----------

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	15,721
---	--------

Internal service funds are used by management to charge the costs of certain activities, such as, insurance and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>45,965</u>
---	---------------

Net assets of governmental activities.	<u>\$ 1,715,686</u>
--	---------------------

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

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

### Governmental Funds

For the Year Ended June 30, 2002 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General Obligation Bond Capital Project	General CIP Construction Capital Project	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes - Local:						
Property	\$ 13,684	\$ 21,602	\$ -	\$ -	\$ 3,127	\$ 38,413
Transaction Privilege	70,873	-	-	-	40,825	111,698
Transient Occupancy	6,653	-	-	-	38	6,691
Light and Power Franchise	5,238	-	-	-	-	5,238
Cable TV Franchise	2,223	-	-	-	-	2,223
Salt River Project In-Lieu	196	-	-	-	-	196
Fire Insurance Premium	316	-	-	-	-	316
Taxes - Intergovernmental:						
State-Shared Sales	15,621	-	-	-	-	15,621
State Revenue Sharing	21,142	-	-	-	-	21,142
Auto Lieu Tax	-	-	-	-	6,688	6,688
Highway User Tax	-	-	-	-	12,574	12,574
Local Transportation Assistance Fund	-	-	-	-	1,151	1,151
Business and Liquor Licenses	1,815	-	-	-	-	1,815
Charges for Current Services:						
Building and Related Permits	15,764	-	-	-	-	15,764
Recreation Fees	2,044	-	-	-	762	2,806
Westworld Equestrian Facility Fees	1,468	-	-	-	-	1,468
Fines and Forfeitures:						
Court Fines	3,434	-	-	-	-	3,434
Parking	133	-	-	-	-	133
Photo Radar	779	-	-	-	-	779
Court Enhancement	-	-	-	-	465	465
Library	423	-	-	-	-	423
Special Assessments	-	-	-	-	2,339	2,339
Property Rental	2,521	-	-	-	314	2,835
Interest Earnings	3,984	6	1,198	2,139	2,973	10,300
Intergovernmental:						
Federal Grants	-	-	-	-	11,381	11,381
State Grants	-	-	-	-	843	843
Miscellaneous	-	-	-	24	644	668
Developer Contributions	-	-	-	677	122	799
Streetlight and Services Districts	1,012	-	-	-	-	1,012
Contributions and Donations	-	-	-	-	367	367
Reimbursements from outside sources	-	-	-	118	-	118
Indirect Costs	7,960	-	-	-	-	7,960
Other	1,388	-	-	849	23	2,260
<b>Total Revenues</b>	<b>178,671</b>	<b>21,608</b>	<b>1,198</b>	<b>3,807</b>	<b>84,636</b>	<b>289,920</b>

} 164,775

} 571,76

(Continued on next page)

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

### Governmental Funds

For the Year Ended June 30, 2002 (in thousands of dollars)

	General Fund	General Obligation Bond Debt Service	General Obligation Bond Capital Project	General CIP Construction Capital Project	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>						
Current:						
General Government	18,350	-	-	-	1,178	19,528
Police	47,772	-	-	-	1,590	49,362
Transportation	-	-	-	-	10,016	10,016
Financial Services	7,135	-	-	-	-	7,135
Community Services	41,927	-	-	-	7,349	49,276
Information Systems	7,380	-	-	-	-	7,380
Planning and Development	18,038	-	-	-	2	18,040
Fire	16,281	-	-	-	-	16,281
Municipal Services	551	-	-	-	10,663	11,214
Citizen & Neighborhood Resources	2,235	-	-	-	-	2,235
Streetlight and Services Districts	1,044	-	-	-	-	1,044
Debt Service:						
Principal	1,058	10,505	-	-	14,653	26,216
Interest and Fiscal Charges	2,198	15,415	-	-	11,449	29,062
Bond Issuance Costs	-	335	-	-	262	597
Advance Refunding Escrow	-	-	-	-	339	339
Capital Improvements	-	-	6,039	23,105	39,494	68,638
Total Expenditures	163,969	26,255	6,039	23,105	96,995	316,363
Excess (Deficiency) of Revenues over Expenditures						
	14,702	(4,647)	(4,841)	(19,298)	(12,359)	(26,443)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In	7,771	6,896	-	24,721	31,692	71,080
Operating Transfers In - Primary Government	15	-	-	-	-	15
Operating Transfers Out	(23,370)	-	-	(375)	(36,583)	(60,328)
Operating Transfers Out - Component Unit	(80)	-	-	-	-	(80)
Proceeds of Refunding Bonds	-	51,155	-	-	22,870	74,025
Proceeds of Long-Term Capital-Related Debt	-	-	28,000	7,500	40,000	75,500
Premium on Refunding Debt	-	2,207	-	6	177	2,390
Payment to Bond Refunding Escrow Agent	-	(52,321)	-	-	(22,704)	(75,025)
Total Other Financing Sources and Uses	(15,664)	7,937	28,000	31,852	35,452	87,577
Net Change in Fund Balances						
	(962)	3,290	23,159	12,554	23,093	61,134
Fund Balances - Beginning						
	77,331	5,159	26,988	59,959	53,003	222,440
Fund Balances - Ending						
	\$ 76,369	\$ 8,449	\$ 50,147	\$ 72,513	\$ 76,096	\$ 283,574

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

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

For the Year Ended June 30, 2002 (in thousands of dollars)

Net change in fund balances - Total governmental funds	\$	61,134
Amounts reported for governmental activities in the statement of activities are different because (see Section II B):		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		(9,281)
Donations of capital assets are not reflected on the governmental fund statements but are shown in the statement of activities.		70,262
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(3,509)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,950
Bond issue costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year bond issuance costs exceed amortization expense in the current period.		563
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which bond proceeds exceeded principal retirement in the current period.		(50,335)
Additional accrued interest calculated on bonds and notes payable.		1,033
The net revenues of certain activities of internal service funds is reported with governmental activities.		(2,379)
Changes in net assets of governmental activities	\$	<u>70,438</u>

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

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local:						
Property	\$ 14,313	\$ 14,313	\$ 13,684	\$ -	\$ 13,684	\$ (629)
Transaction Privilege	79,141	79,141	70,873	-	70,873	(8,268)
Transient Occupancy	7,866	7,866	6,653	-	6,653	(1,213)
Light and Power Franchise	5,122	5,122	5,238	-	5,238	116
Cable TV Franchise	1,013	1,013	2,223	-	2,223	1,210
Salt River Project In-Lieu	203	203	196	-	196	(7)
Fire Insurance Premium	200	200	316	-	316	116
Taxes - Intergovernmental:						
State-Shared Sales	16,683	16,683	15,621	-	15,621	(1,062)
State Revenue Sharing	20,754	20,754	21,142	-	21,142	388
Business and Liquor Licenses	1,733	1,733	1,815	-	1,815	82
Charges for Current Services:						
Building and Related Permits	19,000	19,000	15,764	-	15,764	(3,236)
Recreation Fees	2,130	2,130	2,044	-	2,044	(86)
Westworld Equestrian Facility Fees	1,250	1,250	1,468	-	1,468	218
Fines and Forfeitures:						
Court Fines	3,832	3,832	3,434	-	3,434	(398)
Parking	187	187	133	-	133	(54)
Photo Radar	1,500	1,500	779	-	779	(721)
Library	446	446	423	-	423	(23)
Property Rental	2,987	2,987	2,521	-	2,521	(466)
Interest Earnings	6,320	6,320	3,167	817	3,984	(3,153)
Streetlight and Services Districts	-	-	-	1,012	1,012	-
Indirect Costs	-	-	-	7,960	7,960	-
Other	1,956	1,956	1,388	-	1,388	(568)
<b>Total Revenues</b>	<b>186,636</b>	<b>186,636</b>	<b>168,882</b>	<b>9,789</b>	<b>178,671</b>	<b>(17,754)</b>
<b>EXPENDITURES</b>						
Current:						
General Government	20,861	20,081	18,369	(19)	18,350	1,712
Police	49,206	48,611	47,196	576	47,772	1,415
Financial Services	7,681	7,498	6,953	182	7,135	545
Community Services	45,270	44,299	41,781	146	41,927	2,518
Information Systems	8,354	7,840	7,364	16	7,380	476
Planning and Development	20,187	20,200	17,906	132	18,038	2,294
Fire	16,588	16,280	16,281	-	16,281	(1)
Municipal Services	636	607	549	2	551	58
Citizen & Neighborhood Resources	2,456	2,410	2,227	8	2,235	183
Streetlight and Services District	-	-	-	1,044	1,044	-
Debt Service:						
Principal	3,500	3,500	1,058	-	1,058	2,442
Interest and Fiscal Charges	2,831	2,831	2,198	-	2,198	633
<b>Total Expenditures</b>	<b>177,570</b>	<b>174,157</b>	<b>161,882</b>	<b>2,087</b>	<b>163,969</b>	<b>12,275</b>
Excess (deficiency) of revenues over expenditures	9,066	12,479	7,000	7,702	14,702	(5,479)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	17,142	13,729	15,731	(7,960)	7,771	2,002
Operating transfers in - primary government	-	-	15	-	15	15
Operating transfers out	(25,945)	(25,945)	(23,370)	-	(23,370)	2,575
Operating transfers out - component unit	(263)	(263)	(80)	-	(80)	183
<b>Total other financing sources and uses</b>	<b>(9,066)</b>	<b>(12,479)</b>	<b>(7,704)</b>	<b>(7,960)</b>	<b>(15,664)</b>	<b>4,775</b>
Net change in fund balances	-	-	(704)	(258)	(962)	(704)
Fund balances - beginning	-	-	13,262	64,069	77,331	13,262
Fund balances - ending	\$ -	\$ -	\$ 12,558	\$ 63,811	\$ 76,369	\$ 12,558

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

(continued on next page)



# General Fund

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

For the Year Ended June 30, 2002 (in thousands of dollars)

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### Explanation of Differences:

The City does not budget for Streetlight and Municipal Service district revenues:

Streetlight and Municipal Services Districts	\$ 1,012
--	----------

Items recorded as revenues for GAAP purposes that are recorded as operating transfers in, from the Enterprise Fund, for budget purposes and items recorded as revenues for GAAP purposes that are not recorded as revenues for budget purposes:

Unrealized Gain on Investments	817
Indirect Costs	<u>7,960</u>

For GAAP purposes that are not recorded as revenue for budget purposes:

Total revenue reconciling items:	<u>9,789</u>
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The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis. Additionally the City does not budget for district expenditures:

Claims and compensated absences	1,043
Streetlight and Services Districts	<u>1,044</u>

Total expenditure reconciling items:	<u>2,087</u>
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Items recorded as revenues for GAAP purposes that are recorded as operating transfers in, from the Enterprise Fund, for budget purposes:

Transfers In	<u>(7,960)</u>
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Net increase/(decrease) in fund balance - budget to GAAP	<u>\$ (258)</u>
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The notes to the financial statements are an integral part of this statement.

## Statement of Net Assets

### Proprietary Funds

June 30, 2002 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds	Governmental Activities - Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Cash and Investments	\$ 128,636	\$ -	\$ 2,127	\$ 130,763	\$ 29,024
Receivable (net of allowance for uncollectibles):					
Property Tax	-	-	-	-	20
Accounts	9,947	-	2,252	12,199	129
Intergovernmental	-	760	-	760	-
Interest	1,410	10	7	1,427	198
Miscellaneous	74	13	27	114	7
Supplies Inventory	-	-	-	-	468
Total Current Assets	<u>140,067</u>	<u>783</u>	<u>4,413</u>	<u>145,263</u>	<u>29,846</u>
Noncurrent assets:					
Restricted Cash, Cash Equivalents, and Investments:					
Water and Sewer System Replacement Acquisition and Construction Reserve Development Fees	14,045	-	-	14,045	-
	<u>2,354</u>	<u>-</u>	<u>-</u>	<u>2,354</u>	<u>-</u>
Subtotal	<u>16,399</u>	<u>-</u>	<u>-</u>	<u>16,399</u>	<u>-</u>
Equity In Joint Venture	48,196	-	-	48,196	-
Deferred Charges	215	-	-	215	-
Capital Assets:					
Land	3,242	9,563	1,111	13,916	-
Water Rights	64,489	-	-	64,489	-
Water System	440,188	-	-	440,188	-
Sewer System	264,759	-	-	264,759	-
Buildings and Improvements	-	11,288	2,997	14,285	1,847
Motor Vehicles	-	-	-	-	42,019
Machinery and Equipment	2,946	73	2,017	5,036	822
Furniture and Fixtures	698	-	-	698	22
Construction in Progress	103,548	956	-	104,504	1,583
Less Accumulated Depreciation	<u>(161,402)</u>	<u>(3,731)</u>	<u>(1,369)</u>	<u>(166,502)</u>	<u>(20,187)</u>
Total Capital Assets (net of accumulated depreciation)	<u>718,468</u>	<u>18,149</u>	<u>4,756</u>	<u>741,373</u>	<u>26,106</u>
Total Noncurrent Assets	<u>783,278</u>	<u>18,149</u>	<u>4,756</u>	<u>806,183</u>	<u>26,106</u>
Total Assets	<u>\$ 923,345</u>	<u>\$ 18,932</u>	<u>\$ 9,169</u>	<u>\$ 951,446</u>	<u>\$ 55,952</u>

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

(continued on next page)

## Statement of Net Assets

### Proprietary Funds

June 30, 2002 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 7,619	\$ 158	\$ 309	\$ 8,086	\$ 1,056
Accrued Payroll and Benefits	459	25	143	627	114
Accrued Compensated Absences	113	9	46	168	43
Claims Payable	-	-	-	-	8,420
Matured Bonds Payable	8,295	-	220	8,515	-
Accrued Interest Payable	2,580	-	59	2,639	-
Bonds Payable - Due Within One Year	8,850	-	230	9,080	-
<b>Total Current Liabilities</b>	<b>27,916</b>	<b>192</b>	<b>1,007</b>	<b>29,115</b>	<b>9,633</b>
Current Liabilities payable from restricted assets:					
Customer Advances and Deposits	1,163	49	-	1,212	-
Deferred Revenue	3,677	13	-	3,690	-
Current Liabilities payable from restricted assets:	4,840	62	-	4,902	-
Noncurrent Liabilities:					
Accrued Compensated Absences	1,019	70	539	1,628	354
Bonds payable	92,687	-	1,985	94,672	-
<b>Total Noncurrent Liabilities</b>	<b>93,706</b>	<b>70</b>	<b>2,524</b>	<b>96,300</b>	<b>354</b>
<b>Total Liabilities</b>	<b>126,462</b>	<b>324</b>	<b>3,531</b>	<b>130,317</b>	<b>9,987</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt Restricted for Water and Sewer	608,636	18,149	2,321	629,106	26,106
System Replacement	14,045	-	-	14,045	-
Restricted for Acquisition and Construction	2,354	-	-	2,354	-
Unrestricted	171,848	459	3,317	175,624	19,859
<b>Total net assets</b>	<b>\$ 796,883</b>	<b>\$ 18,608</b>	<b>\$ 5,638</b>	<b>\$ 821,129</b>	<b>\$ 45,965</b>

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

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

### Proprietary Funds

For the Year Ended June 30, 2002 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Operating Revenues</b>					
Charges for sales and services:					
Water Service Fees	\$ 61,363	\$ -	\$ -	\$ 61,363	\$ -
Sewer Service Fees	24,017	-	-	24,017	-
Reclaimed Water Distribution	3,057	-	-	3,057	-
Groundwater Treatment Plant	999	-	-	999	-
Solid Waste Fees	-	-	15,796	15,796	-
Airport Fees	-	1,689	-	1,689	-
Other Services	-	-	-	-	19,687
Other	2,645	-	-	2,645	628
<b>Total Operating Revenues</b>	<b>92,081</b>	<b>1,689</b>	<b>15,796</b>	<b>109,566</b>	<b>20,315</b>
<b>Operating Expenses</b>					
Costs for sales and services:					
Water Operations	29,364	-	-	29,364	-
Sewer Operations	12,752	-	-	12,752	-
Solid Waste Operations	-	-	12,101	12,101	-
Airport Operations	-	1,641	-	1,641	-
Other Services	-	-	-	-	15,313
Indirect Costs	7,724	479	1,643	9,846	-
Depreciation and Amortization	19,384	437	202	20,023	5,621
<b>Total Operating Expenses</b>	<b>69,224</b>	<b>2,557</b>	<b>13,946</b>	<b>85,727</b>	<b>20,934</b>
<b>Operating Income (Loss)</b>	<b>22,857</b>	<b>(868)</b>	<b>1,850</b>	<b>23,839</b>	<b>(619)</b>
<b>Non-Operating Revenues (Expenses)</b>					
Property Tax	-	-	-	-	591
Investment Income	5,721	45	54	5,820	1,185
Interest Expense	(5,870)	-	(125)	(5,995)	-
Gain/Loss on Sale of Fixed Assets	(38)	(91)	-	(129)	234
Litigation Recovery	874	-	-	874	-
<b>Net Non-Operating Revenues (Expenses)</b>	<b>687</b>	<b>(46)</b>	<b>(71)</b>	<b>570</b>	<b>2,010</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>23,544</b>	<b>(914)</b>	<b>1,779</b>	<b>24,409</b>	<b>1,391</b>
Capital Contributions	35,755	2,978	-	38,733	694
Transfers In	1	2,147	-	2,148	1,274
Transfers Out	(7,789)	(200)	(448)	(8,437)	(5,738)
<b>Change in Net Assets</b>	<b>51,511</b>	<b>4,011</b>	<b>1,331</b>	<b>56,853</b>	<b>(2,379)</b>
<b>Total Net Assets - beginning</b>	<b>745,372</b>	<b>14,597</b>	<b>4,307</b>	<b>764,276</b>	<b>48,344</b>
<b>Total Net Assets - ending</b>	<b>\$ 796,883</b>	<b>\$ 18,608</b>	<b>\$ 5,638</b>	<b>\$ 821,129</b>	<b>\$ 45,965</b>

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

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2002 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds	Governmental Activities - Internal Service Funds
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 93,849	\$ 1,744	\$ 15,780	\$ 111,373	19,561
Cash paid to suppliers	(38,303)	(1,408)	(9,986)	(49,697)	(10,953)
Cash paid to employees	(9,241)	(595)	(3,426)	(13,262)	(2,771)
Other operating	2,424	-	-	2,424	628
<b>Net Cash Provided by Operating Activities</b>	<b>48,729</b>	<b>(259)</b>	<b>2,368</b>	<b>50,838</b>	<b>6,465</b>
<b>Cash Flows from Non-Capital</b>					
<b>Financing Activities:</b>					
Property Tax	-	-	-	-	571
Operating Transfers In	1	2,147	-	2,148	1,274
Operating Transfers Out	(7,789)	(200)	(448)	(8,437)	(5,738)
<b>Net Cash Provided by (Used for)</b>					
Non-Capital Financing Activities	(7,788)	1,947	(448)	(6,289)	(3,893)
<b>Cash Flows from Capital and Related</b>					
<b>Financing Activities:</b>					
Bonds Proceeds	10,423	-	-	10,423	-
<b>Capital Contributions from Other:</b>					
Government Units	-	2,978	-	2,978	-
Water and Sewer Development Fees	15,087	-	-	15,087	-
Capital Grants	-	(553)	-	(553)	-
Acquisition and Construction of Property and Equipment	(58,387)	(5,381)	-	(63,768)	(5,141)
Principal Payments on Capital Debt	(6,620)	-	(868)	(7,488)	-
Interest Paid on Capital Debt	(4,962)	-	(146)	(5,108)	-
Sale of Fixed Assets	-	-	-	-	328
<b>Net Cash Provided (Used) by</b>					
Capital and Related Financing Activities	(44,459)	(2,956)	(1,014)	(48,429)	(4,813)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from the Sale of investments	-	-	13	13	-
Income Received on Investments	7,080	87	62	7,229	1,338
<b>Net Cash Provided by Investing Activities</b>	<b>7,080</b>	<b>87</b>	<b>75</b>	<b>7,242</b>	<b>1,338</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,562</b>	<b>(1,181)</b>	<b>981</b>	<b>3,362</b>	<b>(903)</b>
Cash and Cash Equivalents at Beginning of Year	141,417	1,181	975	143,573	29,927
Change in Accounting Principle	56	-	-	56	-
Cash and Cash Equivalents at Beginning of Year, restated	141,473	1,181	975	143,629	29,927
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 145,035</b>	<b>\$ -</b>	<b>\$ 1,956</b>	<b>\$ 146,991</b>	<b>\$ 29,024</b>

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

(continued on next page)

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2002 (in thousands of dollars)

	Water and Sewer Utility	Airport	Solid Waste	Total All Funds	Governmental Activities - Internal Service Funds
Cash and Cash Equivalents at End of Year Includes:					
Cash and Investments	\$ 128,636	\$ -	\$ 2,127	\$ 130,763	\$ 29,024
Deduction for Long Term Investments	-	-	(171)	(171)	-
Restricted Cash and Investments	16,399	-	-	16,399	-
<b>Total Cash and Cash Equivalents</b>	<b>\$ 145,035</b>	<b>\$ -</b>	<b>\$ 1,956</b>	<b>\$ 146,991</b>	<b>29,024</b>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating Income (Loss)	\$ 22,857	\$ (868)	\$ 1,850	\$ 23,839	\$ (619)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation and Amortization	19,384	437	202	20,023	5,621
Litigation Recovery	874	-	-	874	-
Bad Debt Expense	50	-	-	50	-
Changes In Assets and Liabilities Sources (Uses) of Cash:					
Accounts Receivable	651	-	(40)	611	(126)
Miscellaneous Receivables	(23)	(1)	24	-	-
Supplies Inventory	-	-	-	-	(68)
Accounts Payable	1,754	91	55	1,900	856
Accrued Payroll and Compensated Absences	491	26	277	794	102
Claims Payable	-	-	-	-	699
Deferred Revenue	2,660	-	-	2,660	-
Other Liabilities	31	56	-	87	-
<b>Total Adjustments</b>	<b>25,872</b>	<b>609</b>	<b>518</b>	<b>26,999</b>	<b>7,084</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 48,729</b>	<b>\$ (259)</b>	<b>\$ 2,368</b>	<b>\$ 50,838</b>	<b>\$ 6,465</b>
Supplemental Disclosure of Non-Cash Financing Activities:					
Additions to Property, Plant, and Equipment					
Contributions from Developers	\$ 20,668	\$ -	\$ -	\$ 20,668	\$ -
Contributions from Other Government Units	-	2,978	-	2,978	694
Amortization of deferred charges	86	-	-	86	-
Accumulated Accretion	784	-	-	784	-
Gain on Sale of Assets	-	-	-	-	94
Unrealized Gain(Loss) on Investments	45	-	1	46	7
<b>Total Non-Cash Financing Activities</b>	<b>\$ 21,583</b>	<b>\$ 2,978</b>	<b>\$ 1</b>	<b>\$ 24,562</b>	<b>\$ 795</b>

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

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

June 30, 2002 (in thousands of dollars)

---

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Investments	\$ 731	\$ 343
Interest Receivable	5	1
	<hr/>	
Total Assets	736	344
<b>LIABILITIES</b>		
Accounts Payable	3	111
Designated Escrow Payable	-	233
	<hr/>	
Total Liabilities	3	344
<b>NET ASSETS</b>		
Held in trust for other purposes	\$ 733	\$ -
	<hr/> <hr/>	

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

## Statement of Changes in Fiduciary Net Assets

### Fiduciary Funds

For the Year Ended June 30, 2002 (in thousands of dollars)

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Private Donations	\$ 2
Refund of Land Purchase	290
Investment Earnings:	
Interest	25
Transfers In	<u>1</u>
 Total Additions	 <u>318</u>
 <b>DEDUCTIONS</b>	
Scholarships	4
Redevelopment expenses	<u>204</u>
 Total Deductions	 <u>208</u>
 Change in Net Assets	 <u>110</u>
 Net assets - beginning	 <u>623</u>
Net assets - ending	<u>\$ 733</u>

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



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Financial Reporting Entity**

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

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

The City of Scottsdale Municipal Property Corporation (MPC), a nonprofit 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 a governmental fund type as if it were part of the City's operations.

The Scottsdale Preserve Authority (SPA), a nonprofit 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 a governmental fund type as if it were part of the City's operations.

Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, and Via Linda Road Community Facilities Districts were formed by petition to the City Council in 1992, 1994, 1997, and 1998 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 a governmental fund type as if they were part of the City's operations.

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

#### **2. Individual Component Unit - Discrete**

The component unit column in the government-wide financial statements reflects the combined financial data of Scottswater Company, Inc. (the Company) and the Los Arcos Multi-Purpose Facilities District (the District) as described below.

The Company was a nonprofit 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 appointed and approved the Company's Board of Directors and nominated Company officers. The Partnership itself managed and operated 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 were paid by the Partnership, and reimbursed by the City via a service agreement with the Partnership.

The financial information reported for the Company includes the consolidated activity of the Company and the Partnership. Both entities had a fiscal year end of December 31; therefore, the component unit column presents financial statements as of and for the year ended December 31, 2001. In October 2001, the City purchased the Ford Motor Company interest in the Company and dissolved the company as a separate legal entity. For additional discussion of the Company and disclosures regarding the amounts presented in the component unit column, refer to Part V, G of the notes to the financial statements.

