

# OFFICIAL STATEMENT

**\$61,000,000**  
**City of Glendale, Arizona**  
**General Obligation Bonds**  
**Series 2007**



Bonds Maturing July 1, 2020 and July 1, 2022  
are Insured by:



## MATURITY SCHEDULE

Years Maturing (July 1)	Principal Amount	Interest Rate*	Price or Yield*	CUSIP® (base 378280)
2008	\$3,090,000	4.000%	3.730%	RA1
2009	3,130,000	4.000	3.800	RB9
2010	3,255,000	4.000	3.850	RC7
2011	3,385,000	4.250	3.900	RD5
2012	3,520,000	4.250	3.950	RE3
2013	3,660,000	4.250	4.000	RF0
2014	3,805,000	4.250	4.050	RG8
2015	3,960,000	4.250	4.090	RH6
2016	4,120,000	4.250	4.130	RJ2
2017	4,290,000	4.500	4.180	RK9
2018	4,485,000	5.000	4.250	RL7
2019	4,710,000	5.000	4.290	RM5
2020	4,945,000	4.500	4.480	RN3
2021	5,195,000	5.000	4.360	RP8
2022	5,450,000	4.500	4.540	RQ6

\*As provided by Lehman Brothers.

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**\$61,000,000**  
**City of Glendale, Arizona**  
**General Obligation Bonds**  
**Series 2007**

NEW ISSUE - BOOK ENTRY ONLY

Ratings Received:  
Moody's: Aa2  
Standard & Poor's: AA  
Bonds maturing in years 2020 and 2022 insured by MBIA are rated as follows:  
Moody's: Aaa  
Standard & Poor's: AAA  
See "RATINGS" herein

Dated: As of Date of Delivery

Due: July 1 as shown on inside cover

The City of Glendale, Arizona General Obligation Bonds Series 2007 (the "Bonds") are to be issued by the City of Glendale, Arizona (the "City") for the purpose of making certain improvements within the City as described in this Official Statement. The Bonds are issued only as fully registered bonds without coupons, in denominations of \$5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only and purchasers of the Bonds will not receive certificates representing their interest in the Bonds.

Interest on the Bonds is payable semiannually on January 1 and July 1 of each year commencing January 1, 2008 by check or draft mailed to the registered owner thereof. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on each Bond will be payable by Bank of New York Trust Company, N.A. as the authenticating agent, bond registrar, transfer agent, and paying agent (the "Bond Registrar"), to DTC which is required, in turn, to remit such principal and interest to the DTC Participants, which are required, in turn, to remit such principal and interest to the Indirect DTC Participants or the Beneficial Owners of the Bonds, all as described herein.

**The Bonds are subject to redemption prior to their stated maturities as described herein.**

The Bonds are direct and general obligations of the City and are payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property therein without limitation as to rate or amount. See "THE BONDS - Security and Sources of Payment."

Payment of principal of and interest on Bonds maturing on July 1, 2020 and July 1, 2022 will be insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds. See "THE BONDS - Bond Insurance."



In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Bonds (as defined herein) is excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, see "TAX CONSIDERATIONS" herein for description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that assuming interest is so excludable for federal income tax purposes, the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona.

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors should read the entire Official Statement to obtain information necessary to making an informed investment decision with respect to the Bonds.

*The Bonds are offered when, as and if issued and received by the Underwriter, and subject to approval of legality by Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel. It is expected that the Bonds will be available for delivery to DTC, in New York, New York on July 12, 2007.*

No person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Any information, estimates and/or expressions of opinion herein are subject to change without notice. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

This Official Statement is not to be construed as a contract with the successful bidder(s) (the "Purchaser(s)") for purchase of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from the City and from the other sources referenced throughout this Official Statement which are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information received from parties other than the City.

Upon issuance, the Bonds will not be registered by the City or the Purchaser under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The City has covenanted to undertake the provisions of continuing disclosure as described in this Official Statement under "CONTINUING DISCLOSURE UNDERTAKING" and in Appendix D - Form of Continuing Disclosure Undertaking, all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE INITIAL PURCHASER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE INITIAL PURCHASER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE INITIAL PURCHASER MAY ENGAGE IN TRANSACTIONS INTENDED TO OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

# CITY OF GLENDALE, ARIZONA

## CITY COUNCIL

Elaine M. Scruggs, Mayor

Manuel D. Martinez , V. Mayor - Cholla District

David M. Goulet - Ocotillo District

H. Philip Lieberman - Cactus District

Yvonne J Knaack - Barrel District

Steven E. Frate - Sahuaro District

Joyce V. Clark - Yucca District

## CITY ADMINISTRATIVE OFFICERS

Edward Beasley, City Manager

Pamela J. Kavanaugh, Assistant City Manager

Kenneth A. Reedy, Deputy City Manager

Arthur R. Lynch, Deputy City Manager

Gloria Santiago-Espino, Deputy City Manager

Horatio Skeete, Deputy City Manager

Craig Tindall, City Attorney

Pam Hanna, City Clerk

Raymond H. Shuey, Finance Director / Chief Financial Officer

## SPECIAL SERVICES

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602-445-8464

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Boulder City, Nevada 89005  
702-294-5100

### **REGISTRAR/PAYING AGENT**

Bank of New York Trust Company N.A.  
1225 W. Washington Street, Suite 126  
Tempe, AZ 85281  
602-629-2865

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**\$61,000,000**  
**City of Glendale, Arizona**  
**General Obligation Bonds**  
**Series 2007**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover pages and the appendices attached hereto, is to set forth certain information concerning the City of Glendale, Arizona (the "City" and the "State" respectively) in connection with the sale of its \$61,000,000 City of Glendale, Arizona, General Obligation Bonds, Series 2007 (the "Bonds"). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or material used in connection with the offer or sale of the Bonds. Accordingly, Bond purchasers should read this entire Official Statement before making their investment decision.

All information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The City warrants that all material in this Official Statement which relates to the City contains no material misrepresentation of fact and does not omit any material statement of fact which, in light of the circumstances under which this Official Statement is made, could be misleading. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and, except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes ("A.R.S.") or uncodified, or to the Arizona Constitution, or the Charter of the City (the "Charter"), are references to current provisions. Those provisions may be amended, repealed or supplemented.

**Professionals**

Greenberg Traurig, LLP, Phoenix, Arizona, is serving as Bond Counsel to the City in connection with the Bonds. See "LEGAL MATTERS". The City's financial advisor in connection with the Bonds is JNA Consulting Group, LLC, Boulder City, Nevada. See "FINANCIAL ADVISOR". Bank of New York Trust Company N.A. will act as the Registrar and Paying Agent for the Bonds. The fees being paid to Bond Counsel and the Financial Advisor are contingent upon the execution and delivery of the Bonds.

## THE BONDS

### Authorization and Purpose

The Bonds are authorized and are issued pursuant to Title 35, Chapter 3, Article 3 and 4, A.R.S., as amended, and are being offered by the City under the terms of an Ordinance (the "Bond Ordinance") adopted by the City Council on June 26, 2007. The Bonds are being issued for the purpose of acquisition, improvement and equipment of a variety of projects relating to: government facilities, public safety, flood control, streets, and parking. See "Use of Proceeds" below.

### General Description of the Bonds

The Bonds will be dated as of their delivery, and will bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 2008, and will mature on the dates, at the rates and in the amounts set forth on the inside cover of this Official Statement. The Bonds will be issued in fully registered form in the denominations of \$5,000 each or any whole multiple thereof (but no Bond may represent installments of principal maturing on more than one date).

The Bonds will initially be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of beneficial interests in the Bonds will be made in book-entry form and purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, principal and interest on the Bonds are payable by Bank of New York Trust Company N.A. as the authenticating agent, bond registrar, transfer agent and paying agent (the "Bond Registrar") by wire transfer of a New York clearing house or equivalent same-day funds to Cede & Co., as nominee of DTC. DTC is required, in turn, to remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See Appendix E - Book-Entry-Only System.

Unless the Bonds are registered in the name of DTC or another securities depository or its nominee, principal of, and premium, if any, on each Bond will be payable at the principal office of the Bond Registrar. The City may change the Bond Registrar at any time without notice. Unless the Bonds are registered in the name of a securities depository or its nominee, interest on each Bond will be paid on each interest payment date by check or draft mailed to the registered owner of such Bond as of the fifteenth day of the calendar month immediately preceding such interest payment date (the "record date"), at the address appearing on said bond register or at such other address as is furnished to the Bond Registrar, in writing, by such registered owner before the record date. Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor bonds) as of the record date, and shall be payable to the registered owner thereof (or of one or more predecessor bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to registered owners not less than 10 days prior thereto.

## **Prior Redemption**

The Bonds maturing on and after July 1, 2018 will be subject to prior redemption, at the option of the City, on and after July 1, 2017, in whole or in part at any time from any maturity selected by the City and by lot within a maturity at a price equal to the principal amount of each Bond, or portion thereof, so redeemed, and accrued interest thereon to the redemption date without premium.

## **Notice of Redemption**

Not more than 60 nor less than 30 days before any redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by first class mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Neither failure to mail notice to any owner of the Bonds nor any defect in any notice shall affect the validity of the proceedings for the redemption of the Bonds with respect to which proper notice was given.

## **Security and Source of Payment**

The Bonds are direct and general obligations of the City and are payable as to both principal and interest from ad valorem taxes levied against all of the taxable property within the City subject to taxation. See Appendix A - City of Glendale, Arizona, "PROPERTY TAXES". Such taxes may be levied on all taxable property within the City without limitations as to rate or amount.

## **Bond Insurance**

Payment of principal and interest on the Bonds maturing on July 1, 2020 and July 1, 2022 will be insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation ("MBIA") simultaneously with delivery of the Bonds.

## **The MBIA Insurance Corporation Insurance Policy**

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix F for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "Bond Insurance". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds maturing on July 1, 2020 and July 1, 2022 (together, the "Insured Bonds") as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Insured Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Insured Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of the Insured Bonds the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Insured Bonds or presentment of such other proof of ownership of the Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Insured Bonds in any legal proceeding related to payment of insured amounts on the Insured Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Insured Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

## **MBIA Insurance Corporation**

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

## **Regulation**

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

## **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

## **MBIA Financial Information**

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of \$11.2 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

## **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Insured Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

## Use of Proceeds

The proceeds of the Bonds will be used to pay the costs of acquisition, improvement and equipment of a variety of projects (listed below) relating to: government facilities, public safety, flood control, streets, and parking, including, without limitation, the payment of issuance expenses and other incidental expenses related to the issuance of the Bonds.

The following table illustrates the proposed projects that will be financed by the proceeds of the Bonds as well as the allocation to the appropriate debt limit and voter authorization.

### PROJECTS TO BE FINANCED <sup>1</sup>

Proposed Projects	6% Limit <sup>2</sup>	20% Limit <sup>2</sup>	Voter Authorization
Streets/Parking	\$0	\$20,097,000	1999 (Prop 9) & 2007 (Prop 3)
Public Safety	0	28,175,000	1999 (Proposition 8)
Flood Control	0	12,398,000	1999 (Proposition 3)
Government Facilities	330,000	0	1999 (Proposition 4)
TOTAL	\$330,000	\$60,670,000	

<sup>1</sup> The premium received from the sale of the City's Bonds will be allocated to the listed projects on a pro rata basis. See "Sources and Uses of Funds", page 8.

<sup>2</sup> See Appendix A - City of Glendale, Arizona, "FINANCIAL DATA - Debt Limit Percentages and Outstanding Debt" .

SOURCE: City of Glendale Finance Department

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For debt limit purposes, the principal amount of the Bonds will be allocated to the following years and general obligation debt limitations:

	<b>6% Limit<sup>1</sup></b>	<b>20% Limit<sup>1</sup></b>	<b>Total</b>
2008	\$330,000	\$2,760,000	\$3,090,000
2009	0	3,130,000	3,130,000
2010	0	3,255,000	3,255,000
2011	0	3,385,000	3,385,000
2012	0	3,520,000	3,520,000
2013	0	3,660,000	3,660,000
2014	0	3,805,000	3,805,000
2015	0	3,960,000	3,960,000
2016	0	4,120,000	4,120,000
2017	0	4,290,000	4,290,000
2018	0	4,485,000	4,485,000
2019	0	4,710,000	4,710,000
2020	0	4,945,000	4,945,000
2021	0	5,195,000	5,195,000
2022	<u>0</u>	<u>5,450,000</u>	<u>5,450,000</u>
<b>TOTAL</b>	<b>\$330,000</b>	<b>\$60,670,000</b>	<b>\$61,000,000</b>

<sup>1</sup> See Appendix A - City of Glendale, Arizona, "FINANCIAL DATA - Debt Limit Percentages and Outstanding Debt".

### Sources and Uses of Funds

The following table illustrates the estimated sources and uses of funds associated with the Bonds.

#### SOURCES AND USES OF FUNDS

<b>SOURCES:</b>	<b>Total</b>
Par Amount of the Bonds	\$61,000,000.00
Original Issue Premium	<u>1,197,826.35</u>
<b>TOTAL</b>	<b>\$62,197,826.35</b>
<b>USES:</b>	
Project Fund	61,820,446.35
Costs of Issuance <sup>1</sup>	<u>377,380.00</u>
<b>TOTAL</b>	<b>\$62,197,826.35</b>

<sup>1</sup> Includes underwriting, insurance, legal and financing fees, printing costs, rating fees and other miscellaneous expenses relating to the issuance of the Bonds.

SOURCE: Compiled by JNA Consulting Group, LLC

## Debt Service Requirements

The following table sets forth the amounts required to pay annual debt service on the existing general obligation bonds and the Bonds.

### TOTAL DEBT SERVICE REQUIREMENTS TO MATURITY OUTSTANDING AND PROPOSED GENERAL OBLIGATION BONDS

Fiscal Year Ended June 30 <sup>1</sup>	Outstanding General Obligation Bonds <sup>2</sup>		Outstanding General Obligation Landfill Bonds <sup>3</sup>		Outstanding General Obligation Water and Sewer Bonds <sup>4</sup>		The Bonds		Grand Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2007 <sup>5</sup>	\$11,710,764	\$7,314,172	\$189,236	\$26,342	\$790,000	\$476,950	\$0	\$0	\$20,507,464
2008	11,695,841	6,596,058	199,159	16,880	810,000	453,250	3,090,000	2,630,539	25,491,728
2009	10,663,173	6,159,836	131,828	6,723	835,000	428,950	3,130,000	2,589,850	23,945,359
2010	11,215,000	5,738,099	0	0	860,000	395,550	3,255,000	2,464,650	23,928,299
2011	11,635,000	5,275,106	0	0	890,000	361,150	3,385,000	2,334,450	23,880,706
2012	12,120,000	4,800,788	0	0	925,000	325,550	3,520,000	2,190,588	23,881,925
2013	12,655,000	4,285,675	0	0	970,000	288,550	3,660,000	2,040,988	23,900,213
2014	13,230,000	3,725,531	0	0	1,020,000	240,050	3,805,000	1,885,438	23,906,019
2015	13,800,000	3,111,788	0	0	1,060,000	189,050	3,960,000	1,723,725	23,844,563
2016	10,885,000	2,479,056	0	0	1,100,000	136,050	4,120,000	1,555,425	20,275,531
2017	11,325,000	1,955,769	0	0	1,145,000	81,050	4,290,000	1,380,325	20,177,144
2018	11,820,000	1,408,506	0	0	1,190,000	23,800	4,485,000	1,187,275	20,114,581
2019	7,840,000	961,681	0	0	0	0	4,710,000	963,025	14,474,706
2020	4,885,000	597,481	0	0	0	0	4,945,000	727,525	11,155,006
2021	5,125,000	371,669	0	0	0	0	5,195,000	505,000	11,196,669
<u>2022</u>	<u>2,630,000</u>	<u>131,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,450,000</u>	<u>245,250</u>	<u>8,456,750</u>
TOTAL	\$163,234,778	\$54,912,715	\$520,223	\$49,946	\$11,595,000	\$3,399,950	\$61,000,000	\$24,424,052	\$319,136,662

-Footnotes on following page-

- <sup>1</sup> The fiscal year ending June 30 includes the payment of principal and interest on the following day.
- <sup>2</sup> Excludes the Bonds, the Outstanding General Obligation Water and Sewer Obligations and General Obligation Landfill Bonds.
- <sup>3</sup> Illustrates debt service on outstanding general obligation bonds which are currently paid from the City's Landfill Fund. It is the City's intent to continue paying debt service on such bonds from Landfill fund revenues.
- <sup>4</sup> Illustrates debt service on outstanding general obligation bonds which are currently paid from the City's Water and Sewer Fund. It is the City's intent to continue paying debt service on such bonds from Water and Sewer fund revenues.
- <sup>5</sup> Includes all debt service payments in fiscal year 2007.

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SOURCE: City of Glendale Finance Department

## RECENT AND PENDING DEBT AND OTHER OBLIGATIONS

### Lease Purchase Financing

The City incurred \$1,368,800 of lease/purchase financing in March 2007. Such financing is paid from the City's sanitation and general funds and is subject to annual appropriation.

### Municipal Property Corporation Bonds

The City has drawn down the maximum \$87,000,000 on a Municipal Property Corporation Line of Credit (the "MPC LOC") transaction. The MPC LOC closed in June 2006 and is secured by City excise tax revenues. The City anticipates refinancing or retiring the MPC LOC within the next twelve months.

### General Obligation Bonds

The City expects to issue additional general obligation bonds in the future pursuant to existing and future voted bond authorizations. As illustrated in Note IX.H of Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, the City has voter authorization to issue up to \$247,077,000 of general obligation bonds as of June 30, 2006. On May 15, 2007, Glendale voters approved the issuance of \$218,412,000 of general obligation bonds. It is anticipated that the bonds approved by voters will be issued over a multi-year period. See "Capital Improvement Plan", below. The City reserves the privilege of issuing bonds or other securities at any time legal requirements are satisfied.

### Other Bonds/Obligations

The City sold \$44,500,000 in water/sewer revenue obligations on June 14, 2007. These obligations are scheduled to close on June 27, 2007. Additionally, the City anticipates issuing not less than \$60,000,000 in transportation revenue bonds within the next three months. It is anticipated that the transportation revenue bonds will be secured by a dedicated 0.5% excise tax. See also Appendix A - City of Glendale, Arizona, "OTHER INDEBTEDNESS AND OBLIGATIONS".

## **Capital Improvement Plan**

Glendale's Capital Improvement Plan (the "Capital Plan") is a multi-year roadmap for creating, maintaining and paying for Glendale's present and future infrastructure needs. The Capital Plan is designed to ensure that capital improvements will be made when and where they are needed, and that the City will have the funds to pay for such improvements.

In conjunction with the annual budgeting process, the Management and Budget Office coordinates the city-wide process of revising and updating the City's Capital Plan.

The City Council reviews all of the existing and proposed projects, considers citizen requests and evaluates management, financial and planning staff recommendations before making the final decision about which projects should be included in the annual Capital Plan and how those projects should be integrated into the City's annual budgeting process. After the new Capital Plan is adopted by the City Council, the chief financial officer will update the City's Debt Management Plan to help ensure that the debt service costs for capital projects (i.e., bond principal and interest expenses) are adequately addressed in the annual operating budget. The City anticipates issuing approximately \$141,185,000 (including the Bonds) in general obligation bonds over the next five years to fund various Capital Plan projects.

## **TAX CONSIDERATIONS**

### **General**

The Internal Revenue Code of 1986, as amended (the "Code") includes requirements which the City must continue to meet with respect to the Bonds after the issuance thereof in order that interest on the Bonds not be included in gross income for federal income tax purposes. The City's failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City will covenant in the Bond Ordinance to take action required by the Code in order to maintain the exclusion from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel, rendered with respect to the Bonds on the date of issuance of the Bonds, assuming continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings, and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion upon the date of issuance of the Bonds that assuming interest is excludable from gross income for federal income tax purposes, the interest thereon is exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of interest of the bonds by recipients of certain Social Security and Railroad Retirement benefits.

There are, or may be pending in the Congress of the United States legislative proposals including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

### **Original Issue Discount**

The initial offering price of the Bonds maturing in the year 2022 (referred to in this section as the "Discount Bonds"), is less than the principal amount payable at maturity. Under the Code, the difference between the principal amount of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Discount Bonds of the same maturity was sold, is original issue discount. Original issue discount represents interest which is excluded from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences described above under "TAX CONSIDERATIONS - General." Original issue discount will accrue actuarially over the term of a Discount Bond at a constant interest rate. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof as set forth on the inside cover of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining a taxable gain or loss on the sale or other disposition of such discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Prospective purchasers of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

## **Bond Premium**

The initial offering price of the Bonds maturing in the years 2008 to and including 2021 (referred to in this section as the “Premium Bonds”) is more than the principal amount payable at maturity. The difference between the principal amount of the Premium Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser’s adjusted basis in such premium bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning the Premium Bonds.

## **Internal Revenue Service Audit Program**

As part of a larger reorganization of the IRS, in December 1999, the IRS commenced operation of its Tax Exempt and Government Entities Division (the “TE/GE Division”), as successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the TE/GE Division. The examinations will include targeted audits (pursuant to a broad initiative) of certain types of transactions, as well as random audits of transactions and audits initiated based on a unique structure or other aspects of a transaction that are brought to the attention of the IRS.

Examples of initiated and publicly announced, targeted IRS examinations include audits of bonds issued for the benefit of certain 501(c)(3) health care organizations in order to accomplish so-called acquisition financings, audits of bonds issued to finance sports facilities, audits of bonds issued to securitize tobacco settlement payments, and audits of bonds issued to prepay for natural gas deliveries. A number of other transactions that are not included in a specific targeted group presently are under examination. In some cases, the announcement of the audits of these bonds adversely affected the value of those bonds.

It is possible that the IRS will commence other audit initiatives or may respond to transactions brought to its attention. Such initiatives could result in the Bonds, or similar bonds, being subject to audit. Any IRS examination of the Bonds or similar bonds, may adversely affect their market value. The Bonds are not subject to redemption in the event that, for any reason, interest on the Bonds is determined not to be excluded from any Owner’s gross income for federal income tax purposes.

Bond Counsel will render an approving opinion with respect to the Bonds at the time of delivery of the Bonds, a copy of which is attached as Appendix C - Form of Bond Counsel Opinion, hereto. Bond Counsel’s opinion is not binding on the IRS in the event of an audit.

## **ARIZONA LAW AFFECTING ISSUE PRICE**

Arizona statutes place limitations on the amount of net premium which may be received with respect to new money and refunding general obligation bonds and restricts the use thereof. Pursuant to Arizona law, the outstanding indebtedness of a jurisdiction is equal to the total principal amount of all general obligation bonds outstanding at the time of calculation. Arizona law also requires that with respect to bonds such as the Bonds, the net premium may not exceed the greater of two percent of the par value of the Bonds or \$100,000. Pursuant to Arizona law, net premium is equal to the difference between the par amount of the Bonds and the issue price of the Bonds as determined pursuant to United States Treasury Regulations.

The City will issue the Bonds subject to the requirement that the Bonds are not reoffered to produce net premiums in excess of the limits set forth above. Any net premium received by the City will be applied in compliance with the limitations of Arizona law.

## **LITIGATION**

The City is a party to various lawsuits and subject to various claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney, none of the presently pending lawsuits or claims will, if decided adversely to the City, have a material adverse affect on the financial condition of the City or its property tax collections.

To the knowledge of the City and the City Attorney, no litigation or administrative action or proceeding is pending or overtly threatened restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds or the collection or receipt by the City of the tax revenues pledged for their payment or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, secured, sold, and delivered, or the validity of the Bonds. Certificates of the appropriate City officials to that effect will be delivered at the time of delivery of the Bonds.

On June 10, 2005, the City was served with a lawsuit by an adjoining municipality. The lawsuit disputes the validity of the City's annexation of land in 1978. The City prevailed in this action in the trial court; however, the adjoining municipality has filed an appeal of the trial court's decision. Should the adjoining municipality prevail in this action, the validity of additional land annexed into the City after 1978 may be further disputed. The City Attorney is of the opinion that this lawsuit is without merit and, given the relative small amount of revenue at risk, the City's management does not believe that a legal ruling against the City will result in any material adverse effect on the City's ability to comply with the requirements of the Bond Ordinance.

## **LEGAL MATTERS**

Legal matters incident to the issuance and delivery of the Bonds, and with regard to the tax-exempt status of the interest on the Bonds are subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, whose legal services as Bond Counsel have been retained by the City. See "TAX CONSIDERATIONS." A signed copy of the opinion, dated and premised on law in effect as of the date of delivery of the Bonds will be delivered to the Purchaser(s) at the time of original delivery.

The proposed text of the legal opinion of Bond Counsel is set forth in Appendix C - Form of Bond Counsel Opinion. The legal opinion may vary from that text if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution by re-circulation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expressed any opinion concerning any of the matters referred to in the opinion subsequent to its date.

In its capacity as Bond Counsel, Bond Counsel has participated in the preparation of, and has reviewed those portions of, this Official Statement pertaining to the Bonds, the Bond Ordinance and the tax-exempt status of interest on the Bonds contained under the captions "THE BONDS" and "TAX CONSIDERATIONS" herein. Bond Counsel has not been retained to pass upon, and will not express any opinion upon, any other information in this Official Statement or any other information pertaining to the Bonds or the City that may be made available to prospective purchasers of the Bonds or to others.

In addition to rendering the legal opinion, Bond Counsel will assist in the preparation of and advise the City concerning documents for the Bond Transcript.

## **RATINGS**

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc. ("S&P"), have assigned ratings of "Aaa" and "AAA", respectively to 2007 Bonds maturing in 2020 and 2022, conditioned on the issuance of the Policy by MBIA Insurance Corporation. Moody's and S&P have assigned the Bonds uninsured ratings of "Aa2" and "AA", respectively. Such ratings reflect only the view of Moody's and S&P and an explanation of the significance of the ratings may be obtained from the individual rating agency. There is no assurance that ratings will continue for any given period of time or that they will not be revised upward or downward or withdrawn entirely by such rating agencies, if, in their opinion, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the marketability or market price of the Bonds.