Separate financial statements of the Company, and the Partnership for the year ended December 31, 2001, may be obtained from the City's Financial Services Department, at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

The City of Scottsdale created the Los Arcos Multipurpose Facilities District on December 17, 1998, to finance the construction of a multipurpose arena, stadium or similar facility. In a May 18, 1999 election the citizens upheld the formation of the District. The Board of Directors for the District consists of two members appointed by the governing body of each municipality participating in the District. On November 2, 1999, the voters approved the District to use 50 percent of the state sales tax revenue generated by all businesses operating at a multipurpose facility to finance an arena, entertainment and retail project.

The financial information presented for the District in the component unit column is for the fiscal year ended June 30, 2002. On June 4, 2002, the City Council voted not to appropriate funds to the District for the fiscal year 2002/03. Therefore, the District was terminated. For additional discussion of the District and disclosures regarding the amounts presented in the component unit column, refer to Part V, F of the notes to the financial statements.

Separate financial statements of the District for the year ended June 30, 2002, may be obtained from the City's Financial Services Department at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ., 85251.

## **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

## **C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related

cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

The government reports the following major governmental funds:

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

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

The *General Obligation Bond* and *General CIP Construction 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.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

The *Internal Service funds* account for 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. These services include fleet management and self-insurance.

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

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

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

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

elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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

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

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

##### **1. Governmental Accounting Standards Board Statement No. 34**

The City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial

reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions and includes the following sections, which were not previously included in the Comprehensive Annual Financial Statements. The governmental fund financial statements continue to be presented as a building block for the new GASB Statement No. 34 statements.

*a. Management's Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

*b. Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

*Statement of Net Assets* – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the City are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

*Statement of Activities* – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital

and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

**2. Governmental Accounting Standards Board Statement No. 36**

The City adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues*. This statement amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments.

**3. Governmental Accounting Standards Board Statement No. 37**

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

**4. Governmental Accounting Standards Board Statement No. 38**

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

**E. Assets, liabilities, and net assets or equity**

**1. Deposits and Investments**

Cash equivalents for purposes of the statements of cash flows are investments (including restricted assets) in 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.

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

**2. Receivables and Payables**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All accounts, property tax and court receivables are shown net of an allowance for uncollectibles. All receivables outstanding for greater than one year comprise the allowance for uncollectibles at June 30, 2002.

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.

**3. Inventories**

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

**4. Restricted Assets**

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

**5. Capital Assets**

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

available, at estimated fair market value on the date of receipt.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year 2001/02.

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

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

The excess purchase price over fair market value of assets acquired in the Water and Sewer Utility Enterprise Fund is amortized on the straight-line method over 20 to 25 years.

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

**6. Compensated Absences**

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to a maximum number of hours of vacation depending on years of service. 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.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for the current amount of compensated absences is recorded as a current liability at June 30 in the governmental and proprietary funds. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. The City calculates this current amount based on vacation taken and an actuarial valuation dated January 1, 2002, for medical leave conversion. There is no long-term liability for compensated absences in the governmental funds.

**7. Long-term Obligations**

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

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

**8. Fund Equity**

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

**9. Special Items**

Special items are significant items, subject to management's controls that are either unusual in nature or infrequent in occurrence. The City experienced the following special items during the fiscal year 2001/02:

The City purchased Ford Motor Credit's limited partner interest in Scottswater Company, Inc. (a component unit of the City of Scottsdale). In addition, the City redeemed the outstanding debt of the company, which had been issued through the Industrial Development Authority using Municipal Property Corporation bond proceeds. The company was dissolved as a legal entity in March of 2002. Proceeds from the sale and the resulting loss to the company are reported as special items. See section V of the notes the financial statements for additional information regarding Scottswater Company, Inc. and the Industrial Development Authority.

In addition, the Water and Sewer fund recognized litigation recovery revenue. In fiscal year 1995/96, the City received a \$9.2 million settlement for defective plastic pipe the City had used for water lines from the water main to the water meter. The settlement has been recognized based on the number of years it would take to replace the defective water pipes. The litigation recovery revenue is fully recognized as of fiscal year 2001/02.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The fund balances of the City's governmental funds, \$283,574, differs from net assets of governmental activities, \$1,715,686, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

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

(in thousands of dollars)

	Total Governmental Funds	Long-Term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Assets Totals
<b>ASSETS</b>					
Cash and Investments	\$ 322,187	\$ -	\$ 29,024	\$ -	\$ 351,211
Receivables (net of allowance for uncollectible)					
Interest	1,097	-	198	-	1,295
Accounts	-	-	129	-	129
Privilege Tax	10,556	-	-	-	10,556
Hotel/Motel Tax	313	-	-	-	313
Property Tax	1,406	-	20	-	1,426
State Shared Sales Tax	1,308	-	-	-	1,308
Franchise Fee	1,672	-	-	-	1,672
Court Receivable	4,803	-	-	-	4,803
Highway User Tax	1,147	-	-	-	1,147
Auto Lieu Tax	562	-	-	-	562
Intergovernmental Grants	820	-	-	-	820
Special Assessments	646	-	-	-	646
Note	4,314	-	-	-	4,314
Miscellaneous	4,000	-	-	-	4,000
Due from County Treasurer	1,496	-	7	-	1,503
Due from Other Funds	31	-	-	-	31
Supplies Inventory	259	-	-	(259)	-
Advances to Other Funds	763	-	468	-	1,231
Capital Assets (net of accumulated depreciation)	1,124	-	-	(1,124)	-
Deferred charges and other assets	-	1,951,619	26,106	-	1,977,725
Total Assets	-	563	-	-	563
	<u>\$ 358,504</u>	<u>\$ 1,952,182</u>	<u>\$ 55,952</u>	<u>\$ (1,383)</u>	<u>2,365,255</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 8,622	\$ -	\$ 1,056	\$ -	\$ 9,678
Accrued Payroll and Benefits	7,447	-	114	(1,605)	5,956
Accrued Compensated Absences-Due Within One Year	-	-	43	1,605	1,648
Accrued Compensated Absences-Due in More Than One Year	-	12,101	354	-	12,455
Claims Payable	-	-	8,420	-	8,420
Due to Other Funds	259	-	-	(259)	-
Accrued Interest Payable	13,587	9	-	-	13,596
Bonds Payable - Current Portion	20,555	-	-	-	20,555
Deferred Revenue					
Property Tax	1,030	(1,030)	-	-	-
Special Assessments	4,314	(4,314)	-	-	-
Court	4,803	(4,803)	-	-	-
Tax Audit	1,574	(1,574)	-	-	-
Intergovernmental	1,008	-	-	-	1,008
Other	5,765	(4,000)	-	-	1,765
Advances From Other Funds	1,124	-	-	(1,124)	-
Due to Other Governments	1,020	-	-	-	1,020
Guaranty and Other Deposits	3,028	-	-	-	3,028
Other	794	-	-	-	794
Bonds, Loans, Capital Leases, and Other Payables	-	569,646	-	-	569,646
Total Liabilities	<u>74,930</u>	<u>566,035</u>	<u>9,987</u>	<u>(1,383)</u>	<u>649,569</u>
<b>Fund Balances/Net Assets</b>					
Total Fund Balances/Net Assets	283,574	1,386,147	45,965	-	1,715,686
Total Liabilities and Fund Balances/Net Assets	<u>\$ 358,504</u>	<u>\$ 1,952,182</u>	<u>\$ 55,952</u>	<u>\$ (1,383)</u>	<u>\$ 2,365,255</u>



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

Cost of capital assets	\$ 2,675,369
Accumulated depreciation	<u>(723,750)</u>
	<u>\$ 1,951,619</u>

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

Bond issuance costs	\$ 597
Amortization of bond issuance costs	<u>(34)</u>
	<u>\$ 563</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net assets. Also, during the year the City refunded some of its existing debt. The amount borrowed is received in the governmental funds and increases fund balance. The amount that was sent to the paying agent (\$75,364) to be placed escrow for payment of the old debt (\$71,555) as it comes due is paid out of governmental funds and reduces fund balance. The difference between those amounts was \$3,809 and will be amortized as an adjustment of interest expense in the statement of activities over the remaining life of the refunded debt. Balances at June 30, 2002 were:

Contract and capital lease payables	\$ (50,166)
Bonds payable	(521,493)
Less accrued interest payable from refunding	(9)
Deferred Charge on refunding	3,585
Deferred Issuance premium	(1,572)
Accrued vacation and sick leave pay	<u>(12,101)</u>
	<u>\$ (581,756)</u>

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

Deferred special assessment revenue	\$ 4,314
Deferred court revenue	4,803
Deferred note receivable	4,000
Deferred tax revenue	<u>2,604</u>
	<u>\$ 15,721</u>

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

	<u>\$ 55,952</u>
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The net change in fund balances for governmental funds, \$61,134, differs from the change in net assets for the governmental activities, \$70,438, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

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

	Total Governmental Funds	Long-Term Revenue/ Expenses (3)	Capital Related Items (4)	Internal Service Funds (5)	Long-Term Debt Transactions (6)	Statement of of Activities
<b>REVENUES AND OTHER SOURCES:</b>						
Taxes - Local						
Property	\$ 38,413	\$ 481	\$ -	\$ 591	\$ -	\$ 39,485
Transaction Privilege	111,698	1,574	-	-	-	113,272
Transient Occupancy	6,691	-	-	-	-	6,691
Light and Power Franchise	5,238	-	-	-	-	5,238
Cable TV Franchise	2,223	-	-	-	-	2,223
Salt River Project In-Lieu	196	-	-	-	-	196
Fire Insurance Premium	316	-	-	-	-	316
Taxes - Intergovernmental						
State-Shared Sales	15,621	-	-	-	-	15,621
State Revenue Sharing	21,142	-	-	-	-	21,142
Auto Lieu Tax	6,688	-	-	-	-	6,688
Highway User Tax	12,574	-	-	-	-	12,574
Local Transportation Assistance Fund	1,151	-	-	-	-	1,151
Business and Liquor Licenses	1,815	-	-	-	-	1,815
Charges for Current Services						
Building and Related Permits	15,764	-	-	-	-	15,764
Recreation Fees	2,806	-	-	-	-	2,806
Westworld Equestrian Facility Fees	1,468	-	-	-	-	1,468
Fines and Forfeitures:						
Court Fines	3,434	893	-	-	-	4,327
Parking	133	-	-	-	-	133
Photo Radar	779	2	-	-	-	781
Court Enhancement	465	-	-	-	-	465
Library	423	-	-	-	-	423
Special Assessments	2,339	-	-	-	-	2,339
Property Rental	2,835	-	-	-	-	2,835
Interest Earnings	10,300	-	-	1,185	-	11,485
Intergovernmental						
Federal Grants	11,381	-	-	-	-	11,381
State Grants	843	-	-	-	-	843
Miscellaneous	668	-	-	-	-	668
Developer Contributions	799	-	-	-	-	799
Streetlight and Services Districts	1,012	-	-	-	-	1,012
Contributions and Donations	367	-	-	-	-	367
Reimbursements from outside sources	118	-	-	-	-	118
Indirect Costs	7,960	-	-	-	-	7,960
Miscellaneous	2,260	-	-	-	-	2,260
Other Sources:						
Capital Contributions	-	-	70,262	379	-	70,641
Gain on Sales of assets	-	-	-	234	-	234
Proceeds of refunding bonds	74,025	-	-	-	(74,025)	-
Proceeds of long-term capital-related debt	75,500	-	-	-	(75,500)	-
Premium on refunding debt	2,390	-	-	-	(2,390)	-
Total	441,835	2,950	70,262	2,389	(151,915)	365,521

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

	Total Governmental Funds	Long-Term Revenue/ Expenses (3)	Capital Related Items (4)	Internal Service Funds (5)	Long-Term Debt Transactions (6)	Statement of of Activities
<b>EXPENDITURES/EXPENSES</b>						
Current:						
General Government	\$ 19,528	\$ 173	\$ 7,223	\$ 58	\$ -	\$ 26,982
Police	49,362	1,827	1,313	217	-	52,719
Transportation	10,016	12	62,115	16	-	72,159
Financial Services	7,135	131	176	22	-	7,464
Community Services	49,276	749	3,236	64	-	53,325
Information Systems	7,380	168	3,268	5	-	10,821
Planning and Development	18,040	161	45	23	-	18,269
Fire	16,281	-	193	20	-	16,494
Municipal Services	11,214	57	20	191	-	11,482
Citizen & Neighborhood Resources	2,235	231	15	3	-	2,484
Streetlight and Services Districts	1,044	-	-	-	-	1,044
Debt Service						
Principal	26,216	-	-	-	(26,216)	-
Interest and Fiscal Charges	29,062	-	-	-	(999)	28,063
Bond Issuance Costs	597	-	-	-	(597)	-
Advance refunding escrow	339	-	-	-	(339)	-
Capital Improvements	68,638	-	(68,638)	-	-	-
Total Expenditures	<u>316,363</u>	<u>3,509</u>	<u>8,966</u>	<u>619</u>	<u>(28,151)</u>	<u>301,306</u>

**OTHER FINANCING USES/CHANGES**

**IN NET ASSETS:**

Net Operating transfers (in) out	(10,752)	-	315	4,149	-	(6,288)
Net Operating transfers (in) out - component	65	-	-	-	-	65
Payment to bond refunding escrow agent	75,025	-	-	-	(75,025)	-
Total	<u>380,701</u>	<u>3,509</u>	<u>9,281</u>	<u>4,768</u>	<u>(103,176)</u>	<u>295,083</u>
Net change for the year	<u>\$ 61,134</u>	<u>\$ (559)</u>	<u>\$ 60,981</u>	<u>\$ (2,379)</u>	<u>\$ (48,739)</u>	<u>\$ 70,438</u>

**Reconciling Items Description:**

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

Accrual for long-term compensated absences	<u>\$ 3,509</u>
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Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.

Property taxes	\$ 481
Court revenue	2,476
Tax audit and Privilege tax revenue	1,574
	<u>\$ 4,531</u>

The allowance for uncollectible accounts receivable reduces revenues in the governmental funds statement of revenue, expenditures and changes in fund balances, but under full accrual accounting used in the statement of activities, the offset is bad debt expense.

Allowance for uncollectible accounts receivable-Court	\$ 1,581
Bad debt expense	<u>(1,581)</u>
	<u>\$ -</u>

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

Capital expenditures	\$ 68,638
Depreciation Expenses	(76,657)
Loss on disposal of capital assets	<u>(947)</u>
	<u>\$ (8,966)</u>

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

Capital Contributions	<u>\$ 70,262</u>
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- (5) Internal Service funds are used by management to charge the costs of certain activities, such as insurance and motor pool, to the individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. Capital assets contributed by the governmental funds (\$315) are treated as capital contribution revenue in the Internal Service fund statements and capital outlay expenditures in the governmental funds statements. For government-wide purposes, the capital contribution is reclassified as a transfer in the Internal Service Fund column and a transfer out in the Capital Related Items column.

Change in Net Assets	<u>\$ (2,379)</u>
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- (6) Bond issuance costs are reported as an expenditure in governmental funds in the year of bond issuance and thus have the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the bond issuance cost are deferred and amortized (expensed) over the life of the bonds.

Bond issuance costs	\$ 597
Amortization of bond issuance costs	<u>(34)</u>
	<u>\$ 563</u>

Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The City's bonded debt was reduced in two ways-principal payments were made to bond holders and resources were sent to the bond paying agent for the advance refunding of outstanding bonds.

Transferred to the paying agent:	
For bond principal	\$ 75,364
Principal payments made	26,216
	<u>\$ 101,580</u>

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

Amortization of deferred charges on refundings	\$ 224
Amortization of bond premium and discounts	809
	<u>\$ 1,033</u>

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

Refunding General Obligation Bonds	\$ (56,530)
General Obligation Bonds	(68,000)
Refunding Revenue Bonds	(17,495)
Improvement District	(7,500)
Premium on Refunding Bonds	(2,390)
	<u>\$ (151,915)</u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budget And Budgetary Accounting

Annual budgets are adopted on a basis other than GAAP. Budgets are prepared on a cash basis. The City prepared an annual budget that covered fiscal year 2001/02. The 2001/02 budget appropriation is established and reflected in the financial statements as follows:

The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Special Revenue Fund (Highway User Fuel Tax, Preserve Privilege Tax, and Transportation Privilege Tax), 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, Home, Grants, Section 8, and Special Programs 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 2001/02, there were no supplemental budgetary appropriations to the original budget.

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

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

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

All expenditure appropriations that have not been expended lapse at year end. Beginning July 1, 1998, the City discontinued the use of encumbrance accounting. As such, fund balance amounts are not reserved for purchase orders, contract or other commitments.

#### **B. Excess of expenditures over appropriations**

The Scottsdale Preserve Authority Debt Service Fund exceeded its Debt Service Expenditures appropriation by \$77,000. This over expenditure was funded by available fund balance. The Airport Fund exceeded its appropriation by \$362,000. The over expenditure was funded by a transfer from the General Fund.

#### **C. Deficit fund equity**

The Community Development Fund had a deficit fund balance of (\$4,000) caused by certain grant reimbursements due which may not be available in the upcoming period. Since these reimbursements are not assured, no revenue was accrued in the current fiscal year. These reimbursements due will be recognized as revenue when actually received.

The Section 8 Housing Fund had a deficit fund balance of (\$110,000) caused by certain grant reimbursements due which may not be available in the upcoming period. Since these reimbursements are not assured, no revenue was accrued in the current fiscal year. These reimbursements due will be recognized as revenue when actually received. Since January 1998, the Fund has generated a surplus. Program administrators expect this trend to continue and anticipate eliminating the fund deficit within one year.

### **IV. DETAILED NOTES ON ALL FUNDS**

#### **A. Change in Accounting Policy and Prior Period Adjustment**

The City implemented GASB 34 for the fiscal year ended June 30, 2002. The following adjustments were made in order to properly state beginning net assets using the full accrual method of accounting.

Prior period adjustments were made to the General Fund to correct nonexchange revenue transactions (other than property taxes) in accordance with GASB 33, the Special Programs Special Revenue Fund, McDowell Mountain Ranch CFD, and the DC Ranch CFD to correct errors made in the previous year's receivable balances and the Airport Fund to properly state capital assets.

**Restatement of beginning net assets for governmental funds  
(in thousands of dollars)**

	<u>Governmental Activities</u>
Net Assets:	
Fund balance at June 30, 2001, as previously reported governmental fund types:	
General	\$ 74,542
Special Revenue	13,163
Debt Service	9,682
Capital Projects	119,039
Permanent and new special revenue funds previously recorded as expendable trust funds	<u>4,769</u>
Total fund balances at June 30, 2001, as previously reported	<u>221,195</u>
 Prior Period adjustments	 1,245
GASB Statement No. 34 adjustments:	
Addition of:	
Beginning residual balances from internal activities accounted for as internal service funds (Fleet Management, Self Insurance)	48,344
Net capital assets	1,891,923
Long-term liabilities - Prior Years Compensated Absences	(8,592)
Long-term liabilities - Debt	(521,545)
Accounts Receivable-Court Net of Allowance	3,908
Property Tax Revenue received in current year for prior year taxes	357
Deferred Property Tax Revenue- Prior Years	99
Deferred Note Receivable - Prior Years.	4,000
Deferred Special Assessment Revenue	<u>4,314</u>
	<u>1,424,053</u>
 Net Assets - Governmental Funds at July 1, 2001	 <u>\$ 1,645,248</u>

In addition several adjustments were made to the fund financial statements in order to properly record the activity in accordance with the recent accounting pronouncements.

**FY 01/02 Restatements of Fund Balances/Net Assets: (amounts in thousands)**

**Governmental Funds**

	General Fund	General Obligation Bond Debt Service	General Obligation Bond Capital Project	General CIP Construction Capital Project	Nonmajor Governmental Funds	Total	Trust Fund
Fund balances at July 1, 2001, as previously reported							
Governmental fund types:	\$ 74,542	\$ 5,159	\$ 26,988	\$ 58,711	\$ 51,026	\$ 216,426	\$ 5,448
Fund Reclassification - GASB Statement No. 34:							
Expendable Trust Fund	779	-	-	1,248	2,742	4,769	(4,825)
Total fund balances at July 1, 2001, as previously reported	75,321	5,159	26,988	59,959	53,768	221,195	623
Prior Period adjustments	2,010	-	-	-	(765)	1,245	-
Total restatements	2,010	-	-	-	(765)	1,245	-
Fund balances/Net assets, at July 1, 2001, as restated:	\$ 77,331	\$ 5,159	\$ 26,988	\$ 59,959	\$ 53,003	\$ 222,440	\$ 623

**Enterprise Funds**

	Water and Sewer Utility Enterprise Fund	Airport Enterprise Fund	Solid Waste Enterprise Fund	Total
Net Assets at July 1, 2001, as previously reported				
Business fund types:	\$ 745,316	\$ 19,899	\$ 4,307	\$ 769,522
Fund Reclassification - GASB Statement No. 34:				
Expendable Trust Fund	56	-	-	56
Total net assets at July 1, 2001, as previously reported	745,372	19,899	4,307	769,578
Prior Period Adjustments	-	(5,302)	-	(5,302)
Net Assets at July 1, 2001, as restated:	\$ 745,372	\$ 14,597	\$ 4,307	\$ 764,276

**B. 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 Funds, which have investments held separately by a trustee.

**Deposits**

At June 30, 2002, the carrying amount of the City's deposits was \$8,978,687, and the bank balance was \$11,261,157. The \$2,282,470 difference represents outstanding checks and other reconciling items. Of the bank balance, \$3,458,788 was covered by federal depository insurance or by collateral held by the City's agent in the name of the City. The remaining balance of \$7,802,369 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**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).



Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

The City's investments at June 30, 2002, are summarized below. There were no investments in risk categories two or three. Investments not subject to credit risk classification are not categorized.

(in thousands of dollars)	<u>Risk Category</u>	<u>Total Fair Value</u>
	1	
U.S. Government Securities	\$ 202,584	\$ 202,584
Repurchase Agreements	29,957	29,957
	<u>\$ 232,541</u>	<u>\$ 232,541</u>
LGIP		241,784
Guaranteed Investment Contracts		475
Money Market Funds		<u>15,677</u>
<b>Total Investments</b>		<u><u>\$ 490,477</u></u>

Total City cash and investments at fair value, (in thousands of dollars):

Carrying Amount of City Deposits	\$ 8,979
Investments	<u>490,477</u>
<b>Total Cash and Investments</b>	<u><u>\$ 499,456</u></u>

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

Primary Government	\$ 498,373
Component Units	9
Handicap Scholarship Private Purpose Trust Fund	5
Scottsdale Memorial Hospital Redevelopment Private Purpose Trust Fund	726
Family Self-sufficiency Agency Fund	110
Retainage Escrow Agency Fund	<u>233</u>
<b>Total Cash and Investments</b>	<u><u>\$ 499,456</u></u>

Investment income comprises the following for the year ended June 30, 2002 (in thousands of dollars):

Net interest and dividends	\$ 17,469
Net increase in the fair value of investments	153
<b>Total net investment income</b>	<u><u>\$ 17,622</u></u>

The net increase in the fair value of investments during fiscal year 2001-2002 was \$152,704. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2002 was \$2,708,299.

**C. Receivables**

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

Receivable Balance (Net of Allowance for Uncollectible)

Governmental Funds:

	General Fund	General Obligation Bond Debt Service	General Obligation Bond Capital Project	General CIP Construction Capital Project	Nonmajor and Other Funds	Total Governmental Funds
<b>Receivables:</b>						
Property taxes and penalties:						
Property	\$ 503	\$ 811	\$ -	\$ -	\$ 112	\$ 1,426
Court	9,694	-	-	-	-	9,694
Subtotal property taxes and penalties	10,197	811	-	-	112	11,120
Other local taxes						
Privilege	8,012	-	-	23	2,521	10,556
Hotel/Motel	313	-	-	-	-	313
State Shared Sales Tax	1,308	-	-	-	-	1,308
Franchise Fee	1,672	-	-	-	-	1,672
Auto Lieu	-	-	-	-	562	562
Highway User	-	-	-	-	1,147	1,147
Subtotal other local taxes	11,305	-	-	23	4,230	15,558
Intergovernmental	-	-	-	-	1,466	1,466
Charges for services	-	-	-	-	129	129
Interest and Other						
Interest	158	4	198	347	588	1,295
Special Assessments	-	-	-	-	4,314	4,314
Note (Sinclair Oil)	4,000	-	-	-	-	4,000
Miscellaneous	1,467	-	-	21	15	1,503
Subtotal interest and other	5,625	4	198	368	4,917	11,112
Gross Receivable	27,127	815	198	391	10,854	39,385
Less: Allowance for uncollectibles	(4,891)	-	-	-	-	(4,891)
Net Total Receivables	\$ 22,236	\$ 815	\$ 198	\$ 391	\$ 10,854	\$ 34,494

Major Enterprise Funds:

	Water and Sewer Utility	Airport	Solid Waste	Total
<b>Receivables:</b>				
Charges for services	\$ 9,947		\$ 2,252	\$ 12,199
Intergovernmental		760		760
Interest	1,410	10	7	1,427
Miscellaneous	74	13	27	114
Gross Receivable	11,431	783	2,286	14,500
Net Total Receivables	\$ 11,431	\$ 783	\$ 2,286	\$ 14,500

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

	Unavailable	Unearned
Property Tax	\$ 1,030	\$ -
Special Assessments	4,314	-
Court	4,803	-
Tax Audit	1,574	-
Intergovernmental	-	1,008
Other	-	-
Note Receivable	4,000	-
Community Services	-	214
Other	-	51
CFD developer deposit	-	1,500
	<u>\$ 15,721</u>	<u>\$ 2,773</u>

#### D. Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

Governmental Activities	Beginning Balance	Increases	Change in Accounting Policy	Decreases	Ending Balance
Capital Assets, not being depreciated:					
Land	\$ 296,693	\$ 27,445	\$ -	\$ -	\$ 324,138
Construction In Process	86,388	66,781	-	(46,475)	106,694
Total Capital Assets, not being depreciated:	<u>383,081</u>	<u>94,226</u>	<u>-</u>	<u>(46,475)</u>	<u>430,832</u>
Capital Assets, being depreciated:					
Buildings and Land Improvements	259,556	5,949	-	(1,118)	264,387
Streets and Storm Drains	1,857,822	76,722	-	(119)	1,934,425
Vehicles	35,360	4,810	-	(1,741)	38,429
Maintenance by Fleet	3,186	548	-	(144)	3,590
Machinery & Equipment	50,381	3,741	-	(4,123)	49,999
Total Capital Assets, being depreciated:	<u>2,206,305</u>	<u>91,770</u>	<u>-</u>	<u>(7,245)</u>	<u>2,290,830</u>
Less Accumulated depreciation for:					
Buildings and Land Improvements	778	9,753	100,186	(389)	110,328
Streets and Storm Drains	-	61,733	526,512	-	588,245
Vehicles	13,574	5,177	-	(1,640)	17,111
Maintenance by Fleet	1,216	368	4	(141)	1,447
Machinery & Equipment	776	5,247	23,810	(3,027)	26,806
Total Accumulated depreciation:	<u>16,344</u>	<u>82,278</u>	<u>650,512</u>	<u>(5,197)</u>	<u>743,937</u>
Total Capital Assets, being depreciated, net:	<u>2,189,961</u>	<u>9,492</u>	<u>(650,512)</u>	<u>(2,048)</u>	<u>1,546,893</u>
Governmental activities capital assets, net:	<u>\$ 2,573,042</u>	<u>\$ 103,718</u>	<u>\$ (650,512)</u>	<u>\$ (48,523)</u>	<u>\$ 1,977,725</u>

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	\$ 12,072	\$ 1,918	(\$74)	\$ 13,916
Water Rights	64,194	295	-	64,489
Construction In Process	85,868	58,881	(40,245)	104,504
Total Capital Assets, not being depreciated:	162,134	61,094	(40,319)	182,909
Capital Assets, being depreciated:				
Water System	400,170	40,085	(67)	440,188
Sewer System	253,768	10,991	-	264,759
Buildings and Land Improvements	11,007	3,607	(329)	14,285
Machinery and Equipment	5,036	-	-	5,036
Furniture, Fixtures and Office Equipment	742	-	(44)	698
Total capital assets, being depreciated:	670,723	54,683	(440)	724,966
Less accumulated depreciation for:				
Water System	92,226	15,319	(32)	107,513
Sewer System	45,558	6,446	-	52,004
Buildings and Land Improvements	4,227	551	(239)	4,539
Machinery and Equipment	1,741	293	-	2,034
Furniture, Fixtures and Office Equipment	401	54	(43)	412
Total accumulated depreciation:	144,153	22,663	(314)	166,502
Total capital assets, being depreciated, net	526,570	32,020	(126)	558,464
Business-type activities capital assets, net	\$ 688,704	\$ 93,114	(\$40,445)	\$ 741,373

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General Government	\$ 6,277
Police	1,313
Financial Services	176
Transportation	62,114
Community Services	3,236
Information Services	3,268
Community Development / Planning	45
Fire	193
Municipal Services	20
Citizen and neighborhood resources	15
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	5,621
Total Depreciation Expense - Governmental Activities	<u>\$ 82,278</u>

**Business-Type Activities**

Water and Sewer System	\$ 19,364
Airport	437
Solid Waste	202
Total depreciation expense - business-type activities	<u>\$ 20,003</u>

**Construction commitments**

The City has active construction projects as of June 30, 2002. At year-end the government's commitments with contractors for specific projects were as follows:

Construction Commitments	Spent to Date	Remaining Commitment
Streets	\$ 1,780	\$ 1,233
Traffic	756	969
Improvement District	469	309
Fire	171	602
Police	308	588
Drain/Flood Control	211	1,309
Community	696	1,704
Parks/Recreation	1,108	1,817
Municipal Facilities	1,543	496
Technology	276	734
Libraries	14	468
Airport	164	170
Transit	302	124
Water System	14,391	12,073
Sewer System	7,038	1,970
	<u>\$ 29,227</u>	<u>\$ 24,566</u>

The improvement district portion of the commitment is financed by improvement district bonds. The traffic commitments are being financed by the .2% transportation sales tax, which is reported in the special revenue fund financial statements. All water and sewer system improvement projects are being financed through the use of water or sewer development fees and water or sewer rates.

**E. Interfund Balances and Interfund Transfers**

Individual funds having amounts due from or due to other funds at June 30, 2002:

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2002 is as follows (in thousands):

Receivable Fund (in thousands of dollars)	Amount	Payable Fund (in thousands of dollars)	Amount
General	\$ 235	Nonmajor governmental funds	\$ 235
Nonmajor governmental funds	24	Nonmajor governmental funds	24
Total	<u>\$ 259</u>	Total	<u>\$ 259</u>

Individual funds having advances to and from other funds at June 30, 2002:

The advance to and from other funds is a result of a loan to the Preserve Privilege Capital Projects fund that was made in order to purchase a parcel of land outside of the area authorized for preservation sales tax funding in fiscal year 1999/00. The loan is required to be repaid in June 2005. The advance accrues interest at a rate of 6% compounded annually.

<b>Advances To Other Funds:</b>	
<b>(in thousands of dollars)</b>	<b>Amount</b>
General	\$ 1,124
<b>Total</b>	<b>\$ 1,124</b>

<b>Advances From Other Funds:</b>	
<b>(in thousands of dollars)</b>	<b>Amount</b>
Nonmajor governmental funds	
Capital Projects	
Preserve Privilege Tax	\$ 1,124
<b>Total</b>	<b>\$ 1,124</b>

Transfers are used to fund capital projects and debt service, reallocate special revenue funds to operating centers or other operations and for indirect administrative cost allocations (including in-lieu property tax and franchise fees) charges to Enterprise Funds. During the year transfers in the amount of \$2,824,445 and \$2,914,171 were made from the Fleet Management and Self-Insurance internal service funds to Capital Projects Funds and the General Fund. Of the total, transfers totaling \$2,400,000 from the self-insurance fund to Capital Projects were made in order to fund pay-as-you go capital projects and to reduce the excess cash balance in the self-insurance fund.

Net operating transfers (in thousands of dollar):

<b>Operating Transfers Out</b>		<b>Operating Transfers In</b>	
<b>From:</b>		<b>To:</b>	
<b>Major Governmental Funds</b>		<b>Major Governmental Funds</b>	
General	\$ 23,370	Capital Projects	
		General CIP Construction	\$ 17,280
		<b>Major Enterprise Funds</b>	
		Enterprise	
		Water and Sewer	1
		Airport	2,138
		<b>Nonmajor Governmental Funds</b>	
		3,277	
		<b>Internal Service Funds</b>	
		674	
Capital Projects		<b>Major Governmental Funds</b>	
General CIP Construction	375	Capital Projects	
		General CIP Construction	217
<b>Total Major Governmental Funds</b>	<b>23,745</b>	<b>Nonmajor Governmental funds</b>	<b>158</b>
		<b>Total Major Governmental Funds</b>	<b>23,745</b>

<b>Operating Transfers Out From:</b>		<b>Operating Transfers In To:</b>	
<b>Major Enterprise Funds</b>		<b>Major Governmental Funds</b>	
Water and Sewer	7,789	General Fund	7,295
		Capital Projects	
		General CIP Construction	461
		<b>Internal Service</b>	33
Airport	200	<b>Major Governmental Funds</b>	
		General Fund	187
		Capital Projects	
		General CIP Construction	13
Solid Waste	448	<b>Major Governmental Funds</b>	
		General Fund	94
		Capital Projects	
		General CIP Construction	23
		<b>Internal Service</b>	331
<b>Total Major Enterprise Funds</b>	<u>8,437</u>	<b>Total Major Enterprise Funds</b>	<u>8,437</u>
<b>Nonmajor Governmental Funds</b>	\$36,583	<b>Major Governmental Funds</b>	
		General Fund	118
		Debt Service	
		General Obligation Bond	6,896
		Capital Projects	
		General CIP Construction	1,066
		<b>Major Enterprise Funds</b>	
		Enterprise	
		Airport	9
		<b>Nonmajor Governmental funds</b>	28,257
		<b>Trust and Agency</b>	1
		<b>Internal Service</b>	236
<b>Total Nonmajor Governmental Funds</b>	<u>36,583</u>	<b>Total Nonmajor Governmental Funds</b>	<u>36,583</u>
<b>Internal Service</b>	5,738	<b>Major Governmental Funds</b>	
		General Fund	77
		Capital Projects	
		General CIP Construction	5,661
<b>Total Internal Service Funds</b>	<u>5,738</u>	<b>Total Internal Service Funds</b>	<u>5,738</u>
<b>Total</b>	<u>\$ 74,503</u>	<b>Total</b>	<u>\$ 74,503</u>
<b>Transfer to Component Unit</b>		<b>Los Arcos Multipurpose Facilities District</b>	
General Fund	\$ 80		\$ 80
<b>Transfer to Primary Government</b>		<b>General Fund</b>	
Los Arcos Multipurpose Facilities District	15		15
<b>Total</b>	<u>\$ 95</u>	<b>Total</b>	<u>\$ 95</u>

## **F. Bonds, Loans, Capital Leases and Other Payables**

The following are brief descriptions of bonds outstanding at June 30, 2002. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2002.

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, 2002, the City had \$330,200,000 of unissued various purpose GO bonds, which were authorized in September 2000. In addition, the City had \$65,400,000 of unissued Preservation GO bonds, which were authorized in September 1999. GO bonds are backed by the full faith and credit of the City, and are repaid through the City's levying of property (ad valorem) taxes. However, the Preservation GO bonds are repaid through the two-tenths of one percent City sales tax approved by voters in September 1996 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve. Additionally, 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.

### **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.

### **Municipal Property Corporation Bonds**

The Municipal Property Corporation (MPC) is a nonprofit corporation created by the City in 1967 to finance the construction or acquisition of certain capital improvement projects. The MPC issues its own bonds, which are repaid through the City's excise tax collections and other unrestricted revenues. The use of property taxes to repay these bonds is specifically prohibited by law. Most of these bonds are recorded as 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.

### **Scottsdale Preserve Authority Bonds**

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

### **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, 2002, the City had \$3,340,000 authorized but unissued water and sewer revenue bonds. The City has no plans to issue the remaining portion of the unissued water and sewer revenue bonds authorized as all projects related to the authorization have been completed. The water and sewer revenue bonds are collateralized by revenue in excess of operating and maintenance expenses of the City's water and sewer utility system, and are repaid via user charges or fees for service. Property taxes cannot be used to pay the debt service on these bonds.

Water and sewer revenue bond covenants require that the City accumulate sufficient reserves to cover the eventual replacement of the water and sewer system. The City has continued to meet this reserve requirement. At June 30, 2002, the funds reserved for this purpose were \$14,045,440.

### **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, 2002, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, were adequate for the scheduled maturities of the bonds payable and the related interest.

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

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

At June 30, 2002, there were 9 separate series of special assessment improvement bonds outstanding, each series issued as serial bonds to be repaid over 10 years.

**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, 2002, the Scottsdale Mountain CFD, McDowell Mountain Ranch CFD, DC Ranch CFD, and Via Linda Road CFD had, respectively, \$1,550,000, \$1,140,000, \$12,165,000, and \$275,000 of authorized but unissued general obligation bonds. The Scottsdale Mountain CFD, McDowell Mountain Ranch CFD, and Via Linda Road CFD have no plans to issue the remaining portion of the unissued general obligation bonds authorized as all projects related to the authorization have been completed. CFD bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for District taxes and thus for all costs associated with the Districts. The City has no liability for community facilities district bonds.

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

**CFD Advance Refundings**

On May 15, 2002, the Scottsdale Mountain CFD issued \$5,375,000 of General Obligation Refunding Bonds, Series 2001, with an average interest rate of 4.29%, to refund \$5,030,000 of Series 1993A, 1993B, and 1995 General Obligation Bonds with an average interest rate of 7.1%. The City will reduce its total debt service payments over the next 16 years by approximately \$917,927 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$201,091.

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

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

The tables reflect refunded debt outstanding at June 30, 2002, and net of any amounts to be paid or retired by the trustee on July 1, 2002 (in thousands of dollars).

<b>Refunded in Prior Year</b> (in thousands of dollars)	
General Obligation Series Series 1994	\$ 8,115
General Obligation Series Series 1994 A	2,845
General Obligation Series 1997	6,910
	\$ 17,870

<b>Refunded in Year Ended June 30, 2002</b> (in thousands of dollars)	
General Obligation Series Series 1993A	\$ 2,610
General Obligation Series Series 1993B	470
General Obligation Series 1995	1,780
	\$ 4,860

Bonds payable at June 30, 2002 are comprised of the following:

Classified in Governmental activities on the government-wide financial statements:

<b>General Obligation Bonds</b>	<b>Bonds Outstanding (in thousands of dollars)</b>
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. On September 3, 1997, \$5,505,000 due 2007 through 2010 were refunded, and on July 18, 2001, an additional \$5,610,000 due 2005, 2006, 2011 and 2012 were refunded. Original issue amount, \$25,055,000.	\$ 2,065
1993 Refunding Bonds due in annual installments of \$1,010,000 to \$8,150,000 through July 1, 2009; interest at 4.0 percent to 5.5 percent. \$28,399,993 of these bonds are recorded in and paid out of the Water Fund. Of the total outstanding at June 30, 2002, \$8,958,230 bonds are capital appreciation bonds maturing in 2004 and 2005, of which \$5,824,969 are included in the amount paid out of the Water Fund. The original issue amount for the 1993 Refunding Bonds was \$45,015,000.	17,093
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.	12,845
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, 2002, \$2,049,441 bonds are capital appreciation bonds maturing in 2003. The original issue amount for the 1993A Refunding Bonds was \$24,265,000.	18,214

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. On September 3, 1997, \$4,325,000 due 2007 through 2011 were refunded, and on July 18, 2001, an additional \$5,350,000 due 2004 through 2006 and 2012 through 2014 were refunded. Original issue amount, \$14,250,000.	625
1994 Various Projects Serial Bonds due in annual installments of \$475,000 to \$775,000 through July 1, 2014; interest at 5.75 percent to 8.25 percent. On September 3, 1997, \$9,525,000 due 2006 through 2014 were refunded, and on July 18, 2001, an additional \$1,500,000 due 2004 and 2005 were refunded. Original issue amount, \$16,000,000.	700
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. On July 18, 2001, \$2,725,000 due 2009 through 2011 were refunded. Original issue amount, \$15,000,000.	8,775
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.	21,850
1997 Refunding Bonds (issued September 3, 1997) due in annual installments of \$50,000 to \$3,510,000 through July 1, 2014, interest at 4.45 percent to 5.5 percent. Original issue amount \$19,900,000.	19,900
1989 Capital Improvement Project Serial Bonds (issued April 6, 1998) due in annual installments of \$445,000 to \$1,340,000 through July 1, 2018, interest at 4.3 percent to 6.5 percent. Original issue amount \$20,500,000.	17,875
1999A Transportation, Storm Sewer, Flood Protection and Pima Road Improvements Serial Bonds (issued June 29, 1999) due in annual installments of \$675,000 to \$1,900,000 through July 1, 2019; interest at 4.6 percent to 6.5 percent. Original issue amount \$25,200,000.	22,875
1999 Preservation Bonds (issued November 16, 1999) due in annual installments of \$800,000 to \$4,225,000 through July 1, 2024; interest at 7.5 percent to 5.0 percent. On July 18, 2001, \$32,375,000 due 2012 through 2022 were refunded. Original issue amount \$59,600,000.	23,900
2001 Preservation Bonds (issued March 29, 2001) due in annual installments of \$920,000 to \$2,455,000 through July 1, 2024; interest at 4.0 percent to 6.0 percent. Original issue amount \$35,000,000.	34,080
2001 Refunding Bonds (issued July 18, 2001) due in annual installments of \$70,000 to \$5,030,000 through July 1, 2022; interest at 3.875 percent to 5.375 percent. Original issue amount \$51,155,000.	50,860
2002 Various Purpose Bonds (issued May 16, 2002) due in annual installments of \$1,740,000 to \$5,000,000 through July 1, 2024; interest at 4 percent to 5 percent. Original issue amount \$68,000,000.	68,000
Total General Obligation bonds outstanding	<hr/> 319,657

The 1999 and 2001 Preservation Bonds of \$23,900 and \$34,080, respectively, and portions of the 2001 Refunding Bonds and 2002 Various Purpose Bonds of \$28,293 and \$40,000, respectively, are paid from the .2% Preservation Sales Tax.

**HURF Revenue Bonds**

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. 13,385

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**Municipal Property Corporation Bonds**

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. 31,860

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. 11,875

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. 2,105

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. 2,380

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, \$0 outstanding) of bonds are recorded in and paid out of the Solid Waste Enterprise Fund. Original issue amount, \$7,550,000. 665

1998 Municipal Property Corporation Excise Tax Revenue Bonds (issued December 2, 1998) due in annual installments of \$3,500,000 to \$180,000 through July 1, 2008; interest at 4.0 percent. Original issue amount, \$9,150,000. 985

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Total MPC bonds outstanding 49,870

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**Scottsdale Preserve Authority Bonds**

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, 2022; interest at 7.75 percent to 5.625 percent. On July 18, 2001, \$16,690,000 due 2006 through 2022 were refunded. Original issue amount \$20,500,000. 1,700

1998 Scottsdale Preserve Authority Excise Tax Revenue Bonds due in annual installments of \$1,015,000 to \$6,585,000 beginning July 1, 1999, through July 1, 2024; interest at 6.0 percent to 4.75 percent. Original issue amount \$77,000,000. 71,450

2001 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued July 18, 2001, due in annual installments of \$60,000 to \$1,465,000 beginning July 1, 2002, through July 1, 2022; interest at 4.375 percent to 5.25 percent. Original issue amount \$17,495,000.	17,435
Total Scottsdale Preserve Authority Bonds	<u>90,585</u>
 <b>Special Assessment Bonds</b>	
Special Assessment Bonds issued April 23, 1992, through December 20, 2001, maturing January 1, 2003, through January 1, 2013; due in annual installments of \$15,000 to \$1,575,000; interest at 4.5 percent to 7.05 percent. Total original issue amount, \$43,045,000.	13,061
 <b>Community Facilities Districts General Obligation Bonds</b>	
1998 DC Ranch Community Facilities District General Obligation Bonds due in annual installments of \$155,000 to \$385,000 beginning July 15, 2005 through July 15, 2023; interest at 4.75% to 5.5%. Original issue amount \$4,750,000.	4,750
1999 Via Linda Road Community Facilities District General Obligation Bonds due in annual installments of \$95,000 to \$255,000 beginning July 15, 2004 through July 15, 2023; interest at 5.0% to 5.75%. Original issue amount \$3,225,000.	3,225
1999 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds due in annual installments of \$320,000 to \$1,455,000 beginning July 15, 1999 through July 15, 2022; interest at 4.0% to 6.0%. Original issue amount \$20,245,000.	18,500
1999 DC Ranch Community Facilities District General Obligation Bonds (issued November 1, 1999) due in annual installments of \$85,000 to \$260,000 beginning July 15, 2005 through July 15, 2011. Interest at 5.45% to 6.50%. Original issue amount \$3,085,000.	3,085
2002 Scottsdale Mountain Community Facilities District General Obligation Refunding Bonds (issued May 15, 2002) due in annual installments of \$160,000 to \$455,000 beginning July 15, 2003 through July 15, 2018; interest at 3.0 percent to 4.7 percent. Original issue amount \$5,375,000.	<u>5,375</u>
Total Community Facilities Districts General Obligation bonds outstanding	<u>34,935</u>
Total bonds payable recorded in governmental activities	<u>\$ 521,493</u>

**Classified in Business-type activities on the government-wide financial statements:**

	<b>Bonds Outstanding (in thousands of dollars)</b>
<b>General Obligation Bonds</b>	
1993 Refunding Bonds due in annual installments of \$1,010,000 to \$8,150,000 through July 1, 2009; interest at 4.0 percent to 5.5 percent. \$28,399,993 of these bonds are recorded in and paid out of the Water Fund. Of the total outstanding at June 30, 2002, \$8,958,230 bonds are capital appreciation bonds maturing in 2004 and 2005, of which \$5,824,969 are included in the amount paid out of the Water Fund. The original issue amount for the 1993 Refunding Bonds was \$45,015,000.	\$ 17,000
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. The original issue amount for the 1993A Refunding Bonds was \$24,265,000.	<u>1,315</u>
Total General Obligation bonds outstanding	<u>18,315</u>
<b>Water and Sewer Revenue Bonds</b>	
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.	3,145
1989 Water and Sewer Revenue Bonds (Series C issued 1994) due in annual installments of \$125,000 to \$240,000 through July 1, 2014; interest at 5.75 percent to 8.25 percent. \$3,005,000 of these bonds due 2006 through 2014 were refunded on March 1, 1996. Original issue amount, \$5,000,000.	680
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. Original issue amount, \$9,815,000.	7,210
1989 Water and Sewer Revenue Bonds (Series D issued November 1, 1997) due in annual installments of \$425,000 to \$1,375,000 through July 1, 2022; interest at 4.75 percent to 7.25 percent. Original issue amount \$20,000,000.	17,625
1989 Water and Sewer Revenue Bonds (Series E issued December 2, 1998) due in annual installments of \$1,015,000 to \$4,615,000 through July 1, 2023; interest at 4.5 percent to 7.0 percent. Original issue amount \$50,000,000.	<u>45,285</u>
Total Water and Sewer Revenue Bonds outstanding	<u>73,945</u>



Series 2001, dated July 18, 2001, with an average interest rate of 4.9%, to refund \$16,690,000 of Series 1997 Excise Tax Revenue Refunding Bonds with an average interest rate of 5.6%. The City refunded the bonds to reduce its total debt service payments over the next 20 years by approximately \$619,921 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$435,418.

The proceeds from the issuance of the bonds were used to purchase U.S. government securities that were placed in an irrevocable trust with an escrow agent to provide debt service payments on the bonds being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the City's financial statements.

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

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

The tables below reflect refunded debt outstanding at June 30, 2002, and net of any amounts to be paid or retired by the trustee on July 1, 2002 (in thousands of dollars).

<b>Refunded in Year Ended June 30, 2002</b>	
<b>(In Thousands of Dollars)</b>	
1989 General Obligation Series B (1991) Bonds	\$ 2,275
1989 General Obligation Series C (1992) Bonds	5,610
1989 General Obligation Series E (1994) Bonds	5,350
1994 General Obligation Bonds	1,500
1995 General Obligation Bonds	2,725
1999 General Obligation Bonds	32,375
1997 Scottsdale Preserve Authority Excise Tax Revenue Bonds	16,690
	<u>\$ 66,525</u>
<b>Refunded in Prior Years</b>	
<b>(In Thousands of Dollars)</b>	
1989 General Obligation Series B (1991) Bonds	\$ 10,720
1989 General Obligation Series C (1992) Bonds	5,505
1989 General Obligation Series E (1994) Bonds	4,325
General Obligation Series 1994 Bonds	9,525
	<u>\$ 30,075</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 patents. The contract for the acquisition of water system facilities is payable only from the operating revenue of the water and sewer utility system. The following is a summary of debt service to maturity for all long-term contracts payable at June 30, 2002. The final payment for the water facilities contract was made during the current year; as a result, there were no long-term contracts payable classified in business-type activities.