## **INDEPENDENT ACCOUNTANTS**

The basic financial statements of the City as of and for the year ended June 30, 2006 included in this Official Statement as Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, have been audited by Heinfeld, Meech & Co., P.C., independent accountants, as stated in their report appearing in Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006.

## **FINANCIAL ADVISOR**

JNA Consulting Group, LLC, 1400 Wyoming Street, Suite 3, Boulder City, Nevada 89005 (702) 294-5100, is serving as financial advisor to the City in connection with the Bonds. JNA Consulting Group, LLC has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the City, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by JNA Consulting Group, LLC respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

## **UNDERWRITING**

The City sold the 2007 Bonds at public sale to Lehman Brothers (the "Initial Purchaser") at a purchase price of \$62,009,946.35 (equal to the principal amount of the 2007 Bonds, plus net original issue premium of \$1,197,826.35, less underwriting discount of \$166,180 and less \$21,700 for the premium of the Policy (which will be paid by the Initial Purchaser)).

## **CONTINUING DISCLOSURE UNDERTAKING**

The City has covenanted for the benefit of the beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2008 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notices of Material Events"). The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with any state information depository established by the State or, at the election of the City, to the Central Post Office, as defined in Appendix D - Form of Continuing Disclosure Undertaking. At present, no such information depository has been designated by the State. The Notices of Material Events will be filed by the City with each NRMSIR and with any state information depository established by the State (or, at the election of the City, to the Central Post Office, as defined in Appendix D - Form of Continuing Disclosure Undertaking). The specific nature of the information to be contained in the Annual Reports and the Notices of Material Events is set forth in Appendix D - Form of Continuing Disclosure Undertaking. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price and marketability. Also, pursuant to Arizona law, the ability of the City to provide information pursuant to such covenants is subject to annual appropriation to cover the costs of preparing and mailing the Annual Report and Notices of Material Events to each NRMSIR and to any state information depository established by the State. Should the City not comply with such covenants due to a failure to appropriate, the City has covenanted to provide notice of such fact to each NRMSIR and to any state information depository established by the State. Absence of continuing disclosure due to non-appropriation could adversely affect the Bonds and specifically their market price and liquidity.

The City has complied in all material respects with all previous undertakings with regard to the Rule to provide Annual Reports or Notices of Material Events.

## **ANNUAL REPORTS**

The Chief Financial Officer and his staff prepare a comprehensive annual financial report setting forth the financial condition of the City as of June 30 of each fiscal year. The latest completed report is for the year ended June 30, 2006. See Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, for an excerpt from the June 30, 2006 comprehensive annual financial report. (This excerpt does not include additional information contained in the comprehensive annual financial report such as individual fund financial statements and statistical data. That information may only be obtained through reviewing the entire comprehensive annual financial report. The comprehensive annual financial report is the official financial report of the City. It was prepared following accounting principles generally accepted in the United States of America. See Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, for significant accounting policies. A copy of the City's most current comprehensive annual financial report is available upon request from the City of Glendale Finance Department, Municipal Complex, 5850 West Glendale Avenue, Glendale, Arizona 85301 (623-930-2480).

## **CANCELLATION OF CONTRACTS**

As required by the provisions of Arizona Revised Statutes Section 38-511, as amended, the City may, within three years of its execution, cancel any contract without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension thereof is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

## **CERTIFICATION CONCERNING OFFICIAL STATEMENT**

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the City's Chief Financial Officer, the description and statements contained in this Official Statement are, at the time of issuance of the Bonds, true, correct and complete in all material respects and do not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended, the foregoing confirmation will also encompass such supplements or amendments.

## **POLITICAL DONATIONS**

Neither Bond Counsel nor the Financial Advisor or their respective employees are known to have made political contributions to any person seeking a seat on the City Council at its last election.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. These statements are included in this official Statement under the sections discussing estimated or unaudited financial results and in sections discussing the 2007 budgets for the City, among others. When used in this official Statement, the words “estimate”, “forecast”, “intend”, “expect”, and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results.

## **ADDITIONAL INFORMATION**

Additional information is available from the City of Glendale Chief Financial Officer, Municipal Complex, 5850 West Glendale Avenue, Glendale, Arizona 85301 (623-930-2480).

## **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The agreements of the City are fully set forth in the Bond Ordinance and this Official Statement is not to be construed as a contract or agreement between the City or the Underwriters and the purchasers, holders or Beneficial Owners of any of the Bonds.

This Official Statement has been approved, executed and delivered by the City.

City of Glendale, Arizona

By /s/ Edward Beasley  
City Manager

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**APPENDIX A**

**CITY OF GLENDALE, ARIZONA**

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## CITY OF GLENDALE, ARIZONA

### General

The City is the fourth largest city in the State of Arizona and is located in the northwest portion of the Phoenix metropolitan area. The City consists of approximately 57.9 square miles and is one of the five major cities comprising the greater Phoenix metropolitan area which is Arizona's economic, political and population center.

The City's demographics evidence the growth of the area. Founded in 1892 and incorporated in 1910, the City has an estimated 2007 population of 244,772. The following table illustrates Glendale's growth expressed by population statistics for the City along with the population statistics for Maricopa County (the "County") and the State of Arizona, respectively.

### POPULATION STATISTICS

Year	City of Glendale	Maricopa County	State of Arizona
1970 Census	36,228	971,228	1,775,399
1980 Census	97,172	1,509,262	2,716,333
1985 Special Census	122,392	1,829,500	3,187,000
1990 Census	148,134	2,122,101	3,665,305
1995 Special Census	172,684	2,355,900	4,307,150
2000 Census	218,812	3,072,149	5,130,632
2005 Special Census	242,369	3,700,516	6,044,985
2006 Estimate	243,540	3,792,675	6,305,210
2007 Projection	244,772 <sup>1</sup>	3,879,150	6,432,007

<sup>1</sup> Estimate as of May 1, 2007 provided by City of Glendale Planning Department.

SOURCES: State of Arizona Department of Economic Security, Research Administration, Population Statistics Unit; U.S. Census Bureau; City of Glendale Planning Department

Along with population growth, the City has also grown in terms of land area as evidenced by the following table which illustrates the City's square mile statistics. In February 2005, the City Council directed staff to proceed with the annexation of approximately 28 square miles of land as well as a five-mile long stretch of the Loop 303 freeway. See however "LITIGATION" in the forefront of this official statement.

SQUARE MILE STATISTICS  
City of Glendale, Arizona

Year	Square Miles
1960	3.80
1970	16.83
1980	39.94
1990	50.09
1996	54.05
1997	54.05
1998	54.05
1999	54.60
2000	54.60
2001	55.23
2002	55.60
2003	56.50
2004	56.80
2005	56.80
2006	56.80
2007	57.90

SOURCE: City of Glendale Planning Department

**Municipal Government and Organization**

Glendale operates under and is governed by the Council-Manager form of government, in accordance with its Charter. In addition, under the Arizona Constitution, the City may exercise all powers of local self-government to the extent it is not in conflict with applicable general laws. Glendale is also subject to some general laws that are applicable to all Arizona cities.

Legislative authority is vested in a seven-member City Council consisting of a mayor elected at large and six council members elected based on a system of geographic districts. Council members serve a term of four years on a staggered basis and the Mayor is elected for a four-year term. The Council fixes compensation of officials and employees, enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades and other municipal purposes and appoints the City Manager, the City Clerk, the City Treasurer, municipal judge and assistant municipal judge and the City Attorney. The Council also appoints members to a number of City boards and commissions.

## **Elected Officials**

MAYOR ELAINE M. SCRUGGS, *Mayor* - was elected to the Glendale City Council in 1990 and has served as Mayor since February 1993. She was most recently elected as Vice Chair of the Valley Metro Regional Public Transportation Authority (RPTA) Board of Directors. Mayor Scruggs also serves as chair of the Arizona Municipal Water Users Association (AMWUA) and is the past chair of the Maricopa Association of Governments' Regional Council, Transportation Policy Committee and Regional Aviation System Plan Policy Committee. She also served for three terms as president of the Arizona League of Cities and Towns. Mayor Scruggs is an active supporter of Luke Air Force Base and was appointed by the president of the Arizona Senate to serve on the Arizona Military Affairs Commission.

She has been recognized by the National Association of Women Business Owners for her support of small businesses and by *Today's Arizona Woman* as their 2003 Woman of the Year for her outstanding community service.

MANUEL D. MARTINEZ, *Vice Mayor* - was appointed to represent the Cholla District in October 1996 and was re-elected in March 1998, 2002 and 2006. He currently serves as chair of the Council Government Services Committee. Vice Mayor Martinez is chair of the Maricopa Association of Governments (MAG) Human Services Coordinating Committee. Prior to joining the Council, Vice Mayor Martinez served a two-year term on the Glendale Commission on Neighborhoods and participated on the Glendale Magnetic Mile Committee. Vice Mayor Martinez is a lifelong resident of Glendale and a graduate of Glendale High School and Arizona State University where he received a degree in management. He worked for the State of Arizona from 1950 until his retirement in 1989. His last position with the State, from 1980 to 1989, was as the Department of Economic Security's Administrator of Employment Security and Training. He is a past member and President of Friendly House in Phoenix, the Northwest Valley Civitan Club and Leadership and Education for the Advancement of Phoenix.

JOYCE V. CLARK, *Councilmember* - was elected to represent the Yucca District in May 2000 and 2004. This is Councilmember Clark's third term as the elected representative for Glendale's Yucca District. She served as the District's first elected councilmember from 1992 to 1996. During her earlier tenure on the City Council, Councilmember Clark served on the Maricopa Association of Government's Regional Policy and Development Committee, as well as its Desert Spaces technical working group and Desert Spaces Blue Ribbon Committee. Between terms on the Council, Mrs. Clark remained active in the community and the Northwest Valley by serving as Co-Chairperson of the Luke Air Force Base Restoration Advisory Board. She continues that service as a member of the newly established Luke Air Force Base Citizens Advisory Board. Councilmember Clark also serves on the Board of the Western Maricopa County Enterprise Zone.

STEVEN E. FRATE, *Councilmember* - was elected to represent the Sahuaro District in March 2000 and 2004. Prior to joining the Council, Mr. Frate served five years on the Glendale Parks and Recreation Commission, including one term as the commission's chair. He also served on a committee to assist with a unique neighborhood planning pilot project sponsored by Glendale's Neighborhood Partnership Program. Councilmember Frate serves as Chairman of the Maricopa County Community Services Commission and was appointed by the League of Arizona Cities and Towns to represent the State of Arizona on the Community and Economic Development Policy Committee for the National League of Cities. He also serves on the Maricopa Association of Government's Continuum of Care Regional Committee on Homelessness. Councilmember Frate attended Fenn College, majoring in business and is a U.S. Army veteran. He took early retirement from Fry's Food Stores of Arizona after 21 years of service. He has been a member of the Arizona Parks and Recreation Association and the National Parks and Recreation Association. He is a past member of the Phoenix Board of Realtors and Ohio Life Underwriters Association.

DAVID M. GOULET, *Councilmember* - was elected to represent the Ocotillo District in May 1998 and was recently re-elected in March 2002 and 2006. He currently serves as a member of the Council Government Services Committee and the Finance, Administration and Intergovernmental Relations Policy Committee for the National League of Cities. Prior to his election, Councilmember Goulet served as a member of the Planning and Zoning Commission for four years and chaired the commission during 1996-97. He has participated on many citizen committees, including the Ocotillo District Crime Committee, the Glendale Community College Strategic Planning Committee, the Alternative Expenditure Limitation Committee and the Landfill Design Committee. He was a founding member and chaired the Glendale Civic Pride Ambassadors. Councilmember Goulet received his master's degree with distinction from Northern Arizona University and his bachelor's degree with honors in mass communications and secondary education from the University of Miami. He is an adjunct faculty member for Grand Canyon University and the University of Phoenix. Council member Goulet also has received a certificate in public policy administration from the University of Arizona. He obtained associate's degrees in justice administration and general studies from Glendale Community College and in paralegal studies at the Florida Institute of Paralegal Studies. He worked for the Arizona Attorney General's Office for six years, for private law firms for six years and as a hearing officer for the Glendale Justice of the Peace Court for the past few years.

H. PHILIP LIEBERMAN, *Councilmember* - was first elected Cactus District Councilmember in March 1992 and was re-elected in 1996, 2000 and 2004. In the past, he has served as chairman of the Alternative Transportation, Budget and the Utilities committees. Mr. Lieberman is a member of the National League of Cities Leadership Development Training Council and a member of the Human Development Committee and the University Community Caucus. Councilman Lieberman received his education from Colorado College, the University of Arizona and Arizona State University, Glendale Community College and Phoenix Community College. He is the past president of the Glendale Chamber of Commerce, the Glendale Optimist Club and the Catlin Court Association. He was founder and past president of the Glendale Downtown Development Corporation Board, a member and past chairman of the Glendale Board of Adjustment and an executive board member of the Thunderbird Balloon Race. Councilman Lieberman is a member of the Glendale's Promise to Youth and Faith House Agencies is the district commissioner for both the Boy Scout and Cub Scout for the White Tanks District. Councilmember Lieberman was also a hearing officer for the Glendale and Phoenix West Justice Courts. He owned and managed several successful businesses. He is semi-retired, although he continues to provide some sales and management consulting.

YVONNE J. KNAACK, *Councilmember* - was elected in November 2006 to represent the Barrel District. She has worked in Glendale for 36 years and has been a resident for 22 years. Currently, she is also an insurance agent with a Chartered Life Underwriter designation. Councilmember Knaack attended Northern Arizona University, Phoenix College and Glendale Community College. She has been active in many civic organizations and is currently serving on the boards of the Salvation Army, YMCA, Glendale Kiwanis Club and the Glendale Chamber of Commerce. She has also served as Vice-Chairperson of the Board of Adjustments, as a member of the Risk Management and Workers Compensation Trust Fund Board and the Glendale Rental Improvement Taskforce. Additionally, Councilmember Knaack is a member of the Arizona Town Hall, Copperwood Elementary School Site Council and the State Farm Arizona Legislative Action Committee.

## Key Administrative Staff

EDWARD BEASLEY, *City Manager* - Mr. Beasley was appointed City Manager in January 2002. Mr. Beasley oversees all City operations and works closely with the Council in carrying out its annual goals and policy directives. Prior to obtaining that position, he had served as Assistant City Manager for Glendale since 1994. Mr. Beasley previously held positions with Kansas City, Kansas for two years as Assistant County Administrator and Director of Health and Human Services; Pinal County, Arizona for one and one half years as Assistant County Manager; City of Eloy, Arizona for three years as City Manager; and City of Flagstaff, Arizona for three years as Administrative Assistant to the City Manager. He also served as a Legislative Aide to Senator Thomas Eagleton of Missouri. Mr. Beasley has a Bachelor of Arts degree in Political Science/Business Law from Loyola University and a Master of Public Administration Degree from the University of Missouri at Kansas City. He has also attended the University of Missouri School of Law and is certified in Mediation and Dispute Resolution. He currently serves as a Regional Vice President for the International City/County Management Association and is a member and past President of the Arizona City/County Management Association.

PAMELA J. KAVANAUGH, *Assistant City Manager* - Ms. Kavanaugh began her career at the City of Glendale in 1980 as the City's first management intern. Since that time she has held progressively more responsible positions, including assistant to the City Manager, Director of Council and Management Services, Deputy City Manager and her current position as Assistant City Manager. Ms. Kavanaugh has had the opportunity to develop several programs designed to enhance response to citizen needs, better inform them about their local government and encourage their successful participation. Examples of these include the Neighborhood Partnership program, Glendale University, Board and Commission training and advanced training for Commission Chairs and Vice Chairs. Ms. Kavanaugh holds a bachelor of arts degree in political science from Portland State University and a master of public administration degree from Arizona State University. She is a member of several professional organizations, including the International City/County Management Association and the Arizona City/County Management Association. In 1997, Ms. Kavanaugh received the American Society for Public Administration's Award for Superior Service in recognition of her exceptional work as a public service professional.

ARTHUR R. LYNCH, *Deputy City Manager* - was appointed Director of Finance in October 1985 and served as Chief Financial Officer until February 2005 when he was appointed Deputy City Manager in charge of the administrative services group. He previously served as Director of Accounting for the City of Shreveport, Louisiana, from October 1979 through September 1985. He also worked with Coopers & Lybrand, an international accounting firm, as a staff auditor and with the Federal Deposit Insurance Corporation as bank examiner prior to his employment with the City of Glendale. Mr. Lynch received a Bachelor of Science Degree in Accounting from Indiana University in May 1978. He is a past president of the Government Finance Officers Association of the United States and Canada. Mr. Lynch has also served as the President of the Arizona Finance Officers Association. In March of 1999, Mr. Lynch was selected to serve on the Board of the Vantagepoint Mutual Funds sponsored by the ICMA Retirement Corporation. He was appointed to serve as the Chairman of the Vantagepoint Fund Board for the 2001 year and is currently chair of the Audit Committee.

RAYMOND H. SHUEY, *Chief Financial Officer/Finance Director* - Mr. Shuey was appointed Acting Finance Director and Chief Financial Officer in February 2005 and has since been appointed Finance Director and Chief Financial Officer effective May 13, 2005. Prior to his current appointment, Mr. Shuey held the positions of Deputy Finance Director, Controller/Assistant Finance Director, and Controller. He began his employment with the City as its first Controller in August 1986. From April 1982 to August 1986 Mr. Shuey was the Finance Director for the City of Avondale, Arizona. From October 1976 to April 1982 he worked for the City of Phoenix, Arizona. Mr. Shuey holds a Master of Public Administration degree and a Bachelor of Science degree in Accounting from Arizona State University.

SHERRY M. SCHURHAMMER, *Director of the Management and Budget Department* - Ms. Schurhammer is currently the director of the Management and Budget Department and has served in this position since the summer of 2003. Ms. Schurhammer is responsible for the development and management of the City's operating and capital budgets for review by the City Council. She is also responsible for developing the City's revenue forecast and monitoring revenue receipts to ensure that revenues cover planned expenditures. Ms. Schurhammer began her career with the City in 1998 as a Senior Management Assistant. She has since served as acting director of the Utilities Department and Deputy Director of Field Operations. Ms. Schurhammer received her Bachelor of Arts degree in International Studies, *cum laude*, from American University and a Master of Science in Public Management and Policy, *with distinction*, from Carnegie Mellon University.

## **Employees**

As of December 31, 2006, the City had approximately 2,468 full-time employees and a calendar 2006 payroll of \$117,338,341. The City Council establishes salaries, wages and other economic benefits for City employees. In 2005, the City Council enacted an ordinance allowing certain members of the City's Fire Department and Police Department to be represented by Employee Organizations. City management is authorized to meet and confer with the Employee Organizations on specific matters, including wages, working conditions, and non-healthcare related benefits.

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## Economy

The City has a diversified economic base. Aerospace, communications, chemicals, warehousing, electronics and precision metal working and casting are some examples of industries that are replacing Glendale's former agricultural base.

The City's average unemployment rate for 2006 is 4.60% and the State of Arizona's unemployment average is 4.2%. The following table compares the City's unemployment averages with the United States, the State and the County unemployment averages.

UNEMPLOYMENT AVERAGES

Year	United States	State of Arizona	Maricopa County	City of Glendale
1995	5.60%	5.10%	3.90%	3.80%
1996	5.40	5.50	3.50	3.70
1997	5.00	4.50	3.00	2.90
1998	4.50	4.10	3.00	2.70
1999	4.20	4.40	2.90	3.00
2000	4.00	3.90	2.60	2.60
2001	4.80	4.70	3.90	3.90
2002	5.80	5.80	5.30	5.30
2003	6.00	5.60	4.90	4.90
2004	5.50	4.80	4.00	4.00
2005	5.00	4.70	4.10	4.25
2006 <sup>1</sup>	4.60	4.20	3.50	3.70

<sup>1</sup> Unemployment figures are current as of December 2006.

SOURCE: Arizona Department of Economic Security, Research Administration, Economic Analysis; US Department of Labor, Bureau of Labor Statistics

As mentioned previously, the City has a diverse employer base which includes government, non-manufacturing and manufacturing employers.

Luke Air Force Base (the "Base") is in the City's strip annex area. The Base is part of the Air Education and Training Command and is home of the 56<sup>th</sup> Fighter Wing as well as the Air Force Reserves 944<sup>th</sup> Fighter Wing. The Base is the largest fighter pilot training base in the world, where currently more than 378 pilots are trained to fly the F-16 Fighting Falcon and over 275 crew chiefs are trained to maintain the F-16 aircraft each year. Currently, the Base employs more than 6,500 people, including 4,982 active duty military, 250 reserves and 1,376 civilians. The Base also supports 1,200 students and rotational personnel throughout the year. In addition, the Base supports a population of 6,700 active-duty military family members and nearly 68,900 (118,900 Nov - Apr) military retirees. In May 2002, The Maguire Company completed a study of the Economic Impact of Arizona's Principal Military Operations which was commissioned by several Arizona cities. That study states that Arizona's military industry, which includes the principal military operation, as well as the businesses they support, is responsible for creating \$5.7 billion in economic output in the State. Based on the percentage of the direct military employees based at Luke AFB, approximately 24% or \$1.4 billion of the total state economic impact would flow into the state's economy. A significant amount of those dollars impact the City's economy.

The City has a diverse employer base. The following is a list illustrating major employers in the City.

MAJOR EMPLOYERS  
City of Glendale, Arizona  
As of June 30, 2006

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Employer	Service	Approximate Number of Employees
Luke Air Force Base	Military	8,400
Arrowhead Towne Center	Retail	2,500
Banner Thunderbird Health System	Health Care	2,036
City of Glendale	Government	2,021
Glendale Union High School District	Education	1,862
Glendale Elementary School District	Education	1,684
Deer Valley Unified School district	Education	1,432
Glendale Community College	Education	1,220
Schuck and Sons	Manufacturing	1,150
Gilbert Engineering	Manufacturing	800

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SOURCE: 2006 City of Glendale, Arizona Comprehensive Annual Financial Report

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## Agriculture

Although still a contributor to the diversified economic base, agriculture no longer dominates the Glendale area economy due to the significant industrial, commercial and residential development which has occurred within the City. The principal products of the City's agricultural sector are cotton, livestock, alfalfa, small grains, citrus, vegetables and sugar beets. Agricultural activities contributed over \$1.4 billion in cash receipts generated from agricultural marketings in the County in 2005. The table following illustrates cash receipts from agricultural marketings for Maricopa County.

CASH RECEIPTS FROM AGRICULTURAL MARKETINGS  
Total Crops and Livestock  
Maricopa County, Arizona  
(000's)

Calendar Year	Cash Receipt
2001	\$886,169
2002	958,206
2003	886,112
2004	1,022,736
2005	1,412,268

SOURCE: Arizona Agricultural Statistics Service,  
Annual Statistics Bulletin

Another agricultural-related activity within the area is produce processing. Arizona Agrochemical Company manufactures and distributes fertilizers and agricultural chemicals at its processing plant in the City.

## Construction

The following tables depict building permit activity and value for residential and non-residential construction in the City, in addition to new housing starts in the City. It is anticipated that residential construction will continue on a downward trend since Glendale is rapidly approaching build-out. If Glendale is successful in annexing properties, residential build-out is expected to occur between 2015 and 2020.

Commercial development is expected to experience continued growth due in large part to the development surrounding the Jobing.com arena, home of the Phoenix Coyotes professional hockey team, and the University of Phoenix stadium, home of the Arizona Cardinals professional football team. See "Additional Information" below.

VALUE OF BUILDING PERMITS  
City of Glendale, Arizona

Fiscal Year	Residential	Commercial & Industrial	Other	Total
2002	\$127,085,547	\$83,131,639	\$9,322,234	\$219,539,420
2003	195,769,914	120,705,768	10,877,273	327,352,955
2004	160,181,474	149,351,693	49,494,138	359,027,305
2005 <sup>1</sup>	223,478,720	296,749,087	40,650,471	560,878,278
2006	212,110,915	161,215,279	65,524,005	438,850,199
Jul 05-Apr 06	164,054,203	131,291,165	59,021,683	354,367,051
Jul 06-Apr 07	66,871,427	411,572,733	40,377,599	518,821,759

<sup>1</sup> Increase in permit activity due to the development in and around Loop 101 and Glendale Ave.

SOURCE: City of Glendale, Arizona Building Safety Department

BUILDING PERMITS<sup>1</sup>  
City of Glendale, Arizona

Fiscal Year	Total Building Permits
2002	5,439
2003	6,299
2004	4,819
2005 <sup>2</sup>	7,048
2006	6,909
Jul 05-Apr 06	5,639
Jul 06-Apr 07	5,074

<sup>1</sup> The date on which the permit is issued is not to be construed as the date of construction.

<sup>2</sup> Increase in permit activity due to the development in and around Loop 101 and Glendale Ave.

SOURCE: City of Glendale, Arizona Building Safety Department

The following tables illustrate a building permit summary for residential and non-residential construction and new housing starts for the County.

VALUE OF BUILDING PERMITS <sup>1</sup>  
 Maricopa County, Arizona  
 (000's omitted)

Calendar Year	Residential	Commercial	Industrial	Other	Total
2002	\$5,750,850	\$1,620,722	\$86,044	\$1,231,003	\$8,688,619
2003	7,039,184	1,541,602	87,682	1,399,822	10,068,290
2004	9,165,871	2,057,732	139,029	1,622,472	12,985,104
2005	9,125,736	3,143,475	267,259	1,470,131	14,006,601
2006	6,512,139	3,397,828	286,877	2,085,842	12,282,686

<sup>1</sup> Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The date on which the permit is issued is not to be construed as the date of construction.

SOURCE: Arizona Business, Arizona State University, Arizona Real Estate Center. Note that the Arizona Real Estate Center obtains its data from County and municipal divisions which issue such permits.

BUILDING PERMITS  
 Maricopa County, Arizona

Calendar Year	Total Building Permits
2002	83,396
2003	89,433
2004	100,345
2005	107,119
2006	86,419

SOURCE: Arizona Business, Arizona State University, Arizona Real Estate Center. Note that the Arizona Real Estate Center obtains its data from County and municipal divisions which issue such permits.

## Sales Tax Revenue

The following City sales tax revenue is based on the City's sales and use tax collections from its 1.2% sales tax levy together with the restaurant, bar and hotel portion of the total sales tax collections. These revenues do not reflect sales tax revenues received by the City which are restricted to use for police, fire and transportation.

### SALES TAX REVENUE<sup>1</sup> City of Glendale, Arizona

Fiscal Year	Amount
2001	\$41,574,267
2002	41,647,918
2003	43,510,901
2004	51,614,961
2005	53,913,913
2006	62,505,425
Jul - May 06	56,497,828
Jul - May 07	62,113,576

<sup>1</sup> Unaudited. Excludes undistributed City sales tax.

SOURCE: City of Glendale Finance Department

## Transportation

Industry, business and residents benefit from the transportation network available in and near the City. Rail, bus, highway and air facilities are developed throughout the area.

In the year 2000, the Loop 101 freeway was opened as part of the City's general plan for future west area development. The freeway's opening has spurred residential, commercial and industrial development in the adjacent areas, and increased access to venues such as the Glendale Arena and the new Cardinals NFL stadium. (See "Additional Information" below.)

The Glendale Municipal Airport was relocated in 1986. The airport's facilities include a 7,150 foot paved and lighted runway, a \$2.3 million terminal, a 10,000 square-foot hangar and many smaller, enclosed hangars for aircraft. The full-service airport is accessible to general aviation aircraft from single-engine planes to corporate jets. Twenty-one businesses are located on the field and 170 new hangars have been built. In addition, a new business park is being planned for the east side of the landing field. A full service FBO is located on the field with three grades of fuel and full maintenance is available. Glendale residents are also served by Sky Harbor International Airport located approximately thirty minutes southeast of Glendale in the City of Phoenix. The following table illustrates airlines serving Sky Harbor International Airport.

AIRLINES SERVING SKY HARBOR INTERNATIONAL AIRPORT  
As of December 2006

Major Airlines	Regional Airlines	Major Freight Carriers
Aeromexico Airlines	US Airways/ America West Express	ABX Air
Air Canada Airlines	Delta Connection	Air Transport International
Alaska Airlines	Great Lakes	Airnet Systems
American Airlines	Midwest Airlines	Ameriflight
ATA	Sun Country	DHL Airways
British Airways	United Express	Empire Airlines
Continental Airlines		Federal Express
Delta Airlines		Kitty Hawk
Frontier Airlines		United Parcel Service
Hawaiian Airlines		
JetBlue Airways		
Northwest/KLM Airlines		
Southwest Airlines		
United/TED		
US Airways/America West		
WestJet		

SOURCE: City of Phoenix Aviation Department

NUMBER OF PASSENGERS ARRIVING AND DEPARTING  
SKY HARBOR INTERNATIONAL AIRPORT

Calendar Year	Deplaned	Enplaned	Total
2002	17,934,012	17,613,420	35,547,432
2003	18,836,164	18,587,432	37,423,596
2004	19,953,750	19,551,148	39,504,898
2005	20,795,239	20,408,832	41,204,071
2006	20,892,649	20,544,088	41,436,737

SOURCE: City of Phoenix Aviation Department

## **Education**

The City is home to four major institutions of higher education. Glendale Community College is one of the campuses which comprise the Maricopa County Community College District. The College offers a curriculum leading to an Associate of Arts degree. The American Graduate School of International Management (Thunderbird) is a privately-owned graduate-level institution offering a curriculum leading to a Masters of International Management degree.

Midwestern University has a 143-acre campus located in Glendale. This university specializes in health care education, providing programs that range from osteopathic medicine to cardiovascular science.

The Arizona State University West campus is a 300-acre campus located on Glendale's eastern border. In 2003, the campus added a 400-student dormitory complex, the first on-campus housing for students. Over 400 business classes are offered at the campus for junior and senior students. In addition, a complete Masters of Business Administration Program is available.

Residents of the City are also served by numerous elementary schools, junior high schools and high schools.

## **Additional Information**

In December 2003, the Jobing.com 17,500-seat arena complex opened serving as the venue for home games of the Phoenix Coyotes National Hockey League and Arizona Sting National Lacrosse League franchises. The arena, which is located near Loop 101 and Glendale Avenue, is also used for concerts and other similar events. The arena, which cost approximately \$212,000,000, is owned by the City and privately managed. A mixed-use development is under development on property adjacent to the arena.

In August 2006, construction was completed on the \$471,400,000 Arizona Sports and Tourism Authority owned football stadium. The combination of a retractable roof and a roll-out field is the first of its kind in North America. The stadium has over 63,000 permanent seats and capacity can be expanded to 73,000 seats for events such as bowl games. The stadium is the home of the Tostitos Fiesta Bowl and has been selected as the host of the 2008 Super Bowl. The stadium is named the University of Phoenix Stadium and is the home of the Arizona Cardinals NFL team. (Source: Arizona Sports and Tourism Authority)

On January 26, 2006, the Glendale City Council approved a development agreement with American Automobile Association, which will locate a regional corporate office within the Talavi Business Park and create up to 1,400 new jobs in Glendale.

The City has entered into a Memorandum of Understanding with the MLB Chicago White Sox and MLB Los Angeles Dodgers with respect to the construction of a spring training stadium and related infrastructure for the use by such teams. The teams, the City, and various other parties are engaged in negotiations to draft definitive agreements. It cannot be predicted at this time whether the agreements will be consummated and the facilities constructed.

## FINANCIAL DATA

### CURRENT YEAR STATISTICS City of Glendale, Arizona As of May 1, 2007

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Total Direct General Obligation Bonded Debt <sup>1</sup>	\$236,350,000
Total Street and Highway User Revenue Bonded Debt <sup>2</sup>	34,065,000
Total Outstanding Water and Sewer Revenue Bonded Debt <sup>3</sup>	242,494,986
Primary Assessed Valuation <sup>4</sup>	1,293,566,596
Secondary Assessed Valuation <sup>4</sup>	1,370,989,076
Estimated Full Cash Value <sup>5, 6</sup>	10,350,063,000

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<sup>1</sup> Includes the Bonds, \$11,595,000 of general obligation bonds paid by revenues derived from the City's Water and Sewer Fund and \$520,223 of general obligation landfill bonds paid by landfill revenues.

<sup>2</sup> Reflects outstanding street and highway user revenue bonds.

<sup>3</sup> Includes proposed Water and Sewer Revenue Obligations.

<sup>4</sup> Arizona legislation divides property taxes into two categories, primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. These limitations do not apply with respect to secondary property taxes.

<sup>5</sup> Fiscal year 2007 value. Estimated full cash value for fiscal year 2008 is \$16,733,845,908.

<sup>6</sup> Provided by Maricopa County Treasurer's Office.

SOURCE: City of Glendale, Arizona Finance Department; the Maricopa County Treasurer's Office

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## Debt Limit Percentages and Outstanding Debt

The Arizona Constitution provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed 6% of the secondary assessed valuation of the taxable property in that city. In addition to the 6% limitation for general municipal purpose bonds, cities may issue general obligation bonds up to 20% of the secondary assessed valuation for supplying such city with water, sewer, artificial light, public safety, law enforcement, fire and emergency services, and streets and transportation facilities and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities,. (In the case of unified school districts the limit is 30% of secondary assessed valuation.)

DIRECT BOND DEBT, LEGAL LIMITATION AND UNUSED BORROWING CAPACITY<sup>1</sup>  
 City of Glendale, Arizona  
 May 1, 2007

General Municipal Purpose Bonds		Water, Light, Sewer, Open Space and Park Bonds	
6% Limitation	\$82,259,345	20% Limitation	\$274,197,815
Less Direct Bonded Debt to be Outstanding <sup>2</sup>	(61,630,000)	Less Direct Bonded Debt to be Outstanding <sup>2</sup>	(174,720,000)
Unused 6% Borrowing Capacity	\$20,629,345	Unused 20% Borrowing Capacity	\$99,477,815

<sup>1</sup> Excludes debt service fund balances.

<sup>2</sup> Includes the Bonds.

SOURCE: City of Glendale, Arizona

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OUTSTANDING BONDED INDEBTEDNESS

City of Glendale, Arizona

As of May 1, 2007

	Year Issued	Original Amount	Outstanding Portion Subject to 6% Limit	Outstanding Portion Subject to 20% Limit	Total Principal Outstanding
<b><i>DIRECT GENERAL OBLIGATION BONDED DEBT<sup>1</sup></i></b>					
Refunding Bonds	1993	\$56,500,000	\$585,000	\$0	\$585,000
Various Purpose G.O. Bonds	1998	12,000,000	1,140,000	1,725,000	2,865,000
Various Purpose G.O. Bonds	2000	21,675,000	3,670,000	2,120,000	5,790,000
Various Purpose G.O. Bonds	2002	40,235,000	8,170,000	22,385,000	30,555,000
Various Purpose G.O. Bonds	2003	66,400,000	13,740,000	40,070,000	53,810,000
Various Purpose G.O. Bonds	2004	36,645,000	9,325,000	23,035,000	32,360,000
Various Purpose G.O. Bonds	2005	11,960,000	10,955,000	0	10,955,000
Various Purpose G.O. Bonds	2006	29,365,000	13,715,000	15,650,000	29,365,000
Refunding Bonds	2006	9,065,000	0	9,065,000	9,065,000
Various Purpose G.O. Bonds (This Issue)	2007	61,000,000	<u>330,000</u>	<u>60,670,000</u>	<u>61,000,000</u>
Total Direct General Obligation Bonded Debt			61,630,000	174,720,000	236,350,000
Less General Obligation Bonded Debt Supported from Revenues <sup>2</sup>					<u>(12,115,223)</u>
Net General Obligation Bonded Debt					\$224,234,777
<b><i>OUTSTANDING WATER AND SEWER REVENUE BONDED DEBT<sup>3,4</sup></i></b>					
Water and Sewer Bonds	2000	53,000,000			24,630,000
Water and Sewer Note Payable	2001	15,400,000			13,364,986
Water and Sewer Obligations	2003	80,000,000			80,000,000
Water and Sewer Obligations	2006	80,000,000			80,000,000
Water and Sewer Obligations <sup>5</sup>	2007	44,500,000			<u>44,500,000</u>
Total Water and Sewer Revenue Bonded Debt					\$242,494,986
<b><i>OUTSTANDING STREET AND HIGHWAY USER REVENUE BONDED DEBT<sup>6</sup></i></b>					
Street & Highway User Bonds	2000	8,750,000			6,155,000
Street & Highway User Rev. and Ref. Bonds	2004	14,655,000			12,165,000
Street & Highway User Revenue Bonds	2006	15,745,000			<u>15,745,000</u>
Total Street and Highway User Revenue Bonded Debt					\$34,065,000

<sup>1</sup> Excludes previously refunded general obligation bonds, the payment of which has been provided for with funds and investments held in irrevocable trust accounts.

<sup>2</sup> \$11,595,000 of bonds are paid by revenues derived from the City's Water and Sewer Fund. \$520,223 of bonds are paid by revenues derived from the City's Landfill fund.

<sup>3</sup> Net revenues from the operation of the City's water and sewer system have been and will be servicing the debt requirements of \$11,595,000 aggregate principal amount of water and sewer general obligation bonds. In the event that such revenues should prove to be insufficient or the City elects not to pay debt service requirements on the general obligation bonds from revenues, this debt would become payable from ad valorem taxes.

<sup>4</sup> Excludes previously refunded Water and Sewer Revenue Bonds the payment of which has been provided for with funds and investments held in irrevocable trust accounts.

<sup>5</sup> Issued in June 2007.

<sup>6</sup> Excludes previously refunded Street and Highway User Revenue Bonds, the payment of which has been provided for with funds and investments held in irrevocable trust accounts.

SOURCE: City of Glendale, Arizona

DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT <sup>1</sup>  
City of Glendale, Arizona  
As of June 30, 2006  
(000's)

Overlapping Jurisdiction	Properties Applicable to City of Glendale <sup>2</sup>		
	Net Debt Outstanding <sup>3</sup>	Percentage Applicable to Glendale	Amount Applicable to Glendale
City of Glendale <sup>4</sup>	\$224,235	100.0000%	\$224,235
Peoria Unified School District No. 11	234,117	25.9252	60,695
Glendale Elementary School District No. 40	34,665	98.7836	34,243
Deer Valley Unified School District No. 97	183,660	22.2171	40,804
Alhambra Elementary School District No. 68	33,645	18.3172	6,163
Glendale Union High School District No. 205	123,965	21.6233	26,805
Maricopa County <sup>5</sup>	0	3.8243	0
Maricopa County Community College District <sup>6</sup>	369,320	3.8243	14,124
Phoenix Union High School District No. 210	240,230	1.4602	3,508
Pendergast Elementary School District No. 92	17,350	11.5981	2,012
Tolleson Union High School District No. 214	61,790	4.0610	2,509
Washington Elementary School District No. 6	120,200	2.7781	3,339
Dysart Unified School District No. 89	74,005	0.0420	31
Agua Fria Union High School District No. 216	55,690	0.0375	21
Litchfield Elementary School District No. 79	<u>14,350</u>	0.0577	<u>8</u>
TOTAL	\$1,787,222		\$418,499

<sup>1</sup> Does not include the obligations of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project under construction by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the United States Department of the Interior. The United States and CAWCD have an agreement to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits for amounts paid by CAWCD to the United States against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.65 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 665,224 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of the CAP at no additional cost to be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State of Arizona and Federal legislation. If the conditions are not met within three years, the parties could extend such deadline or the agreement will terminate and either party may petition U.S. District Court to resume litigation. It is not possible to predict whether the Agreement will be effective or if the litigation will be resumed or the outcome of any such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties.

- Footnotes continued on following page -

It was formed for the express purpose of paying administrative costs and expenses of CAP and to assist in the repayment to the United States of the capital costs of CAP. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property in the CAWCD. At the date of this Official Statement, the tax levy is limited to fourteen cents per \$100 of secondary assessed valuation. The CAWCD has levied a tax of \$0.12 per \$100 of assessed valuation for the 2006-2007 fiscal year. (See Arizona Revised Statutes, Section 45-3715.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

<sup>2</sup> Proportion applicable to the City is computed on the ratio of secondary assessed valuation for the overlapping entity to the amount of such valuation which is within the City in fiscal year 2006.

<sup>3</sup> Includes total general obligation bonds outstanding. Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future.

<sup>4</sup> Includes proposed and outstanding general obligation debt as of May 1, 2007; does not include proposed or outstanding City Bonds in the following amounts: Water and Sewer Revenue Bonds / Obligations - \$242,494,986; Street and Highway User Revenue Bonds - \$34,065,000. Does not include \$11,595,000 City of Glendale, Arizona Water and Sewer Systems General Obligation Bonds whose debt service requirements are being paid from water and sewer system revenues. Does not include \$520,223 City of Glendale, Arizona Landfill General Obligation Bonds whose debt service requirements are being paid from landfill revenues. Should the revenues of the operation of the water and sewer systems or landfill prove to be insufficient to pay the indebtedness or should the City elect to change its payment policy on water and sewer and landfill general obligation bonds, this debt would and must be paid from ad valorem taxes. Does not include \$296,315,000 City of Glendale Municipal Property Corporation Bonds outstanding.

<sup>5</sup> Does not include Maricopa County certificates of participation. Does not include Maricopa County Stadium District revenue bonds which are special obligations of the District and are payable solely from pledged revenue.

<sup>6</sup> Does not include Maricopa County Community College District revenue bonds.

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SOURCE: City of Glendale Finance Department; 2006 City of Glendale, Arizona Comprehensive Annual Financial Report

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## OTHER INDEBTEDNESS AND OBLIGATIONS

City of Glendale, Arizona

### Lease Purchase Financing

The City has entered into lease-purchase agreements for the acquisition of vehicles, landfill equipment, computer equipment and other equipment. These agreements are renewable annually at the option of the City, with payments due thereunder to be annually budgeted and encumbered in the City's General Fund, or in the case of certain sanitation equipment, in the Sanitation Enterprise Fund. Assuming that these agreements are not terminated or prepaid, the City's annual budget requirements to service these agreements would be as follows:

#### LEASE-PURCHASE AGREEMENTS

City of Glendale, Arizona

As of June 30, 2006

(Thousands)

Fiscal Year	Annual Capital Lease Requirements <sup>1</sup>
2007	2,886
2008	3,226
2009	3,060
2010	2,787
2011	3,357
2012-2016	<u>5,728</u>
Total	21,045

<sup>1</sup> Includes payments on a lease entered into by the City in March 2007.

SOURCE: 2006 City of Glendale, Arizona Comprehensive Annual Financial Report

As illustrated in Note IX.I in Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, the City has other obligations in the amount of \$15,689,000 outstanding as of June 30, 2006.

## Municipal Property Corporation Bonds

In 1982, the Municipal Property Corporation (“MPC”), a nonprofit corporation, issued bonds to finance the construction of a new municipal office complex. On October 19, 1982, the City entered into a lease purchase agreement with the MPC, whereby the City is purchasing the constructed municipal office complex from MPC. An amount equal to the MPC debt service and related miscellaneous fees, is payable to the MPC in monthly installments by the City, which commenced in July 1, 1983. As described below the City and the MPC have entered into additional agreements for both parity and subordinate lien bonds, secured by certain excise tax revenues paid to the MPC by the City under lease agreements. However, under no circumstances shall such pledge constitute a general obligation of the City or will the purchase price be payable from the proceeds of ad valorem taxes.

In addition, the City has made certain commitments towards financing certain infrastructure and amenities for an NFL stadium. The City’s commitment is a subordinate pledge of its excise taxes in an amount equal to that generated by the NFL stadium and certain other property surrounding the NFL stadium. The following table illustrates the outstanding MPC debt (exclusive of the NFL stadium pledge).

OUTSTANDING MUNICIPAL PROPERTY CORPORATION BONDS  
City of Glendale, Arizona  
As of May 1, 2007

Issue	Year Issued	Original Amount	Balance Outstanding
<u>Senior Lien Excise Tax Bonds</u>			
Senior Lien Refunding Bonds Series 1999	1999	\$12,615,000	\$4,935,000
Senior Lien Bonds Series 2003A	2003	49,940,000	49,940,000
Senior Lien Bonds (Taxable) Series 2003B	2003	105,260,000	96,940,000
Senior Lien Bonds Series 2004A	2004	10,880,000	9,160,000
Senior Lien Bond Series 2006A	2006	33,250,000	33,250,000
Senior Lien Bond Series 2006B <sup>1</sup>	2006	87,000,000	<u>87,000,000</u>
		Total Senior Lien Bonds	\$281,225,000
<u>Subordinate Lien Excise Tax Bonds</u>			
Subordinate Lien Bonds Series 2002B	2002	5,055,000	5,055,000
Subordinate Lien Refunding Bonds Series 2003D	2003	7,250,000	<u>7,250,000</u>
		Total Subordinate Lien Bonds	\$12,305,000
		GRAND TOTAL	\$293,530,000

<sup>1</sup> Issued as a variable rate line of credit transaction. The City anticipates refinancing or retiring this debt within the next twelve months.

SOURCE: City of Glendale Department of Finance

DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT RATIOS  
City of Glendale, Arizona  
As of May 1, 2007

	Per Capita Bonded Debt (2007 Population Estimate at 244,772) <sup>1</sup>	As % of City's 2007 Secondary Assessed Valuation	As a % of City's Estimated Full Cash Value
Net Direct General Obligation Bonded Debt <sup>2</sup> (\$224,234,777)	\$916.10	16.36%	2.17%
Net Direct and Overlapping General Obligation Bonded Debt <sup>3</sup> (\$418,499,000)	\$1,709.75	30.53%	4.04%

<sup>1</sup> The population count is provided by the City of Glendale Planning Department.

<sup>2</sup> Excludes approximately \$11,575,000 of general obligation bonds paid, or to be paid, by revenues derived from the City's Water and Sewer Fund. Excludes \$520,223 of general obligation bonds paid, or to be paid, by revenues derived from the City's Landfill fund. Includes the Bonds.

<sup>3</sup> Overlapping debt from "DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT" on page A - 18.

SOURCE: City of Glendale, Maricopa County Treasurer's Office; compiled by JNA Consulting Group, LLC

## PROPERTY TAXES

### Arizona Property Tax System

Arizona's property tax system was substantially revised by 1980 amendments to the Arizona Constitution and implementing legislation. Two separate tax systems were created: a Primary system for taxes levied to pay current operation and maintenance expenses; and a Secondary system for taxes levied to pay principal and interest on bonded indebtedness, special district assessments and tax overrides, as well as for the determination of the maximum permissible bonded indebtedness. There are specific provisions under each system governing determination of the Primary limited property value, the Secondary full cash value of property, the basis of assessment and the maximum annual tax levies on certain types of property and by certain taxing authorities.

Under the Primary system, the limited property value is the basis for determining primary property taxes of locally assessed real property (residential, commercial, industrial, agricultural and unimproved property) which may never exceed the full cash value and may increase by more than 10% per year only under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Under the Secondary system, there is no limitation on annual increases in full cash value of any property. This is comparable to Arizona's prior system of property taxation.

The basis of assessment for all property classifications is shown below. The percentage assessment factor for each property classification is applied to the Primary limited property value and Secondary full cash value of each property to determine Primary and Secondary assessed valuation for tax levy purposes.

BASIS OF PROPERTY ASSESSMENTS <sup>1</sup>

Tax Years	Railroad, Private Car Co. & Airline Flight Property <sup>2</sup>	Mines, Utilities, Commercial & Industrial <sup>3,4</sup>	Owner Occupied and Rented Residential	Agriculture & Vacant Land <sup>3</sup>
2003	21.0%	25.0%	10.0%	16.0%
2004	21.0	25.0	10.0	16.0
2005	21.0	25.0	10.0	16.0
2006	21.0	24.5	10.0	16.0
2007	21.0	24.0	10.0	16.0

<sup>1</sup> Additional classes of property exist, but seldom amount to a significant portion of total valuation. These classes consist of non-commercial historic property; aerospace manufacturing property in a re-use zone; property in a foreign trade zone; environmental technology property for the first twenty years from the date placed in service; commercial historic property; commercial historic residential property; producing oil, gas and geothermal resource interests and leasehold or other possessory interest in certain public property.

<sup>2</sup> The percentage is calculated annually based on the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash value of such properties.

<sup>3</sup> For years after 1984, the percentage assessment factor for Primary tax purposes is to be determined annually equal to the ratio of the total assessed valuation for Primary tax purposes of mining, utilities, commercial and industrial properties to the total limited property value of such properties. The percentage assessment factor for Secondary tax purposes is to equal the ratio of the total assessed valuation for Secondary tax purposes of such properties to the total full cash value of such properties.

<sup>4</sup> The Arizona State Legislature passed legislation in 2005 that decreases the percentage of property tax assessment for commercial property by ½ percent per year beginning tax year 2006 and ending 2015.

SOURCE: State and County Abstract of the Assessment Role, State of Arizona, Department of Revenue

Under the Primary system, annual tax levies are limited based on the nature of the property being taxed and the nature of the taxing authority. Taxes levied for Primary purposes on residential property only are limited to 1% of the full cash value of such property. In addition, taxes levied for Primary purposes on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy, plus any amount directly attributable to new construction and annexation and involuntary tort judgments. The 2% limitation does not apply to taxes levied for Primary purposes on behalf of local school districts. Under the Secondary system, annual tax levies for bonded indebtedness and special district assessments are unlimited.

For the last five years, a breakdown of the secondary assessed valuation by property classification for the City is shown below:

SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION  
City of Glendale, Arizona

Class	2002-03 Secondary Assessed Valuation	2003-04 Secondary Assessed Valuation	2004-05 Secondary Assessed Valuation	2005-06 Secondary Assessed Valuation	2006-07 Secondary Assessed Valuation <sup>1</sup>
1 Mining, Utilities, Commercial	\$338,212,710	\$352,719,595	\$390,470,689	\$406,243,366	\$475,523,161
2 Agricultural & Vacant	33,299,174	30,800,037	38,032,311	41,109,906	57,754,756
3 Owner Occupied	519,612,547	585,175,121	601,574,046	690,156,470	695,611,467
4 Rented Residential, Residential Common Areas	93,960,528	107,353,765	109,590,079	126,603,653	136,711,715
5 Railroad, Private Car Companies, Flight Properties	2,995,470	2,814,725	3,628,163	3,676,862	3,951,690
6 Noncommercial Historic, Foreign Trade Zones	1,012,027	1,153,304	1,254,729	1,147,951	1,436,297
7 Commercial Historic	0	0	0	0	0
8 Residential Historic	0	0	0	0	0
9 Improvements on federal, state, county or municipal property	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTALS</b>	<b>\$989,092,456</b>	<b>\$1,080,016,547</b>	<b>\$1,144,550,017</b>	<b>\$1,268,938,208</b>	<b>\$1,370,989,086</b>

<sup>1</sup> Assessed Value Total comes from the 2006 Published Abstract

SOURCE: State of Arizona, Department of Revenue

### Tax Procedures

*Determination of Full Cash Value.* Most property is valued by the various county assessors including Maricopa County, the county assessor for Maricopa County (the "Assessor"), with the Arizona Department of Revenue valuing centrally assessed properties such as gas, water and electrical utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value." "Market value" means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally include the market approach, the cost approach and the income approach. As a general matter, the Assessor uses the cost approach for commercial/industrial property and a sales data (market) approach for residential property. Arizona law allows taxpayers to appeal the Assessor's valuations by providing evidence of a lower value, which may be based upon another valuation approach.