Classified in Governmental activities on the government-wide financial statements:

	Contracts Payable (in thousands of dollars)
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.	\$ 3,363
Contract payable for the construction of public infrastructure relating to completion of The Dial Corporation new corporate headquarters; due in annual installments beginning September 1998 through September 2007; non-interest bearing.	303
Contract payable for the maintenance of a federal patent; due in three year installments beginning January 1, 2001 through January 1, 2009; non-interest bearing.	5
Contract payable for the oversight and management of the Tournament Players Club Recreational Land Use Agreement; due in annual installments beginning March 1999 through June 2035; non-interest bearing.	1,815
Contract payable for the oversight and management of the Westworld Cost-share and Land Use Agreement; due in annual installments beginning December 2000 through December 2032; non-interest bearing.	1,705
Contract payable for the construction of public infrastructure relating to completion of the Anchor National Life / Portales mixed use development; due in annual installments beginning 2003.	2,117
Contract payable for the construction of public infrastructure relating to completion of the Promenade shopping center; due in annual installments beginning March 2000 through March 2007; non interest bearing.	3,899
Contract payables for the undergrounding of 69kv power lines; due in annual installments beginning January 1999 through; interest at 10.0 percent.	209
Contract payable for the purchase of a portion of 2,685 acres of land for the McDowell Sonoran Preserve; due in fifteen annual installments beginning July 1, 1999 through July 1, 2013; interest from 3.75 percent to 6.0 percent.	<u>8,000</u>
Total Contracts Payable recorded in governmental activities	<u>\$ 21,416</u>

**Capital Lease**

Capital Lease – In connection with the Waterfront Area Redevelopment Plan, the City has entered into a garage lease agreement in order to provide unrestricted public parking. The lease has an initial term of 50 years. The lease is payable over 30 years in the amount of \$28,750,000, 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 multilevel retail bridge linking Nordstrom to Fashion Square, as well as increased retail sales tax revenues (over 1995) from Fashion Square.

The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded as buildings and other improvements, at the present value of the future minimum lease payments as of the inception date. The future lease payments are based on incremental tax revenues, therefore, the following

presentation of future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002 are based on projected sales tax revenues.

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 Special Revenue Fund and the Water and Sewer Utility Fund (in thousands of dollars).

**Changes in Long-Term Liabilities**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2002 (in thousands of dollars).

	Beginning Balance	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 262,483	\$ 119,859	\$ (62,685)	\$ 319,657	\$ 12,720
HURF revenue bonds	15,660	-	(2,275)	13,385	2,395
Municipal Property Corporation bonds	56,815	-	(6,945)	49,870	7,345
Scottsdale Preserve Authority bonds	91,965	17,495	(18,875)	90,585	2,315
Special assessments bonds	7,681	7,500	(2,120)	13,061	1,921
Community Facilities Districts general obligation bonds	35,095	5,375	(5,535)	34,935	745
Add deferred issuance premiums	-	1,693	(121)	1,572	-
Less deferred amounts on refunding	-	(3,809)	224	(3,585)	-
Total bonds payable	469,699	148,113	(98,332)	519,480	27,441
Contracts payable	23,096	-	(1,680)	21,416	1,872
Capital lease	28,750	-	-	28,750	-
Compensated absences	8,592	3,863	-	12,455	1,648
Governmental activity long-term liabilities	<u>\$ 530,137</u>	<u>\$ 151,976</u>	<u>\$ (100,012)</u>	<u>\$ 582,101</u>	<u>\$ 30,961</u>
<b>Business-type Activities:</b>					
Bonds payable					
General obligation bonds	\$ 22,070	\$ 785	\$ (4,540)	\$ 18,315	\$ 4,820
Water and sewer revenue bonds	76,540	-	(2,595)	73,945	2,715
Municipal Property Corporation bonds	2,435	10,500	(1,380)	11,555	1,545
Add deferred issuance premiums	-	262	(37)	225	-
Less deferred amounts on refunding	-	(338)	50	(288)	-
Total bonds payable	101,045	11,209	(8,502)	103,752	9,080
Contracts payable	-	-	-	-	-
Compensated absences	-	1,628	-	1,628	168
Business-type activity long-term liabilities	<u>\$ 101,045</u>	<u>\$ 12,837</u>	<u>\$ (8,502)</u>	<u>\$ 105,380</u>	<u>\$ 9,248</u>

**Debt Service Requirements to Maturity**

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2002. Deferred issuance costs and deferred amounts on refunding are not included.

**Governmental Activities**

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
2003	\$ 4,195	\$ 12,057	\$ 16,252	\$ 8,525	\$ 6,615	\$ 15,140	\$ 12,720	\$ 18,672	\$ 31,392
2004	5,083	13,489	18,572	9,160	3,751	12,911	14,243	17,240	31,483
2005	8,206	13,264	21,470	6,646	3,274	9,920	14,852	16,538	31,390
2006	7,256	10,693	17,949	8,554	2,914	11,468	15,810	13,607	29,417
2007	7,925	10,305	18,230	10,110	2,455	12,565	18,035	12,760	30,795
2008-2012	65,215	43,114	108,329	29,320	6,074	35,394	94,535	49,188	143,723
2013-2017	59,538	27,249	86,787	9,442	826	10,268	68,980	28,075	97,055
2018-2022	52,550	13,273	65,823	-	-	-	52,550	13,273	65,823
2023-2026	22,750	1,722	24,472	-	-	-	22,750	1,722	24,472
Capital Appreciation **	3,133	(3,133)	-	2,049	(2,049)	-	5,182	(5,182)	-
<b>TOTALS</b>	<b>\$ 235,851</b>	<b>\$ 142,033</b>	<b>\$ 377,884</b>	<b>\$ 83,806</b>	<b>\$ 23,860</b>	<b>\$ 107,666</b>	<b>\$ 319,657</b>	<b>\$ 163,893</b>	<b>\$ 483,550</b>

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

**Governmental Activities (continued)**

Fiscal Year	Highway User Revenue Bonds			Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 2,395	\$ 714	\$ 3,109	\$ 7,345	\$ 2,961	\$ 10,306	\$ 2,315	\$ 4,561	\$ 6,876
2004	2,515	591	3,106	7,750	2,560	10,310	2,445	4,414	6,859
2005	2,660	459	3,119	6,690	2,130	8,820	2,595	4,258	6,853
2006	2,825	316	3,141	2,695	1,743	4,438	2,740	4,092	6,832
2007	2,990	164	3,154	2,860	1,571	4,431	2,890	3,940	6,830
2008-2012	-	-	-	16,435	4,963	21,398	16,690	17,122	33,812
2013-2017	-	-	-	6,095	482	6,577	21,075	12,420	33,495
2018-2022	-	-	-	-	-	-	26,980	6,759	33,739
2023-2026	-	-	-	-	-	-	12,855	875	13,730
<b>TOTALS</b>	<b>\$ 13,385</b>	<b>\$ 2,244</b>	<b>\$ 15,629</b>	<b>\$ 49,870</b>	<b>\$ 16,410</b>	<b>\$ 66,280</b>	<b>\$ 90,585</b>	<b>\$ 58,441</b>	<b>\$ 149,026</b>

**Governmental Activities (continued)**

Fiscal Year	Special Assessment Bonds			Community Facilities Districts General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 1,921	\$ 597	\$ 2,518	\$ 745	\$ 1,791	\$ 2,536
2004	2,385	477	2,862	935	1,707	2,642
2005	2,415	349	2,764	1,225	1,659	2,884
2006	835	267	1,102	1,280	1,595	2,875
2007	835	229	1,064	1,355	1,527	2,882
2008-2012	3,920	598	4,518	7,840	6,677	14,517
2013-2017	750	17	767	9,985	4,631	14,616
2018-2022	-	-	-	10,425	2,043	12,468
2023-2026	-	-	-	1,145	86	1,231
2027-2031	-	-	-	-	-	-
<b>TOTALS</b>	<b>\$ 13,061</b>	<b>\$ 2,534</b>	<b>\$ 15,595</b>	<b>\$ 34,935</b>	<b>\$ 21,716</b>	<b>\$ 56,651</b>

Governmental Activities (continued)

	Contracts Payable			Capital Leases			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 1,872	576	\$ 2,448	\$ -	\$ 2,375	\$ 2,375	\$ 29,313	\$ 32,247	\$ 61,560
2004	2,210	538	2,748	-	2,446	2,446	32,483	29,973	62,456
2005	2,240	507	2,747	-	2,519	2,519	32,677	28,419	61,096
2006	2,267	472	2,739	-	2,595	2,595	28,452	24,687	53,139
2007	1,702	437	2,139	-	2,673	2,673	30,667	23,301	53,968
2008-2012	5,161	1,587	6,748	-	14,617	14,617	144,581	94,752	239,333
2013-2017	2,019	661	2,680	1,159	15,785	16,944	110,063	62,071	172,134
2018-2022	1,242	464	1,706	5,049	14,626	19,675	96,246	37,165	133,411
2023-2026	1,439	267	1,706	11,523	11,249	22,772	49,712	14,199	63,911
2027-2031	1,044	49	1,093	11,019	5,330	16,349	12,063	5,379	17,442
2032-2035	220	-	220	-	-	-	220	-	220
Capital Appreciation							5,182	(5,182)	-
	\$ 21,416	\$5,558	\$ 26,974	\$ 28,750	\$ 74,215	\$ 102,965	\$ 571,659	\$ 347,011	\$ 918,670

Business-type Activities

Fiscal Year	General Obligation Bonds Issued To Provide Water, Sewer, Light Parks, and Open Spaces 20% Limitation			Total General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 4,820	\$ 581	\$ 5,401	\$ 4,820	\$ 581	\$ 5,401
2004	592	4,293	4,885	592	4,293	4,885
2005	563	4,352	4,915	563	4,352	4,915
2006	6,515	340	6,855	6,515	340	6,855
2007	-	-	-	-	-	-
2008-2012	-	-	-	-	-	-
2013-2017	-	-	-	-	-	-
2018-2022	-	-	-	-	-	-
2023-2026	-	-	-	-	-	-
Capital Appreciation **	5,825	(784)	5,041	5,825	(784)	5,041
TOTALS	\$ 18,315	\$ 8,782	\$ 27,097	\$ 18,315	\$ 8,782	\$ 27,097

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

Business-type Activities (continued)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 2,715	\$ 3,792	\$ 6,507	\$ 1,545	\$ 469	\$ 2,014	\$ 4,260	\$ 4,261	\$ 8,521
2004	2,860	3,650	6,510	1,645	412	2,057	4,505	4,062	8,567
2005	3,055	3,467	6,522	1,745	350	2,095	4,800	3,817	8,617
2006	3,245	3,270	6,515	1,860	286	2,146	5,105	3,556	8,661
2007	3,400	3,076	6,476	1,990	217	2,207	5,390	3,293	8,683
2008-2012	17,385	12,412	29,797	2,770	164	2,934	20,155	12,576	32,731
2013-2017	16,640	8,060	24,700	-	-	-	16,640	8,060	24,700
2018-2022	20,030	3,924	23,954	-	-	-	20,030	3,924	23,954
2023-2026	4,615	208	4,823	-	-	-	4,615	208	4,823
TOTALS	\$ 73,945	\$ 41,859	\$ 115,804	\$ 11,555	\$ 1,898	\$ 13,453	\$ 85,500	\$ 43,757	\$ 129,257

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to public, property, and aviation premises liability, self-insured benefits and workers compensation. Public liability includes public officials' errors and omissions, automobile and general liability. The City is self-insured for the first \$1,000,000 of public liability, the first \$50,000 of property coverage and the first \$250,000 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, 2002 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; and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. At June 30, 2002 the general liability claims payable totaled \$7,294,801 and the self-insured benefits claims totaled \$1,125,600.

	Year Ended June 30	
	2002	2001
Claims payable, July 1	\$ 7,721	\$ 5,660
Current year claims incurred	7,883	7,618
Current year claim payments	(7,184)	(5,557)
Claims payable June 30	\$ 8,420	\$ 7,721

In addition, Management has established a policy to retain a cash balance at the 90% confidence level for general risk claims and a corridor and premium stabilization reserve for the self-insured health benefits. At June 30, 2002 the 90% confidence level recommendation is \$10,577,461 for all lines of pending claims and the claims incurred, corridor reserve and premium stabilization reserve total \$1,812,200 for self-insured benefits.

**B. Contingent Liabilities**

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

**C. Commitments and Subsequent Events**

In June 2002, the City Council approved a three-year agreement with Rural/Metro Corporation (Rural/Metro) whereby Rural/Metro will provide fire protection and related services to the City to June 30, 2005 with the option of two one-year extensions. Payments to Rural/Metro amounted to \$15,357,690 for the year ended June 30, 2002. The new contract requires 26 payments during the fiscal year 2002/03 for a total amount of \$16,828,969.

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 \$2,408,734 for the year ended June 30, 2002. Annual amounts due in fiscal year 2003 will approximate \$2,780,596.

The City has a Service Agreement with the Scottsdale Convention and Visitors' Bureau (Bureau) that provides that the Council will manage the tourism promotion within the Scottsdale community for a ten-year period. In return, the City will pay service fees to the Council based on the Service Agreement between the City and the Council. Payments to Scottsdale Cultural Council amounted to \$3,625,267 for the year ended June 30, 2002. The annual amount due in fiscal year 2003 will be \$4,963,287.

The City has entered into several agreements whereby it will reimburse developers for construction costs of certain public infrastructure improvements. The funding source for the reimbursements will come from Water and Sewer development fees paid over the life of the development. Only amounts paid subsequent to January 13, 1997 are eligible for reimbursement. The City does not become liable under the agreements until the City has accepted the cost, a development fee has been paid and a water meter has been set. The City has limited its liability to the lesser of the cost accepted by the City or the development fees paid. The City's maximum contingent liability at June 30, 2002, is \$7,243,648.

DC Ranch Community Facilities District received authorization from the CFD Board to issue \$12,165,000 in General Obligation bonds (the remainder of its bond authorization). The bonds will be sold during the fiscal year 2002/03. The bonds will be used to construct roadways from Horseshoe Canyon south on 94th Street to the property line, and west toward Pima Road and the associated utilities. Upon completion the roadways will be dedicated to the City.

The City of Scottsdale Municipal Property Corporation (MPC) issued \$30,570,000 of Excise Tax Revenue Forward Delivery Refunding Bonds, Series 2002, dated August 7, 2002, with an interest rate of 5.5%, to refund \$30,885,000 of Series 1992

Excise Tax Revenue Bonds with an average interest rate of 6.27%. The MPC refunded the bonds to reduce its total debt service payments over the next 10 years by approximately \$2,059,698 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,073,838.

On September 10, 2002, \$72,000,000 in refunding bonds were issued. Several maturities of the Series C (1992), Series D (1993), Series E (1994), Series 1994, Series 1995, Series 1997, Series 1998, Series 1999A, Series 1999, and Series 2001 General Obligation Bonds were refunded.

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

The City participates with the cities of Phoenix, Glendale, Mesa, and Tempe in the multi-city Sub-Regional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) in order to govern the construction, operation, and maintenance of jointly used sewage treatment and transportation facilities. The facilities include the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor, and related transportation facilities. The City of Phoenix acts as lead agency and is responsible for the planning, budgeting, construction, operation, and maintenance of the facilities. In addition, the City of Phoenix provides all management, personnel, and financing arrangements and accepts federal grants on behalf of the participants. 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, 2001, (the latest audited information available from SROG), the City's net investment in SROG was \$32,305,000. SROG's net cash operating expenses for the year ended June 30, 2001, was \$21,817,526, of which the City's share was \$2,570,559, or 11.8 percent. For the year ended June 30, 2002, the City paid SROG \$12,042,358 for capital contributions, \$241,167 for replacement reserve contributions (which increased the City's net investment in SROG), and \$2,327,130 for operating expenses.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001 for the multi-

city Sub-Regional Operating Group (the latest SROG CAFR available) may be obtained from the Arizona Municipal Water Users Association, 4041 N. Central Avenue, Suite 900, Phoenix, AZ 85012.

**E. Related Organization**

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

**F. Los Arcos Multi-Purpose Facilities District**

Component Unit Disclosure - The Los Arcos Multi-Purpose Facilities District was formed by voter approval in May 1999 under Arizona Revised Statute § 48-4201 and included the City of Scottsdale, the Town of Fountain Hills, and the Town of Guadalupe.

On June 4, 2002, the Scottsdale City Council voted not to appropriate funds to the District for the fiscal year 2002/03 and not to extend the City of Scottsdale's participation in the District beyond June 30, 2002. In addition, the Los Arcos Multi-Purpose Facilities District Board did not vote to extend the District beyond June 30, 2002. The City Council Resolution creating the district, an intergovernmental agreement between the City and the District, and related documents state that these actions have the effect of terminating the District.

While the District existed, each participating municipality appointed two board members. However, board voting was weighted by the municipality's population. As a result, the City of Scottsdale appointed a voting majority to the District's Board of Directors. Therefore, for financial reporting purposes, the District was a component unit of the City of Scottsdale.

The tax-levying public improvement district was formed to redevelop a parcel of real property in the southern part of the City with a project consisting of a major sports arena together with related retail/office/entertainment/residential facilities. Funding was proposed to be derived from a rebate to the District of 50% of the incremental state sales taxes

generated by the proposed project for a period of ten years following commencement of the redevelopment, subject to the City's agreement to make direct payments to the District or expend moneys in an equal amount for land, infrastructure or other improvements relating to the redevelopment project.

Negotiations with the proposed sports arena user were not successful and no further negotiations are contemplated for any sports arena of the magnitude that would be required in order to qualify for the District to assist financially in developing the property. While the City is continuing in its efforts to identify a use for the property and a developer to develop the property, the City no longer envisions development of the site with a project that would qualify for the state revenue funding mechanism provided by the District or the issuance of District bonds.

As a special purpose district and separate political subdivision under the Arizona Constitution, the District could have issued bonds independently of the municipalities. Even if it had issued bonds, the municipalities would have had no liability for District debt.

The District had no deposits or investments at June 30, 2002.

At June 30, 2002 the District had no fixed assets and no long-term debt.

**G. Scottswater Company, Inc. Component Unit Disclosures**

During the fiscal year 2001/02, the City Council approved the purchase of the Ford Motor Credit interest in the Central Arizona Project Treatment Plant at a price of \$6,725,000 and agreed to redeem the outstanding Industrial Development Authority (IDA) Bonds outstanding of \$13,260,000 with the purchase of Ford's interest and redemption of the IDA debt. The company was dissolved. Ford Motor Credit was a limited partner in the Scottsdale Water Service Company Limited Partnership. The closing date of the bonds was October 10, 2001 with redemption of the IDA Series 1984 bonds on November 1, 2001. The amount of bonds sold was \$10,500,000.

Scottswater Company, Inc. (the Company) was a nonprofit 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 appointed and approved the Company's Board of Directors and nominates Company officers. The Partnership itself managed and operated 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 were paid by the Partnership, and reimbursed by the City via a service agreement with the Partnership. At December 31, 2001, the Partnership had a payable to the City in the amount of \$9,249.

The Company received 1 percent of the Partnership's annual income, and received 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 had a fiscal year end of December 31; therefore, the component unit column presents financial statements as of and for the year ended December 31, 2001.

#### **Cash and Investments**

At December 31, 2001, the book value of the Company's deposits and the bank balance was \$9,249.

Risk category one cash balances, which are covered entirely through federal depository insurance funds, equaled \$9,249 at December 31, 2001. At December 31, 2001, there were no cash balances in risk category two or three.

#### **Investments**

The company did not have any investments at December 31, 2001.

#### **Fixed Assets**

The Company's recorded its land, land improvements, and equipment at cost. Land improvements and equipment were depreciated in accordance with the Internal Revenue Service (IRS) Accelerated Cost Recovery System using the straight-line method with recovery periods of 18 years for land improvements, and 5 years for equipment. U.S. 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, was 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 was amortized using the straight-line method over 15 years. All assets of the company were acquired by the City and are recorded as part of the City's Water and Sewer Enterprise funds at June 30, 2002.

#### **Long-Term Debt**

The Company's 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, were payable in varying installments to July 1, 2008. These bonds paid interest at a variable rate and repriced monthly. Upon dissolution, the Company had outstanding bonds of \$13,260,000. The bonds were fully redeemed using proceeds from the City of Scottsdale 2001 MPC bonds in the amount of \$10,500,000, a cash contribution of \$2,912,348 from the Company and a good faith deposit from the City of \$210,000.

#### **H. Retirement and Pension Plans**

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



## **Arizona State Retirement System**

### **Plan Description**

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

### **Funding Policy**

The Arizona Revised Statutes (A.R.S.) provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The actuarially determined contribution rate for the years ended June 30, 2002, 2001, and 2000 were 2.49% (2.00% retirement and .49% long-term disability) 2.66% and 2.66%, respectively, for both employers and employees. The City's contributions to the System for the years ending June 30, 2002, 2001, and 2000 were \$2,057,262, \$1,925,741, and \$1,745,319, respectively, equal to the required contributions for each year.

## **Public Safety Personnel Retirement System**

### **Plan Description**

All of the City's public safety personnel (police officers) participate in the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan. PSPRS was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes to provide pension benefits for public safety employees of certain state and local governments. The PSPRS is jointly administered by the fund manager and 171 local boards. PSPRS provides retirement benefits, as well as death and disability benefits. The Public Safety Personnel Retirement System of the State of Arizona issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri Avenue, Phoenix, AZ 85014 or by calling (602) 255-5575.

### **Funding Policy**

The System is funded through a member contribution of 7.65% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's current contribution rate is 5.37% of annual covered payroll, consisting of 11.64% for normal cost and (6.27%) for amortization of unfunded actuarial accrued liability. Contribution rates for 2001 and 2000 were 4.48 and 5.50%, respectively.

### **Annual Pension Cost**

For 2001, the City's annual pension cost of \$1,133,347 for PSPRS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the individual entry-age actuarial cost method.

The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually, (b) projected salary increases of 6.5% per year compounded annually, attributable to inflation and other across-the-board factors, and (c) additional projected salary increases ranging from 6.5% to 9.5% per year, attributable to seniority/merit. Included in (b) is an inflation component of 5.5%. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over a 4-year period. PSPRS's unfunded accrued liability is being amortized as a level percent of projected payroll on an open basis. The remaining amortization period at July 1, 2001 was 20 years.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of	
		APC Contributed	Net Pension Obligation
1999	\$ 1,137	100%	-
2000	1,198	100%	-
2001	1,133	100%	-

**Elected Officials' Retirement Plan**

Plan Description

The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP), a multiple-employer cost sharing defined benefit pension plan. The EORP was established and is administered by the State of Arizona to provide pension benefits for state and county elected officials, judges, and certain City-elected officials. The fund manager of the PSPRS is also the administrator for the EORP. EORP provides retirement benefits, as well as death and disability benefits. The Elected Officials' Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for EORP. That report may be obtained by writing to Elected Officials' Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona 85014 or by calling (602) 255-5575.

Funding Policy

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 contribution requirements for plan members are established and may be amended by the Fund Manager, a five-member board. The City's rates for fiscal years ended June 30, 2002, 2001, and 2000 were 6.97%, 10.22% and 10.22%, respectively. The City's contributions to EORP for the years ending June 30, 2002, 2001 and 2000 were \$9,749, \$13,445, and \$11,370, respectively, equal to the required contributions for each year.

**I. Other Post-Employment Benefits**

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

The number of participants during fiscal year 2001/02 was 56. The projected liability, as of June 30, 2002, for medical conversion was \$7,439,623. Of this liability, \$5,999,335 is considered payable in greater than one year and is not reflected as a current expenditure in the governmental fund statements. The projected liability is based on a January 1, 2002 actuarial valuation, as adjusted, based on the actuarial projection that for every additional 100 participants, future normal costs increase by an additional 3% per annum.

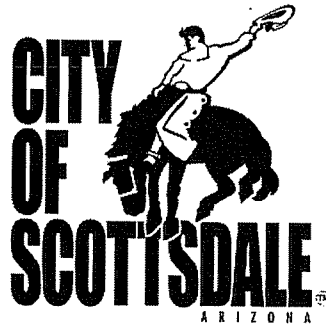
Significant actuarial assumptions of the January 1, 2002 actuarial valuation include a) mortality rates based on the 1983 Group Annuity Mortality Table set back 1 year for males and no set back for females, b) interest compounded 5.0 percent annually, c) salaries increase at a rate of 5.5 percent per annum, d) projected unit credit cost method based on participant data as of January 1, 2002.

**Required Supplementary Information**

**Public Safety Personnel Retirement System  
Schedule of Funding Progress**

Schedule of Funding Progress for Public Safety Personnel Retirement System  
(in thousands of dollars)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Entry Age Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
1996	\$ 45,490	\$ 42,244	107.7%	\$ (3,246)	\$ 12,617	-
1997	54,611	46,315	117.9%	(8,296)	13,443	-
1998	61,095	51,615	118.4%	(9,480)	15,284	-
1999	72,177	57,828	124.8%	(14,349)	16,187	-
2000	84,435	65,021	129.9%	(19,414)	18,547	-
2001	93,684	73,216	128.0%	(20,468)	20,406	-



## **Nonmajor Governmental Funds**

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### **SPECIAL REVENUE FUNDS**

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

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

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

#### **Community Development Fund**

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

#### **Home Fund**

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

#### **Grants Fund**

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

## **Section 8 Fund**

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

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

This fund receives a .2% transaction privilege tax revenue approved by the voters to purchase property in the McDowell Sonoran Preserve. Revenues are transferred to Capital Projects Funds for land purchase or are used for debt service payments for land contracts.

#### **Transportation Privilege Tax Fund**

This fund receives a .2% transaction privilege tax approved by the voters for transportation purposes. Revenues are transferred to Capital Projects to fund transportation related improvements.