County assessors, upon meeting certain conditions, may value residential, agricultural and vacant land at the same full cash valuation for up to three years. The Assessor currently values existing properties on a two-year cycle.

Arizona law provides for a property valuation "freeze" for certain residential property owners sixty-five years of age and older. Owners of residential property may obtain such freeze against valuation increases (the "Property Valuation Protection Option") if the owner's total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The property owner must apply for the Property Valuation Protection Option and, if approved by the Assessor, must renew the application every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

## **Delinquent Tax Procedures**

The Property taxes due the City are billed, along with State, County, School District and other taxes, in September of the calendar tax year and are payable in two installments, October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum pro-rated monthly as of the first day of the month. After the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the property at the tax sale, the title to such property is vested in the State and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

A successful bidder at the tax lien sale may then pay subsequent taxes. After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the County Treasurer to deliver a Treasurer's Deed to the certificate holder as prescribed by law. Alternatively the purchaser may wait for six years from the sale and request a Treasurer's Deed without bringing a court action.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code, the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are over secured and then possibly only on the pro-rated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds.

REAL AND SECURED PROPERTY TAXES LEVIED AND COLLECTED<sup>1</sup>  
City of Glendale, Arizona  
As of May 4, 2007  
(000's)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2002	\$16,136	\$15,529	96.24	\$456	\$15,985	99.06
2003	16,743	16,289	97.29	362	16,651	99.45
2004	18,468	17,899	96.92	425	18,324	99.22
2005	19,534	19,011	97.32	395	19,406	99.34
2006	21,567	20,980	97.28	457	21,437	99.40
2007	23,423	21,556	92.03	~	21,556	92.03

<sup>1</sup> Taxes are certified to and collected by the Maricopa County Treasurer. Taxes in support of debt service are levied by the Maricopa County Board of Supervisors as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum which is pro-rated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County General Fund.

<sup>2</sup> Beginning in fiscal 2002 commercial unsecured property is combined with the real property tax levy.

<sup>3</sup> 2006-2007 Taxes in Course of Collection: First installment due 10-1-06, delinquent 11-1-06; Second installment due 3-1-07, delinquent 5-1-07.

SOURCE: 2006 City of Glendale, Arizona Comprehensive Annual Financial Report; Maricopa County Treasurer's Office

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## ASSESSED VALUATIONS AND TAX RATES

Arizona legislation limits increases in assessed valuations of residential properties, to limit total property taxes levied by counties, cities, towns, community college districts and school districts, to establish maximum limits on annual expenditures by counties, cities, towns, community college districts and school districts subject to adjustments for population and cost of living changes. There is no provision, however, which limits the amount of taxes which may be levied or expended to pay debt service on existing or future general obligation bond issues.

### DIRECT AND OVERLAPPING ASSESSED VALUATIONS AND TOTAL TAX RATES Per \$100 Assessed Valuation Fiscal Year 2007

Overlapping Jurisdiction	2007 Net Secondary A.V.	2007 Net Primary A.V.	2007 Total Tax Rates Per \$100 A.V.
State of Arizona	\$54,436,547,031	\$50,663,763,292	\$0.0000
Maricopa County	36,321,338,787	33,807,465,267	1.1794
Maricopa County Community College District	36,321,338,787	33,807,465,267	1.0646
Maricopa County Library District <sup>1</sup>	36,321,338,787	n/a	0.0507
Maricopa County Flood Control District <sup>1</sup>	32,647,365,876	n/a	0.2047
Maricopa County Fire District <sup>1</sup>	36,321,338,787	n/a	0.0068
Maricopa County Health Care District <sup>1</sup>	36,321,338,787	n/a	0.1184
Central Arizona Water Conservation District <sup>1</sup>	36,321,338,787	n/a	0.1200
West-Mec Vocational District	12,207,584,943	n/a	0.0500
Election District No. 7	653,972,830	n/a	0.0090
Deer Valley Unified S.D. No. 97	2,236,216,047	2,053,015,673	6.0341
Dysart Unified S.D. No. 89	975,607,433	913,332,120	6.9522
Peoria Unified S.D. No. 11	1,467,901,555	1,373,599,050	7.5974
Agua Fria Union H.S.D. No. 216	845,611,657	768,076,700	3.5875
Glendale Union H.S.D. No. 205	1,886,109,179	1,799,850,656	3.3319
Phoenix Union H.S.D. No. 210	5,575,580,237	5,107,473,365	3.7863
Tolleson Union H.S.D. No. 214	921,276,440	849,413,201	4.2602
Alhambra Elementary S.D. No. 68	435,353,348	405,613,589	5.9649
Cartwright Elementary S.D. No. 83	375,889,150	355,691,782	5.6245
Glendale Elementary S.D. No. 40	380,060,625	359,763,531	6.5078
Litchfield Elementary S.D. No. 79	556,867,080	504,375,889	3.2683
Pendergast Elementary S.D. No. 92	304,634,623	285,935,947	5.7586
Washington Elementary S.D. No. 6	1,506,048,554	1,440,087,125	4.1189
City of Glendale	1,370,989,076	1,293,566,596	1.7200

<sup>1</sup> The assessed valuation of the Flood Control District does not include the personal property assessed valuation of Maricopa County. All levies for library districts, hospital districts, fire districts and flood control districts are levied on the secondary assessed valuation, as shown here.

SOURCE: Maricopa County Treasurer Office

ASSESSED VALUATION OF MAJOR TAXPAYERS  
City of Glendale, Arizona  
Fiscal Year 2007

Taxpayer	Type of Property	2007 Secondary Assessed Valuation	As % of City's Total Secondary Assessed Valuation
Arizona Public Services Company	Electric Utility	\$16,403,773	1.1965%
Qwest Corporation	Telecommunications	12,757,766	0.9306%
New River Associates	Shopping Center/Mall	10,147,197	0.7401%
Wal-Mart Stores Inc.	Warehouse	10,125,413	0.7385%
VHS of Arrowhead Inc.	Hospital	6,983,093	0.5093%
Toys Dc South	Warehousing/Industrial Park	6,392,386	0.4663%
Lexington Glendale	Manufacturing	6,325,977	0.4614%
Southwest Gas Corporation	Gas Utility	6,258,650	0.4565%
51 Bells Limited Partnership	Warehouse/Office/Retail	4,915,614	0.3585%
Coyote Center Development LLC	Vacant Commercial Urban	4,887,209	0.3565%
Burlington Northern/Santa Fe Railway Co.	Railroad Operations	4,440,898	0.3239%
NNN Talavi Corporate Ctr. LLC/et al	Office Building	4,048,298	0.2953%
Corning Gilbert Inc.	Manufacturing	3,542,975	0.2584%
Banner Health System	Medical Clinic	3,531,202	0.2576%
Condev West Inc.	Shopping Center/Mall	3,530,925	0.2575%
HW Phoenix LP	Manufacturing	3,496,151	0.2550%
Chase Commercial Mortgage	Shopping Center	3,441,912	0.2511%
May Dept Stores	Shopping Center	3,348,301	0.2442%
Honeywell International	Manufacturing	3,286,226	0.2397%
5353 Bell Road LLC	Manufacturing	<u>3,282,043</u>	0.2394%
	TOTAL	\$114,577,740	8.3573%

**Special Note:** The Salt River Project Agricultural Improvement and Power District assessed valuation is not reflected in the total assessed valuation of the City of Glendale. The Project is subject to a "voluntary contribution" in lieu of ad valorem taxation. The 2006-2007 secondary assessed valuation of Salt River Project within the City is \$11,208,954. The estimated in lieu contribution will be \$192,794.

SOURCE: Maricopa County Treasurer's Office

COMPARATIVE SECONDARY ASSESSED VALUATION HISTORIES

Fiscal Year	City of Glendale	Maricopa County
2002	\$954,118,970	\$22,913,134,480
2003	989,092,456	24,465,394,068
2004	1,080,016,547	27,508,078,052
2005	1,144,550,017	30,093,796,804
2006	1,269,568,147	33,168,406,054
2007	1,370,989,076	36,321,338,787

SOURCE: City of Glendale; Maricopa County Treasurer's Office

ESTIMATED FULL CASH VALUE HISTORY<sup>1</sup>  
 City of Glendale, Arizona  
 (in 000's)

Fiscal Year	City of Glendale	Maricopa County
2002	\$7,511,669	\$166,065,666
2003	7,557,262	172,854,695
2004	8,372,983	198,467,026
2005	8,703,087	214,737,130
2006	10,085,174	246,792,368
2007	10,350,063	261,853,633

<sup>1</sup> Estimated full cash value is the total market value of the taxable property. Excludes property that is exempt from property taxes.

SOURCE: Maricopa County Treasurer's Office

## **OTHER FINANCIAL MATTERS**

### **Introduction**

The City's fiscal year is from July 1 through June 30.

The Deputy City Manager over the Administrative Services Group is responsible for Economic Development, Finance, Management and Budget, and Information Technology Departments. The Chief Financial Officer is responsible for accounting, accounts payable, payroll, revenue collection, debt management, licensing, investments, tax auditing, materials management (purchasing) and materials control. The Economic Development Director is responsible for additional growth in the community. The Management and Budget Director is responsible for budget preparation and monitoring. The Information and Technology Director is responsible for computer-related planning, evaluation and installation of hardware and software throughout the City.

### **Expenditure Limitation**

Commencing in fiscal year 1982-83, the City became subject to the annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the City's actual expenditures for fiscal year 1979-80, with this base adjusted annually to reflect population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, such as expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitation can be exceeded for certain emergency expenditures or if approved by the voters. The constitutional provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a local home rule option; a permanent base adjustment; and a one-time override.

On March 16, 1982, the voters of the City approved a local home-rule option proposition referred to them by the City Council to exceed the statutorily imposed expenditure limit in all areas of City operations in the 1982-83 fiscal year and the three succeeding fiscal years to the extent of revenues anticipated to be received by the City. Successive authorizations to exceed the statutory limitation for four year periods were approved on March 1986, on March 1990 and on March 1994. On February 24, 1998 the City Council adopted a Resolution proposing an extension of the Alternative Local Expenditure Limitation tests for four more years and was approved by voters at the May 19, 1998 General Election. From July 1982 to June 2002, the City was subject to the home-rule option. The City is now subject to the State imposed expenditure limitation of which the City is in full compliance. On May 16, 2000, voters approved a permanent base adjustment to the 1980 expenditure limitation thereby increasing it from \$21.5 million to \$68 million (in 1980 dollars). This base year is adjusted by an inflation and population factor from year to year. The approval of this permanent adjustment by the voters will have no effect on sales and property taxes.

### **Operating Budget Process**

The budget process emphasizes the City's objective of making the budget not only a financial plan but also a policy document, operations guide and a communications device as recommended by the Government Finance Officers Association ("GFOA"). GFOA has awarded the City's 2007 budget its "Distinguished Budget Presentation," the 21st year the City has received this award.

The budget process involves identifying, for each department, distinct services provided to the public or to other city departments. For each service product the responsible department then determines: (i) the base budget consisting of recurring costs from the current fiscal year; and (ii) supplemental requests representing increases in services or new services. When these two levels have been determined, each department prioritizes its preferences for supplemental requests only. Each Deputy City Manager, who supervises a group of related departments, prioritizes service products as a whole for their respective groups. After a budget balancing meeting with the City Manager and the management team (which consists of the City Manager, the Assistant City Manager, the Deputy City Managers, the City Attorney, Budget Director and the Police and Fire Chiefs) a balanced budget, which includes the new supplementals, is presented to the City Council. The City Council will then review the proposed supplementals during special workshop sessions. The Council will approve or deny the requests at that time. Budget adoption by the City Council occurs in late June following public hearings on the City Manager's proposed budget.

City budgeting for a fiscal year formally begins with the preparation of the budget. It is subsequently adopted, after a public hearing, by July 1 for the fiscal year. The budget must contain the information indicated above and a tax levy is made in accordance therewith.

### **Financial Reports and Examination of Accounts**

Annually, independent certified public accountants audit the financial records as required by state law and the Charter. See Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006 for the basic financial statements from the City's June 30, 2006, Comprehensive Annual Financial Report. The City received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for its 2006 Comprehensive Annual Financial Report as well as in each of the 16 preceding years.

### **Insurance**

In January 1987, the City Council established a risk management fund for torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster. The City's risk management fund purchases commercial insurance for property, aviation, Inland Marine, errors and omissions, boiler and machinery, special events and vehicle property damage. The risk management fund was fully self-insured through June 30, 1998, for tort liability loss. Effective July 1, 1998, the City purchased excess public entity liability insurance with \$1 million of self-insurance retention for claims incurred on or after July 1, 1998.

Funds receiving insurance coverage pay monthly premiums to the risk management fund based upon an actuarial review. Premium payments to insurance carriers are made directly from the risk management fund. There have been no settlements paid in excess of insurance in any of the past three years nor has insurance coverage been significantly reduced in recent years.

On July 1, 1994, the City established a workers' compensation fund for work-related injuries to employees. The workers' compensation fund provides coverage up to a maximum of \$500 for each workers' compensation claim and purchases commercial insurance for claims in excess of \$500. Funds receiving insurance coverage pay monthly premiums to the workers' compensation fund based upon a budget model taking into consideration prior loss experience, staffing level, and the National Council on Compensation insurance workers' compensation manual rates. Premium payments to insurance carriers are made directly from the workers' compensation fund. There have been no settlements paid in excess of insurance in any of the past three years. See Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, Note VI.B for further information.

## **Employee Retirement Systems, Pension Plans and Other Post Employment Benefits**

The City participates in three retirement plans for City personnel. The Arizona State Retirement System is a defined benefit plan that covers general employees of the City and is governed by the Arizona State Retirement System Board. The Public Safety Personnel Retirement System is a defined benefit plan that covers eligible fire and police personnel of the City and the Elected Officials Retirement Plan is a defined benefit plan that covers elected officials and judges of certain state and local governments. See Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, Note XVI.A for more information regarding these retirement plans and the City's contributions. The City is in the process of hiring an actuary to perform calculations of the City's liability with respect to other post-employment benefits. The liability, if any, is not known at this time. See Appendix B - City of Glendale, Arizona - Audited Financial Statements for Fiscal Year Ended June 30, 2006, Note XVII for additional information.

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**APPENDIX B**

**CITY OF GLENDALE, ARIZONA  
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR  
ENDED JUNE 30, 2006**

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Gary Heinfeld, CPA, CGFM  
Nancy A. Meech, CPA, CGFM  
Jennifer L. Shields, CPA  
Corey Arvizu, CPA

Scott W. Kies, CPA  
Kimberly A. Robinson, CPA  
Kera Badalamenti, CPA

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council  
City of Glendale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Glendale, Arizona (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund as listed above, and the aggregate remaining fund information of the City of Glendale, Arizona as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2006, on our consideration of City of Glendale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 13 through 23 and pages 77 through 80 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

October 3, 2006



City of Glendale, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# MANAGEMENT'S DISCUSSION & ANALYSIS

(Required Supplementary Information)

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FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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## **Management's Discussion and Analysis**

As management of the City of Glendale (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial highlights**

The financial statements, which follow the Management's Discussion and Analysis, provide these significant key financial highlights for 2005-06 as follows.

- The City's total net assets increased \$46,348 or 4.69%. The governmental net assets increased by \$36,244 or 6.11% and the business-type net assets increased by \$10,104 or 2.56%.
- General revenues from governmental activities increased \$20,548 or 13.33%, and were 71.06% of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions increased \$10,760 or 17.82%.
- The business-type activities revenue increased by \$3,414 or 3.64%.
- The total cost of all City programs increased by \$27,320 or 10.17%.
- A major governmental fund, the general fund, had \$146,468 in revenues, which is an increase of \$20,733 or 16.49% from the prior year. The primary sources of revenue in the general fund are local taxes and intergovernmental taxes. The total expenditures of the general fund were \$137,590, which is an increase of \$19,876 or 16.89% from the prior year. The fund balance increased \$6,415 or 9.71%. This increase resulted from increased tax and special assessments revenue, and intergovernmental revenues.
- The City issued 1) \$80,000 in subordinate lien water and sewer bonds to fund the construction of various water and sewer improvements, 2) \$29,365 in general obligation bonds to fund the construction of public improvements, 3) \$9,065 in general obligation refunding bonds to advance refund outstanding general obligation bonds, 4) \$15,745 in street and highway user revenue bonds to fund the construction of certain street and highway public improvements. In addition, its municipal property corporation (MPC) issued the following: 1) \$33,250 in excise tax revenue bonds to fund the construction of a public training facility and constructing infrastructure improvements within the City, and 2) \$14,673 in excise tax revenue bonds to finance the development of infrastructure, a convention center, parking structure and media center.

### **Overview of the financial statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

**CITY OF GLENDALE, ARIZONA**  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

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*. Net assets are categorized as capital assets less related debt, restricted by an outside party, and unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether 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 (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community services, community environment and street maintenance. The business-type activities of the City include water and sewer, landfill, sanitation, and housing.

**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 two categories: governmental funds and proprietary 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 evaluating a government's near-term financing requirements.

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 City'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 16 individual governmental funds. 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 major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

**Proprietary funds.** The City maintains two different 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 its water and sewer, landfill, sanitation, and housing services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management, workers' compensation and employee benefit activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

**CITY OF GLENDALE, ARIZONA**  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, and landfill services, which are considered to be major funds of the City. Data from the other two enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major enterprise funds are provided in the form of combining statements and schedules. Conversely, all three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

**Additional required supplementary information.** Following the basic financial statements is Required Supplementary Information (RSI) that further explains and supports the financial information in the financial statements. RSI presents the budgetary comparison schedule for general fund and transportation special revenue fund.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the RSI.

**Government-wide financial analysis**

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$1,033,674 as of June 30, 2006.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. 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 used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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**CITY OF GLENDALE, ARIZONA**  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

**Net assets**

The following table reflects the condensed Statement of Net Assets compared to prior year.

**Condensed Statement of Net Assets**  
As of June 30, 2006, and 2005  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 293,114	\$ 277,726	\$ 196,267	\$ 142,260	\$ 489,381	\$ 419,986
Capital assets	869,900	766,969	457,034	423,570	1,326,934	1,190,539
<b>Total assets</b>	<b>1,163,014</b>	<b>1,044,695</b>	<b>653,301</b>	<b>565,830</b>	<b>1,816,315</b>	<b>1,610,525</b>
Current liabilities	44,443	39,346	12,003	10,873	56,446	50,219
Long-term liabilities	489,474	412,496	236,721	160,484	726,195	572,980
<b>Total liabilities</b>	<b>533,917</b>	<b>451,842</b>	<b>248,724</b>	<b>171,357</b>	<b>782,641</b>	<b>623,199</b>
Net assets:						
Invested in capital assets, net of related debt	398,517	372,778	233,387	274,620	631,904	647,398
Restricted	155,163	179,434	12,437	11,249	167,781	190,683
Unrestricted	75,417	40,641	158,753	108,604	233,989	149,245
<b>Total net assets</b>	<b>\$ 629,097</b>	<b>\$ 592,853</b>	<b>\$ 404,577</b>	<b>\$ 394,473</b>	<b>\$ 1,033,674</b>	<b>\$ 987,326</b>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Changes in net assets.** The City's revenue from governmental activities for the fiscal year ended June 30, 2006, was \$245,168. The cost of programs and services for governmental activities were \$209,624.

The City's revenue from business-type activities for the fiscal year ended June 30, 2006, was \$97,084. The cost of programs and services were \$86,280.

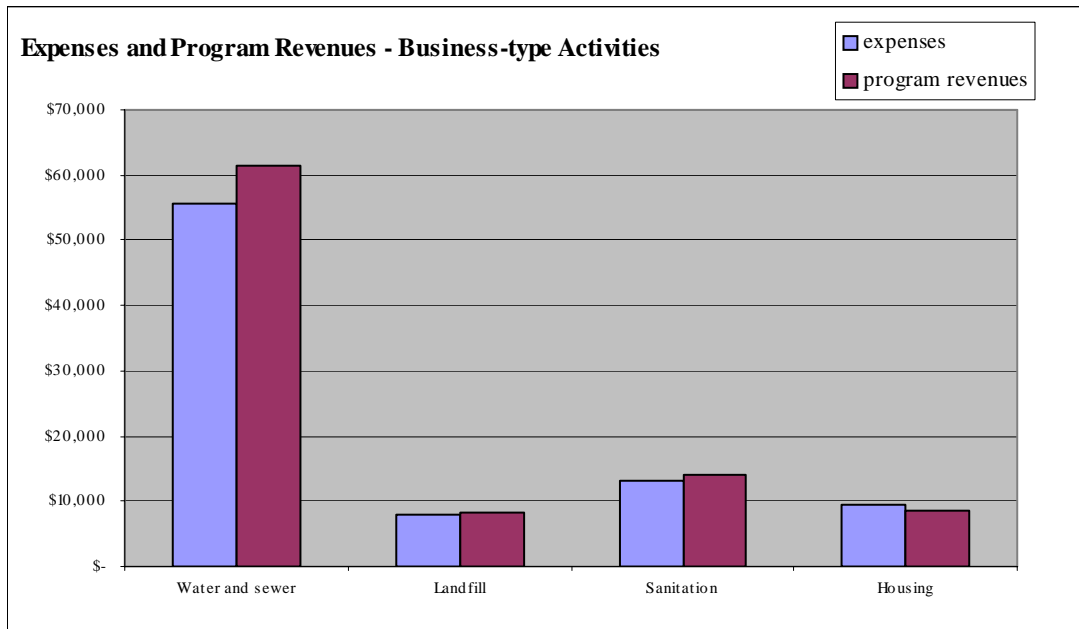
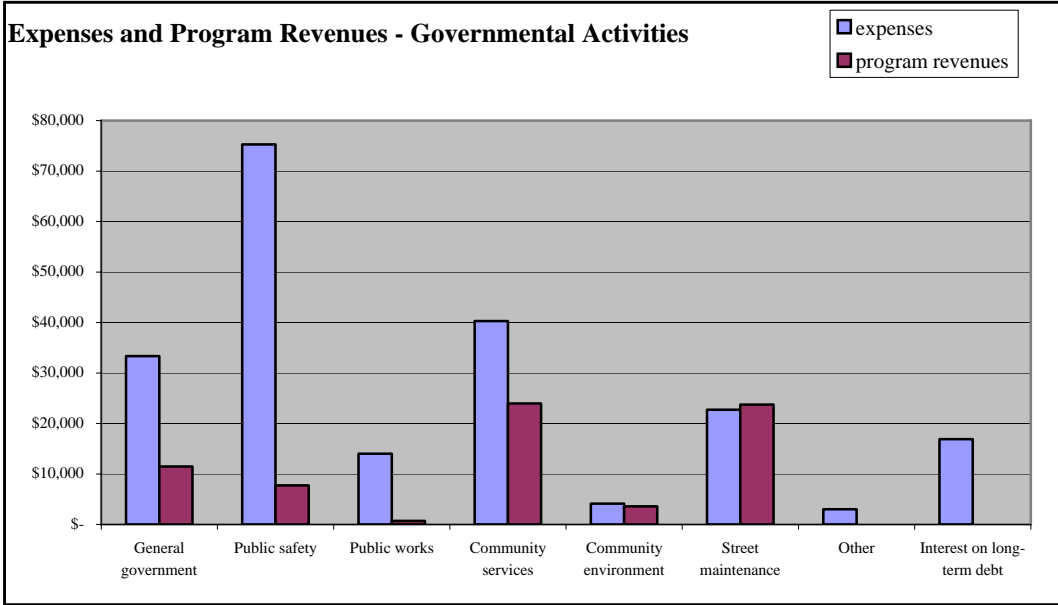
**CITY OF GLENDALE, ARIZONA**  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	<b>Changes in Net Assets</b> (in thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 32,769	\$ 27,652	\$ 79,251	\$ 77,422	\$ 112,020	\$ 105,074
Operating grants and contributions	31,973	26,535	8,020	8,027	39,993	34,562
Capital grants and contributions	6,406	6,201	5,403	5,954	11,809	12,155
Total program revenues	<u>71,148</u>	<u>60,388</u>	<u>92,674</u>	<u>91,403</u>	<u>163,822</u>	<u>151,791</u>
General revenues:						
Property taxes	21,386	19,422	-	-	21,386	19,422
Sales taxes	90,968	77,166	-	-	90,968	77,166
State shared sales tax	23,298	20,271	-	-	23,298	20,271
Urban revenue sharing (state shared income tax)	22,909	20,115	-	-	22,909	20,115
Auto in-lieu taxes	10,444	9,414	-	-	10,444	9,414
Investment earnings, unrestricted	4,395	2,654	3,466	2,065	7,861	4,719
Gain on disposal of capital assets	348	225	844	-	1,192	225
Miscellaneous	272	275	100	202	372	477
Total revenues	<u>245,168</u>	<u>209,930</u>	<u>97,084</u>	<u>93,670</u>	<u>342,252</u>	<u>303,600</u>
<b>Expenses:</b>						
General government	33,329	31,603	-	-	33,329	31,603
Public safety	75,277	64,277	-	-	75,277	64,277
Public works	13,995	14,309	-	-	13,995	14,309
Community services	40,275	37,394	-	-	40,275	37,394
Community environment	4,125	3,236	-	-	4,125	3,236
Street maintenance	22,720	21,355	-	-	22,720	21,355
Other	3,020	238	-	-	3,020	238
Interest on long-term debt	16,883	16,986	-	-	16,883	16,986
Water and sewer	-	-	55,607	50,190	55,607	50,190
Landfill	-	-	7,950	7,431	7,950	7,431
Sanitation	-	-	13,257	12,287	13,257	12,287
Housing	-	-	9,466	9,278	9,466	9,278
<b>Total expenses</b>	<u>209,624</u>	<u>189,398</u>	<u>86,280</u>	<u>79,186</u>	<u>295,904</u>	<u>268,584</u>
<b>Excess before transfers</b>	<u>35,544</u>	<u>20,532</u>	<u>10,804</u>	<u>14,484</u>	<u>46,348</u>	<u>35,016</u>
<b>Transfers in (out)</b>	<u>700</u>	<u>(164)</u>	<u>(700)</u>	<u>164</u>	<u>-</u>	<u>-</u>
<b>Increase in net assets</b>	<u>36,244</u>	<u>20,368</u>	<u>10,104</u>	<u>14,648</u>	<u>46,348</u>	<u>35,016</u>
<b>Net assets, beginning</b>	<u>592,853</u>	<u>572,485</u>	<u>394,473</u>	<u>379,825</u>	<u>987,326</u>	<u>952,310</u>
<b>Net assets, ending</b>	<u>\$ 629,097</u>	<u>\$ 592,853</u>	<u>\$ 404,577</u>	<u>\$ 394,473</u>	<u>\$ 1,033,674</u>	<u>\$ 987,326</u>

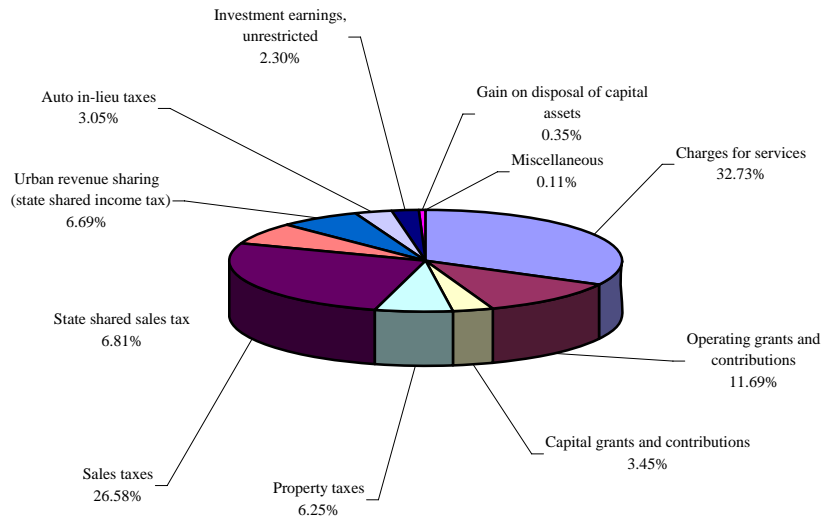
The size of the increase in net assets results primarily from sustained economic growth including developer investment in city facilities and infrastructure.