#### **Special Programs Fund**

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

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## **DEBT SERVICE FUNDS**

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

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

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

#### **Special Assessments Fund**

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

**Community Facilities Districts Funds:**

Scottsdale Mountain Community Facilities District Fund

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

Via Linda Road Community Facilities District Fund

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

**Scottsdale Preserve Authority Fund**

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

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**CAPITAL PROJECTS FUNDS**

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

**Municipal Property Corporation Bond Fund**

Accounts for the proceeds of Municipal Property Corporation bonds issued for acquisition or construction of capital improvements.

**Preserve Privilege Tax Fund**

Accounts for the May 23, 1995, voter-approved .2 percent transaction privilege tax and the expenditure of proceeds from the sale of 1999 voter-approved general obligation bonds dedicated to acquisition of land within the McDowell Sonoran Preserve.

**Transportation Privilege Tax Fund**

Accounts for the authorized .2 percent transaction privilege tax dedicated to transportation capital improvements. Voters approved the tax on November 7, 1989.

**Community Facilities Districts Funds:**

McDowell Mountain Community Facilities District Fund

DC Ranch Community Facilities District Fund

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

# Combining Balance Sheet

## Non-Major Governmental Funds

June 30, 2002 (in thousands of dollars)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 26,755	\$ 17,853	\$ 48,664	\$ 93,272
Receivables				
Interest	174	-	216	390
Privilege Tax	2,521	-	-	2,521
Property Tax	-	92	-	92
Highway User Tax	1,147	-	-	1,147
Auto Lieu Tax	562	-	-	562
Intergovernmental	801	19	-	820
Grants	646	-	-	646
Special Assessments	-	4,314	-	4,314
Miscellaneous	8	-	-	8
Due from County Treasurer	-	31	-	31
Due from Other Funds	-	-	24	24
Total Assets	<u>\$ 32,614</u>	<u>\$ 22,309</u>	<u>\$ 48,904</u>	<u>\$ 103,827</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 2,482	\$ 20	\$ 1,400	\$ 3,902
Accrued Payroll and Benefits	403	-	-	403
Due to Other Funds	235	24	-	259
Bond Interest Payable	414	4,102	-	4,516
Bonds Payable - Current Portion	2,275	7,775	-	10,050
Deferred Revenue				
Property Tax	-	92	-	92
Special Assessments	-	4,314	-	4,314
Intergovernmental	1,008	-	-	1,008
Other	-	1,500	-	1,500
Advances From Other Funds	-	-	1,124	1,124
Guaranty and Other Deposits	9	-	-	9
Other	13	51	490	554
Total Liabilities	<u>6,839</u>	<u>17,878</u>	<u>3,014</u>	<u>27,731</u>
Fund Balances:				
Reserved for:				
Debt Service	-	4,431	-	4,431
Unreserved, undesignated	<u>25,775</u>	<u>-</u>	<u>45,890</u>	<u>71,665</u>
Total Fund Balances	<u>25,775</u>	<u>4,431</u>	<u>45,890</u>	<u>76,096</u>
Total Liabilities and Fund Balances	<u>\$ 32,614</u>	<u>\$ 22,309</u>	<u>\$ 48,904</u>	<u>\$ 103,827</u>

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

### Non-Major Governmental Funds

For Year Ended June 30, 2002 (in thousands of dollars)

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes - Local:				
Property	\$ -	\$ 3,127	\$ -	\$ 3,127
Transaction Privilege	31,401	9,424	-	40,825
Transient Occupancy	-	38	-	38
Taxes - Intergovernmental:				
Auto Lieu Tax	6,688	-	-	6,688
Highway User Tax	12,574	-	-	12,574
Local Transportation Assistance Fund	1,151	-	-	1,151
Charges for Current Services:				
Recreation Fees	762	-	-	762
Fines and Forfeitures:				
Court Enhancement	465	-	-	465
Special Assessments	-	2,339	-	2,339
Property Rental	53	261	-	314
Interest Earnings	1,401	238	1,334	2,973
Intergovernmental:				
Federal Grants	11,381	-	-	11,381
State Grants	843	-	-	843
Miscellaneous	579	65	-	644
Developer Contributions	-	122	-	122
Contributions and Donations	367	-	-	367
Other	23	-	-	23
Total Revenues	<u>67,688</u>	<u>15,614</u>	<u>1,334</u>	<u>84,636</u>
<b>EXPENDITURES</b>				
Current:				
General Government	148	677	353	1,178
Police	1,590	-	-	1,590
Transportation	10,016	-	-	10,016
Community Services	7,349	-	-	7,349
Planning and Development	2	-	-	2
Municipal Services	10,663	-	-	10,663
Debt Service:				
Principal	2,810	11,843	-	14,653
Interest and Fiscal Charges	1,245	10,204	-	11,449
Bond Issuance Costs	-	262	-	262
Advance refunding escrow	-	339	-	339
Capital Improvements	3,770	-	35,724	39,494
Total Expenditures	<u>37,593</u>	<u>23,325</u>	<u>36,077</u>	<u>96,995</u>
Excess (deficiency) of revenues over expenditures	<u>30,095</u>	<u>(7,711)</u>	<u>(34,743)</u>	<u>(12,359)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	10,137	7,273	14,282	31,692
Transfers Out	(29,583)	-	(7,000)	(36,583)
Proceeds of refunding bonds	-	22,870	-	22,870
Proceeds of long-term capital-related debt	-	-	40,000	40,000
Premium on refunding debt	-	177	-	177
Payment to bond refunding escrow agent	-	(22,704)	-	(22,704)
Total other financing sources and uses	<u>(19,446)</u>	<u>7,616</u>	<u>47,282</u>	<u>35,452</u>
Net change in fund balances	10,649	(95)	12,539	23,093
Fund balances - beginning	<u>15,126</u>	<u>4,526</u>	<u>33,351</u>	<u>53,003</u>
Fund balances - ending	<u>\$ 25,775</u>	<u>\$ 4,431</u>	<u>\$ 45,890</u>	<u>\$ 76,096</u>



## Combining Balance Sheet

Non-Major Special Revenue Governmental Funds  
June 30, 2002 (in thousands of dollars)

	Highway User Fuel Tax	Community Development	HOME	Grants	Section 8	Preserve Privilege Tax	Transportation Privilege Tax	Special Programs	Total All Funds
<b>ASSETS</b>									
Cash and Investments	\$ 2,795	\$ -	\$ 1	\$ 509	\$ -	\$ 19,474	\$ 1,278	\$ 2,698	\$ 26,755
Receivables									
Interest	-	-	-	-	-	126	36	12	174
Privilege Tax	-	-	-	-	-	1,276	1,245	-	2,521
Highway User Tax	1,147	-	-	-	-	-	-	-	1,147
Auto Lieu Tax	562	-	-	-	-	-	-	-	562
Intergovernmental	-	-	-	-	-	-	-	801	801
Grants	72	213	-	201	151	-	-	9	646
Miscellaneous	-	-	-	-	-	-	-	8	8
Total Assets	\$ 4,576	\$ 213	\$ 1	\$ 710	\$ 151	\$ 20,876	\$ 2,559	\$ 3,528	\$ 32,614
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts Payable	\$ 1,568	\$ 75	\$ -	\$ 64	\$ 1	\$ 743	\$ -	\$ 31	\$ 2,482
Accrued Payroll and Benefits	310	7	1	69	10	-	-	6	403
Due to Other Funds	-	135	-	-	100	-	-	-	235
Bond Interest Payable	414	-	-	-	-	-	-	-	414
Bonds Payable - Current Portion	2,275	-	-	-	-	-	-	-	2,275
Deferred Revenue									
Intergovernmental	-	-	-	57	150	-	-	801	1,008
Guaranty and Other Deposits	9	-	-	-	-	-	-	-	9
Other	-	-	-	-	-	-	-	13	13
Total Liabilities	4,576	217	1	190	261	743	-	851	6,839
Fund Balances:									
Reserved for:									
Unreserved, undesignated	-	(4)	-	520	(110)	20,133	2,559	2,677	25,775
Total Fund Balances (Deficit)	-	(4)	-	520	(110)	20,133	2,559	2,677	25,775
Total Liabilities and Fund Balances	\$ 4,576	\$ 213	\$ 1	\$ 710	\$ 151	\$ 20,876	\$ 2,559	\$ 3,528	\$ 32,614

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

Non-major Special Revenue Governmental Funds  
For the Year Ended June 30, 2002 (In thousands of dollars)

	Highway User Fuel Tax	Community Development	HOME	Grants	Section 8	Preserve Privilege Tax	Transportation Privilege Tax	Special Programs	Total All Funds
<b>REVENUES</b>									
Taxes - Local:									
Transaction Privilege	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,814	\$ 15,587	\$ -	\$ 31,401
Taxes - Intergovernmental:									
Auto Lieu Tax	6,688	-	-	-	-	-	-	-	6,688
Highway User Tax	12,574	-	-	-	-	-	-	-	12,574
Local Transportation Assistance Fund	1,151	-	-	-	-	-	-	-	1,151
Charges for Current Services:									
Recreation Fees	-	-	-	-	-	-	-	762	762
Fines and Forfeitures:									
Court Enhancement Fee	-	-	-	-	-	-	-	465	465
Property Rental	-	-	-	-	-	-	-	53	53
Interest Earnings	-	-	-	4	3	759	215	420	1,401
Intergovernmental:									
Federal Grants	72	1,049	591	5,210	4,459	-	-	-	11,381
State Grants	418	-	-	384	-	-	-	41	843
Miscellaneous	115	-	-	17	-	-	-	447	579
Contributions and Donations	-	-	-	-	-	-	-	367	367
Other	-	-	-	-	18	-	-	5	23
Total Revenues	21,018	1,049	591	5,615	4,480	16,573	15,802	2,560	67,688
<b>EXPENDITURES</b>									
Current:									
General Government	-	-	-	39	-	-	-	109	148
Police	-	-	-	1,452	-	-	-	138	1,590
Transportation	9,918	-	-	98	-	-	-	-	10,016
Community Services	-	994	575	136	4,209	-	-	1,435	7,349
Planning and Development	-	-	-	-	-	-	-	2	2
Municipal Services	10,641	-	-	22	-	-	-	-	10,663
Debt Service									
Principal	2,275	-	-	-	-	535	-	-	2,810
Interest and Fiscal Charges	828	-	-	-	-	417	-	-	1,245
Capital Improvements	-	-	-	3,770	-	-	-	-	3,770
Total Expenditures	23,662	994	575	5,517	4,209	952	-	1,684	37,593
Excess (deficiency) of revenues over expenditures	(2,644)	55	16	98	271	15,621	15,802	876	30,095
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	2,847	-	-	-	-	6,702	-	588	10,137
Transfers Out	(203)	-	-	(239)	-	(13,735)	(14,656)	(750)	(29,583)
Total other financing sources and uses	2,644	-	-	(239)	-	(7,033)	(14,656)	(162)	(19,446)
Net change in fund balances	-	55	16	(141)	271	8,588	1,146	714	10,649
Fund balances - beginning	-	(59)	(16)	661	(381)	11,545	1,413	1,963	15,126
Fund balances - ending	\$ -	\$ (4)	\$ -	\$ 520	\$ (110)	\$ 20,133	\$ 2,559	\$ 2,677	\$ 25,775

# Highway User Fuel Tax - Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Intergovernmental:						
Auto Lieu Tax	\$ 6,893	\$ 6,893	\$ 6,688	\$ -	\$ 6,688	\$ (205)
Highway User Tax	13,156	13,156	12,574	-	12,574	(582)
Local Transportation Assistance Fund	1,194	1,194	1,151	-	1,151	(43)
State Shared Transit	738	738	-	-	-	(738)
Intergovernmental			72	-	72	72
Federal Grants	-	-	418	-	418	418
State Grants	-	-	115	-	115	115
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>21,981</u>	<u>21,981</u>	<u>21,018</u>	<u>-</u>	<u>21,018</u>	<u>(963)</u>
<b>EXPENDITURES</b>						
Current:						
Transportation	12,279	11,943	9,916	2	9,918	2,027
Municipal Services	11,093	11,149	10,613	28	10,641	536
Debt Service						
Principal	2,275	2,275	2,275	-	2,275	-
Interest and Fiscal Charges	829	829	828	-	828	1
Total Expenditures	<u>26,476</u>	<u>26,196</u>	<u>23,632</u>	<u>30</u>	<u>23,662</u>	<u>2,564</u>
Excess (deficiency) of revenues over expenditures	<u>(4,495)</u>	<u>(4,215)</u>	<u>(2,614)</u>	<u>(30)</u>	<u>(2,644)</u>	<u>1,601</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	4,495	4,215	2,847	-	2,847	(1,368)
Transfers Out	-	-	(203)	-	(203)	(203)
Total other financing sources and uses	<u>4,495</u>	<u>4,215</u>	<u>2,644</u>	<u>-</u>	<u>2,644</u>	<u>(1,571)</u>
Net change in fund balances	-	-	30	(30)	-	30
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ (30)</u>	<u>\$ -</u>	<u>\$ 30</u>

**Explanation of Differences:**

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

Change in compensated absences	30
Net increase in fund balance - budget to GAAP	<u>\$ (30)</u>

## Preserve Privilege Tax - Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local:						
Transaction Privilege	\$ 17,448	\$ 17,448	\$ 15,814	\$ -	\$ 15,814	\$ (1,634)
Interest Earnings	-	-	753	6	759	753
Total Revenues	<u>17,448</u>	<u>17,448</u>	<u>16,567</u>	<u>6</u>	<u>16,573</u>	<u>(881)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	535	535	535	-	535	-
Interest and Fiscal Charges	417	417	417	-	417	-
Total Expenditures	<u>952</u>	<u>952</u>	<u>952</u>	<u>-</u>	<u>952</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>16,496</u>	<u>16,496</u>	<u>15,615</u>	<u>6</u>	<u>15,621</u>	<u>(881)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	6,702	-	6,702	6,702
Transfers Out	-	-	(13,735)	-	(13,735)	(13,735)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(7,033)</u>	<u>-</u>	<u>(7,033)</u>	<u>(7,033)</u>
Net change in fund balances	16,496	16,496	8,582	6	8,588	(7,914)
Fund balances - beginning	-	-	11,545	-	11,545	11,545
Fund balances - ending	<u>\$ 16,496</u>	<u>\$ 16,496</u>	<u>\$ 20,127</u>	<u>\$ 6</u>	<u>\$ 20,133</u>	<u>\$ 3,631</u>

### Explanation of Differences:

Items recorded as revenues for GAAP purposes:

Unrealized gain on investments \$ 6

## Transportation Privilege Tax - Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local:						
Transaction Privilege	\$ 17,002	\$ 17,002	\$ 15,587	\$ -	\$ 15,587	\$ (1,415)
Interest Earnings	600	600	215	-	215	(385)
Total Revenues	<u>17,602</u>	<u>17,602</u>	<u>15,802</u>	<u>-</u>	<u>15,802</u>	<u>(1,800)</u>
<b>EXPENDITURES</b>						
Transportation	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>17,602</u>	<u>17,602</u>	<u>15,802</u>	<u>-</u>	<u>15,802</u>	<u>(1,800)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	-	-	(14,656)	-	(14,656)	(14,656)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(14,656)</u>	<u>-</u>	<u>(14,656)</u>	<u>(14,656)</u>
Net change in fund balances	17,602	17,602	1,146	-	1,146	(16,456)
Fund balances - beginning	-	-	1,413	-	1,413	1,413
Fund balances - ending	<u>\$ 17,602</u>	<u>\$ 17,602</u>	<u>\$ 2,559</u>	<u>\$ -</u>	<u>\$ 2,559</u>	<u>\$ (15,043)</u>

## Combining Balance Sheet

### Non-Major Debt Service Governmental Funds

June 30, 2002 (in thousands of dollars)

	Municipal Property Corporation	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Scottsdale Preserve Authority	Total All Funds
<b>ASSETS</b>								
Cash and Investments	\$ 5,710	\$ 2,174	\$ 1,799	\$ 2,059	\$ 811	\$ 765	\$ 4,535	\$ 17,853
Receivables (net of allowance for uncollectables)								
Property Tax	-	-	20	33	34	5	-	92
Intergovernmental	-	-	-	19	-	-	-	19
Special Assessments	-	4,314	-	-	-	-	-	4,314
Due from County Treasurer	-	-	6	12	12	1	-	31
Total Assets	\$ 5,710	\$ 6,488	\$ 1,825	\$ 2,123	\$ 857	\$ 771	\$ 4,535	\$ 22,309
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20
Due to Other Funds	-	-	-	-	24	-	-	24
Bond Interest Payable	625	350	-	465	223	89	2,350	4,102
Bonds Payable - Current Portion	5,085	-	-	505	-	-	2,185	7,775
Deferred Revenue								
Property Tax	-	-	20	33	34	5	-	92
Special Assessments	-	4,314	-	-	-	-	-	4,314
Other	-	-	1,500	-	-	-	-	1,500
Other	-	40	1	10	-	-	-	51
Total Liabilities	5,710	4,724	1,521	1,013	281	94	4,535	17,878
Fund Balances:								
Reserved for:								
Debt Service	-	1,764	304	1,110	576	677	-	4,431
Unreserved, undesignated	-	-	-	-	-	-	-	-
Total Fund Balances	-	1,764	304	1,110	576	677	-	4,431
Total Liabilities and Fund Balances	\$ 5,710	\$ 6,488	\$ 1,825	\$ 2,123	\$ 857	\$ 771	\$ 4,535	\$ 22,309

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

Non-major Debt Service Governmental Funds  
 For the Year Ended June 30, 2002 (in thousands of dollars)

	Municipal Property Corporation	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Scottsdale Preserve Authority	Total All Funds
<b>REVENUES</b>								
Taxes - Local:								
Property	\$ -	\$ -	\$ 574	\$ 1,651	\$ 850	\$ 52	\$ -	\$ 3,127
Transaction Privilege	9,424	-	-	-	-	-	-	9,424
Transient Occupancy	38	-	-	-	-	-	-	38
Special Assessments	-	2,339	-	-	-	-	-	2,339
Property Rental	261	-	-	-	-	-	-	261
Interest Earnings	-	-	178	18	9	30	3	238
Intergovernmental	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	65	-	-	-	65
Developer Contributions	-	-	-	-	-	122	-	122
Total Revenues	<u>9,723</u>	<u>2,339</u>	<u>752</u>	<u>1,734</u>	<u>859</u>	<u>204</u>	<u>3</u>	<u>15,614</u>
<b>EXPENDITURES</b>								
Current:								
General Government	-	-	540	85	52	-	-	677
Debt Service								
Principal	6,945	2,208	-	505	-	-	2,185	11,843
Interest and Fiscal Charges	3,355	393	181	929	464	178	4,704	10,204
Bond Issuance Costs	9	-	144	-	-	-	109	262
Advance refunding escrow	-	-	339	-	-	-	-	339
Total Expenditures	<u>10,309</u>	<u>2,601</u>	<u>1,204</u>	<u>1,519</u>	<u>516</u>	<u>178</u>	<u>6,998</u>	<u>23,325</u>
Excess (deficiency) of revenues over expenditures	<u>(586)</u>	<u>(262)</u>	<u>(452)</u>	<u>215</u>	<u>343</u>	<u>26</u>	<u>(6,995)</u>	<u>(7,711)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	432	-	-	-	2	-	6,839	7,273
Proceeds of refunding bonds	-	-	5,375	-	-	-	17,495	22,870
Premium on refunding debt	-	-	49	-	-	-	128	177
Payment to bond refunding escrow agent	-	-	(5,237)	-	-	-	(17,467)	(22,704)
Total other financing sources and uses	<u>432</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>6,995</u>	<u>7,616</u>
Net change in fund balances	<u>(154)</u>	<u>(262)</u>	<u>(265)</u>	<u>215</u>	<u>345</u>	<u>26</u>	<u>-</u>	<u>(95)</u>
Fund balances - beginning	<u>154</u>	<u>2,026</u>	<u>569</u>	<u>895</u>	<u>231</u>	<u>651</u>	<u>-</u>	<u>4,526</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,764</u>	<u>\$ 304</u>	<u>\$ 1,110</u>	<u>\$ 576</u>	<u>\$ 677</u>	<u>\$ -</u>	<u>\$ 4,431</u>

## General Obligation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local:						
Property	\$ 21,853	\$ 21,853	\$ 21,602	\$ -	\$ 21,602	\$ (251)
Interest Earnings	-	-	6	-	6	6
Total Revenues	<u>21,853</u>	<u>21,853</u>	<u>21,608</u>	<u>-</u>	<u>21,608</u>	<u>(245)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	11,545	11,545	10,505	-	10,505	1,040
Interest and Fiscal Charges	20,440	20,440	15,415	-	15,415	5,025
Bond Issuance Costs	-	-	335	-	335	(335)
Total Expenditures	<u>31,985</u>	<u>31,985</u>	<u>26,255</u>	<u>-</u>	<u>26,255</u>	<u>5,730</u>
Excess (deficiency) of revenues over expenditures	<u>(10,132)</u>	<u>(10,132)</u>	<u>(4,647)</u>	<u>-</u>	<u>(4,647)</u>	<u>5,485</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	10,132	10,132	6,896	-	6,896	(3,236)
Proceeds of refunding bonds	-	-	51,155	-	51,155	51,155
Premium on refunding debt	-	-	2,207	-	2,207	2,207
Payment to bond refunding escrow agent	-	-	(52,321)	-	(52,321)	(52,321)
Total other financing sources and uses	<u>10,132</u>	<u>10,132</u>	<u>7,937</u>	<u>-</u>	<u>7,937</u>	<u>(2,195)</u>
Net change in fund balances	-	-	3,290	-	3,290	3,290
Fund balances - beginning	-	-	5,159	-	5,159	5,159
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,449</u>	<u>\$ -</u>	<u>\$ 8,449</u>	<u>\$ 8,449</u>



## Municipal Property Corporation Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local:						
Transaction Privilege	\$ 9,424	\$ 9,424	\$ 9,424	\$ -	\$ 9,424	\$ -
Transient Occupancy	191	191	38	-	38	(153)
Property Rental	280	280	261	-	261	(19)
Interest Earnings	250	250	-	-	-	(250)
Total Revenues	<u>10,145</u>	<u>10,145</u>	<u>9,723</u>	<u>-</u>	<u>9,723</u>	<u>(422)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	6,945	6,945	6,945	-	6,945	-
Interest and Fiscal Charges	3,547	3,547	3,355	-	3,355	192
Bond Issuance Costs			9	-	9	(9)
Total Expenditures	<u>10,492</u>	<u>10,492</u>	<u>10,309</u>	<u>-</u>	<u>10,309</u>	<u>183</u>
Excess (deficiency) of revenues over expenditures	<u>(347)</u>	<u>(347)</u>	<u>(586)</u>	<u>-</u>	<u>(586)</u>	<u>(239)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	347	347	432	-	432	85
Total other financing sources and uses	<u>347</u>	<u>347</u>	<u>432</u>	<u>-</u>	<u>432</u>	<u>85</u>
Net change in fund balances	-	-	(154)	-	(154)	(154)
Fund balances - beginning	-	-	303	(149)	154	303
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ (149)</u>	<u>\$ -</u>	<u>\$ 149</u>

**Explanation of Differences:**

The Budget to GAAP Difference in the "fund balance" is related to the timing on when items are recognized on a budget basis versus a GAAP basis. (See Section III in notes to financial statements for a description of the City's budgetary accounting method.)

\$ (149)

## Special Assessment Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Special Assessments	\$ 3,072	\$ 3,072	\$ 2,339	\$ -	\$ 2,339	\$ (733)
Total Revenues	<u>3,072</u>	<u>3,072</u>	<u>2,339</u>	<u>-</u>	<u>2,339</u>	<u>(733)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	2,655	2,655	2,208	-	2,208	447
Interest and Fiscal Charges	<u>417</u>	<u>417</u>	<u>393</u>	<u>-</u>	<u>393</u>	<u>24</u>
Total Expenditures	<u>3,072</u>	<u>3,072</u>	<u>2,601</u>	<u>-</u>	<u>2,601</u>	<u>471</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(262)</u>	<u>-</u>	<u>(262)</u>	<u>(262)</u>
Net change in fund balances	-	-	(262)	-	(262)	(262)
Fund balances - beginning	-	-	2,026	-	2,026	2,026
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,764</u>	<u>\$ -</u>	<u>\$ 1,764</u>	<u>\$ 1,764</u>

## Scottsdale Preserve Authority Bond Debt Service

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Interest Earnings	\$ -	\$ -	\$ 3	\$ -	\$ 3	\$ 3
Total Revenues	-	-	3	-	3	3
<b>EXPENDITURES</b>						
Debt Service						
Principal	2,125	2,125	2,185	-	2,185	(60)
Interest and Fiscal Charges	4,796	4,796	4,704	-	4,704	92
Bond Issuance Costs	-	-	109	-	109	(109)
Total Expenditures	6,921	6,921	6,998	-	6,998	(77)
Excess (deficiency) of revenues over expenditures	(6,921)	(6,921)	(6,995)	-	(6,995)	(74)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	6,921	6,921	6,839	-	6,839	(82)
Proceeds of refunding bonds	-	-	17,495	-	17,495	17,495
Premium on refunding debt	-	-	128	-	128	128
Payment to bond refunding escrow agent	-	-	(17,467)	-	(17,467)	(17,467)
Total other financing sources and uses	6,921	6,921	6,995	-	6,995	74
Net change in fund balances	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Combining Balance Sheet

### Non-Major Capital Projects Governmental Funds

June 30, 2002 (in thousands of dollars)

	Municipal Property Corporation	Preserve Privilege Tax Capital Project	Transportation Privilege Tax Capital Project	McDowell Mountain CFD	DC Ranch CFD	Total All Funds
<b>ASSETS</b>						
Cash and Investments	\$ 743	\$ 12,214	\$ 35,520	187	-	\$ 48,664
Receivables						
Interest	5	-	211	-	-	216
Due from Other Funds	-	-	-	-	24	24
Total Assets	<u>\$ 748</u>	<u>\$ 12,214</u>	<u>\$ 35,731</u>	<u>\$ 187</u>	<u>\$ 24</u>	<u>\$ 48,904</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	-	\$ 978	\$ 422	-	-	1,400
Advances From Other Funds	-	1,124	-	-	-	1,124
Other	-	-	490	-	-	490
Total Liabilities	<u>-</u>	<u>2,102</u>	<u>912</u>	<u>-</u>	<u>-</u>	<u>3,014</u>
Fund Balances:						
Reserved for:						
Unreserved, undesignated	748	10,112	34,819	187	24	45,890
Total Fund Balances (Deficit)	<u>748</u>	<u>10,112</u>	<u>34,819</u>	<u>187</u>	<u>24</u>	<u>45,890</u>
Total Liabilities and Fund Balances	<u>\$ 748</u>	<u>\$ 12,214</u>	<u>\$ 35,731</u>	<u>\$ 187</u>	<u>\$ 24</u>	<u>\$ 48,904</u>

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

### Non-major Capital Projects Governmental Funds

For the Year Ended June 30, 2002 (in thousands of dollars)

	Municipal Property Corporation	Preserve Privilege Tax Capital Project	Transportation Privilege Tax Capital Project	McDowell Mountain CFD	DC Ranch CFD	Total All Funds
<b>REVENUES</b>						
Interest Earnings	\$ 30	\$ -	\$ 1,277	\$ 4	\$ 23	\$ 1,334
Total Revenues	30	-	1,277	4	23	1,334
<b>EXPENDITURES</b>						
Current:						
General Government	-	352	-	1	-	353
Capital Improvements	10	25,279	8,416		2,019	35,724
Total Expenditures	10	25,631	8,416	1	2,019	36,077
Excess (deficiency) of revenues over expenditures	20	(25,631)	(7,139)	3	(1,996)	(34,743)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	14,282	-	-	14,282
Transfers Out	-	(6,702)	(296)	-	(2)	(7,000)
Proceeds of long-term capital-related debt	-	40,000	-	-	-	40,000
Total other financing sources and uses	-	33,298	13,986	-	(2)	47,282
Net change in fund balances	20	7,667	6,847	3	(1,998)	12,539
Fund balances - beginning	728	2,445	27,972	184	2,022	33,351
Fund balances - ending	\$ 748	\$ 10,112	\$ 34,819	\$ 187	\$ 24	\$ 45,890



## Water and Sewer Utility Fund

Schedule of Revenues and Expenses - Budget and Actual  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Revenues						
Charges for Sales and Services:						
Water Service Fees	\$ 60,619	\$ 60,619	\$ 61,363	\$ -	\$ 61,363	\$ 744
Sewer Service Fees	26,454	26,454	24,017	-	24,017	(2,437)
Reclaimed Water Distribution	2,683	2,683	3,057	-	3,057	374
Groundwater Treatment Plant	2,829	2,829	999	-	999	(1,830)
Investment Income	5,300	5,300	5,677	44	5,721	377
Litigation Recovery	-	-	-	874	874	-
Capital Contributions	-	-	-	35,755	35,755	-
Transfers In	-	-	1	-	1	1
Other	469	469	2,645	-	2,645	2,176
<b>Total Revenues</b>	<b>98,354</b>	<b>98,354</b>	<b>97,759</b>	<b>36,673</b>	<b>134,432</b>	<b>(595)</b>
Expenses						
Cost of Sales and Services:						
Water Operations	39,320	39,126	28,848	516	29,364	10,278
Sewer Operations	7,780	7,993	12,758	(6)	12,752	(4,765)
Debt Service and Reserves	13,034	13,034	14,202	(8,332)	5,870	(1,168)
Depreciation and Amortization	-	-	-	19,384	19,384	-
Indirect Costs	-	-	-	7,724	7,724	-
Loss on Sale of Asset	-	-	-	38	38	-
Transfers Out	6,924	6,924	7,789	-	7,789	(865)
<b>Total Expenses</b>	<b>67,058</b>	<b>67,077</b>	<b>63,597</b>	<b>19,324</b>	<b>82,921</b>	<b>3,480</b>
<b>Change in Net Assets</b>	<b>\$ 31,296</b>	<b>\$ 31,277</b>	<b>\$ 34,162</b>	<b>\$ 17,349</b>	<b>\$ 51,511</b>	<b>\$ 2,885</b>

**Water and Sewer Utility Fund**  
**Schedule of Revenues and Expenses - Budget and Actual**

For the Year Ended June 30, 2002 (in thousands of dollars)

**Explanation of Differences:**

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

Unrealized gain on on investments	\$ 44
Litigation Recovery	874
Capital Contributions	<u>35,755</u>
Total revenue reconciling items:	<u>36,673</u>

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

Compensated absences	460
Debt service principal payments	(8,332)
Depreciation and amortization expense	19,384
Bad debt expense	50
Indirect Costs	7,724
Loss on Sale of Asset	<u>38</u>
Total expenditure reconciling items:	<u>19,324</u>

Net increase/(decrease) in Net Assets - Budget to GAAP	<u><u>\$ 17,349</u></u>
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# Airport Fund

## Schedule of Revenues and Expenses - Budget and Actual For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>Revenues</b>						
Charges for Sales and Services:						
Airport Fees	\$ 1,482	\$ 1,482	\$ 1,689	\$ -	\$ 1,689	\$ 207
Investment Income	-	-	45	-	45	45
Capital Contribution	-	-	-	2,978	2,978	-
Transfers In	-	-	2,147	-	2,147	2,147
<b>Total Revenues</b>	<b>1,482</b>	<b>1,482</b>	<b>3,881</b>	<b>2,978</b>	<b>6,859</b>	<b>2,399</b>
<b>Expenses</b>						
Cost of Sales and Services:						
Airport Operations	1,153	1,169	1,619	22	1,641	(450)
Depreciation	-	-	-	437	437	-
Indirect Costs	-	-	-	479	479	-
Loss on Sale of Fixed Asset	-	-	-	91	91	-
Transfers Out	288	288	200	-	200	88
<b>Total Expenses</b>	<b>1,441</b>	<b>1,457</b>	<b>1,819</b>	<b>1,029</b>	<b>2,848</b>	<b>(362)</b>
<b>Excess (Deficit) of Revenues Over Expenses</b>	<b>\$ 41</b>	<b>\$ 25</b>	<b>\$ 2,062</b>	<b>\$ 1,949</b>	<b>\$ 4,011</b>	<b>\$ 2,037</b>

### Explanation of Differences:

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

Capital Contributions	\$ 2,978
Total revenue reconciling items:	<u>2,978</u>

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

Compensated absences	22
Depreciation and amortization expense	437
Indirect Costs	479
Loss on Sale of Fixed Asset	91
Total expenditure reconciling items:	<u>1,029</u>

Net increase/(decrease) in Net Assets - Budget to GAAP \$ 1,949

## Solid Waste Fund

Schedule of Revenues and Expenses - Budget and Actual  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Revenues						
Charges for Sales and Services:						
Solid Waste Fees	16,229	16,229	15,796	-	15,796	(433)
Investment Income	35	35	54	-	54	19
Total Revenues	<u>16,264</u>	<u>16,264</u>	<u>15,850</u>	<u>-</u>	<u>15,850</u>	<u>(414)</u>
Expenses						
Cost of Sales and Services:						
Solid Waste Operations	12,987	12,858	11,714	387	12,101	1,144
Debt Service and Reserves	343	343	345	(220)	125	(2)
Depreciation	-	-	-	202	202	-
Indirect Costs	-	-	-	1,643	1,643	-
Transfers Out	748	748	448	-	448	300
Total Expenses	<u>14,078</u>	<u>13,949</u>	<u>12,507</u>	<u>2,012</u>	<u>14,519</u>	<u>1,442</u>
Excess (Deficit) of Revenues Over Expenses	<u>\$ 2,186</u>	<u>\$ 2,315</u>	<u>\$ 3,343</u>	<u>\$ (2,012)</u>	<u>\$ 1,331</u>	<u>\$ 1,028</u>

### Explanation of Differences:

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

Compensated absences	\$ 387
Debt service principal payments	(220)
Depreciation and amortization expense	202
Indirect Costs	1,643
Total expenditure reconciling items:	<u>2,012</u>

Net increase/(decrease) in Net Assets - Budget to GAAP \$ (2,012)

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## **INTERNAL SERVICE FUNDS**

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

### **Fleet Management Fund**

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

### **Self-Insurance Fund**

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

## Internal Service Funds

Combining Statement of Net Assets  
June 30, 2002 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total All Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 12,975	\$ 16,049	\$ 29,024
Receivables (net of allowance for uncollectibles)			
Property tax	-	20	20
Accounts	-	129	129
Interest	84	114	198
Miscellaneous	7	-	7
Supplies Inventory	468	-	468
<b>Total Current Assets</b>	<b>13,534</b>	<b>16,312</b>	<b>29,846</b>
Noncurrent Assets:			
Capital Assets:			
Buildings and Improvements	1,847	-	1,847
Motor Vehicles	42,019	-	42,019
Machinery and Equipment	822	-	822
Furniture and Fixtures	-	22	22
Construction in Progress	1,583	-	1,583
Less Accumulated Depreciation	(20,165)	(22)	(20,187)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>26,106</b>	<b>-</b>	<b>26,106</b>
<b>Total Noncurrent Assets</b>	<b>26,106</b>	<b>-</b>	<b>26,106</b>
<b>Total Assets</b>	<b>\$ 39,640</b>	<b>\$ 16,312</b>	<b>\$ 55,952</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 930	\$ 126	\$ 1,056
Accrued Payroll and Benefits	96	18	114
Accrued Compensated Absences	306	91	397
Claims Payable	-	8,420	8,420
<b>Total Current Liabilities</b>	<b>1,332</b>	<b>8,655</b>	<b>9,987</b>
<b>Total Liabilities</b>	<b>1,332</b>	<b>8,655</b>	<b>9,987</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	26,106		26,106
Unrestricted	12,202	7,657	19,859
<b>Total net assets</b>	<b>\$ 38,308</b>	<b>\$ 7,657</b>	<b>\$ 45,965</b>

## Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
For the Year Ended June 30, 2002 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total All Funds
Operating Revenues:			
Charges for Sales and Services:			
Billings To User Programs	\$ 10,718	\$ 4,657	\$ 15,375
Self Insurance Contributions	-	4,312	4,312
Other	286	342	628
Total Operating Revenues	11,004	9,311	20,315
Operating Expenses			
Costs of Sales and Services:			
Fleet Management Operations	5,716	-	5,716
Self-Insurance Administration	-	1,714	1,714
Self-Insurance Claims	-	7,883	7,883
Depreciation	5,621	-	5,621
Total Operating Expenses	11,337	9,597	20,934
Operating Income (Loss)	(333)	(286)	(619)
Non-Operating Revenues:			
Property Tax	-	591	591
Investment Income	503	682	1,185
Gain on Sale of Fixed Assets	234	-	234
Total Non-Operating Revenues	737	1,273	2,010
Income Before Contributions and Transfers	404	987	1,391
Capital Contributions	694	-	694
Operating Transfers In	1,274	-	1,274
Operating Transfers Out	(2,824)	(2,914)	(5,738)
Change in Net Assets:	(452)	(1,927)	(2,379)
Total Net Assets - Beginning	38,760	9,584	48,344
Total Net Assets - Ending	\$ 38,308	\$ 7,657	\$ 45,965

## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2002 (in thousands of dollars)

	Fleet Management	Self- Insurance	Total All Funds
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 10,721	\$ 8,840	\$ 19,561
Cash paid to suppliers	(2,637)	(8,316)	(10,953)
Cash paid to employees	(2,269)	(502)	(2,771)
Other operating	286	342	628
Net Cash Provided by Operating Activities	<u>6,101</u>	<u>364</u>	<u>6,465</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Property Tax	-	571	571
Operating Transfers In	1,274	-	1,274
Operating Transfers Out	(2,824)	(2,914)	(5,738)
Net Cash Used for Non-Capital Financing Activities	<u>(1,550)</u>	<u>(2,343)</u>	<u>(3,893)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition, Construction, and Disposal of Property and Equipment	(5,141)	-	(5,141)
Sale of Fixed Assets	328	-	328
Net Cash Used for Capital and Related Financing Activities	<u>(4,813)</u>	<u>-</u>	<u>(4,813)</u>
<b>Cash Flows from Investing Activities:</b>			
Income Received on Investments	596	742	1,338
Net Increase in Cash and Cash Equivalents	334	(1,237)	(903)
Cash and Cash Equivalents at Beginning of Year	<u>12,641</u>	<u>17,286</u>	<u>29,927</u>
Cash and Cash Equivalents at End of Year	<u>\$ 12,975</u>	<u>\$ 16,049</u>	<u>\$ 29,024</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating Income (Loss)	\$ (333)	\$ (286)	\$ (619)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>			
Depreciation	5,621	-	5,621
<b>Changes in Assets and Liabilities</b>			
<b>Sources (Uses) of Cash:</b>			
Accounts Receivable	3	(129)	(126)
Supplies Inventory	(68)	-	(68)
Accounts Payable	796	60	856
Accrued Payroll and Compensated Absences	82	20	102
Claims Payable	-	699	699
Total Adjustments	<u>6,434</u>	<u>650</u>	<u>7,084</u>
Net Cash Provided by Operating Activities	<u>\$ 6,101</u>	<u>\$ 364</u>	<u>\$ 6,465</u>
<b>Supplemental Disclosure of Noncash Financing Activities:</b>			
Additions to Property, Plant, and Equipment			
Contributions from Other Government Units	\$ 694	\$ -	\$ 694
Gain on Sale of Asset	94	-	94
Unrealized Gain(Loss) on Investments	2	5	7
	<u>\$ 790</u>	<u>\$ 5</u>	<u>\$ 795</u>

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### **FIDUCIARY FUNDS**

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

#### **Handicap Scholarship Fund**

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

#### **Scottsdale Memorial Hospital Redevelopment Fund**

This fund accounts for monies received and expended for the redevelopment of Scottsdale Memorial Hospital.

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

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

#### **Retainage Escrow Agency**

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

## Combining Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2002 (in thousands of dollars)

	Scottsdale Memorial			Family Self-Sufficiency Agency Fund	Retainage Escrow Agency Fund	Total
	Handicap Scholarship Private Purpose Trust Fund	Hospital Redevelopment Private Purpose Trust Fund	Total			
<b>ASSETS</b>						
Cash and Investments	\$ 5	\$ 726	\$ 731	\$ 110	\$ 233	\$ 343
Interest Receivable	-	5	5	1	-	1
Total Assets	5	731	736	111	233	344
<b>LIABILITIES</b>						
Accounts Payable	-	3	3	111	-	111
Designated Escrow Payable	-	-	-	-	233	233
Total Liabilities	-	3	3	111	233	344
<b>NET ASSETS</b>						
Held in trust for other purposes	\$ 5	\$ 728	\$ 733	\$ -	\$ -	\$ -



**Combining Statement of Changes in Fiduciary Net Assets**

**Fiduciary Funds**

For the Year Ended June 30, 2002 (in thousands of dollars)

	Handicap Scholarship Private Purpose Trust Fund	Scottsdale Memorial Hospital Redevelopment Private Purpose Trust Fund	Total
<b>ADDITIONS</b>			
Contributions:			
Private Donations	\$ 2	\$ -	2
Refund of Land Purchase	-	290	290
Investment Earnings:			
Interest	-	25	25
Transfers In	1	-	1
<b>Total Additions</b>	<b>3</b>	<b>315</b>	<b>318</b>
<b>DEDUCTIONS</b>			
Scholarships	4	-	4
Redevelopment expenses	-	204	204
<b>Total Deductions</b>	<b>4</b>	<b>204</b>	<b>208</b>
<b>Change in Net Assets</b>	<b>(1)</b>	<b>111</b>	<b>110</b>
Net assets - beginning	6	617	623
Net assets - ending	<b>\$ 5</b>	<b>\$ 728</b>	<b>\$ 733</b>



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## **COMPONENT UNIT**

### **Scottswater Company, Inc. Component Unit**

The component unit financial statements accounts for the revenues and expenses incurred during the management and operation of a Central Arizona Project water treatment plant that, in conjunction with other City facilities, provides water and water services to Scottsdale citizens. The Company, prior to acquisition by the City had a fiscal year end of December 31, 2001.

## Discretely Presented Component Unit

### Statement of Net Assets

December 31, 2001 (in thousands of dollars)

	<u>Scottswater Company, Inc.</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	\$ 9
Total Current Assets	<u>9</u>
Total Assets	<u>\$ 9</u>
<b>LIABILITIES</b>	
Liabilities	
Accounts Payable	\$ 9
Total Current Liabilities	<u>9</u>
Total Liabilities	<u>9</u>
<b>NET ASSETS</b>	
Unrestricted	<u>-</u>
Total net assets	<u>\$ -</u>

## Discretely Presented Component Unit

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

For the Year Ended December 31, 2001 (in thousands of dollars)

	<u>Scottswater Company, Inc.</u>
Operating Revenues	
Water Service Fees	\$ 2,192
Total Operating Revenues	<u>2,192</u>
Operating Expenses	
Water Operations	1,051
Depreciation and Amortization	<u>133</u>
Total Operating Expenses	<u>1,184</u>
Operating Income	<u>1,008</u>
Non-Operating Revenues (Expenses)	
Investment Income	237
Interest Expense	<u>(387)</u>
Net Non-Operating Revenues (Expenses)	<u>(150)</u>
Net Income (Loss) Before Discontinued Operations	858
Discontinued Operations	
Purchase by City of Scottsdale	17,073
Loss on dissolution	<u>(8,167)</u>
Net Income (Loss) from Discontinued Operations	<u>8,906</u>
Change in Net Assets	9,764
Total Net Assets - beginning	<u>(9,764)</u>
Total Net Assets - ending	<u>\$ -</u>

## Discretely Presented Component Unit

### Statement of Cash Flows

For the Year Ended December 31, 2001 (in thousands of dollars)

	<u>Scottswater Company, Inc.</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,573
Cash paid to suppliers	(1,427)
Net Cash Provided by Operating Activities	<u>1,146</u>
Cash Flows from Non-Capital Financing Activities:	
Operating Transfers In	-
Operating Transfers Out	-
Property Tax	-
Net Cash Provided (Used) By Non-Cash Financing Activities	<u>-</u>
Cash Flows from Capital and Related Financing Activities:	
Contribution to City of Scottsdale	(2,921)
Principal Payments on Long-Term Debt	(14,635)
Interest Paid on Long-Term Debt	(447)
Sale of Assets	10,348
Net Cash Used By Capital and Related Financing Activities	<u>(7,655)</u>
Cash Flows from Investing Activities:	
Investments Income	237
Proceeds from Sale of Investments	2,902
Net Cash Provided By Investing Activities	<u>3,139</u>
Net Decrease in Cash and Cash Equivalents	(3,370)
Cash and Cash Equivalents at Beginning of Year	<u>3,379</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9</u>
Cash and Cash Equivalents At End of Year Includes:	
Cash and Investments	<u>\$ 9</u>
Total Cash and Cash Equivalents	<u>\$ 9</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating Income (Loss)	\$ 1,017
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Depreciation and Amortization	133
Share of partnership income	9
Changes in Assets and Liabilities Sources (Uses) of Cash:	
Accounts Receivable	386
Accounts Payable	(385)
Deferred Revenue	(14)
Total Adjustments	<u>129</u>
Net Cash Provided By Operating Activities	<u>\$ 1,146</u>

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**OTHER SUPPLEMENTARY INFORMATION**

**Debt Requirements**

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

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

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

For the Fiscal Year Ended June 30, 2002 (in thousands of dollars)

	July 1, 2001	Issued	Retired	Refunding Bonds Issued	Bonds Deceased	Accretions & Contract Adjustments	June 30, 2002	Governmental Fund Type	Business Fund Type	Final Payment Date
<b>GENERAL OBLIGATION BONDS</b>										
Governmental Fund Type:										
1989 Series B (1991)	\$ 3,310	\$ -	\$ 1,035	\$ -	\$ 2,275	\$ -	\$ -	\$ -	\$ -	07/01/02
1989 Series C (1992)	8,630	-	955	-	5,610	-	2,065	2,065	-	07/01/04
1993 Refunding	16,956	-	285	-	-	422	17,093	17,093	-	07/01/09
1989 Series D (1993)	13,735	-	890	-	-	-	12,845	12,845	-	07/01/13
1993A GO Refunding	20,577	-	2,645	-	-	282	18,214	18,214	-	07/01/11
1989 Series E (1994)	6,575	-	600	-	5,350	-	625	625	-	07/01/03
1994 Various Purpose	2,850	-	650	-	1,500	-	700	700	-	07/01/03
1995 GO / Pima Road	12,100	-	600	-	2,725	-	8,775	8,775	-	07/01/15
1997 Series H - Roads/ Strm Sew/ Pima	22,920	-	1,070	-	-	-	21,850	21,850	-	07/01/16
1997 GO Refunding	19,900	-	-	-	-	-	19,900	19,900	-	07/01/14
1989 Series I (1998)	18,630	-	755	-	-	-	17,875	17,875	-	07/01/18
1999A GO / Pima Road	23,725	-	850	-	-	-	22,875	22,875	-	07/01/19
1999 GO Preservation	57,575	-	1,300	-	32,375	-	23,900	23,900	-	07/01/24
2001 GO Preservation	35,000	-	920	-	-	-	34,080	34,080	-	07/01/24
2001 GO Refunding Various Purpose	-	-	295	22,862	-	-	22,567	22,567	-	07/01/24
2001 GO Refunding Preservation	-	-	-	28,293	-	-	28,293	28,293	-	07/01/24
2002 GO Various Purpose	-	28,000	-	-	-	-	28,000	28,000	-	07/01/24
2002 GO Preservation	-	40,000	-	-	-	-	40,000	40,000	-	07/01/24
2001 GO Series Deferred Issuance Premium	-	1,525	-	-	-	(115)	1,410	1,410	-	-
2001 GO Series Deferred Amount on Refunding	-	(2,486)	-	-	-	187	(2,299)	(2,299)	-	-
Subtotal	262,483	67,039	12,850	51,155	49,835	776	318,768	318,768	-	-
Business Type - General Obligation Bonds										
1993 Refunding	20,755	-	4,540	-	-	785	17,000	-	17,000	07/01/06
1993 A GO Refunding	1,315	-	-	-	-	-	1,315	-	1,315	07/01/06
Subtotal	22,070	-	4,540	-	-	785	18,315	-	18,315	-
Total General Obligation Bonds	\$ 284,553	\$ 67,039	\$ 17,390	\$ 51,155	\$ 49,835	\$ 1,561	\$ 337,083	\$ 318,768	\$ 18,315	-
<b>REVENUE BONDS</b>										
Governmental Fund Type										
Highway User Revenue Fund Bonds										
1993 HURF Refunding	\$ 15,660	\$ -	\$ 2,275	\$ -	\$ -	\$ -	\$ 13,385	\$ 13,385	\$ -	07/01/07
Subtotal	15,660	-	2,275	-	-	-	13,385	13,385	-	-
Business Type - Revenue Bonds										
1989 Utility Series B (1992)	3,365	-	220	-	-	-	3,145	-	3,145	07/01/12
1989 Utility Series C (1994)	885	-	205	-	-	-	680	-	680	07/01/05
1996 Utility Revenue Series Refunding	7,700	-	490	-	-	-	7,210	-	7,210	07/01/14
1989 Utility Series D (1998)	18,150	-	525	-	-	-	17,625	-	17,625	07/01/22
1989 Utility Series E (1998)	46,440	-	1,155	-	-	-	45,285	-	45,285	07/01/23
1996 Revenue Series Deferred Amount on Refunding	(338)	-	-	-	-	50	(288)	-	(288)	-
Subtotal	76,202	-	2,595	-	-	50	73,657	-	73,657	-
Total Revenue Bonds	\$ 91,862	\$ -	\$ 4,870	\$ -	\$ -	\$ 50	\$ 87,042	\$ 13,385	\$ 73,657	-

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



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

(continued here and on following page)

For the Fiscal Year Ended June 30, 2002 (in thousands of dollars)