**CITY OF GLENDALE, ARIZONA**  
 Management's Discussion and Analysis (MD&A)  
 For the Fiscal Year Ended June 30, 2006  
 (amounts expressed in thousands)

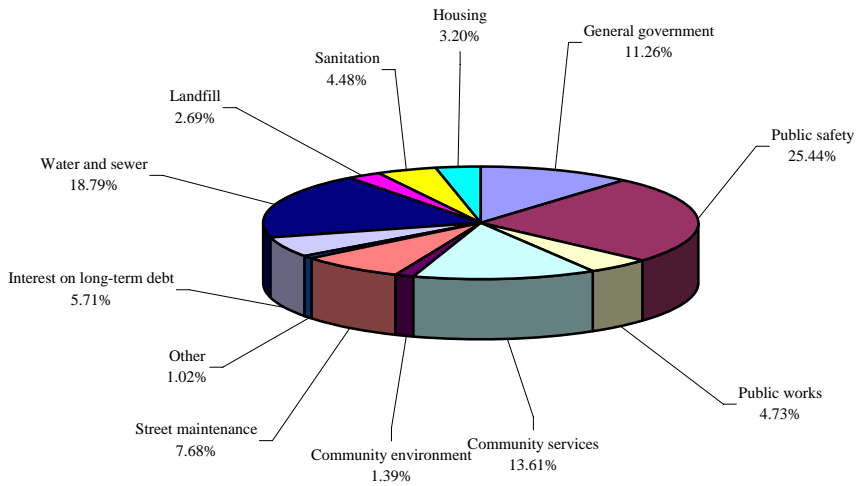


**CITY OF GLENDALE, ARIZONA**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2006**  
 (amounts expressed in thousands)

**Revenue Sources Fiscal Year 2005-06**



**Functional Expenses Fiscal Year 2005-06**



**CITY OF GLENDALE, ARIZONA**  
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 For the Fiscal Year Ended June 30, 2006  
 (amounts expressed in thousands)

**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 *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds.

- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$210,053, an increase of \$8,369 or 4.15% in comparison with the prior year.
- *Unreserved undesignated fund balance*, which is available for spending at the City's discretion within a fund, was \$129,642, an increase of \$7,605 or 5.99% from the prior year.
- The City also had \$27,310 in unreserved, designated fund balance, which represents self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds as discussed in Note XV.
- The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes, such as perpetual care for the City's cemetery, debt service, and development impact fees.

**Summary of Reserved Fund Balances  
 by Fund Type  
 (in thousands)**

General	\$ 10,287
Special revenue	26,273
Debt service	11,531
Capital projects	98
Permanent	<u>4,912</u>
Total	<u>\$ 53,065</u>

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 \$62,166, while total fund balance reached \$72,453. 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 45.18% of total general fund expenditures, while total fund balance represents 52.66% of that same amount.

The transportation fund accounts for the City's public transit program. The fund saw a decrease in fund balance of \$8,752 for the fiscal year ended June 30, 2006. This decrease is due to increase in capital outlay.

The general obligation debt service fund accounts for the accumulation of resources for, and payment of, general obligation debt. The fund saw an increase in fund balance of \$1,594 for the fiscal year ended June 30, 2006, due to an increase in revenues collected.

The municipal property corporation construction fund accounts for the resources used to finance municipal projects. The fund saw an increase in fund balance of \$16,668 for the fiscal year ended June 30, 2006. This was due to bonds being issued.

**CITY OF GLENDALE, ARIZONA**  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

The parks bond construction fund accounts for bond proceeds received and expenses paid related to the construction and maintenance of the city parks. The fund saw a decrease in fund balance of \$9,955 for the fiscal year ended June 30, 2006. This decrease is due to capital project expenditures.

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

Net assets of the enterprise funds and the internal service funds increased \$11,293 or 2.81%. The enterprise funds' total net assets were 3.07% restricted and 39.37% unrestricted. Internal service funds were 100.0% unrestricted.

The water and sewer fund accounts for operations, maintenance and construction projects of City-owned water and sewer systems. The fund saw an increase in net assets of \$8,256 for the fiscal year ended June 30, 2006. This increase is due to 1) operating revenue greater than operating expenses, and 2) increased investment earnings.

The landfill fund accounts for operations of the City-owned landfill. The fund saw an increase of \$1,021 for the fiscal year ended June 30, 2006. This increase is due to operating revenues exceeding operating expenses.

The internal service fund accounts for risk management, workers' compensation, and employee benefits provided to other departments. The fund saw an increase of \$1,273 for the fiscal year ended June 30, 2006. This is due to increased operating revenue as a result of increased self-insurance premiums.

### **General fund budgetary highlights**

Consistent with national economic conditions, the City's investment revenue was positively impacted by economic improvement.

- Investment revenue was improved this year as a result of increased interest rates.
- License and permit revenues were adversely affected by 1) a decrease in special regulatory licenses and 2) the completion of the Glendale stadium.
- General fund expenditures to appropriations final amended budget exceeded the original budget by \$2,215 primarily due to a \$5,038 increase in capital outlay for parks projects, of which \$2,823 was covered by contingency funds.
- General fund revenues exceeded the final amended budget by \$24,226 or 16.79%, primarily due to increase in state shared revenues and charges for services.
- General fund expenditures were less than the final amended budget by \$28,569 or 15.40%. This positive variance resulted from \$11,585 in leftover contingencies appropriation at fiscal year-end.

### **Capital asset and debt administration**

**Capital assets.** The City's investment in capital assets (net of accumulated depreciation) as of June 30, 2006, for its governmental-type activities was \$869,900 and for the business-type activities was \$457,034. The investment in governmental and business-type capital assets consisted of land, buildings, machinery and equipment, and infrastructure for streets, parks, airport and street lighting, water and wastewater treatment plants.

**CITY OF GLENDALE, ARIZONA**  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

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

- Completion of Recreation & Aquatics Center, \$14,710;
- Completion of Fire Station No. 159, \$3,618;
- Completion of Desert Valley Park, \$727;
- Completion of West Area Water Reclamation Facility, \$43,944; and
- Purchase of land for Oasis Water Treatment Plant, \$3,779.

The following table is a summary of capital assets reflected in the June 30, 2006, as compared to last year's financial statements.

**Capital Assets at Year End**  
(Net of depreciation)  
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2006	2005	2006	2005	2006	2005
Construction in progress	\$ 98,504	\$ 69,406	\$ 47,972	\$ 69,715	\$ 146,476	\$ 139,121
Land	63,372	49,762	11,609	9,477	74,981	59,239
Artwork	1,189	1,189	-	-	1,189	1,189
Buildings	145,570	130,333	8,890	9,137	154,460	139,470
Improvements other than buildings	71,401	70,927	19,773	9,850	91,174	80,777
Infrastructure-streets	371,535	355,182	-	-	371,535	355,182
Infrastructure-parks	51,687	25,237	-	-	51,687	25,237
Infrastructure-airport	8,156	7,401	-	-	8,156	7,401
Infrastructure-flood/storm drains	26,804	25,957	-	-	26,804	25,957
Water lines	-	-	69,298	65,194	69,298	65,194
Sewer lines	-	-	80,529	79,180	80,529	79,180
Water treatment plant	-	-	65,626	68,976	65,626	68,976
Sewer treatment plant	-	-	123,531	81,694	123,531	81,694
Meters and services	-	-	19,942	20,624	19,942	20,624
Fire hydrants	-	-	3,580	3,681	3,580	3,681
Machinery and equipment	17,063	19,499	458	537	17,521	20,036
Computer equipment	421	574	217	264	638	838
Software	241	294	-	-	241	294
Automotive equipment	13,957	11,208	5,609	5,241	19,566	16,449
<b>Total</b>	<b>\$ 869,900</b>	<b>\$ 766,969</b>	<b>\$ 457,034</b>	<b>\$ 423,570</b>	<b>\$ 1,326,934</b>	<b>\$ 1,190,539</b>

Additional information on capital assets can be found in Note IV of the financial statements.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$681,679 compared to \$535,306 last year, a 27.3% net increase. Of this amount, \$188,230 comprises debt backed by the full faith and credit of the City and \$39 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

**CITY OF GLENDALE, ARIZONA**  
Management's Discussion and Analysis (MD&A)  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation	\$ 175,155	\$ 157,065	\$ 13,075	\$ 14,005	\$ 188,230	\$ 171,070
Special assessments	39	75	-	-	39	75
Highway user revenue bonds	35,940	22,455	-	-	35,940	22,455
Municipal property corporation revenue bonds	223,988	177,950	-	-	223,988	177,950
Capital lease obligation	12,875	13,704	2,613	2,676	15,488	16,380
Water and sewer revenue bonds/obligations	-	-	190,020	115,140	190,020	115,140
Notes payable	15,689	18,576	12,285	13,660	27,974	32,236
<b>Total</b>	<b>\$ 463,686</b>	<b>\$ 389,825</b>	<b>\$ 217,993</b>	<b>\$ 145,481</b>	<b>\$ 681,679</b>	<b>\$ 535,306</b>

The City's total long-term debt increased by \$146,373 from the prior year. A key factor in this increase was the issuance of general obligation, highway user revenue, subordinate lien water and sewer revenue obligations and municipal property corporation excise tax revenue bonds during the year.

The City maintains an "AA" rating from Standard & Poor's and an "Aa2" rating from Moody's for general obligation debt. The highway user revenue bonds have been rated "Aa3" by Moody's and "AA-" by Standard & Poors.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of its total secondary assessed valuation for combined water, sewer, light, parks, open space preserves, playgrounds and recreational facilities nor may outstanding debt for all other purposes exceed 6% of the net secondary assessed valuation. The City's current unused 6% and 20% debt limitation on June 30, 2006, was \$23,635 and \$140,730, respectively.

Additional information on long-term debt can be found in Note IX of the financial statements.

**Economic factors and next year's budgets and rates**

The adopted fiscal year 2006-07 budget is \$913,000 (up 25.07% from 2005-06), including a \$337,000 operating budget (an increase of 16.21% from 2006) and \$435,000 in capital outlay (up 33.23% from 2006). The fiscal year 2006-07 budget includes \$88,000 contingency appropriation to cover emergency expenses or revenue shortages.

- Fiscal year 2005-06 saw the national, state and regional economies recovering from the effects of a recession in previous years.
- While the regional economy remains strong, it is traditionally largely driven by construction, due to the continued population growth of the state and metropolitan area, as well as the financial services and tourism sectors. Arizona cities remain dependent on sales taxes and other economically sensitive tax revenues and are susceptible to slowdowns in the economy.
- The City's unemployment rate for June 2006 was 4.0%, which is the same rate from a year ago. This compares favorably to the state's average unemployment rate of 4.6% and the national average rate of 4.6%.

**Request for information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 5850 West Glendale Avenue, Suite 302, Glendale, Arizona 85301.

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City of Glendale, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# BASIC FINANCIAL STATEMENTS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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City of Glendale, Arizona  
**Statement of Net Assets**  
June 30, 2006  
(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 248,295	\$ 60,730	\$ 309,025
Receivables (net of allowance for uncollectibles)			
Property taxes	907	-	907
Accounts	12,184	9,433	21,617
Accrued interest	710	242	952
Intergovernmental receivable	9,294	119	9,413
Internal balances	880	(880)	-
Inventories and prepaid items	5,037	2,051	7,088
Restricted cash and investments	11,235	72,925	84,160
Capital assets:			
Non-depreciable	163,065	59,581	222,646
Depreciable (net)	706,835	397,453	1,104,288
Deferred receivable	4,572	-	4,572
Water storage right (net)	-	6,355	6,355
Equity in joint venture	-	45,292	45,292
Total assets	<u>1,163,014</u>	<u>653,301</u>	<u>1,816,315</u>
<b>LIABILITIES</b>			
Vouchers payable	25,324	5,990	31,314
Accounts payable	693	30	723
Retainage payable	1,340	-	1,340
Accrued interest payable	7,414	4,582	11,996
Intergovernmental payable	189	278	467
Deposits	1,170	891	2,061
Unearned revenue	8,313	232	8,545
Noncurrent liabilities:			
Due within one year	34,884	10,372	45,256
Due in more than one year	454,590	226,349	680,939
Total liabilities	<u>533,917</u>	<u>248,724</u>	<u>782,641</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	398,517	233,387	631,904
Restricted for:			
Capital projects	72,113	-	72,113
Debt service	11,927	1,599	13,526
Transportation	51,021	-	51,021
Highway and streets	6,014	-	6,014
Vehicle replacement	6,146	-	6,146
Revenue bond retirement, replacement, and extension	-	10,017	10,017
Perpetual care - nonexpendable	4,988	-	4,988
Other purposes	2,954	821	3,775
Unrestricted	75,417	158,753	234,170
Total net assets	<u>\$ 629,097</u>	<u>\$ 404,577</u>	<u>\$ 1,033,674</u>

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

City of Glendale, Arizona  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 33,329	\$ 10,726	\$ 592	\$ 157
Public safety	75,277	1,375	6,344	-
Public works	13,995	516	170	-
Community services	40,275	20,121	2,807	1,030
Community environment	4,125	31	3,538	-
Street maintenance	22,720	-	18,522	5,219
Other	3,020	-	-	-
Interest on long-term debt	16,883	-	-	-
Total governmental activities	<u>209,624</u>	<u>32,769</u>	<u>31,973</u>	<u>6,406</u>
Business-type activities:				
Water and sewer	55,607	56,153	-	5,292
Landfill	7,950	8,362	-	-
Sanitation	13,257	14,167	-	-
Housing	9,466	569	8,020	111
Total business-type activities	<u>86,280</u>	<u>79,251</u>	<u>8,020</u>	<u>5,403</u>
Total primary government	<u>\$ 295,904</u>	<u>\$ 112,020</u>	<u>\$ 39,993</u>	<u>\$ 11,809</u>

General revenues:  
Taxes:  
Property taxes levied for:  
General purposes  
Debt service  
Sales taxes  
Unrestricted state shared sales tax  
Unrestricted urban revenue sharing (state shared income tax)  
Auto in-lieu taxes  
Investment earnings, unrestricted  
Gain on disposal of capital assets  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (21,854)	\$ -	\$ (21,854)
(67,558)	-	(67,558)
(13,309)	-	(13,309)
(16,317)	-	(16,317)
(556)	-	(556)
1,021	-	1,021
(3,020)	-	(3,020)
(16,883)	-	(16,883)
<u>(138,476)</u>	<u>-</u>	<u>(138,476)</u>
-	5,838	5,838
-	412	412
-	910	910
-	(766)	(766)
-	<u>6,394</u>	<u>6,394</u>
<u>(138,476)</u>	<u>6,394</u>	<u>(132,082)</u>
3,643	-	3,643
17,743	-	17,743
90,968	-	90,968
23,298	-	23,298
22,909	-	22,909
10,444	-	10,444
4,395	3,466	7,861
348	844	1,192
272	100	372
700	(700)	-
<u>174,720</u>	<u>3,710</u>	<u>178,430</u>
36,244	10,104	46,348
592,853	394,473	987,326
<u>\$ 629,097</u>	<u>\$ 404,577</u>	<u>\$ 1,033,674</u>

City of Glendale, Arizona

**Balance Sheet**

**Governmental Funds**

June 30, 2006

(amounts expressed in thousands)

	Major Funds					Other Non-major Governmental Funds	Total Governmental Funds
	General	Transportation	General Obligation Debt Service	Municipal Property Corp Construction	Parks Bond Construction		
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 69,940	\$ 24,848	\$ 24,173	\$ 23,863	\$ 16,449	\$ 73,467	\$ 232,740
Receivables, net of allowance for doubtful accounts:							
Property taxes	156	-	751	-	-	-	907
Accounts	8,235	2,145	-	-	-	1,788	12,168
Accrued interest	610	-	-	-	35	65	710
Due from other Funds	1,861	-	-	-	-	-	1,861
Intergovernmental receivable	2,972	202	-	-	-	6,120	9,294
Inventories and prepaid items	180	-	-	-	-	234	414
Restricted cash and investments	117	-	-	-	-	10,968	11,085
Deferred receivables	484	-	-	-	-	4,088	4,572
Total assets	<u>\$ 84,555</u>	<u>\$ 27,195</u>	<u>\$ 24,924</u>	<u>\$ 23,863</u>	<u>\$ 16,484</u>	<u>\$ 96,730</u>	<u>\$ 273,751</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Vouchers payable	\$ 6,887	\$ 2,969	\$ -	\$ 6,018	\$ 1,469	\$ 6,787	\$ 24,130
Accounts payable	693	-	-	-	-	-	693
Retainage payable	31	67	-	1,177	59	6	1,340
Compensated absences - current	890	21	-	-	-	84	995
Intergovernmental payable	185	-	-	-	-	4	189
Due to other funds	-	-	-	-	-	1,833	1,833
Deposits	1,104	-	-	-	-	66	1,170
Matured interest payable	-	-	2,852	-	-	4,562	7,414
Deferred revenue	2,312	64	524	-	-	6,453	9,353
Matured bonds payable	-	-	11,921	-	-	4,660	16,581
Total liabilities	<u>12,102</u>	<u>3,121</u>	<u>15,297</u>	<u>7,195</u>	<u>1,528</u>	<u>24,455</u>	<u>63,698</u>
Fund Balances:							
Reserved (Note XV)	10,287	-	9,627	-	-	33,187	53,101
Unreserved:							
Designated (Note XV):							
General fund	3,404	-	-	-	-	-	3,404
Special revenue funds	-	212	-	-	-	468	680
Capital project funds	-	-	-	-	-	23,226	23,226
Undesignated, reported in:							
General fund	58,762	-	-	-	-	-	58,762
Special revenue funds	-	23,862	-	-	-	6,138	30,000
Capital projects funds	-	-	-	16,668	14,956	9,256	40,880
Total fund balances	<u>72,453</u>	<u>24,074</u>	<u>9,627</u>	<u>16,668</u>	<u>14,956</u>	<u>72,275</u>	<u>210,053</u>
Total liabilities and fund balances	<u>\$ 84,555</u>	<u>\$ 27,195</u>	<u>\$ 24,924</u>	<u>\$ 23,863</u>	<u>\$ 16,484</u>	<u>\$ 96,730</u>	<u>\$ 273,751</u>

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

City of Glendale, Arizona  
**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets**  
June 30, 2006  
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - Total governmental funds balance sheet	\$	210,053
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$	1,141,024
Less accumulated depreciation		<u>(271,124)</u>
		869,900
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		5,403
Internal service funds are used by management to charge the costs of workers' compensation, risk management, and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		7,106
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(418,541)	
Notes payable	(15,689)	
Capital lease obligations	(12,875)	
Compensated absences	(11,758)	
Bond premium	<u>(5,542)</u>	
		(464,405)
Deferred revenue that is measurable but not yet available for governmental fund activities is recognized as revenue for governmental-wide activities.		1,040
Net assets of governmental activities	<u>\$</u>	<u>629,097</u>

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

City of Glendale, Arizona  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

	Major Funds					Other Non-Major Governmental Funds	Total Governmental Funds
	General	Transportation	General Obligation Debt Service	Municipal Property Corp Construction	Parks Bond Construction		
<b>REVENUES</b>							
Taxes and special assessments	\$ 65,463	\$ 23,215	\$ 17,902	\$ -	\$ -	\$ 5,996	\$ 112,576
Licenses and permits	10,267	-	-	-	-	5,772	16,039
Intergovernmental	57,508	1,953	-	-	-	27,533	86,994
Charges for services	3,594	188	-	-	-	5,056	8,838
Fines and forfeitures	3,564	-	-	-	-	-	3,564
Investment income	3,968	1,045	33	-	621	2,158	7,825
Miscellaneous	2,104	327	-	-	21	1,684	4,136
Total revenues	<u>146,468</u>	<u>26,728</u>	<u>17,935</u>	<u>-</u>	<u>642</u>	<u>48,199</u>	<u>239,972</u>
<b>EXPENDITURES</b>							
Current:							
General government	19,859	-	-	419	56	1,534	21,868
Public safety	64,721	-	-	-	-	8,024	72,745
Public works	12,195	-	-	-	-	57	12,252
Community services	23,741	8,863	-	-	-	3,000	35,604
Community environment	346	-	-	-	-	3,632	3,978
Street maintenance	-	-	-	-	-	11,609	11,609
Miscellaneous	2,647	-	109	-	-	162	2,918
Debt service:							
Principal	3,131	-	10,394	-	-	6,803	20,328
Interest	1,208	-	5,936	-	-	10,078	17,222
Capital outlay	9,742	26,532	-	30,819	18,372	45,778	131,243
Total expenditures	<u>137,590</u>	<u>35,395</u>	<u>16,439</u>	<u>31,238</u>	<u>18,428</u>	<u>90,677</u>	<u>329,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,878</u>	<u>(8,667)</u>	<u>1,496</u>	<u>(31,238)</u>	<u>(17,786)</u>	<u>(42,478)</u>	<u>(89,795)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-term debt issued	-	-	-	46,387	7,761	38,885	93,033
Refunding bonds issued	-	-	9,065	-	-	-	9,065
Premium on long-term debt issued	-	-	615	519	122	526	1,782
Proceeds from equipment disposal	2,159	-	-	1,000	-	7	3,166
Payment to refunded bonds escrow agent	-	-	(9,582)	-	-	-	(9,582)
Other uses:							
Transfers in	2,036	900	-	-	-	17,078	20,014
Transfers out	(6,658)	(985)	-	-	(52)	(11,619)	(19,314)
Total other financing sources and uses	<u>(2,463)</u>	<u>(85)</u>	<u>98</u>	<u>47,906</u>	<u>7,831</u>	<u>44,877</u>	<u>98,164</u>
Net change in fund balances	<u>6,415</u>	<u>(8,752)</u>	<u>1,594</u>	<u>16,668</u>	<u>(9,955)</u>	<u>2,399</u>	<u>8,369</u>
Fund balances, July 1	66,038	32,826	8,033	-	24,911	69,876	201,684
Fund balances, June 30	<u>\$ 72,453</u>	<u>\$ 24,074</u>	<u>\$ 9,627</u>	<u>\$ 16,668</u>	<u>\$ 14,956</u>	<u>\$ 72,275</u>	<u>\$ 210,053</u>

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

City of Glendale, Arizona  
**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

Amounts for governmental activities in the statement of net assets are different because:

Net change in fund balances - total governmental funds		\$	8,369
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. This is the amount by which capital outlays of \$131,243 exceeded depreciation of \$31,686 for the current period.			99,557
The net effect of various transactions involving capital is to increase net assets.			
Capital contributions	\$	5,203	
Disposals		(3,523)	
Gain on sales		<u>348</u>	
			2,028
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			497
The net effect of long-term debt issuance and the related transactions is to increase net assets.			
Bond premium		(1,782)	
Bonds issuance costs		835	
Payment to refunded bonds escrow agent		9,582	
Principal paid		20,328	
Long-term debt issued		(93,033)	
Refunding bonds issued		<u>(9,065)</u>	
			(73,135)
Compensated absences 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.			(1,906)
Internal service funds are used by management to charge the costs of workers' compensation, risk management, and employee benefits individual funds.			693
The net revenue of certain activities as unearned revenue is reported in governmental activities.			4
Expenses on the statement of activities differ from governmental funds because of the portion not accrued on the governmental funds.			137
Change in net assets of governmental activities		<u>\$</u>	<u>36,244</u>

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

City of Glendale, Arizona  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2006  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds		Other Proprietary Funds	Total	
	Water and Sewer	Landfill			
<b>ASSETS</b>					
Current assets:					
Equity in pooled cash and investments	\$ 38,184	\$ 18,476	\$ 4,070	\$ 60,730	\$ 15,555
Receivables:					
Accounts	6,968	971	1,710	9,649	-
Allowance for uncollectibles	(187)	(4)	(26)	(217)	-
Accrued interest	242	-	-	242	-
Intergovernment receivable	2	-	117	119	-
Inventories and prepaid items	2,046	-	5	2,051	88
Total current assets	<u>47,255</u>	<u>19,443</u>	<u>5,876</u>	<u>72,574</u>	<u>15,643</u>
Noncurrent assets:					
Restricted cash and investments	72,904	-	21	72,925	150
Capital assets:					
Capital assets	560,477	20,423	20,716	601,616	-
Accumulated depreciation	(126,030)	(7,002)	(11,550)	(144,582)	-
Capital assets, net	<u>434,447</u>	<u>13,421</u>	<u>9,166</u>	<u>457,034</u>	<u>-</u>
Water storage rights, net	6,355	-	-	6,355	-
Equity in joint venture	45,292	-	-	45,292	-
Total noncurrent assets	<u>558,998</u>	<u>13,421</u>	<u>9,187</u>	<u>581,606</u>	<u>150</u>
Total assets	<u>606,253</u>	<u>32,864</u>	<u>15,063</u>	<u>654,180</u>	<u>15,793</u>
<b>LIABILITIES</b>					
Current liabilities:					
Vouchers payable	5,590	265	135	5,990	1,194
Accounts payable	-	-	30	30	-
Compensated absences	869	158	267	1,294	-
Due to other funds	-	-	28	28	-
Intergovernment payable	166	-	112	278	-
Deposits	637	140	109	886	-
Unearned rent	-	-	5	5	-
Estimated claims payable	-	-	-	-	4,931
Current portion of long-term debt:					
General obligation bonds	780	179	-	959	-
Unamortized premium on debt issuance	341	-	-	341	-
Revenue bonds/obligations payable	5,390	-	-	5,390	-
Capital lease obligations	25	176	764	965	-
Other long-term debt	1,423	-	-	1,423	-
Interest payable	4,541	19	22	4,582	-
Total current liabilities	<u>19,762</u>	<u>937</u>	<u>1,472</u>	<u>22,171</u>	<u>6,125</u>
Noncurrent liabilities:					
Deferred revenue	-	232	-	232	-
Compensated absences	298	61	259	618	-
General obligation bonds	11,595	521	-	12,116	-
Unamortized premium on debt issuance	5,926	-	-	5,926	-
Revenue bonds/obligations payable	184,630	-	-	184,630	-
Other long-term debt	140	-	21	161	-
Note payable	10,862	-	-	10,862	-
Capital lease obligations	-	-	1,648	1,648	-
Claims payable	-	-	-	-	2,562
Estimated closure and post-closure costs	-	10,388	-	10,388	-
Total noncurrent liabilities	<u>213,451</u>	<u>11,202</u>	<u>1,928</u>	<u>226,581</u>	<u>2,562</u>
Total liabilities	<u>233,213</u>	<u>12,139</u>	<u>3,400</u>	<u>248,752</u>	<u>8,687</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	214,086	12,546	6,755	233,387	-
Restricted for:					
Debt service	1,599	-	-	1,599	-
Revenue bond retirement, replacement and extension	10,017	-	-	10,017	-
Other purposes	226	-	595	821	-
Unrestricted	147,112	8,179	4,313	159,604	7,106
Total net assets	<u>\$ 373,040</u>	<u>\$ 20,725</u>	<u>\$ 11,663</u>	<u>405,428</u>	<u>\$ 7,106</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(851)	
Net assets of business-type activities				<u>\$ 404,577</u>	

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

City of Glendale, Arizona  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Other Proprietary Funds	Total	
	Water and Sewer	Landfill			
Operating revenues:					
Intergovernmental	\$ 21	\$ -	\$ 8,019	\$ 8,040	\$ -
Metered water sales	28,412	-	-	28,412	-
Sewer service charges	18,585	-	-	18,585	-
Container service	-	-	4,541	4,541	-
Curb service	-	-	9,567	9,567	-
Landfill user fees	-	5,134	-	5,134	-
Self-insurance premium	-	-	-	-	21,048
Recycling sales	-	2,925	-	2,925	-
Other fees	1,593	149	577	2,319	-
Total operating revenues	<u>48,611</u>	<u>8,208</u>	<u>22,704</u>	<u>79,523</u>	<u>21,048</u>
Operating expenses:					
Water	15,566	-	-	15,566	-
Sewer	9,940	-	-	9,940	-
Landfill	-	6,272	-	6,272	-
Housing	-	-	9,101	9,101	-
Closure/post-closure care adjustment	-	536	-	536	-
Sanitation	-	-	12,319	12,319	-
Administrative and general	10,410	-	-	10,410	-
Insurance claims	-	-	-	-	20,272
Amortization and depreciation	11,106	1,126	1,251	13,483	-
Total operating expenses	<u>47,022</u>	<u>7,934</u>	<u>22,671</u>	<u>77,627</u>	<u>20,272</u>
Operating income (loss)	<u>1,589</u>	<u>274</u>	<u>33</u>	<u>1,896</u>	<u>776</u>
Nonoperating revenues (expenses):					
Impact fees	7,661	154	51	7,866	-
Investment income	3,154	642	88	3,884	497
Interest expense	(6,918)	(55)	(60)	(7,033)	-
Net loss from joint venture	(1,642)	-	-	(1,642)	-
Amortization of bond issuance cost	(60)	-	-	(60)	-
Gain on disposal of assets	810	6	28	844	-
Intergovernmental - capital grants	-	-	111	111	-
Total nonoperating revenue (expenses)	<u>3,005</u>	<u>747</u>	<u>218</u>	<u>3,970</u>	<u>497</u>
Income before contributions and transfers	4,594	1,021	251	5,866	1,273
Capital contributions	4,854	-	-	4,854	-
Transfers in	-	-	492	492	-
Transfers out	(1,192)	-	-	(1,192)	-
Change in net assets	<u>8,256</u>	<u>1,021</u>	<u>743</u>	<u>10,020</u>	<u>1,273</u>
Total net assets - beginning	364,784	19,704	10,920		5,833
Total net assets - ending	<u>\$ 373,040</u>	<u>\$ 20,725</u>	<u>\$ 11,663</u>		<u>\$ 7,106</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				84	
Change in net assets of business-type activities				<u>\$ 10,104</u>	

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

City of Glendale, Arizona  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds		Other Proprietary Funds	Total	
	Water and Sewer	Landfill			
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 48,595	\$ 8,426	\$ 14,653	\$ 71,674	\$ 20,983
Cash received from federal government	-	-	8,231	8,231	-
Cash paid to suppliers:					
Internal city departments	(5,834)	(1,426)	(7,413)	(14,673)	-
External vendors	(17,833)	(2,908)	(8,812)	(29,553)	-
Cash paid for insurance and in settlement of claims	-	-	-	-	(20,395)
Cash paid to employees for services	(12,859)	(2,031)	(5,241)	(20,131)	-
Net cash provided by operating activities:	<u>12,069</u>	<u>2,061</u>	<u>1,418</u>	<u>15,548</u>	<u>588</u>
<b>Cash flows from noncapital financing activities:</b>					
Proceeds from sale of investments	-	-	8	8	-
Transfers in	-	-	492	492	-
Transfers out	(1,192)	-	-	(1,192)	-
Net cash provided by (used) noncapital financing activities:	<u>(1,192)</u>	<u>-</u>	<u>500</u>	<u>(692)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from sale of capital assets	810	-	-	810	-
Proceeds from bonds sold	83,044	-	-	83,044	-
Principal payments on obligations	(7,140)	(809)	599	(7,350)	-
Acquisition of capital assets and rights	(44,884)	(86)	(1,527)	(46,497)	-
Impact fees	7,661	154	51	7,866	-
Interest payments on obligations	(6,115)	(66)	(52)	(6,233)	-
Capital grant proceeds	-	-	111	111	-
Net cash provided (used) by capital and related financing activities:	<u>33,376</u>	<u>(807)</u>	<u>(818)</u>	<u>31,751</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Interest received from investments	2,999	642	88	3,729	496
Net cash provided by investing activities:	<u>2,999</u>	<u>642</u>	<u>88</u>	<u>3,729</u>	<u>496</u>
Net increase (decrease) in cash and cash equivalents during fiscal year	47,252	1,896	1,188	50,336	1,084
Cash and cash equivalents, July 1	63,836	16,580	2,903	83,319	14,621
Cash and cash equivalents, June 30	<u>\$ 111,088</u>	<u>\$ 18,476</u>	<u>\$ 4,091</u>	<u>\$ 133,655</u>	<u>\$ 15,705</u>

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds		Other Proprietary Funds	Total	
	Water and Sewer	Landfill			
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 1,589	\$ 274	\$ 33	\$ 1,896	\$ 776
Adjustments to reconcile operating income to net cash provided by operations:					
Amortization and Depreciation	11,106	1,126	1,251	13,483	-
Changes in assets and liabilities					
Accounts receivable	(18)	(40)	(35)	(93)	-
Intergovernmental receivable	-	-	183	183	-
Inventories and prepaid items	(714)	-	-	(714)	159
Vouchers payable	(36)	(115)	(110)	(261)	(108)
Accrued expenses	(119)	-	-	(119)	-
Intergovernmental payable	-	-	23	23	-
Due to other funds	-	-	(15)	(15)	-
Deposits	121	24	1	146	-
Unearned rent	-	-	3	3	-
Deferred revenue	-	232	-	232	(49)
Compensated absences	140	22	84	246	-
Claims payable	-	-	-	-	(190)
Proceeds from disposal of assets	-	2	-	2	-
Estimated closure and post-closure costs	-	536	-	536	-
Net cash provided by operating activities	<u>\$ 12,069</u>	<u>\$ 2,061</u>	<u>\$ 1,418</u>	<u>\$ 15,548</u>	<u>\$ 588</u>
<b>Reconciliation of statement of net assets cash and investments to the statement of cash flows:</b>					
Per combined statement of net assets:					
Equity in pooled cash and investments	\$ 38,184	\$ 18,476	\$ 4,070	\$ 60,730	\$ 15,555
Restricted cash and investments	72,904	-	21	72,925	150
Total cash and cash equivalents	<u>\$ 111,088</u>	<u>\$ 18,476</u>	<u>\$ 4,091</u>	<u>\$ 133,655</u>	<u>\$ 15,705</u>
<b>Noncash investing, capital, and financing activities:</b>					
Contributions of capital assets	\$ 4,854	\$ -	\$ -	\$ 4,854	\$ -
Loss on joint venture	(1,642)	-	-	(1,642)	-

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**Notes to the Financial Statements**

The Notes to the Basic Financial Statements include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

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## CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

### I. Summary of significant accounting policies

#### A. Entity-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### B. Reporting entity

The City of Glendale, Arizona (City) was incorporated June 18, 1910, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. It is governed by a Mayor elected at large, and six district council members. The City operates under a Council-Manager government. As required by GAAP, these financial statements present the government and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of a government's operations, so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in combined financial statements to emphasize that it is legally separate from the government. The City has no discretely presented component units.

##### Blended component unit

City of Glendale, Arizona, Municipal Property Corporation (MPC) is a non-profit corporation organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. MPC is governed by a board of directors who are responsible for approving the corporation's bond sales. Bond sales must also be approved by the City Council. Although it is legally separate from the City, MPC is reported as if it is part of the primary government because its sole purpose is to finance and construct public facilities for the City. MPC does not issue separate audited financial statements. However, it does file a separate annual report with the Arizona Corporation Commission (ACC). Copies of the ACC report are available from the City's Finance Department. It is the only blended component unit.

#### C. Form of presentation – Government-wide financial statements

The City reports the following major governmental funds:

## CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

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

The *transportation fund* accounts for the City's public transit program including activities funded by Federal grants and distributions received from the Arizona State Lottery. Additionally, on November 6, 2001, Glendale voters authorized a new half-cent sales tax to pay for transportation projects and programs for all modes of transportation.

The *general obligation debt service fund* accounts for the resources accumulated through a secondary property tax levy and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *municipal property corporation (MPC) construction fund* accounts for construction of municipal projects such as a public training facility, parking garage, media center, convention center and infrastructure financed by MPC issued excise tax revenue bonds.

The *parks bond construction fund* accounts for the construction of parks and recreation improvements.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for operations, maintenance and construction projects of the City-owned water and sewer systems.

The *landfill fund* accounts for operations of the City-owned landfill. It provides services to residential and commercial users of the City.

Additionally, the City reports the following fund types:

*Internal service funds* account for risk management, workers' compensation and employee benefits provided to other departments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the Citywide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Cities 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.

### **D. Form of presentation – fund financial statements**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds are presented in the accompanying financial statements.

#### **Governmental funds**

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

rather than upon the determination of net income. The following governmental funds are presented in the accompanying financial statements.

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

Special revenue funds: Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts if any, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds: Debt service funds are used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest, and related costs, except the debt service accounted for in the enterprise funds. Debt service funds also include the debt payable from special assessments, Highway User Gas Tax Revenues and Unrestricted Excise Tax Revenues as well as debt funded by property taxes levied by the City on property located within the City.

Capital projects funds: Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Permanent funds: Permanent funds are used to account for financial resources to be used by the cemetery fund.

**Proprietary funds**

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those found in the private sector. The measurement focus is based upon the determination of net income.

Enterprise funds: Enterprise funds are used to account for operations, including debt service, 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The enterprise funds which the City currently maintains, are the water and sewer, landfill, sanitation, and housing funds.

Internal service funds: Internal service funds are used to account for the financing of self-insurance provided by one City department to other City departments on a cost-reimbursement basis.

**E. Measurement focus and basis of accounting**

The citywide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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 imposed by the provider 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

## CITY OF GLENDALE, ARIZONA

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current period or soon enough thereafter to pay liabilities of the current period. For this purpose, 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, principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the related debt service fund for payments to be made shortly after fiscal year-end.

Revenues susceptible to accrual include property tax, sales tax, highway users tax, state shared sales tax, vehicle license tax, and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

In applying the *susceptible to accrual* concept to intergovernmental revenues, the decision to accrue depends on the terms of the arrangement or agreement. Generally, these resources are reflected as revenue at the time of receipt or earlier if they meet the available criterion. Certain grant revenues are recognized based on expenditures recorded. Special assessment levies are reported as revenue when measurable and available.

### **F. Interfund transactions**

There are several types of transactions that are reported in the financial statements as interfund items. Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the governmental unit, like the sale of water from the water and sewer fund to various functions of the general fund, are accounted for as revenue and expenditures or expenses in the funds involved. Transactions that constitute reimbursement to a fund for expenditures or expenses initially made from that fund, which are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is being reimbursed. Governmental Accounting Standards Board Statement (GASBS) 34 also requires that administrative service fees charged to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration) should be treated as reimbursement transactions and the revenue and expenditures/expenses reduced in the allocating fund. Transfers between funds are included in the results of both governmental and proprietary funds (as other sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds).

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the fund financial statements as "due to/from other funds."

Certain transactions occurring between funds that are combined within the same fund type or displayed in the same financial statement column for presentation in these annual financial statements have been eliminated from the financial statements. These transactions include transfers between funds and interdepartmental service charges. In the government-wide financial statements, only the net interfund activity and balances between governmental activities and business-type activities are shown (reported as "internal balances").

### **G. Statement of cash flows**

The City considers short-term investments (including restricted assets) in the State of Arizona Local Government Investment Pool (LGIP), mutual fund-money market, U.S. Treasury bills and notes with original maturities of three months or less at acquisition date to be cash equivalents.

**CITY OF GLENDALE, ARIZONA**

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**H. Inventories and prepaid items**

Inventories of the governmental and enterprise funds consist primarily of expendable supplies held for consumption. These inventories are maintained on a perpetual system verified through cyclical physical counts and are valued using a weighted average cost. Generally, expenditures are recorded at the time inventories are used (i.e., the Consumption Method) for both GAAP reporting and budgetary purposes. However, the City postage inventory is recorded as an expenditure at time of purchase (i.e., the Purchase Method) for budgetary purposes. At June 30, 2006, the postage portion of the general fund supplies inventory was \$39. Certain expenditures are recorded for financial reporting purposes as prepaid items.

Special reporting treatment is applied to governmental fund inventories to indicate that they do not represent *available expendable financial resources*, even though they are a component of current assets. Such amounts have been offset by a fund balance reserve account.

**I. Restricted assets**

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net assets, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

**J. Capital assets**

The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$5 and an estimated useful life greater than three years. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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. The total interest expense incurred by the enterprise funds during the current fiscal year was \$7,033. In addition, \$495 was included as part of the cost of capital assets under construction in connection with water and sewer projects.

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Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life (Years)</u>
Buildings	30
Improvements other than buildings	10-20
Infrastructure	10-100
Machinery and equipment	5-8
Automotive equipment	6-8
Software	3
Computer equipment	3-5

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) as of the date of the transfer.

**K. Water storage rights**

The City has entered into a lease agreement with Salt River Pima-Maricopa Indian Community (SRP-MIC) for the rights to 1814 acre-feet of water each year through 2099. These rights, costing \$2,693, are being amortized over 40 years on a straight-line basis starting January 1, 2000. Current year amortization was \$67. The net book value of water rights as of June 30, 2006, is \$2,255. In addition, the City will be responsible for paying for the cost of water delivered each year.

The City participates in the Plan Six cost sharing agreement to construct the Waddell Dam on the Agua Fria River and modify the Roosevelt and Stewart Mountain Dams on the Salt River. The parties to this agreement include the United States government, State of Arizona, Central Arizona Water Conservation District, Salt River Project, and the cities of Phoenix, Chandler, Glendale, Mesa, Scottsdale, Tempe and Tucson. The federal government has determined that this agreement does not constitute a joint venture. As of June 30, 2006, the City has capitalized payment of \$4,100 for these water rights. Upon completion, the City will amortize this asset over 40 years on a straight-line basis.

**L. Fund balance/net assets reservations and designations**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation by legislative action by the City Council or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Only restrictions imposed by external sources are shown as Restricted Net Assets on the government-wide financial statements. Reservations or designations of net assets imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are shown in aggregate on the governmental fund financial statements.

**M. Property tax**

The City levies taxes on real and personal property located within its boundaries. Property values are assessed by the Maricopa County Tax Assessor. The tax levy is then approved by the State of Arizona Property Tax Oversight Commission. The County Treasurer bills and collects property taxes and remits them to the City monthly. City property tax revenues are recognized when levied to the extent that they are received within the current period, or soon enough thereafter (within 30 days of year-end), to pay liabilities of the current period. Remaining collectible taxes are accrued and reflected as deferred revenue.

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Property Tax Calendar

Lien date	January 1, 2005
Levy (assessment) date (third Monday in August)	August 15, 2005
Due dates:	
First half of assessment	October 1, 2005
Second half of assessment	March 1, 2006
Penalties and interest added (collection dates):	
First half of assessment	November 1, 2005
Second half of assessment	May 2, 2006

The City currently levies less than the maximum allowed by State Statutes for primary property taxes. The City is permitted to levy an increase of two percent over the previous year's maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year. The secondary property tax levy is made for the purpose of retiring the principal, interest and servicing fees on bonded indebtedness. The City may levy the amount deemed necessary to meet its bonded debt service requirements. Assessed values are established by the Maricopa County Tax Assessor each year on a uniform basis ratios to full cash value of each property class as required by State Statutes.

The distribution of the City's levy (tax rate per \$100 assessed value) to its funds for the year ended June 30, 2006, is as follows:

<u>Fund</u>	<u>Rate</u>
General fund	\$ 0.33
General obligation debt service fund	<u>1.39</u>
Total	<u>\$ 1.72</u>

**N. Compensated absences**

Vacation time is accumulated up to a maximum of eight workweeks. Compensatory time is earned in lieu of cash payment for overtime and is accumulated up to a maximum of 80 hours. Both vacation and compensatory time can either be taken as time off from work, within certain limitations, or may be payable to employees upon termination or retirement. Sick leave is accumulated without limit and can be used in the event of an illness in the immediate family. Accumulated sick leave is convertible to a partial-cash benefit upon termination or retirement after five years of service, or annually through an irrevocable declaration.

The current portion of the liability for compensated absences recorded in the governmental fund is equal to: 1) vacation and compensatory time taken and paid during the thirty days following the year ended June 30, 2006, and 2) sick leave, taken and paid for illness during that period, paid to terminating employees or paid under the optional annual declaration. Long-term liabilities of governmental funds are not shown on the fund financial statements. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the outstanding vacation, compensatory time, and sick leave are recorded as a liability.

**O. Deferred revenue**

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.

**CITY OF GLENDALE, ARIZONA**

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Revenues related to time payment contracts are recorded as deferred revenue earned but not available in the permanent fund.

Revenues related to Court fines are recorded as deferred revenue until adjudicated by the Court.

Revenues related to property tax levies are recorded as deferred revenue until available to fund current activities.

Special revenue funds' deferred revenue and receivables consist principally of low interest rate loans made with grants from the Community Development Block Grant program for rehabilitation of homes for low to moderate income Glendale residents. Revenue will be recognized in future periods as loans are repaid or forgiven based on the homeowner's loan contract. An expenditure was recorded when the loans were made.

**P. Long-term obligations**

In the government-wide financial statements, and 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 type 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, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

**Q. Operating revenues and expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the City's internal service funds are charges to customers for sales and services, or housing operational grants from a federal agency. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**R. Deferred compensation**

Voluntary Deferred Compensation Plan for Employees of the City of Glendale, State of Arizona: Restated Plan Document (the "Plan document") was adopted by the Mayor and City Council on November 10, 1998, and amended on January 8, 2002, to incorporate the Federal Economic Growth and Tax Relief Reconciliation Act of 2001. In addition, the Mayor and City Council adopted a defined contribution deferred compensation plan document on April 9, 2002, under the Internal Revenue Code Section 401(a). Through the Plan document, the City offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 and 401(a) of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by one of two third-party administrators, ICMA

## **CITY OF GLENDALE, ARIZONA**

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Retirement Corporation (ICMA-RC) and PEBSCO Securities Corporation (Nationwide Retirement Solutions). In compliance with the provisions of the U.S. Internal Revenue Code Sections 457(g) and 401(a), the plan assets are in custodial or trust accounts for the exclusive benefit of the plans' participants and beneficiaries.

The City provides neither administrative services nor investment advice to the plans; therefore, no fiduciary relationship exists between the City and the deferred compensation pension plan. Therefore, Plan assets are not included as a fund of the City. To further clarify the legal trust status in Arizona of plan assets with ICMA-RC and Nationwide Retirement Solutions, a Trust Agreement was executed by the City management on May 19, 2001.

### **S. Investments**

The City utilizes the following methods and assumptions to account for its investments:

1. Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation is recognized within the general fund as investment revenue.
2. Investments are recorded at fair value, which is based on quoted market prices as of the valuation date.
3. Pooled investment income is allocated to various funds monthly based on the average equity balances maintained during the month.

Arizona Revised Statutes require the City to deposit certain crime-related forfeitures with the County Treasurer. The County Treasurer determines the fair value of those pooled investments. The structure of the pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

The City's investment in LGIP represents shares of the pool's portfolio. The fair value of each share in the LGIP is one dollar. These shares are not identified with specific investments and are not subject to custodial credit risk. Neither the County nor LGIP are registered with the Securities and Exchange Commission as investment companies. The State Board of Deposits provides oversight, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the LGIP. There is no regulatory oversight of the County Treasurer's operations. The net increase in the fair value of investments during fiscal year 2005-06 was \$5,264.

### **II. Compliance - Excess of expenditures over appropriations**

For the year ended June 30, 2006, expenditures exceeded appropriations in the housing fund and municipal property corporation construction fund (the legal level of budgetary control) by \$89 and \$3,053, respectively. These over-expenditures were funded by available fund balance in the housing fund in addition to operating transfers. The over-expenditures in the municipal property corporation construction fund were funded through the issuance of bonds.

### **III. Deposits and investments**

The City maintains a cash management pool for its cash and cash equivalents in which each fund and/or account or sub-account of a fund participates on a dollar equivalent basis.

#### Deposits

At year-end, the carrying amount of the City's deposits was \$78,734 and the bank balances were \$86,841. The difference of \$8,107 represents deposits in transit, outstanding checks and other reconciling items. Of

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the bank balance, \$300 was insured by the Federal Depository Insurance Corporation (FDIC). The remaining bank balances were covered by \$111,255 of collateral held by the City's agent in the City's name.

Investments

State Statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, commercial paper (A-1/P-1 rated), interest-earning money market accounts, certificates of deposit, and the State of Arizona Local Government Investment Pool (LGIP). Investments may not exceed three years to maturity from the date of purchase.

The City's investment in the LGIP is stated at fair value, which also approximates the value of the investment upon withdrawal.

As of June 30, 2006, the City had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>		
	<u>0 - 1</u>	<u>1 - 2</u>	<u>Fair Value</u>
Commercial paper	\$ 77,156	\$ -	\$ 77,156
U.S. Agencies	99,873	7,819	107,692
U.S. Treasuries	12,920	-	12,920
Total investments	<u>189,949</u>	<u>7,819</u>	<u>197,768</u>
State LGIP total	<u>78,476</u>	<u>-</u>	<u>78,476</u>
Grand total investments	<u>\$ 268,425</u>	<u>\$ 7,819</u>	<u>276,244</u>
Cash deposits			78,734
Other restricted cash			38,207
Total deposits and investments			<u>\$ 393,185</u>

Interest rate risk: As a means of limiting its exposure to interest rate risk the City's investment policy requires all securities to mature in no more than three years. The City also purchases securities to be laddered with staggered maturity dates and limits at least half of the City's investment portfolio to maturities of 12 months or less.