	July 1, 2001	Issued	Retired	Refunding Bonds Issued	Bonds Deceased	Accretions & Contract & Contract Adjustments	June 30, 2002	Governmental Fund Type	Business Fund Type	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Fund Type:										
1992 Asset Transfer Refunding	\$ 33,720	-	1,860	-	-	-	31,860	31,860	-	11/01/14
1993 Refunding	15,435	-	3,560	-	-	-	11,875	11,875	-	07/01/05
1994 Refunding	3,080	-	975	-	-	-	2,105	2,105	-	07/01/04
1995 MPC Taxable Excise - TPC Land	2,480	-	100	-	-	-	2,380	2,380	-	07/01/15
1996 McCormick/Stillman Park	975	-	310	-	-	-	665	665	-	07/01/04
1998 Telephone, HRV Tech Bldg, Westworld	1,125	-	140	-	-	-	985	985	-	07/01/08
Subtotal	56,815	-	6,945	-	-	-	49,870	49,870	-	
Business Type - Municipal Property Corporation Bonds										
1995 Transfer Station	2,435	-	220	-	-	-	2,215	-	2,215	07/01/10
2001 Scottswater	-	10,500	1,160	-	-	-	9,340	-	9,340	07/01/08
2001 Scottswater Deferred Issuance Premium	-	262	-	-	-	(37)	225	-	225	
Subtotal	2,435	10,762	1,380	-	-	(37)	11,780	-	11,780	
Total Municipal Property Corporation Bonds	\$ 59,250	\$ 10,762	\$ 8,325	\$ -	\$ -	\$ (37)	\$ 61,650	\$ 49,870	\$ 11,780	
<b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>										
Governmental Fund Type:										
1997 Excise Tax Revenue	\$ 18,905	\$ -	\$ 515	\$ -	\$ 16,690	\$ -	\$ 1,700	\$ 1,700	\$ -	07/01/05
1998 Excise Tax Revenue	73,060	-	1,610	-	-	-	71,450	71,450	-	07/01/24
2001 Excise Tax Revenue	-	-	60	17,495	-	-	17,435	17,435	-	07/01/22
2001 Excise Tax Revenue Deferred Issuance Premium	-	-	-	128	-	(6)	122	122	-	
2001 Excise Tax Revenue Deferred Amount on Refunding	-	-	-	(777)	-	37	(740)	(740)	-	
Total Scottsdale Preserve Authority Bonds	\$ 91,965	\$ -	\$ 2,185	\$ 16,846	\$ 16,690	\$ 31	\$ 89,967	\$ 89,967	\$ -	
<b>SPECIAL ASSESSMENT BONDS</b>										
Governmental Fund Type:										
Old Scottsdale/West Main Series 94	\$ 105	\$ -	\$ 105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	01/01/02
Fifth Ave/Marshall Way Series 95	120	-	120	-	-	-	-	-	-	01/01/02
Section 31 Series 96	50	-	50	-	-	-	-	-	-	01/01/02
Pinnacle Vista Series 97	180	-	90	-	-	-	90	90	-	01/01/03
North Area Water Series 98	350	-	175	-	-	-	175	175	-	01/01/03
Adobe Miller Series 99	210	-	105	-	-	-	105	105	-	01/01/03
Craftsman Court Series 100	45	-	15	-	-	-	30	30	-	01/01/04
Bell Road Series 101	15	-	4	-	-	-	11	11	-	01/01/05
Desert Ranch Water Series 102	101	-	31	-	-	-	70	70	-	01/01/04
Desert Ranch Infrastructure Series 103	5,825	-	1,340	-	-	-	4,485	4,485	-	01/01/05
Pima Acres Paving & Drainage Series 105	680	-	85	-	-	-	595	595	-	01/01/09
Bell Road II Series 106	-	7,500	-	-	-	-	7,500	7,500	-	01/01/13
Total Special Assessment Bonds	\$ 7,681	\$ 7,500	\$ 2,120	\$ -	\$ -	\$ -	\$ 13,061	\$ 13,061	\$ -	

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

Schedule of Changes in Long-Term Debt\*

(continued)

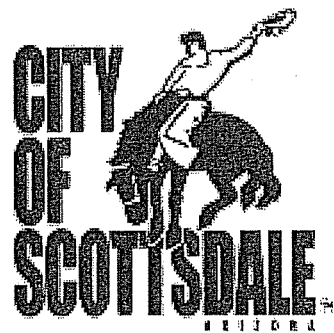
For the Fiscal Year Ended June 30, 2002 (in thousands of dollars)

	July 1, 2001	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions & Contract Adjustments	June 30, 2002	Governmental Fund Type	Business Fund Type	Final Payment Date
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Fund Type:										
Scottsdale Mountain Series 1993 A	\$ 2,715	\$ -	\$ -	\$ -	\$ 2,715	\$ -	\$ -	\$ -	\$ -	07/01/01
Scottsdale Mountain Series 1993 B	485	-	-	-	485	-	-	-	-	07/01/01
Scottsdale Mountain Series 1995	1,830	-	-	-	1,830	-	-	-	-	07/01/01
McDowell Mtn Ranch Refunding Series 1999	19,005	-	505	-	-	-	18,500	18,500	-	07/15/22
DC Ranch Series 1998	4,750	-	-	-	-	-	4,750	4,750	-	07/15/23
Via Linda Road Series 1999	3,225	-	-	-	-	-	3,225	3,225	-	07/15/23
DC Ranch Series 1999	3,085	-	-	-	-	-	3,085	3,085	-	07/15/24
Scottsdale Mountain Refunding Series 2002	-	-	-	5,375	-	-	5,375	5,375	-	07/15/18
Scottsdale Mountain 2002 Deferred Issuance Premium	-	-	-	40	-	-	40	40	-	-
Scottsdale Mountain 2002 Deferred Amount on Refunding	-	-	-	(546)	-	-	(546)	(546)	-	-
Total Community Facilities District Bonds	35,095	-	505	4,869	5,030	-	34,429	34,429	-	-
Total Bonds	\$ 570,406	\$ 85,301	\$ 35,395	\$ 72,870	\$ 71,555	\$ 1,605	\$ 623,232	\$ 519,480	\$ 103,752	-
<b>CONTRACTS PAYABLE</b>										
Governmental Fund Type:										
US Corps of Engineers	\$ 3,419	\$ -	\$ 56	\$ -	\$ -	\$ -	\$ 3,363	\$ 3,363	\$ -	2032
Dial Corporation	334	-	31	-	-	-	303	303	-	2008
US Patent Office	5	-	-	-	-	-	5	5	-	2009
McDowell Sonoran Preserve	8,535	-	535	-	-	-	8,000	8,000	-	2013
Bureau of Reclamation\Westworld	1,760	-	55	-	-	-	1,705	1,705	-	2032
Bureau of Reclamation\TPC	1,870	-	55	-	-	-	1,815	1,815	-	2035
Underground Improvement District Series 104	297	-	88	-	-	-	209	209	-	01/01/13
Anchor National Life / Portales	2,117	-	-	-	-	-	2,117	2,117	-	2005
Promenade	4,759	-	860	-	-	-	3,899	3,899	-	2007
Total Contracts	\$ 23,096	\$ -	\$ 1,680	\$ -	\$ -	\$ -	\$ 21,416	\$ 21,416	\$ -	-
<b>CAPITAL LEASES</b>										
Governmental Fund Type:										
Nordstrom Garage Lease	\$ 28,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,750	\$ 28,750	\$ -	2028
TOTAL BONDS, CONTRACTS AND CAPITAL LEASES	\$ 622,252	\$ 85,301	\$ 37,075	\$ 72,870	\$ 71,555	\$ 1,605	\$ 673,398	\$ 569,646	\$ 103,752	-
Compensated Absences								12,455	1,628	
Total Long-Term Debt							\$ 582,101	\$ 105,380		

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

## **Statistical Section**

THIS SECTION INCLUDES SELECTED FINANCIAL AND DEMOGRAPHIC INFORMATION FOR THE CITY AND SURROUNDING AREAS, GENERALLY PRESENTED ON A MULTI-YEAR BASIS.



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2001/2002  
CITY OF SCOTTSDALE, ARIZONA

Table I

## Government-wide Expenses by Function

One Fiscal Year (in thousands of dollars)

Fiscal Year	General Government	Police	Financial Services	Transportation	Community Services	Information Systems	Planning and Community Development	Fire
2002	\$ 26,982	\$ 52,719	\$ 7,464	\$ 72,159	\$ 53,325	\$ 10,821	\$ 18,269	\$ 16,494

Fiscal Year	Municipal Services	Citizen & Neighborhood Resources	Streetlight Districts	Interest on Long-Term Debt	Water Utility	Sewer Utility	Airport	Solid Waste Utility
2002	\$ 11,482	\$ 2,484	\$ 1,044	\$ 28,063	\$ 51,125	\$ 24,007	\$ 2,648	\$ 14,071

Total	
\$	393,157

Source:

City of Scottsdale Financial Services Department

Note:

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements.

Amounts represent the results of operations for the primary government only.

These amounts are presented on the accrual basis of accounting and include depreciation expense.

**Government-wide Revenues**

Table II

One Fiscal Year (in thousands of dollars)

Fiscal Year	Program Revenues			General Revenues					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Intergovernmental	Unrestricted Investment Earnings	Miscellaneous	Special Items	Total
2002	\$ 146,520	\$ 9,626	\$ 116,145	\$ 167,105	\$ 57,492	\$ 17,305	\$ 5,213	\$ 1,108	\$ 520,514

Source: City of Scottsdale Financial Services Department

## Note:

The City implemented GASB 34 for the fiscal year ended June 30, 2002. Prior statements have not been restated to comply with the new requirements.

Amounts represent the results of operations for the primary government only.

These amounts are presented on the accrual basis of accounting.

## General Governmental Expenditures by Function

## General, Special Revenue, and Debt Service Funds

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	General Government	Police	Financial Services	Transportation	Community Services	Information Systems	Planning and Community Development	Fire	Municipal Services	Citizen & Neighborhood Resources	Streetlight Districts	Debt Service	Total
1993	\$ 9,410	\$ 19,754	\$ 3,752	\$ 2,580	\$ 15,465	\$ 5,006	\$ 9,182	\$ 6,595	\$ 12,626	\$ -	\$ 449	\$ 29,205	\$ 114,024
1994	12,437	21,619	4,301	3,128	16,468	-	12,933	7,545	13,993	-	470	29,611	122,505
1995	13,977	24,226	4,496	3,878	18,256	-	14,002	8,435	14,283	-	458	31,221	133,232
1996	16,797	27,253	4,967	4,870	19,937	-	16,553	10,132	16,405	-	486	36,440	153,840
1997	17,449	30,745	5,389	7,551	30,961	-	18,117	10,906	8,853	-	523	38,923	169,417
1998	13,209	35,093	5,983	5,763	36,316	6,118	17,090	11,817	7,602	-	449	44,725	184,165
1999	15,074	37,752	6,359	6,999	40,758	7,357	18,419	12,844	9,077	-	966	53,229	208,834
2000	16,104	41,392	6,448	7,335	41,790	6,681	19,903	14,338	9,695	-	942	59,106	223,734
2001	17,504	45,860	6,685	16,192	45,620	7,017	21,598	15,307	11,328	-	977	57,836	245,924
2002	19,175	49,362	7,135	10,016	49,276	7,380	18,040	16,281	11,214	2,235	1,044	56,214	247,372

Source: City of Scottsdale Financial Services Department

## Note:

A departmental reorganization occurred in fiscal 1997/98. Prior years have not been recast. The Citizen & Neighborhood Resources Department was established in fiscal year 2001/02.

## General Governmental Revenues by Source

Table IV

General, Special Revenue, and Debt Service Funds  
Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Taxes <sup>(1)</sup>	Inter-Governmental Revenue	Special Assessments	Licenses	Charges For Services	Fines and Forfeitures	Property Rental and Interest Earnings	Streetlight Districts	Miscellaneous	Total
1993	\$ 55,214	\$ 31,525	\$ 4,941	\$ 739	\$ 7,587	\$ 1,720	\$ 4,565	\$ 514	\$ 9,421	\$ 116,226
1994	63,996	33,609	5,643	876	10,499	1,711	4,818	515	10,194	131,861
1995	71,635	36,649	5,514	950	12,410	1,990	6,365	543	10,896	146,952
1996	81,389	40,434	7,896	1,055	12,587	2,748	6,813	474	11,590	164,986
1997	89,086	48,583	6,696	1,107	14,424	3,344	6,000	505	12,748	182,493
1998	102,138	49,635	4,927	1,107	17,229	4,274	7,664	558	15,091	202,623
1999	141,067	54,920	4,357	1,237	17,227	5,192	6,581	964	17,135	248,680
2000	156,017	58,626	3,740	1,717	19,711	5,105	7,721	968	14,345	267,950
2001	162,567	71,054	3,026	1,676	19,877	4,894	7,888	973	15,026	286,981
2002	164,459	70,044	2,339	1,815	20,038	5,234	8,464	1,012	10,176	283,581

Source: City of Scottsdale Financial Services Department

## Tax Revenues by Source

Table V

General, Special Revenue, and Debt Service Funds  
Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Privilege & Use <sup>(1)</sup>	Transient Occupancy Tax	General Property	Franchise	In-Lieu Property	Total Taxes
1993	\$ 32,883	\$ 3,856	\$ 14,677	\$ 3,597	\$ 201	\$ 55,214
1994	37,741	4,465	17,666	3,885	239	63,996
1995	43,755	5,048	18,383	4,160	289	71,635
1996	49,476	5,702	21,396	4,533	282	81,389
1997	54,530	6,493	22,836	4,945	282	89,086
1998	61,771	7,096	27,663	5,332	276	102,138
1999	98,335	6,637	30,150	5,696	249	141,067
2000	110,069	7,235	32,591	5,891	231	156,017
2001	113,009	7,587	34,396	7,399	176	162,567
2002	111,698	6,691	38,413	7,461	196	164,459

Source: City of Scottsdale Financial Services Department

Note:

<sup>(1)</sup> Beginning in 1999, Privilege Tax for Transportation and McDowell Mountain were recorded in Special Revenue Funds. Prior to 1999, they were recorded in Capital Projects Funds. Prior years have not been recast. See also Table VI.

## Excise Tax Collections by Source

Table VI

**General, Special Revenue, and Debt Service Funds**  
 Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Privilege & Use - General	Privilege & Use - Transportation	Privilege & Use - McDowell Mtn	Transient Occupancy Tax	State Shared Sales	State Revenue Sharing	Light & Power Franchise
1993	\$ 32,883	\$ 6,226	\$ -	\$ 3,856	\$ 8,497	\$ 8,409	\$ 2,635
1994	37,741	7,205	-	4,465	9,210	8,479	2,822
1995	43,755	8,482	-	5,048	10,020	9,375	3,004
1996	49,476	9,522	9,085	5,702	10,676	9,936	3,187
1997	54,530	10,545	10,663	6,493	11,870	12,734	3,484
1998	61,771	11,963	12,168	7,096	12,537	14,387	3,769
1999	70,735	13,673	13,927	6,637	13,439	16,795	3,972
2000	78,649	15,880	15,540	7,235	14,772	18,637	4,314
2001	81,108	15,831	16,070	7,587	15,514	19,560	4,979
2002	80,297	15,587	15,814	6,691	15,621	21,142	5,238

Fiscal Year	Cable TV Franchise	Fire Insurance Franchise	Business Licenses & Fees	Development Permits & Fees	Recreation Fees	Fines & Forfeitures	Total
1993	\$ 819	\$ 143	\$ 738	\$ 5,970	\$ 1,617	\$ 1,721	\$ 73,514
1994	916	148	876	8,733	1,767	1,711	84,073
1995	1,003	152	950	10,590	1,820	1,990	96,189
1996	1,175	171	1,055	10,918	1,669	2,748	115,320
1997	1,275	186	1,107	12,019	2,405	3,344	130,655
1998	1,406	157	1,107	15,595	2,734	4,274	148,964
1999	1,552	172	1,237	14,311	2,916	5,192	164,558
2000	1,376	201	1,717	16,641	3,070	5,105	183,137
2001	2,147	273	1,676	16,850	3,027	4,894	189,516
2002	2,223	316	1,815	15,764	2,806	5,234	188,548

Source: City of Scottsdale Financial Services Department

Note:

Beginning in 1999 Privilege Tax for Transportation and McDowell Mountain are recorded in Special Revenue Funds. Prior to 1999 they were recorded in Capital Projects Funds.



## Privilege and Use Tax Collections by Category

Table VII

## General, Special Revenue, and Debt Service Funds

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Automotive	Construction	Food	Hotel	Major Department Stores	Misc. Retail	Other Tax	Rentals	Restaurants	Utilities	License Fees, Penalties, Interest & Refunds	Total
1993	\$ 5,283	\$ 5,612	\$ 2,908	\$ 2,585	\$ 4,497	\$ 6,655	\$ 2,288	\$ 3,872	\$ 2,734	\$ 1,868	\$ 807	\$ 39,109
1994	6,274	7,498	3,261	2,983	4,674	7,483	2,484	4,246	3,170	2,083	790	44,946
1995	7,010	10,322	3,682	3,373	4,755	8,707	2,785	4,816	3,591	2,335	861	52,237
1996	9,403	14,010	4,803	4,459	5,688	11,437	4,174	5,922	4,632	3,026	529	68,083
1997	10,494	16,078	5,571	5,035	5,765	12,160	5,189	6,677	4,930	3,390	449	75,738
1998	12,426	19,183	5,968	5,371	6,580	13,519	5,594	7,788	5,322	3,674	477	85,902
1999	14,533	23,876	7,292	5,332	6,173	15,592	6,118	9,178	5,852	3,966	423	98,335
2000	18,025	24,377	7,899	5,710	7,815	16,562	6,472	10,290	6,471	4,805	1,643	110,069
2001	20,297	22,733	7,194	6,296	8,456	16,925	6,850	11,537	7,313	5,245	163	113,009
2002	20,862	21,948	7,202	5,430	8,737	15,538	6,104	12,248	7,282	5,501	846	111,698

Source: City of Scottsdale Financial Services Department

Privilege and Use Tax Collections by Source <sup>(1)</sup>

Table VIII

General, Special Revenue and Debt Service Funds  
Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	General	Transportation <sup>(2)</sup>	McDowell Preserve <sup>(3)</sup>	Total
1993	\$ 32,883	\$ 6,226	\$ -	\$ 39,109
1994	37,741	7,205	-	44,946
1995	43,755	8,482	-	52,237
1996	49,476	9,522	9,085	68,083
1997	54,530	10,545	10,663	75,738
1998	61,771	11,963	12,168	85,902
1999	70,735	13,673	13,927	98,335
2000	78,649	15,880	15,540	110,069
2001	81,108	15,831	16,070	113,009
2002	80,297	15,587	15,814	111,698

Source: City of Scottsdale Financial Services Department

<sup>(1)</sup> 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.

<sup>(2)</sup> Transportation Privilege Tax Legislation became effective in 1990 and is restricted to use for transportation capital projects only.

<sup>(3)</sup> McDowell Preserve Privilege Tax Legislation became effective in 1996 and is restricted to use for acquisition of land for the McDowell Preserve.

## Property Tax Levies and Collections

Table IX

Last Ten Fiscal Years (in thousands of dollars)

Tax Year	Fiscal Year	Total Tax Levy	Current Tax Collections	% of Levy Collected	Delinquent Tax Collections	Future Year Tax Collections	Total Tax Collections	Total Collections % of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent % of Current Levy
1992	1993	15,475	14,125	91.3%	441	112	14,678	94.8%	1,355	8.8%
1993	1994	17,133	16,404	95.7%	1,226	36	17,666	103.1%	697	4.1%
1994	1995	20,273	18,993	93.7%	637	9	19,639	96.9%	728	3.6%
1995	1996	21,475	20,960	97.6%	623	19	21,602	100.6%	706	3.3%
1996	1997	24,408	23,862	97.8%	533	21	24,416	100.0%	553	2.3%
1997	1998	28,202	27,433	97.3%	503	20	27,956	99.1%	657	2.3%
1998	1999	30,304	28,993	95.7%	625	1	29,619	97.7%	783	2.6%
1999	2000	32,747	30,896	94.3%	890	-	31,786	97.1%	879	2.7%
2000	2001	32,581	31,230	95.9%	978	-	32,208	98.9%	960	2.9%
2001	2002	36,166	34,895	96.5%	964	-	35,859	99.2%	952	2.6%

Source: Maricopa County Treasurer's Office  
2002 Secured Tax Levy Report

Amounts represent property taxes recorded in the General, Debt Service and Self-Insurance Fund (beginning in 1995).

## Assessed and Estimated Actual Value of Taxable Property

Table Xa

Last Ten Fiscal Years (in thousands of dollars)

## COMPARATIVE ASSESSED VALUATION CLASSIFICATION

Fiscal Year	Real Estate	Improvements	Secured Personal	Unsecured Personal	Utilities Rails Wires	Gross Valuation	Exemptions	Net Taxable Valuation	Estimated Actual Valuation
1993 P	\$ -	\$ 1,187,256	\$ 20,121	\$ 86,391	\$ 60,551	\$ 1,354,318	\$ 446	\$ 1,353,872	\$ 9,421,433
S	568,715	643,542	20,121	86,391	60,569	1,379,337	448	1,378,889	9,557,639
1994 P	-	1,136,492	30,271	94,651	67,694	1,329,108	478	1,328,631	9,415,061
S	541,280	619,463	30,271	94,662	67,725	1,353,401	479	1,352,922	9,560,216
1995 P	-	1,175,121	32,826	93,393	70,031	1,371,372	456	1,370,916	9,913,549
S	537,114	666,182	32,826	93,393	70,058	1,399,573	447	1,399,126	10,081,538
1996 P	-	1,296,789	32,768	50,496	73,949	1,454,002	410	1,453,592	10,916,431
S	550,624	822,631	32,768	50,496	73,976	1,530,496	407	1,530,088	11,361,417
1997 P	-	1,484,460	39,384	45,358	101,115	1,670,317	122,496	1,547,821	11,615,286
S	625,326	909,635	39,384	45,358	101,143	1,720,846	129,045	1,591,801	11,869,943
1998 P	-	1,652,051	39,510	49,608	102,884	1,844,053	122,998	1,721,055	13,064,052
S	655,657	1,120,622	39,510	49,608	102,946	1,968,343	129,293	1,839,050	13,876,821
1999 P	-	1,867,600	41,123	50,270	99,765	2,058,758	120,569	1,938,189	14,824,243
S	786,999	1,257,665	41,123	50,270	99,825	2,235,882	133,530	2,102,352	14,875,966
2000 P	-	2,197,631	42,123	54,263	105,941	2,399,958	148,417	2,251,541	17,194,773
S	888,057	1,565,076	42,123	54,623	106,030	2,655,909	171,524	2,484,385	18,597,657
2001 P	-	2,505,879	41,290	75,333	110,584	2,733,086	126,116	2,606,970	19,705,159
S	-	2,831,301	41,290	75,333	110,715	3,058,639	143,258	2,915,381	21,770,704
2002 P	-	2,868,585	41,290	83,798	119,572	3,113,245	166,942	2,946,303	22,500,935
S	-	3,258,789	41,290	83,798	119,584	3,503,461	225,510	3,277,951	24,790,147

Source: AZ Department of Revenue/Property Tax Division, Abstract of the Assessment Roll 2001

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.

Beginning in 2001, Real Estate and Improvements are combined in the secondary valuation of the improvements total.

Assessed Values by Property Class

Table Xb

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Class 1 Mines, Utilities, Telecom., Comm. & Industrial	Class 2 Agricultural & Vacant Land	Class 3 Residential - Owner Occupied	Class 4 Residential - Leased & Common Areas	Class 5 Railroad, Private Car Co., & Airlines	Class 6 Historic, Non- Commercial Special Use	Class 7 Commercial Historic	Class 8 Residential Historic	Class 9 Improvements on Possessory Interest	Total Net Full Cash Assessed Value
1993 P	530,447	201,568	533,104	88,746	-	6	-	-	-	1,353,871
S	540,178	215,083	534,465	89,157	-	6	-	-	-	1,378,889
1994 P	510,029	186,349	552,152	80,086	-	6	-	-	7	1,328,629
S	521,916	193,931	554,901	82,161	-	6	-	-	7	1,352,922
1995 P	510,175	186,548	597,708	76,428	-	7	-	49	-	1,370,915
S	525,595	192,308	602,267	78,901	-	7	-	49	-	1,399,127
1996 P	506,734	170,989	688,356	87,279	-	174	-	-	59	1,453,591
S	549,166	186,704	694,908	98,650	-	600	-	-	59	1,530,087
1997 P	548,255	169,960	725,151	104,198	-	181	-	-	77	1,547,822
S	574,576	178,832	727,402	110,978	-	235	-	-	77	1,592,100
1998 P	588,375	161,690	859,920	110,800	-	195	-	-	77	1,721,057
S	639,829	176,979	900,682	121,287	-	195	-	-	77	1,839,049
1999 P	650,741	174,147	992,490	120,495	-	240	-	-	76	1,938,189
S	720,457	234,448	1,019,159	127,840	-	372	-	-	76	2,102,352
2000 P	763,432	198,745	1,132,548	156,291	-	525	-	-	-	2,251,541
S	875,189	269,034	1,172,250	166,530	-	1,382	-	-	-	2,484,385
2001 P	926,639	215,998	1,293,727	169,591	-	540	23	452	-	2,606,970
S	1,028,288	326,440	1,375,453	183,600	-	1,090	24	486	-	2,915,381
2002 P	1,014,713	233,757	1,515,221	182,336	-	277	-	-	-	2,946,304
S	1,111,891	352,574	1,618,041	195,031	-	414	-	-	-	3,277,951

The above classes were revised by Maricopa County for 2001 pursuant to HB 2634. Prior years were restated for comparison.