Credit risk: As of June 30, 2006, the City's investments were rated by Moody's Investor Service and Standard & Poor's as follows:

<u>Investment Type</u>	<u>Moody's Rating</u>	<u>S&amp;P Rating</u>	<u>% of Investments</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	(N/A)	(N/A)	6.53%	0.43
U.S. Agencies	Aaa	AAA	54.45%	0.31
Commercial paper	P1	A-1+	39.02%	0.10

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Concentration of credit risk: The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
FHLB	U.S. Agencies	\$ 16,143
FNMA	U.S. Agencies	39,634
FHLMC	U.S. Agencies	47,977
UBS Finance	Commercial Paper	10,963
GE Capital	Commercial Paper	10,449
CIESCO LP	Commercial Paper	9,960

Custodial credit risk: To control custodial credit risk, the City's investment policy requires all securities and collateral to be held by an independent third party custodian in the City's name. The custodian provides the City with monthly market values along with original safekeeping receipts.

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**IV. Capital assets**

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2006, is as follows:

	Balances June 30, 2005	Additions	Transfers	Disposals	Balances June 30, 2006
<b>Governmental activities</b>					
Non-depreciable assets:					
Construction in progress	\$ 69,406	\$ 111,254	\$ (82,156)	\$ -	\$ 98,504
Land	49,762	13,250	1,874	(1,514)	63,372
Artwork	1,189	-	-	-	1,189
Total non-depreciable assets	<u>120,357</u>	<u>124,504</u>	<u>(80,282)</u>	<u>(1,514)</u>	<u>163,065</u>
Depreciable assets:					
Buildings	163,804	-	19,845	-	183,649
Improvements other than buildings	118,732	145	6,646	-	125,523
Infrastructure - streets	469,968	4,940	23,556	(227)	498,237
Infrastructure - parks	35,259	-	27,862	-	63,121
Infrastructure - flood/storm drains	29,056	119	1,121	-	30,296
Infrastructure - airport	12,102	-	1,154	-	13,256
Machinery and equipment	28,772	859	-	(45)	29,586
Computer equipment	1,591	49	-	(62)	1,578
Software	635	53	-	-	688
Automotive equipment	28,551	5,777	-	(2,303)	32,025
Total depreciable assets at historical cost	<u>888,470</u>	<u>11,942</u>	<u>80,184</u>	<u>(2,637)</u>	<u>977,959</u>
Less accumulated depreciation for:					
Buildings	(33,471)	(4,608)	-	-	(38,079)
Improvements other than buildings	(47,805)	(6,317)	-	-	(54,122)
Infrastructure - streets	(114,786)	(12,061)	98	47	(126,702)
Infrastructure - parks	(10,022)	(1,412)	-	-	(11,434)
Infrastructure - flood/storm drains	(3,099)	(393)	-	-	(3,492)
Infrastructure - airport	(4,701)	(399)	-	-	(5,100)
Machinery and equipment	(9,273)	(3,296)	-	46	(12,523)
Computer equipment	(1,017)	(203)	-	63	(1,157)
Software	(341)	(106)	-	-	(447)
Automotive equipment	(17,343)	(2,891)	-	2,166	(18,068)
Total accumulated depreciation	<u>(241,858)</u>	<u>(31,686)</u>	<u>98</u>	<u>2,322</u>	<u>(271,124)</u>
Total depreciable assets, net	<u>646,612</u>	<u>(19,744)</u>	<u>80,282</u>	<u>(315)</u>	<u>706,835</u>
Governmental activities capital assets, net	<u>\$ 766,969</u>	<u>\$ 104,760</u>	<u>\$ -</u>	<u>\$ (1,829)</u>	<u>\$ 869,900</u>

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	Balances June 30, 2005	Additions	Transfers	Disposals	Balances June 30, 2006
<b>Business-type activities:</b>					
Non-depreciable assets:					
Construction in progress - water and sewer	\$ 69,189	\$ 38,717	\$ -	\$ (60,307)	\$ 47,599
Construction in progress - landfill	-	53	-	(53)	-
Construction in progress - housing authority	526	100	-	(253)	373
Land	9,477	5,718	-	(3,586)	11,609
Total non-depreciable assets	<u>79,192</u>	<u>44,588</u>	<u>-</u>	<u>(64,199)</u>	<u>59,581</u>
Depreciable assets:					
Buildings	13,791	243	-	-	14,034
Improvements other than buildings	13,628	10,669	-	-	24,297
Water lines	88,214	5,718	-	-	93,932
Sewer lines	111,977	3,759	-	-	115,736
Water treatment plant	105,776	-	-	-	105,776
Sewer treatment plant	90,674	43,944	-	-	134,618
Meters and services	27,544	65	-	-	27,609
Fire hydrants	5,187	-	-	-	5,187
Machinery and equipment	3,550	169	-	(210)	3,509
Computer equipment	1,213	-	-	-	1,213
Automotive equipment	14,668	1,932	-	(476)	16,124
Total depreciable assets at historical cost	<u>476,222</u>	<u>66,499</u>	<u>-</u>	<u>(686)</u>	<u>542,035</u>
Less accumulated depreciation for:					
Buildings	(4,654)	(490)	-	-	(5,144)
Improvements other than buildings	(3,778)	(746)	-	-	(4,524)
Water lines	(23,020)	(1,614)	-	-	(24,634)
Sewer lines	(32,797)	(2,410)	-	-	(35,207)
Water treatment plant	(36,800)	(3,350)	-	-	(40,150)
Sewer treatment plant	(8,980)	(2,107)	-	-	(11,087)
Meters and services	(6,920)	(747)	-	-	(7,667)
Fire hydrants	(1,506)	(101)	-	-	(1,607)
Machinery and equipment	(3,013)	(247)	-	209	(3,051)
Computer equipment	(949)	(47)	-	-	(996)
Automotive equipment	(9,427)	(1,557)	-	469	(10,515)
Total accumulated depreciation	<u>(131,844)</u>	<u>(13,416)</u>	<u>-</u>	<u>678</u>	<u>(144,582)</u>
Total depreciable assets, net	<u>344,378</u>	<u>53,083</u>	<u>-</u>	<u>(8)</u>	<u>397,453</u>
Business-type activities capital assets, net	<u>\$ 423,570</u>	<u>\$ 97,671</u>	<u>\$ -</u>	<u>\$ (64,207)</u>	<u>\$ 457,034</u>

**CITY OF GLENDALE, ARIZONA**

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Depreciation was charged to functions/programs as follows:

Governmental activities:	
General	\$ 11,473
Public safety	3,086
Public works	1,298
Street maintenance	11,139
Community services	4,544
Community environment	<u>146</u>
Total depreciation expense	<u>\$ 31,686</u>
Business-type activities:	
Water and sewer	\$ 11,039
Landfill	1,126
Sanitation	877
Housing	<u>374</u>
Total depreciation expense	<u>\$ 13,416</u>

**V. Construction and other significant commitments**

The City has active construction projects as of June 30, 2006. The projects include street construction, park facilities, field operation complex, and the construction of additional water and sewer facilities. At year-end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Construction Commitment</u>
General government	\$ 18,020	\$ 228
Community services	6,005	2,682
Public safety	19,919	6,385
Public works	36,217	21,138
Street maintenance	18,343	2,183
Water and sewer facilities	<u>47,599</u>	<u>21,796</u>
Total government activities	<u>\$ 146,103</u>	<u>\$ 54,412</u>

The City, under the memorandum of agreement with the Arizona Sports and Tourism Authority (AZSTA) and B & B Holdings (DBA Arizona Cardinals), irrevocably assigns, transfers and pledges unrestricted excise taxes collected at the Multipurpose Facility site (Stadium). In consideration for the pledge of unrestricted excise tax revenues, the AZSTA issued bonds to improve the Stadium infrastructure. The City's obligation is to make monthly payments to the AZSTA for sales tax payments collected from the site only. The AZSTA bonds do not constitute a legal debt of the City. In addition, the City has agreed to make an annual payment to the Authority in the amount of \$309, escalating 3% annually, for marketing events at the Stadium.

**VI. Self-insurance funds**

The City is exposed to various risks of loss. Certain of these risks are accounted for within the internal service fund type.

**A. Risk management**

On January 1, 1987, the City established a risk management fund for torts; loss and destruction of assets; errors and omissions; and natural disaster. The City's risk management fund purchases commercial

**CITY OF GLENDALE, ARIZONA**

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(amounts expressed in thousands)

insurance for liability, property, aviation, errors and omissions, boiler and machinery, and vehicle property damage. The risk management fund was fully self-insured through June 30, 1998, for tort liability loss. Effective July 1, 1998, the City purchased excess public entity liability insurance with \$1,000 of self-insurance retention for claims incurred on or after July 1, 1998.

Funds receiving insurance coverage pay monthly premiums to the risk management fund based upon a budget model taking into consideration prior loss experience, staffing and operating budget.

Premium payments to insurance carriers are made directly from the risk management fund. There have been no settlements paid in excess of insurance in any of the past three years nor has insurance coverage been significantly reduced in recent years.

**B. Workers' compensation**

On July 1, 1994, the City established a workers' compensation fund for work-related injuries to employees. The workers' compensation fund provides coverage up to a maximum of \$500 for each workers' compensation claim and purchases commercial insurance for claims in excess of \$500.

Funds receiving insurance coverage pay monthly premiums to the workers' compensation fund based upon a budget model taking into consideration prior loss experience, staffing level, and the National Council on Compensation insurance workers' compensation manual rates.

Premium payments to insurance carriers are made directly from the workers' compensation fund. There have been no settlements paid in excess of insurance in any of the past three years.

**C. Employee benefits**

On July 1, 2000, the City established an employee benefits fund to meet future cost increases for health-related insurance.

Premiums are collected through contributions from employee paychecks and department budgets. Retirees and COBRA participants contribute 100% of premiums for their insurance benefit coverage. Premiums for the medical, vision, dental, and life insurance plans are determined prior to each renewal period by estimating the costs of claims and administration of the plan based on a variety of factors including: the demographics of the group, previous claims history, plan design changes and any new mandated benefits. These insurance benefits are provided through minimum premium and self-insured insurance plans. The City is responsible for the first \$150 in medical claims per individual plan year. Any claims exceeding \$150 are paid by the reinsurance plan.

Premiums are set prior to the beginning of each plan year equal to 105% of the expected claims liability.

Premium payments to insurance carriers are made directly from the fund. There have been no settlements paid in excess of insurance in any of the past three years nor has insurance coverage been significantly reduced in recent years.

**D. Estimated liability**

Based on information provided by the actuary, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an amount for claims that have been incurred but not reported, the effects of specific, incremental claim adjustment expenses, and other allocated claim adjustment expenses. The City's workers' compensation self-insurance program liability includes recoveries related to subrogation.

**CITY OF GLENDALE, ARIZONA**

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Salvage and subrogation are immaterial to both risk management and employee benefits self-insurance programs and are not incorporated into the liability. The self-insurance programs do not include a provision for unallocated claim adjustment expenses except for the workers' compensation fund, which provides for unallocated claims adjustment expenses and Industrial Commission taxes and fees.

The City claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and societal factors.

The City reports the estimated liability in net present value dollars using a future investment yield assumption of 5%. These liabilities are reported in the internal service funds at their present value of \$7,493 as of June 30, 2006. Changes in the balances of claims liabilities during the past two years are as follows:

	Risk Management		Workers' Compensation		Employee Benefits	
	2006	2005	2006	2005	2006	2005
Unpaid claims, beginning of fiscal year	\$ 2,960	\$ 2,568	\$ 2,247	\$ 2,194	\$ 2,475	\$ 2,079
Current year claims and changes in estimate	2,833	2,363	388	1,486	15,603	13,319
Claims payments	(1,956)	(1,971)	(673)	(1,433)	(16,384)	(12,923)
Balance at fiscal year end	<u>\$ 3,837</u>	<u>\$ 2,960</u>	<u>\$ 1,962</u>	<u>\$ 2,247</u>	<u>\$ 1,694</u>	<u>\$ 2,475</u>

**VII. Leases**

**A. Capital leases**

The City's capital lease activity consists principally of leasing various types of heavy equipment for landfill, sanitation, and fire. Additionally, the City has entered into capital leases involving real property for various funds. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," and have been recorded on the government-wide statements. The future minimum lease obligation and net present value of lease payments at June 30, 2006, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 1,921	\$ 1,049
2008	2,395	583
2009	2,304	508
2010	2,170	368
2011	2,805	304
2012-2016	<u>5,160</u>	<u>-</u>
Total minimum lease payments	16,755	2,812
Less: Amount representing interest	(3,880)	(199)
Present value of net minimum lease payments	<u>\$ 12,875</u>	<u>\$ 2,613</u>

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The assets acquired through capital leases are as follows:

Class of Property	Governmental Activities	Business-type Activities
Equipment	\$ 472	\$ 250
Automotive equipment	2,975	6,790
Building	197	150
Other	4,044	2,389
	7,688	9,579
Less: Accumulated depreciation	(3,419)	(3,759)
Total	\$ 4,269	\$ 5,820

**B. Operating lease expenditures**

The City leases office space and vehicles under various cancelable operating lease agreements expiring at various dates. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index. Combined annual rental payments in fiscal year 2005-06 were \$428.

**C. Operating lease revenue**

The City also leases various City-owned properties and buildings under cancelable and non-cancelable long-term lease agreements through fiscal year 2008 and beyond. The carrying value of leased assets is \$191,624 (cost of \$213,115 less accumulated depreciation of \$21,491). The leased properties and buildings are included as capital assets in the government-wide financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index.

Scheduled minimum revenues for non-cancelable leases for succeeding fiscal years ending June 30 are as follows:

Fiscal Year	Total Revenues
2007	\$ 1,077
2008	459
2009	284
2010	208
2011	136
Beyond 2012	445
Total	\$ 2,609

**VIII. Short-term debt**

The City did not issue short-term debt for the year ended June 30, 2006.

**IX. Long-term debt**

**A. General obligation bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City

## **CITY OF GLENDALE, ARIZONA**

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and are repaid through the City's levying of property taxes. Retirement of the general obligation bonds in the business-type activities are intended to be paid back by the revenues of the business-type activities.

### **B. Revenue bonds**

Highway User Revenue Bonds are used to construct street and highway projects. The debt service is repaid through the highway user revenue fund, a special revenue fund, from the City's share of the gasoline taxes that are collected by the State of Arizona and distributed to cities and towns based on a formula of population and gasoline sales within the county.

Water and Sewer Revenue Bonds are issued, pursuant to voter authorization, for the construction, acquisition, and equipping of water and sewer facilities and related systems and infrastructure. Water and Sewer Revenue Obligations are issued pursuant to a Trust Agreement entered into between a Trustee and the City to acquire and construct various improvements to water and sewer facilities and extensions of the system. The bonds and obligations are backed by the revenues of the water and sewer systems.

### **C. Municipal property corporation (MPC) bonds**

In 1982, 2002, 2003 and 2006 the MPC, a non-profit corporation, issued bonds to finance the construction of a new municipal office complex, hockey arena, public safety training center, parking garage, media center, convention center and city infrastructure, respectively. On October 19, 1982, July 31, 2002, May 1, 2003, and June 1, 2006, the City entered into a lease purchase agreement with MPC, whereby the City is purchasing the constructed municipal office complex, hockey arena, public safety training center, parking garage, media center, convention center and city infrastructure, respectively, from MPC. In addition, on April 1, 2004, the City entered into a lease agreement with the MPC to issue bonds to finance an escrow account to refund certain outstanding City improvement district bonds. An amount equal to the MPC debt service and related miscellaneous fees, is payable to the MPC in monthly installments by the City.

Under the provisions of the purchase agreement, the City has pledged for the payment of the purchase price: 1) all net revenues derived by it from the municipal office complex and arena, and 2) all excise, transaction, privilege and franchise taxes which it currently collects, which it may collect or which are allocated to it by any other governmental unit or municipal corporation, except its share of such amounts which by state law, rule or regulation must be expended for other purposes. However, under no circumstances shall such pledge constitute a general obligation of the City or will the purchase price be payable from the proceeds of ad valorem taxes.

### **D. Special assessment bonds**

The City has a trust relationship for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts collected to retire the bonds issued to finance related improvements. The City is required to annually appropriate from the tax revenues of the general fund monies to be applied in payment of the outstanding bonds to the extent that the funds derived from the collection of the unpaid special assessments are insufficient for the payment of the principal and interest falling due in any year. At June 30, 2006, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate to meet the scheduled maturities of the bonds payable and related interest. Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may auction the property to satisfy debt service requirements subject to federal bankruptcy laws. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

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**E. Changes in long-term liabilities**

The following is a summary of changes in long-term liabilities reported in the governmental activities financial statements for the year ended June 30, 2006.

	June 30, 2005	Additions	Reductions	June 30, 2006	Amounts Due Within One Year
General obligation (G.O.) bonds	\$ 157,065	\$ 38,430	\$ (20,340)	\$ 175,155	\$ 11,921
Special assessment debt					
with governmental commitment	75	-	(36)	39	39
Revenue bonds:					
Street and highway	22,455	15,745	(2,260)	35,940	1,875
Municipal property corporation	177,950	47,923	(1,885)	223,988	2,785
Total bonds payable	<u>357,545</u>	<u>102,098</u>	<u>(24,521)</u>	<u>435,122</u>	<u>16,620</u>
Notes payable:					
Notes payable	18,576	-	(2,887)	15,689	2,711
Total debt service	<u>18,576</u>	<u>-</u>	<u>(2,887)</u>	<u>15,689</u>	<u>2,711</u>
Other long-term obligations:					
Capital lease obligations	13,704	-	(829)	12,875	1,051
Compensated absences	10,623	2,136	(6)	12,753	9,196
Claims and judgments	7,682	18,824	(19,013)	7,493	4,931
Unamortized premium on debt issuance	4,366	1,782	(606)	5,542	375
Total other long-term obligations	<u>36,375</u>	<u>22,742</u>	<u>(20,454)</u>	<u>38,663</u>	<u>15,553</u>
Total	<u>\$ 412,496</u>	<u>\$ 124,840</u>	<u>\$ (47,862)</u>	<u>\$ 489,474</u>	<u>\$ 34,884</u>

General fund typically has been used to liquidate compensated absences in prior years, since most employees engaged in governmental activities are paid from that fund. Paychecks include payment for leave taken during the current pay period. Special assessment debt with governmental commitment of \$39 is due six months after fiscal year-end.

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The following is a summary of changes in long-term liabilities reported in the business-type activities financial statements for the year ended June 30, 2006.

	June 30, 2005	Additions	Reductions	June 30, 2006	Amounts Due Within One Year
Water and sewer G.O. bonds	\$ 13,135	\$ -	\$ (760)	\$ 12,375	\$ 780
Landfill G.O. bonds	870	-	(170)	700	179
Water and sewer revenue/obligation bonds	115,140	80,000	(5,120)	190,020	5,390
Total bonds payable	<u>129,145</u>	<u>80,000</u>	<u>(6,050)</u>	<u>203,095</u>	<u>6,349</u>
Notes payable	13,660	-	(1,375)	12,285	1,423
Total notes payable	<u>13,660</u>	<u>-</u>	<u>(1,375)</u>	<u>12,285</u>	<u>1,423</u>
Capital lease obligations	2,676	1,370	(1,433)	2,613	965
Estimated closure and post-closure costs	9,852	536	-	10,388	-
Unamortized premium on debt issuance	3,469	3,044	(246)	6,267	341
Compensated absences	1,669	275	(32)	1,912	1,294
Housing noncurrent liabilities	13	8	-	21	-
Arbitrage rebate payable	-	140	-	140	-
Total other long-term obligations	<u>17,679</u>	<u>5,373</u>	<u>(1,711)</u>	<u>21,341</u>	<u>2,600</u>
Total	<u>\$ 160,484</u>	<u>\$ 85,373</u>	<u>\$ (9,136)</u>	<u>\$ 236,721</u>	<u>\$ 10,372</u>

**F. Advance refunded bonds**

The City issued refunding bonds to defease certain outstanding bonds, thus achieving debt service savings. The City has placed the proceeds from the refunding issue in an irrevocable escrow account with a trust agent, which will provide amounts sufficient for future payment of principal and interest of the issue refunded.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from this issue will not be actually retired until the call dates have come due or until maturity if they are not callable issues. The City issued advance refunding bonds for the fiscal year ending June 30, 2006.

<u>Issue Refunded</u>	<u>Date Refunded</u>	<u>Remaining Balance</u>
General Obligation Bonds Series 2000	April 11, 2006	\$9,255

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

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**G. Bonds payable**

Bonds payable at June 30, 2006, are comprised of the following:  
 Classified in governmental activities on the government-wide financial statements:  
 General Obligation Bonds:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issued Fiscal Year Ending June 30</u>	<u>Year Series Matures</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding June 30, 2006</u>
<u>G.O. bonds payable from secondary assessed property taxes</u>					
Refunding	5.05-5.55	1993	2007	\$ 36,125	\$ 1,775
Various	4.15-4.60	1998	2008	12,000	4,200
Various	5.00-5.40	2000	2015	20,215	6,355
Various	2.50-5.00	2002	2022	40,235	33,125
Various	1.50-5.00	2003	2022	52,525	45,040
Various	3.00-5.00	2004	2019	36,645	34,270
Various	3.50-4.00	2005	2015	11,960	11,960
Refunding	5.00-5.00	2006	2015	9,065	9,065
Various	4.00-5.00	2006	2021	29,365	29,365
Total					<u>175,155</u>
<u>Revenue bonds payable from highway user revenue funds</u>					
Streets	5.00-5.37	2000	2010	8,750	7,500
Streets	2.50-4.00	2004	2014	14,655	12,695
Streets	4.00-5.00	2006	2016	15,745	15,745
Total					<u>35,940</u>
<u>Municipal property corporation payable from general fund lease payments</u>					
Refunding	4.25-4.90	2000	2009	12,615	6,400
MPC excise tax	5.00-5.38	2003	2033	5,055	5,055
MPC excise tax 2003A	2.50-5.00	2003	2024	49,940	49,940
MPC excise tax 2003B	1.46-5.58	2003	2033	105,260	97,040
MPC refunding	4.70-4.70	2004	2033	7,250	7,250
MPC excise tax 2004A	2.00-5.00	2004	2014	10,880	10,380
MPC excise tax 2006A	4.00-5.00	2006	2026	33,250	33,250
MPC excise tax 2006B	8.00-8.00	2006	2021	14,673	14,673
Total					<u>223,988</u>
<u>Special assessment bonds payable due from assessments on property owners</u>					
District 73	5.35	1997	2007	299	39
Total					<u>39</u>
Total bonds payable recorded in governmental activities					435,122
Less current portion					(16,620)
Long-term portion of bonds payable recorded in governmental activities					<u>\$ 418,502</u>

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issued Fiscal Year Ending June 30</u>	<u>Year Series Matures</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding June 30, 2006</u>
<u>G.O. bonds payable from landfill fund</u>					
Landfill	5.00-5.40	2000	2015	\$ 1,460	\$ 700
Total					<u>700</u>
<u>G.O. bonds payable from water and sewer fund</u>					
Refunding	5.05-5.55	1993	2007	20,375	5
Water and sewer	1.50-5.00	2003	2022	13,875	12,370
Total					<u>12,375</u>
<u>Revenue bonds/obligations payable from water and sewer fund</u>					
Various	4.75-5.75	2000	2010	53,000	30,020
Various	4.00-5.00	2004	2023	80,000	80,000
Various	4.00-5.25	2006	2026	80,000	80,000
Total					<u>190,020</u>
Total bonds payable recorded in business-type activities					203,095
Less current portion					(6,349)
Long-term portion of bonds payable recorded in business-type activities					<u>\$ 196,746</u>

Under the provisions of the State Constitution, outstanding G.O. bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds and recreational facilities may not exceed 20% of the City's net secondary assessed valuation, nor may outstanding G.O. bonded debt for all other purposes exceed 6% of the City's net secondary assessed valuation.

The City's unused bonded debt borrowing capacity as of June 30, 2006, is as follows:

	<u>6%</u>	<u>20%</u>
Capacity to incur bonded debt	\$ 76,174	\$ 253,914
Less: Bonded debt applicable to limit	(52,539)	(113,184)
Unused bonded debt capacity	<u>\$ 23,635</u>	<u>\$ 140,730</u>

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, and minimum revenue and bond coverage. The City is in compliance with all such significant limitations and restrictions.

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**H. Bonds authorized, issued and unissued**

Bonds authorized but not fully issued as of July 1, 2006, are shown below:

G.O. Bonds	Authorized Amount	Issued through June 30, 2006	Authorized but Unissued
<u>Voter authorized October 20, 1981</u>			
Operations center	\$ 6,750	\$ 550	\$ 6,200
<u>Voter authorized March 10, 1987</u>			
Library	9,698	8,000	1,698
<u>Voter authorized November 2, 1999</u>			
Cultural facility <sup>(1)</sup>	18,215	4,494	13,721
Economic development	50,500	16,088	34,412
Flood control	38,860	22,909	15,951
Governmental facilities <sup>(1)</sup>	40,910	12,055	28,855
Landfill development <sup>(1)</sup>	17,000	1,460	15,540
Library	15,398	-	15,398
Open spaces	53,700	3,175	50,525
Parks and recreation	57,188	49,741	7,447
Public safety	64,801	22,491	42,310
Streets and parking <sup>(1)</sup>	38,050	29,780	8,270
Transit <sup>(1)</sup>	6,935	185	6,750
Total G.O. bonds	\$ 418,005	\$ 170,928	\$ 247,077
 <u>Revenue bonds</u>			
<u>Voter authorized March 10, 1987</u>			
Water and sewer	\$ 56,000	\$ 49,657	\$ 6,343
<u>Voter authorized November 2, 1999</u>			
Water and sewer <sup>(1)</sup>	10,000	-	10,000
Total revenue bonds	66,000	49,657	16,343
Total bonds	\$ 484,005	\$ 220,585	\$ 263,420

(1) Certain General Obligation Bonds or Revenue Bonds can be issued as General Obligation Bonds, Revenue Bonds or a combination thereof.