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

Property Class:	Percentage
1. Mines, Utilities, Telecommunications, Comm. & Industrial	25%
2. Agricultural & Vacant Land	16%
3. Residential - Owner Occupied	10%
4. Residential - Leased & Common Areas	10%
5. Railroads, Private Car Cos., Airlines	21%
6. Historic, Non-commercial Special Use	5%
7. Commercial Historic	25%
8. Residential Historic	10%
9. Improvements on Gov Property	1%

Sources:  
 Arizona Department of Revenue/Property Tax  
 Division Abstract of the Assessment Roll 2001  
 Maricopa County Department of Finance

Property Tax Rates - Direct and Overlapping Governments

Table Xia

Tax Rates Per \$100 Assessed Valuation  
Last Ten Fiscal Years

School Districts												
Fiscal Year	City of Scottsdale	Scottsdale Unified	Community College	Maricopa County	State of Arizona	Flood District	Central Arizona Project	Fire District	Library	EVIT	Education Equalization	Total
1993 P	0.4926	4.1373	0.7938	1.6039	0.4700	-	-	-	-	-	-	7.4976
S	0.6387	1.2120	0.0572	0.1409	-	0.3901	0.1400	0.0099	0.0426	-	-	2.6314
Total	1.1313	5.3493	0.8510	1.7448	0.4700	0.3901	0.1400	0.0099	0.0426	-	-	10.1290
1994 P	0.4940	4.3194	0.8532	1.5848	0.4700	-	-	-	-	-	-	7.7214
S	0.7812	1.5225	-	0.1878	-	0.3632	0.1400	0.0104	0.0417	-	-	3.0468
Total	1.2752	5.8419	0.8532	1.7726	0.4700	0.3632	0.1400	0.0104	0.0417	-	-	10.7682
1995 P	0.5987	4.5296	0.8934	1.2394	0.4700	-	-	-	-	-	0.5300	8.2611
S	0.8623	1.4114	-	0.0032	-	0.3632	0.1400	0.0107	0.0417	0.0554	-	2.8879
Total	1.4610	5.9410	0.8934	1.2426	0.4700	0.3632	0.1400	0.0107	0.0417	0.0554	0.5300	11.1490
1996 P	0.5477	4.6058	0.9455	1.1580	0.4700	-	-	-	-	-	0.5300	8.2570
S	0.8832	1.4597	0.1675	0.1464	-	0.3332	0.1400	0.0108	0.0099	0.0693	-	3.2200
Total	1.4309	6.0655	1.1130	1.3044	0.4700	0.3332	0.1400	0.0108	0.0099	0.0693	0.5300	11.4770
1997 P	0.6480	4.3390	0.9772	1.1054	-	-	-	-	-	-	0.5300	7.5996
S	0.9032	1.5526	0.0704	0.1575	-	0.3425	0.1400	0.0109	0.0421	0.1616	-	3.3808
Total	1.5512	5.8916	1.0476	1.2629	-	0.3425	0.1400	0.0109	0.0421	0.1616	0.5300	10.9804
1998 P	0.5763	4.1859	0.9747	1.1265	-	-	-	-	-	-	0.5300	7.3934
S	0.9941	1.5365	0.1599	0.1364	-	0.3425	0.1400	0.0105	0.0421	0.1216	-	3.4836
Total	1.5704	5.7224	1.1346	1.2629	-	0.3425	0.1400	0.0105	0.0421	0.1216	0.5300	10.8770
1999 P	0.5477	4.2161	0.9866	1.1472	-	-	-	-	-	-	0.5300	7.4276
S	0.9365	1.5842	0.1259	0.1312	-	0.3270	0.1400	0.0103	0.0421	0.1320	-	3.4292
Total	1.4842	5.8003	1.1125	1.2784	-	0.3270	0.1400	0.0103	0.0421	0.1320	0.5300	10.8568
2000 P	0.5450	4.3726	0.9741	1.1884	-	-	-	-	-	-	0.5217	7.6018
S	0.8318	1.3965	0.1544	0.1085	-	0.2858	0.1400	0.0100	0.0421	0.1217	-	3.0908
Total	1.3768	5.7691	1.1285	1.2969	-	0.2858	0.1400	0.0100	0.0421	0.1217	0.5217	10.6926
2001 P	0.5289	4.0442	0.9691	1.1641	-	-	-	-	-	-	0.5123	7.2186
S	0.6577	1.4113	0.1503	0.1152	-	0.2534	0.1300	0.0096	0.0421	0.1186	-	2.8882
Total	1.1866	5.4555	1.1194	1.2793	-	0.2534	0.1300	0.0096	0.0421	0.1186	0.5123	10.1068
2002 P	0.4858	4.0781	0.9583	1.1832	-	-	-	-	-	-	0.4974	7.2028
S	0.6667	1.3597	0.1524	0.0876	-	0.2319	0.1300	0.0091	0.0421	0.1120	-	2.7915
Total	1.1525	5.4378	1.1107	1.2708	-	0.2319	0.1300	0.0091	0.0421	0.1120	0.4974	9.9943

Scottsdale residents residing outside Scottsdale Unified School District:

School District	2000/2001 Tax Rate Total
Balsz Elementary	\$12.87
Cave Creek	9.56
Fountain Hills	10.78
Paradise Valley	11.67
Tempe	12.05

Source: Arizona Tax Research Foundation "2001 Property Tax Rates and Assessed Values"

Property Tax Levies - Direct and Overlapping Governments

Table Xib

Tax Levies  
Last Ten Fiscal Years (in thousands of dollars)

School Districts														
Fiscal Year	City of Scottsdale	Scottsdale Unified	Community College	Maricopa County	State of Arizona	Flood District	Central Arizona Project	Fire District	Library	East Valley Institute of Technology	Education Equalization	Total		
1993 P	\$ 6,669	\$ 62,866	\$ 108,004	\$ 218,224	\$ 63,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459,709		
S	8,807	18,650	7,898	19,461	-	39,254	19,332	1,367	5,883	1,587	-	122,239		
TOTAL	15,476	81,516	115,902	237,685	63,946	39,254	19,332	1,367	5,883	1,587	-	581,948		
1994 P	6,564	63,549	113,440	140,248	62,492	-	-	-	-	-	70,470	456,763		
S	10,569	22,690	-	25,360	-	35,142	18,906	1,404	5,631	3,596	-	123,298		
TOTAL	17,133	86,239	113,440	165,608	62,492	35,142	18,906	1,404	5,631	3,596	70,470	580,061		
1995 P	8,208	67,793	118,842	164,865	62,521	-	-	-	-	-	70,502	492,731		
S	12,064	21,559	-	428	-	35,319	18,930	1,447	5,638	2,864	-	98,249		
TOTAL	20,272	89,352	118,842	165,293	62,521	35,319	18,930	1,447	5,638	2,864	70,502	590,980		
1996 P	7,961	71,686	127,583	156,257	63,421	-	-	-	-	-	71,517	500,816		
S	13,514	23,677	23,643	20,671	-	36,078	19,767	1,518	1,398	1,452	-	141,718		
TOTAL	21,475	95,363	151,226	176,928	63,421	36,078	19,767	1,518	1,398	3,843	71,517	642,534		
1997 P	10,031	71,235	136,570	154,487	-	-	-	-	-	3,232	74,071	449,626		
S	14,378	26,054	10,100	22,590	-	38,118	20,080	1,567	6,038	6,120	-	145,045		
TOTAL	24,409	97,289	146,670	177,077	-	38,118	20,080	1,567	6,038	9,352	74,071	594,671		
1998 P	9,919	75,973	146,259	169,046	-	-	-	-	-	3,673	79,533	484,403		
S	18,283	29,651	25,144	21,447	-	42,339	22,013	1,646	6,620	4,275	-	171,418		
TOTAL	28,202	105,624	171,403	190,493	-	42,339	22,013	1,646	6,620	7,948	79,533	655,821		
1999 P	10,615	82,281	158,026	183,750	-	-	-	-	-	4,247	84,892	523,811		
S	19,689	32,607	21,174	22,059	-	44,670	23,537	1,737	7,078	5,130	-	177,681		
TOTAL	30,304	114,888	179,200	205,809	-	44,670	23,537	1,737	7,078	9,377	84,892	701,492		
2000 P	12,204	96,625	170,116	207,541	-	-	-	-	-	3,970	91,109	581,565		
S	20,543	33,734	28,833	20,264	-	44,311	26,148	1,874	7,863	5,922	-	189,492		
TOTAL	32,747	130,359	198,949	227,805	-	44,311	26,148	1,874	7,863	9,892	91,109	771,057		
2001 P	13,653	99,482	187,643	225,397	-	-	-	-	-	4,786	99,193	630,154		
S	18,928	38,232	31,377	24,051	-	44,309	27,141	1,997	8,790	6,155	-	200,980		
TOTAL	32,581	137,714	219,020	249,448	-	44,309	27,141	1,997	8,790	10,941	99,193	831,134		
2002 P	14,313	110,638	204,648	252,676	-	-	-	-	-	5,198	106,221	693,694		
S	21,853	40,515	34,930	20,072	-	45,323	29,787	2,086	9,646	6,259	-	210,471		
TOTAL	36,166	151,153	239,578	272,748	-	45,323	29,787	2,086	9,646	11,457	106,221	904,165		

Source: Maricopa County 2001 Tax Levy, Maricopa County Department of Finance Internet site on 10/15/2001.

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 state districts.

## Principal Taxpayers

Table XII

June 30, 2002

Taxpayer	Type of Business	Assessed Valuation (in thousands of dollars)	% of Secondary Assessed Valuation
Arizona Public Service Company	Gas and Electric Utility	\$ 46,335	1.41%
Scottsdale Fashion Square	Shopping Center	45,331	1.38%
Qwest Communications, Inc.	Telecommunications	27,960	0.85%
First American Tax Valuation	Resort	23,113	0.71%
Motorola Inc.	Industrial Park	23,012	0.70%
Gainey Drive Associates	Resort	18,339	0.56%
Southwest Gas Corporation	Gas Utility	12,123	0.37%
Scottsdale Fiesta Plaza	Shopping Center	12,218	0.37%
Massachusetts Mutual Life Ins. Co.	Resort	9,842	0.30%
Wyndham International	Resort	9,276	0.28%
		\$ 227,549	6.94%

Source: The City of Scottsdale's Property Tax Auditor, as obtained from the Arizona Department of Revenue, CVP Department and the 2001 Maricopa County Treasurer's Roll.

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 2001/02 secondary assessed valuation of the Salt River Project within the City is \$17,102,624. The estimated secondary in lieu contribution is \$202,864.



## Special Assessment Billings and Collections

Table XIII

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Special Assessments Billed	Current Assessments Collected	Ratio of Collections to Amount Due	Total Outstanding Current and Delinquent Assessments
1993	\$ 4,922	\$ 4,893	99.4%	\$ 29
1994	5,646	5,599	99.2%	47
1995	6,436	6,404	99.5%	32
1996	7,488	7,467	99.7%	21
1997	5,853	5,833	99.7%	20
1998	4,432	4,412	99.5%	20
1999	3,630	3,614	99.6%	16
2000	3,274	3,226	98.5%	48
2001	2,674	2,626	98.2%	48
2002	1,988	1,983	99.7%	58

Source: City of Scottsdale Financial Services Department

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

**Ratio of Net General Obligation Bonded Debt to Assessed Value  
and Net Bonded Debt Per Capita**

**Table XIV**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Assessed Value</b>	<b>Population June 30</b>	<b>General Obligation Bonded Debt</b>	<b>Less Fund Balance Reserved for Debt Service</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1993	\$ 1,378,884,764	143,880	\$ 80,300,000	\$ 3,021,190	\$ 77,278,810	5.6%	\$ 537.11
1994	1,352,922,237	154,960	110,965,000	3,478,905	107,486,095	7.9%	693.64
1995	1,399,126,179	168,176	121,915,000	342,402	121,572,598	8.7%	722.89
1996	1,530,088,317	172,820	131,340,000	829,933	130,510,067	8.5%	755.18
1997	1,591,801,942	180,240	152,235,000	588,100	151,646,900	9.5%	841.36
1998	1,839,050,044	189,060	165,140,000	2,270,562	162,869,438	8.9%	861.47
1999	2,102,351,943	197,250	182,200,000	4,305,508	177,894,492	8.5%	901.87
2000	2,484,385,416	202,705	237,609,000	1,993,643	235,615,357	9.5%	1,162.36
2001	2,877,733,056	210,770	262,484,000	5,158,963	257,325,037	8.9%	1,220.88
2002	3,277,950,767	215,320	319,657,000	8,448,962	311,208,038	9.5%	1,445.33

Source: City of Scottsdale Financial Services Department

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.

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

**Computation of Legal Debt Margins**

**Table XV**

June 30, 2002 (in thousands of dollars)

Net Secondary Assessed Valuation as of June 30, 2002	\$	3,277,951
Debt Limit Equal to 20% of Assessed Valuation		655,590
<p>General Obligation Bonded Debt Subject to 20% Debt Limit (net of amounts available in Debt Service Funds for payment on July 1, 2002):</p>		
1989 Series C (1992)	\$	385
1993 Refunding		12,706
1989 Series D (1993)		12,845
1993A Refunding		14,655
1995 Storm Sewer & Streets		8,775
1997 Series H Storm Sewer		6,000
1997 GO Refunding		17,405
1989 GO Series I (1998)		4,500
1999A GO Series		7,803
1999 Preservation GO		23,900
2001 Preservation GO		34,080
2001 Refunding		47,155
2002 GO Series		55,000
		<hr/>
Net Outstanding Bonded Debt Subject to 20% Limit		245,209
<b>Legal 20% Debt Margin (Available Borrowing Capacity)</b>	<b>\$</b>	<b>410,381</b>
Debt Limit Equal to 6% of Assessed Valuation	\$	196,677
<p>General Obligation Bonded Debt Subject to 6% Debt Limit (net of amounts available in Debt Service Funds for payment on July 1, 2002):</p>		
1989 Series C (1992)	\$	1,680
1993 GO Refunding		12,429
1993A Refunding		2,826
1989 Series E (1994)		625
1994 Various Purpose		700
1997 Series H Pima Road		12,650
1997 Series H Roads		3,200
1997 GO Refunding		2,495
1989 Series I (1998)		13,375
1999A Streets		11,563
1999A Pima Road		3,509
2001 Refunding		3,705
2002 GO Series		13,000
		<hr/>
Net Outstanding Bonded Debt Subject to 6% Limit		81,757
<b>Legal 6% Debt Margin (Available Borrowing Capacity)</b>	<b>\$</b>	<b>114,920</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> The computation of legal debt margins excludes premium on capital appreciation bonds.

<sup>(3)</sup> 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.

**Summary of General Governmental Bond  
Expenditures and Debt Ratios**

**Table XVI**

Last Ten Fiscal Years (in thousands of dollars)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Governmental Operating Expenditures</b>	<b>Ratio of Total Debt Service To Total Operating Expenditures</b>
1993	\$ 6,045	\$ 4,587	\$ 10,632	\$ 114,024	9.32%
1994	4,585	4,897	9,482	122,505	7.74%
1995	5,050	6,860	11,910	134,366	8.86%
1996	5,575	7,493	13,068	153,841	8.49%
1997	6,605	8,064	14,669	169,417	8.66%
1998	8,140	8,394	16,534	184,165	8.98%
1999	8,140	9,099	17,239	211,051	8.17%
2000	10,400	12,555	22,955	223,734	10.26%
2001	11,150	13,038	24,188	245,924	9.84%
2002	12,850	15,407	28,257	251,142	11.25%

Source: City of Scottsdale Financial Services Department

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.

Includes total expenditures of the General, Special Revenue, and Debt Service Funds.

## Summary of Water and Sewer Utility Bond Expense and Debt Ratios

Table XVII

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Operating Revenue	Operating & Maintenance Expenses	Net Operating Revenue	Development Fee Revenue	Total Net Revenue	Revenue Bond Expense	General Obligation Bond Expense	Total Bond Expense
1993	\$ 38,535	\$ 26,114	\$ 12,421	\$ 10,040	\$ 22,461	\$ 1,794	\$ 2,586	\$ 4,380
1994	49,233	33,423	15,810	12,377	28,187	2,672	3,124	5,796
1995 <sup>(1)</sup>	56,900	31,738	25,162	14,934	40,096	3,216	3,927	7,143
1996	68,523	39,422	29,101	15,821	44,922	2,898	3,987	6,885
1997	74,708	41,621	33,087	18,896	51,983	3,231	3,402	6,633
1998	76,468	42,056	34,412	27,463	61,875	4,375	2,112	6,487
1999	85,411	49,264	36,147	32,723	68,870	7,951	3,527	11,478
2000	83,305	46,953	36,352	24,581	60,933	7,436	4,367	11,803
2001	87,417	53,421	33,996	26,361	60,357	6,538	5,290	11,828
2002	97,802	49,840	47,962	15,087	63,049	6,535	5,345	11,880

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 Revenue Bond Expense	Ratio of Total Net Revenue to Revenue Bond Expense	Revenue Bond Indenture Required Ratio
1993	5.13	2.84	6.92	12.52	1.20
1994	4.86	2.73	5.92	10.55	1.20
1995 <sup>(1)</sup>	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
1998	9.54	5.30	7.87	14.14	1.20
1999	6.00	3.15	4.55	8.66	1.20
2000	5.16	3.08	4.89	8.19	1.20
2001	5.10	2.87	5.20	9.23	1.20
2002	5.31	4.04	7.34	9.65	1.20

Source: City of Scottsdale Financial Services Department

Revenue - includes all operating revenues and interest earnings recorded in the Water and Sewer Utility Enterprise Fund.

Expenses - includes total operating expenses and interest expense of the Water and Sewer Utility Enterprise Fund, excluding depreciation and amortization.

<sup>(1)</sup>1995 interest expense has been restated to reflect an accounting adjustment.

**Total Direct and Overlapping General Obligation Debt**

**Table XVIII**

(in thousands of dollars)

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:

<b>Name of Governmental Unit</b>	<b>Net Bonds Outstanding</b>	<b>% Applicable within the City of Scottsdale</b>	<b>\$ Applicable within the City of Scottsdale</b>
Maricopa County	\$ 58,205	14.3348%	\$ 8,344
Maricopa County Community College District	322,105	13.7838%	44,398
Tempe Elementary School District No. 3	73,885	0.0001%	-
Balsz Elementary School District No. 31	20,895	0.3278%	68
Scottsdale Unified School District No. 48	298,925	53.1420%	158,855
Paradise Valley Unified School District No. 69	320,800	14.7843%	47,428
Cave Creek Unified School District No. 93	78,905	11.8241%	9,330
Fountain Hills Unified School District No. 98	35,305	0.0162%	6
Phoenix Union High School District No. 210	206,245	0.0000%	-
East Valley Institute of Technology District No. 401	22,805	35.5215%	8,102
Scottsdale Mountain Community Facilities District	5,375	100.0000%	5,375
McDowell Mountain Community Facilities District	18,500	100.0000%	18,500
DC Ranch Community Facilities District	7,835	100.0000%	7,835
Via Linda Road Community Facilities District	3,225	100.0000%	3,225
<b>Total Overlapping Debt</b>			<b>311,466</b>
City of Scottsdale	319,657	100.0000%	319,657
<b>Total Direct and Overlapping Debt</b>			<b>\$ 631,123</b>

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

## Demographic Statistics

Table XIX

Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Per Capita Income <sup>(1)</sup>	Median Age <sup>(1)</sup>	School Enrollment <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
1993	143,880	\$ 27,400	39.1	21,130	3.6%
1994	154,960	28,800	39.1	22,096	3.4
1995	168,176	30,300	39.1	24,089	2.5
1996	172,820	31,900	39.1	24,467	2.6
1997	180,240	33,600	39.7	25,103	2.1
1998	189,060	35,400	39.7	26,011	1.9
1999	197,250	37,200	39.7	26,796	2.1
2000	202,705	39,158	41.0	25,985	1.9
2001	210,770	41,200	41.0	26,101	2.8
2002	215,320	43,400	41.0	26,051	3.8

Sources:

<sup>(1)</sup> City of Scottsdale Planning staff<sup>(2)</sup> 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.)<sup>(3)</sup> Arizona Department of Economic Security - Arizona Unemployment Statistics Program Special Unemployment Final Report

**Property Value and Construction**

**Table XX**

Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year	Property Value <sup>(1)</sup>			Commercial Construction <sup>(2)</sup>		Residential Construction <sup>(2)</sup>	
	Commercial	Residential	Nontaxable	Number of Permits	Value	Number of Dwelling Units	Value
1993	\$ 3,474,553	\$ 6,083,107	\$ 677,123	\$ 2,489	\$ 89,192	\$ 4,663	\$ 618,384
1994	3,265,815	6,294,430	671,710	2,516	153,331	4,595	593,418
1995	3,269,864	6,810,085	743,351	2,751	162,541	4,954	652,363
1996	3,345,470	8,024,934	735,698	2,923	152,488	4,449	607,708
1997	3,400,495	8,448,076	723,545	3,275	305,836	4,451	621,891
1998	3,658,231	10,217,960	806,235	3,512	595,530	5,102	792,477
1999	4,352,786	9,951,148	2,351,799	3,665	437,945	4,486	775,957
2000	5,209,857	13,386,035	923,343	3,296	294,157	4,134	743,286
2001	6,175,315	15,670,793	844,520	2,957	291,003	3,325	615,942
2002	6,651,152	18,219,402	1,307,018	2,464	247,372	2,019	453,430

Source:

(1) Arizona Department of Revenue 2000 Abstract of the Assessment Roll

(2) City of Scottsdale Planning and Development Services Department Building Inspection Services



## Schedule of Insurance

Table XXI

June 30, 2002

Carrier	Policy Description	Amount of Coverage
St. Paul Insurance Group	Property Insurance Repair or Replace \$50,000 Deductible	Various Limits By Peril
Kemper Group and various layers of coverage	Excess Liability Coverage \$1,000,000 Deductible Per Occurrence	\$75,000,000 Per Occurrence and Aggregate
AIG Aviation	Airport Premises and Hangarkeepers Liability	\$100,000,000 Per Occurrence and Aggregate
AIG Group	Excess Workers' Compensation Coverage \$250,000 Deductible each Occurrence	Statutory
Kemper Group	Fidelity/Crime Insurance \$25,000 Deductible	\$5,000,000 Annual Maximum Amount

Source: City of Scottsdale Financial Services Department Risk Management Division

## Salaries and Surety Bonds of Principal Officials

Table XXII

For Fiscal Year Ended June 30, 2002

Official Title	Salary	Bond
Mayor	\$ 36,000	\$ 1,000,000*
Councilmen (6)	18,000	included in above
City Manager/City Treasurer	161,741	included in above
City Clerk	79,664	included in above
City Attorney	125,362	included in above
City Judge	121,805	included in above
City Auditor	97,552	included in above

\*annual maximum amount

Employee Dishonesty and Computer/Wire Fraud Coverage	
Employee Dishonesty Coverage - All City Employees	\$5,000,000 annual maximum amount
Computer/Wire Fraud Coverage - Accounting Staff With Wire Transfer Authority	\$5,000,000 annual maximum amount

Source: City of Scottsdale Financial Services Department

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

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
2000 Census	202,705
2002 Est. 6/30/02	215,320



Area (Square Miles)	
1951	.62
1961	8.80
1970	62.20
1975	85.80
1979	88.60
1982	113.60
1986	183.60
1987	184.00
1988	184.60
1990	184.60
2000	184.60
2001	184.60
2002	184.60

**Miles of Sewers**

Storm ..... 68.7  
 Sanitary ..... 1,155

**Fire Protection**

Number of Stations ..... 10

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 ..... 529  
 Number of Traffic Citations (Excluding parking and Criminal) ..... 38,276  
 Number of Photo Radar Citations (Began Photo Radar in Jan. 1997) ..... 17,114  
 Number of Vehicles ..... 261

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

**Recreation**

Parks - Developed parks acreage ..... 869  
 Number of Swimming Pools ..... 3  
 Number of Other Recreation Facilities ..... 60

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

**Water Enterprise**

Number of Water Customers ..... 79,696  
 Annual Consumption (Gallons) ..... 25,694,000,000  
 System Capacity (Gallons Per Day) ..... 148,466,880  
 Miles of Distribution Lines ..... 1,738

**Number of Streetlights** ..... 9,510

**Employees as of June 30, 2002**

Full-Time ..... 1,846  
 Part-Time ..... 396  
 Grant and Trust funded - (# is included in full/part-time totals) ..... 42  
 Total ..... 2,242

**Elections**

Number of registered voters as of last general election, March 2002 ..... 110,664  
 % of registered voters voting in last municipal election ..... 16.64%

**Population**

Median Age of Residents ..... 42.1  
 Median Household Income (2000 Special Census) ..... \$57,500  
 Median Home Value - Single Family ..... \$220,800

Source: City of Scottsdale Financial Services Department