**CITY OF GLENDALE, ARIZONA**

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(amounts expressed in thousands)

**I. Other debt (notes, long-term)**

Classified in the governmental activities in the government-wide financial statements:

Downtown Glendale Building Purchase - The \$3,500 note dated June 5, 2000, is payable in fourteen semi-annual installments at an interest rate of 8.20% with the final payment due on or before June 1, 2007. \$ 198

Downtown Glendale Building Purchase - The \$1,779 note dated June 5, 2000, is an assumed loan payable in 98 installments at an interest rate of 9.00% with the final payment due on or before September 1, 2008. 638

Northern Crossing Land Purchase - The \$14,500 note dated November 15, 2002, is payable in nine annual installments at a variable interest rate with the final payment due on or before September 15, 2012. The interest rate assumption stays level after the 2008 fiscal year. 11,278

Larry Miller Land & Building Purchase - The \$2,700 note dated December 30, 2004, is payable in five annual installments at an interest rate of 1.68% with the final payment due on or before December 30, 2009. 2,160

Arizona Department of Transportation Land Purchase - The \$1,415 note dated June 27, 2005, is payable in ten annual installments at an interest rate of 6.75% with the final payment due on or before August 2, 2015. 1,415

Total notes payable recorded in governmental activities 15,689

Less current portion (2,711)

Long-term portion of notes payable recorded in governmental activities \$ 12,978

Classified in the business-type activities in the government-wide financial statements:

Arrowhead Ranch Wastewater Reclamation Facility - The total loan amount of \$7,171 is scheduled to be paid in 10 annual installments through July 1, 2006, with an interest rate of 3.69%. Principal and interest are payable from water and sewer fund on a parity with outstanding revenue bond obligations pursuant to the provisions of the City's Master Ordinance 1323 new series. \$ 822

Cholla Water Treatment Plant Solids Handling Facilities - The maximum available under the loan is \$15,400 of which \$12,598 was drawn down and recorded as a liability as of June 30, 2004. The loan is scheduled to be paid in annual installments over 20 years with an interest rate of 4.40%. Principal and interest are payable from the water and sewer fund. 11,463

Total notes payable recorded in business-type activities 12,285

Less current portion (1,423)

Long-term portion of notes payable recorded in business-type activities \$ 10,862

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

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**J. Debt service requirements**

Fiscal Year Ending	Highway User Revenue Bonds	Landfill G.O. Bonds	Municipal Property Corporation Bonds	Special Assessment District Bonds	Various Purposes		Water and Sewer			Total
					G.O. Bonds	Notes Payable	G.O. Bonds	Notes Payable	Revenue Bonds/ Obligations	
2007	\$ 4,721	\$ 216	\$ 13,058	\$ 40	\$ 19,025	\$ 3,788	\$ 1,267	\$ 1,129	\$ 14,712	\$ 57,956
2008	4,705	216	24,430	-	18,292	3,435	1,263	1,129	14,733	68,203
2009	4,696	139	25,502	-	16,823	3,224	1,264	1,129	14,728	67,505
2010	4,699	-	23,991	-	16,953	3,112	1,256	1,129	14,726	65,866
2011	4,690	-	24,528	-	16,910	2,563	1,251	1,129	13,739	64,810
2012	4,696	-	24,642	-	16,921	2,563	1,251	1,129	13,736	64,938
2013	4,699	-	24,672	-	16,941	2,563	1,259	1,129	13,743	65,006
2014	4,686	-	24,734	-	16,955	199	1,260	1,129	13,730	62,693
2015	1,953	-	22,833	-	16,912	199	1,249	1,129	13,735	58,010
2016	1,971	-	22,893	-	13,364	199	1,236	1,129	13,737	54,529
2017	-	-	25,266	-	13,280	-	1,226	1,129	13,735	54,636
2018	-	-	25,318	-	13,229	-	1,214	1,129	13,734	54,624
2019	-	-	25,371	-	8,802	-	-	1,129	13,734	49,036
2020	-	-	25,423	-	5,482	-	-	1,129	13,737	45,771
2021	-	-	25,486	-	5,496	-	-	1,129	13,738	45,849
2022	-	-	25,530	-	2,761	-	-	1,128	13,734	43,153
2023	-	-	15,255	-	-	-	-	-	14,866	30,121
2024	-	-	15,904	-	-	-	-	-	14,863	30,767
2025	-	-	15,958	-	-	-	-	-	14,864	30,822
2026	-	-	16,014	-	-	-	-	-	14,867	30,881
2027	-	-	13,420	-	-	-	-	-	7,696	21,116
2028	-	-	13,478	-	-	-	-	-	7,696	21,174
2029	-	-	12,674	-	-	-	-	-	-	12,674
2030	-	-	13,612	-	-	-	-	-	-	13,612
2031	-	-	13,671	-	-	-	-	-	-	13,671
2032	-	-	13,732	-	-	-	-	-	-	13,732
2033	-	-	6,532	-	-	-	-	-	-	6,532
2034	-	-	8,563	-	-	-	-	-	-	8,563
Total	41,516	571	542,490	40	218,146	21,845	14,996	18,063	298,583	1,156,250
Less interest	7,451	50	248,960	1	54,912	6,156	3,401	7,201	113,953	442,085
Less future draws	-	-	72,327	-	-	-	-	-	-	72,327
Principal	\$ 34,065	\$ 521	\$ 221,203	\$ 39	\$ 163,234	\$ 15,689	\$ 11,595	\$ 10,862	\$ 184,630	\$ 641,838

The following table discloses the debt service requirements as of June 30, 2006, segregating principal and interest, for the next five years and in five-year increments thereafter. Note: the principal column includes the future draws.

Fiscal Year	Principal	Interest	Total
2007	\$ 27,628	\$ 30,328	\$ 57,956
2008	31,605	36,598	68,203
2009	33,151	34,354	67,505
2010	33,014	32,852	65,866
2011	33,483	31,327	64,810
2012-2016	175,235	129,941	305,176
2017-2021	164,328	85,588	249,916
2022-2026	123,436	42,308	165,744
2027-2031	65,670	16,577	82,247
2032-2034	26,615	2,212	28,827
Total	\$ 714,165	\$ 442,085	\$ 1,156,250

## **CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

### **K. New bonds**

On February 13, 2006, the City issued \$80,000 in subordinate lien water and sewer revenue obligation bonds to fund the construction of various water and sewer improvements in the City. The bonds mature on various dates starting 2011 through 2026 with various interest rates of 4.00% to 5.25%. The bonds are not general obligations of the City, but are limited obligations of the City and are payable as to both principal and interest solely from and secured by a subordinate pledge of net revenues of the system.

On April 11, 2006, the City issued \$29,365 in general obligation bonds to finance the costs of acquisition, improvement and equipment of various projects relating to public safety, parks, flood control, and streets. The bonds mature on various dates starting 2007 through 2021 with various interest rates of 4.00% to 5.00%. The bonds are direct and general obligations of the City and are payable as to both principal and interest from ad valorem taxes against all taxable property within the City subject to taxation.

On April 11, 2006, the City issued \$9,065 in general obligation refunding bonds to be used to advance refund the 2011-2015 maturities of the City's General Obligation Bonds Series June 1, 2000, in the amount of \$9,255. This transaction resulted in an economic gain of \$323 and a \$419 reduction in future debt service payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$328. The bonds mature on various dates starting 2011 through 2015 with an interest rate of 5.00%. The bonds are direct and general obligations of the City and are payable as to both principal and interest from ad valorem taxes levied against all taxable property within the City subject to taxation.

On April 22, 2006, the city issued \$15,745 in street and highway user revenue bonds to fund street and highway improvements within the City. The bonds mature on various dates starting 2007 through 2016 with various interest rates of 4.00% to 5.00%. The bonds are not general obligations of the City, but are limited obligations of the City and are payable as to both principal and interest solely from revenues received by the City from highway user taxes collected by the State.

On May 31, 2006, the City issued \$33,250 of Municipal Property Corporation (MPC) Excise Tax Revenue Bonds Series 2006A Tax Exempt to finance the cost of developing, constructing and equipping a public safety training facility, constructing infrastructure improvements within the City and to pay the cost of issuing the 2006A Bonds. The bonds mature on various dates starting 2008 through 2026 with various interest rates of 4.00% to 5.00%. The principal and interest on the bonds are not a general obligation of the Corporation and City, but a limited obligation of the Corporation and City payable solely from and are secured by a pledge of the City's unrestricted excise taxes.

On June 16, 2006, the City entered into a bridge financing agreement whereby the maximum amount of Municipal Property Corporation (MPC) Subordinate Excise Tax Revenue Bonds Series 2006B to be issued by February 1, 2007, is \$87,000. As of June 30, 2006, \$14,673 bonds had been issued to finance the construction of a parking garage, media center, convention center, and infrastructure improvements. The bonds mature on various dates starting 2007 through 2021 with a maximum interest rate not to exceed 8.00%. The principal and interest on the bonds are not a general obligation of the Corporation and City, but a limited obligation of the Corporation and City payable solely from and are secured by a pledge of the City's unrestricted excise taxes.

### **X. Landfill obligations**

The City operates a municipal sanitary landfill under an Aquifer Protection Permit and Solid Waste Facility Plan approval issued by the Arizona Department of Environmental Quality requiring future closure work and post-closure monitoring. The permit meets federal and state regulations. These laws and regulations require

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will not be paid until near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure costs as an operating expense in each period based on landfill capacity used.

The landfill closure and post-closure care liability at June 30, 2006, calculated below, represents the cumulative amount reported to date based on the use of estimated capacity of the landfill.

	<u>North Cell</u>	<u>South Cell</u>
Capacity (cubic yards)	32,100	22,594
Capacity used to date	-	16,790
Percentage of capacity used	0%	74%
Total closure and post-closure costs in present dollars:		
as of June 30, 2006	\$ 14,928	\$ 13,979
as of June 30, 2005	14,559	13,633
Closure and post-closure care costs:		
Amount remaining to be recognized		
as of June 30, 2006	\$ 14,928	\$ 3,591
Liability recognized as of June 30, 2006	\$ -	\$ 10,388

These amounts are based on what it would cost to perform all closure and post-closure care in fiscal year 2005-06. The estimated costs are subject to changes due to inflation, deflation, new technology, and applicable laws and regulations. Assets are not restricted to fund the obligations. The estimated remaining life of the landfill is approximately 39 years.

According to state and federal laws and regulations, the City must comply with the local government financial test requirements that assure the City can meet the cost of landfill closure, post-closure, and corrective action when needed. The City is in compliance with these requirements.

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**XI. Interfund transactions**

**A. Interfund receivables**

Interfund balances at June 30, 2006, consisted of the following:

	<u>Due To</u>	<u>Due From</u>
<b>Major governmental funds:</b>		
General	\$ 1,861	\$ -
<b>Non-major governmental funds:</b>		
Community development block grant fund	-	417
Other special revenue fund	-	1,312
Other capital projects	-	104
<b>Non-major enterprise funds:</b>		
Housing fund	-	28
Total	<u>\$ 1,861</u>	<u>\$ 1,861</u>

The interfund balances at June 30, 2006, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. All interfund balances outstanding at June 30, 2006, are expected to be repaid within one year.

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**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**B. Interfund transfers**

Interfund transfers for the year ended June 30, 2006, consisted of the following:

**Transfers to general fund from:**

Transportation special revenue fund	\$ 234
Parks bond construction	52
Non-major governmental funds	
Highway users gas tax special revenue fund	47
Development impact fees	26
Streets construction capital project fund	10
Fire and police bond construction fund	276
Other construction capital project fund	199
Water and sewer enterprise fund	1,192
Total transfers to general fund	<u>2,036</u>

**Transfers to transportation special revenue fund from:**

General fund	<u>900</u>
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**Transfers to non-major governmental funds from:**

General fund	3,503
Transportation special revenue fund	750
Total transfers to non-major governmental fund	<u>4,253</u>

**Transfers to non-major debt service funds from:**

General fund	1,762
Non-major governmental funds	
Highway users gas tax special revenue fund	2,728
Special revenue fund arena	3,567
Capital projects	4,768
Total transfers to non-major debt service fund	<u>12,825</u>

**Transfers to non-major enterprise funds from:**

General fund	<u>492</u>
--------------	------------

Grand total all transfers	<u>\$ 20,506</u>
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Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The interfund transfers are all classified as transfers and are included in the results of operations of both governmental and proprietary funds. There were no significant transfers during fiscal year 2006 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**XII. Encumbrances**

The Arizona Revised Statutes allow cities to encumber unused appropriations for up to sixty days after the end of the fiscal year. However, effective July 1, 1987, the City adopted a policy of not recognizing encumbrances at year-end. All appropriations lapse on the last day of the fiscal year. Any outstanding commitments that the City intends to honor are rebudgeted in the new fiscal year. At June 30, 2006, the City intended to honor \$55,549 of outstanding encumbrances in the new year.

**XIII. Equity in joint venture**

The City, along with the cities of Phoenix, Mesa, Scottsdale and Tempe participates in the Sub-Regional Operating Group (SROG), a joint venture. SROG constructs, operates and maintains jointly used facilities including the 91st Avenue Waste Water Treatment Plant (Plant) and certain sewage transportation facilities. The City of Phoenix acts as lead agency, and as such, is responsible for the planning, budgeting, construction, operation and maintenance of the Plant. In addition, the City of Phoenix provides all management personnel and financing arrangements and accepts federal grants on behalf of the participants.

Each participant pays for its costs of operation and maintenance based on relative sewage flows and strengths and for purchased capacity in plant and related transportation facilities based on ownership. The City accounts for its approximate 8.59% investment using the equity method in the water and sewer fund. For the year ended June 30, 2006, the City recognized a loss of \$1,642. The City has financed its share of construction costs through the issuance of revenue bonds, development fees and grants. The bonds are collateralized by a pledge of water revenues and are reflected in the financial statements of the water and sewer fund. The joint venture itself has not issued any debt.

Summary financial information on the joint venture as of and for the fiscal year ended June 30, 2006, (unaudited) is as follows:

**Assets**

Current assets	\$ 77,406
Capital assets, net of accumulated depreciation	596,544
Total assets	<u>673,950</u>

**Liabilities****Net assets**

	<u>69,808</u>
	<u>\$ 604,142</u>
Total revenues	\$ 60,554
Total expenses	(62,724)
Decrease in net assets	<u>\$ (2,170)</u>

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**Calculation of the City's equity:**

City's share of SROG equity	\$ 36,750
(Total equity of \$604,142 plus unrealized loss of \$1,977 less assets not owned by the City of \$178,301 multiplied by 8.59%)	
Net capitalized interest on the City's records	813
City contributions not yet received by SROG	7,729
Total City equity	<u><u>\$ 45,292</u></u>

**Change in the City's equity:**

Capital contributed to the joint venture	\$ 4,525
Net loss on joint venture	(1,642)
Net increase in equity	<u><u>\$ 2,883</u></u>

Copies of separate financial statements of the joint venture can be obtained from the AMWUA office, 4041 North Central Avenue, Phoenix, Arizona 85012.

**XIV. Jointly governed organizations**

The Regional Public Transit Authority (RPTA) is a voluntary association of local governments, including Glendale, Phoenix, Mesa, Tempe, Scottsdale, and Maricopa County. Its purpose is to ensure that a viable public transportation system is provided as an alternative for regional mobility and to ease the traffic congestion and air pollution caused by over-reliance on the single occupant vehicle. The Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.

Arizona Municipal Water Users Association (AMWUA) is a non-profit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities' interests before the Arizona legislature. In addition, AMWUA contracts with the cities jointly using the 91st Avenue Waste Water Treatment Plant to perform certain accounting, administrative and support services.

**XV. Fund balance/net assets reservation, designation, and restriction**

The following is a list of reserves, designations, and restrictions with an explanation for each by fund type.

**General Fund Type**

**Reserved for inventory**

Amount available only for expenditure (i.e., consumption of existing supplies inventories that have already been purchased). \$ 180

**Reserved for capital leases**

The City periodically enters into capital leases. In governmental funds, revenue is recognized when the proceeds are received. However, the unspent portion of the proceeds is restricted to the capital items identified in the lease agreement. 2,635

**Reserved for cable equipment (PEG)**

Amount to be used only for expenditure by City's cable television station as required by agreement with cable system providers. 5

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**Reserved for "From the Heart" program**

Certain donations made to the City are required by ordinance to benefit Glendale residents through providing grants to non-profit social service organizations. \$ 55

**Reserved for court security**

Security surcharges collected by the City Court are required by ordinance to be spent solely on court security. 120

**Reserved for court computer upgrade**

Surcharge that provides for monies to improve, maintain and enhance the ability to collect and manage monies received by courts and to improve court automation and improve case processing (administration of justice). 105

**Reserved for court time payment**

Court time payment fees are used by the City Court to improve, maintain and enhance the ability to collect and manage monies assessed or received by the court, to improve court automation and to improve case processing or the administration of justice. 122

**Reserved for garden for visually impaired**

A donation was made to the City for the purpose of establishing a tactile garden for the visually impaired. 211

**Reserved for acquisition of artwork**

Acquisition of artwork by the City's Arts Commission is provided through a surcharge on eligible capital projects as directed by the City Council. 2,439

**Reserved for vehicle/equipment replacement**

For future scheduled replacement of existing equipment and vehicles. 4,415

**Total reserved for general fund type** \$ 10,287

**Designated for computer replacement**

For future schedule replacement of existing personal computers. \$ 3,035

**Designation for library activities**

A minor portion of future operating expenditures of the library has been authorized through the City budget to be paid from net revenues collected through library activities. 177

**Designated for cable television station**

Amount to be used only for expenditure by the City's cable television station from net revenues collected by Cable from special activities. 68

**Designated for local improvement districts administration**

Portion of City special assessment bond proceeds identified exclusively for future costs of administering and accounting for existing improvement districts. 106

**Designated for telephone**

For payment of future telephone charges and maintenance 18

**Total designated for general fund type** \$ 3,404

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**Special Revenue Fund Type**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Reserved for inventory**

Amount available only for expenditure (i.e., consumption of existing supplies inventories that have already been purchased).

\$ 117

**Reserved for capital leases**

The City periodically enters into capital leases. In governmental funds, revenue is recognized when the proceeds are received. However, the unspent portions of the proceeds are restricted to the capital items identified in the lease agreement.

47

**Reserved for development impact fees**

The development impact fees are covered by Chapter 28, Article VI of the Municipal Code. Development impact fees are used exclusively to provide the necessary public facilities and services to development. Residential development impact fees may be spent only in the district (residential development district, not political district) in which they were collected. This reserve is categorized as follows:

Parks and recreation:

Citywide parks	1,851
Citywide recreation facilities	1,095
Citywide open space & trails	372
District No. 1	551
District No. 2	880
District No. 3	457

Library:

Buildings	2,586
Books	307
Library	2,715
Fire protection facilities	529
Police facilities	2,185
Transportation	8,252
General government	<u>1,957</u>
Total reserved for development impact fees	<u>23,737</u>

**Reserved for drug enforcement**

Reserved by agreement with state and federal authorities for use in furthering the drug enforcement effort. Revenues for this reserve are received through the public courts' prosecution of drug offenses.

State	1,073
Federal	<u>175</u>
Total reserved for drug enforcement	<u>1,248</u>

**Reserved for police and fire activities**

In accordance with a voter initiative, beginning April 1994 the City collected an additional separate sales tax for police and fire activities.

Police	758
Fire	<u>366</u>
Total reserved for police and fire activities	<u>1,124</u>

**Total reserved for special revenue fund type** \$ 26,273

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**TRANSPORTATION FUND**

**Designated for local transportation assistance**

For specific transit-related buildings and equipment \$ 212

**NON-MAJOR GOVERNMENTAL FUNDS**

**Designated for home program**

For community development block grant home program activities. 87

**Designated for pool/park repair**

For repair of area schools and City recreational facilities. The City contributes to maintenance of area school's facilities in which the City has no equity interest. 381

**Total designated for special revenue fund type** \$ 680

**Debt Service Fund Type**

**Reserved for debt service**

Certain assets have been reserved for future payment of debt service based upon the requirements of the various bond ordinances.

General obligation debt service \$ 9,627

Municipal property corporation 1,700

Non-major governmental funds 204

**Total reserved for debt service fund type** \$ 11,531

**Capital Projects Fund Type**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Reserved for capital projects**

Certain assets have been reserved for future flood control storm drain construction. \$ 98

**Total reserved for capital projects fund type** \$ 98

**Designated for street G.O. bond projects**

Accounts for the construction of street lights, traffic signals, street landscaping, streets and parking funded by authorization approved by voters on March 10, 1987, and November 2, 1999. \$ 7,786

**Designated for HURF bond projects**

Accounts for the construction of streets and sidewalks. Funding is provided through bonds issued under an authorization approved by voters on March 10, 1987. 12,120

**Designated for transit projects**

Accounts for G.O. bond funds used to plan, acquire, construct and expand transit services, passenger amenities and park-and-ride facilities; replacement of transit buses, cars and computer equipment; transit administrative facilities upgrades and renovations; and acquiring land as necessary for such facilities and purposes. Funding is provided under an authorization approved by voters on November 2, 1999. 101

**Designated for government facilities**

Accounts for G.O. bond funds used to plan and construct a new public works operations center; housing, streets and park maintenance; transit, utilities, a tourism visitor center and similar projects. Funding is provided under an authorization approved by voters on November 2, 1999. 396

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**Designated for economic development**

Accounts for G.O. bond funds used to promote new private sector job creation through development and redevelopment in the City. Funding is provided under an authorization approved by voters on November 2, 1999.

\$ 564

**Designated for open space/trails**

Accounts for G.O. bond funds used to plan and acquire land and interests for the preservation of open space; and planning, acquiring and constructing multi-use trails and linear parks. Funding is provided under an authorization approved by voters on November 2, 1999.

1,219

**Designated cultural and historical projects**

Accounts for acquisitions and improvements in the historical downtown Glendale area. Funding is provided through bonds issued under an authorization approved by voters November 2, 1999.

951

**Designated for arena projects**

Accounts for construction for a multi-purpose arena complex financed with Municipal Property Corporation Excise Tax Revenue Bonds.

89

**Total designated for capital projects fund type**

\$ 23,226

**Enterprise Fund Type**

**WATER AND SEWER FUND**

**Restricted for debt service**

The City is also required by ordinance to have accumulated sufficient funds to pay all principal and interest due on the following July 1 and January 1 payment dates. Since the July 1 payment is already accrued as a current liability at year-end, only the January 1 payment is included in the reserve.

\$ 241

The City's bond ordinances require an additional reserve for any Water and Sewer Bond debt that is not insured by a surety bond. This reserve must be maintained at a balance equal to the highest principal and interest coming due in any twelve-month period. As of June 30, 2006, only the loans with the State Revolving Fund (authorized by revenue bond election in 1961) were not covered by a surety bond.

1,358

**Restricted for revenue bond retirement/replacement and extension**

Two percent of net water revenues must, by bond ordinance, be reserved for the replacement and extension of the City's water distribution system, or for the retirement of water revenue bonds. The reservation is only required to the extent that the reserve equals two percent of the value of net fixed assets of the water and sewer fund.

10,017

**Restricted for other purposes**

Deposits related to a multi-jurisdictional water project are held in an escrow account maintained by the State Treasurer, and are restricted as to use.

226

Total water and sewer

11,842

**NON-MAJOR PROPRIETARY FUNDS**

Net assets held by the housing fund may only be used for that purpose.

595

**Total restricted for enterprise fund type**

\$ 12,437

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**Permanent Fund Type**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Reserved for cemetery perpetual care**

Funds are reserved by ordinance for future cemetery maintenance and operational expenses.

\$ 4,912

**Total reserved for permanent fund type**

\$ 4,912

**XVI. Employee retirement systems and pension plans**

**A. Plan descriptions**

The City contributes to the three retirement plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System (PSPRS)* is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five member board, known as The Fund Manager, and 162 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. PSPRS is agent for the eligible Glendale Fire and Glendale Police personnel.

The *Elected Officials Retirement Plan (EORP)* is a cost-sharing multiple-employer defined benefit pension plan that covers elected officials and judges of certain state and local governments. The EORP is administered by The Fund Manager of PSPRS according to the provisions of ARS Title 38, Chapter 5, Article 3.

**B. Financial reports**

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS  
3300 North Central Avenue  
P.O. Box 33910  
Phoenix, Arizona 85067-3910

PSPRS or EORP  
3010 East Camelback Road #200  
Phoenix, Arizona 85016

(602) 240-2000 or (800) 621-3778

(602) 255-5575

**C. Funding policy**

The Arizona State Legislature establishes and may amend contribution rates for active plan members and the City.

*Cost Sharing Plans.* For the year ended June 30, 2006, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 7.4% (6.9% retirement and 0.5% long-term disability) of the members' annual covered payroll. The City's contributions from employer and employees to ASRS for the years ended June 30, 2006, 2005 and 2004 were \$9,310, \$7,094 and \$6,860, respectively, which were equal to the required contributions for the year.

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

In addition, active EORP members were required by statute to contribute 7.0% of the members' annual covered payroll. The City was required to remit contributions of 20.54% of the members' annual covered payroll, as determined by actuarial valuation. The City's contributions from employer and employees to EORP for the years ended June 30, 2006, 2005 and 2004 were \$39, \$29 and \$29, respectively, which were equal to the required contributions for the year.

*Agent Plans.* For the year ended June 30, 2006, PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 9.92% and 13.86% for Fire and Police, respectively.

*Annual Pension Cost (APC).* The City's pension cost for Police and Fire for the year ended June 30, 2006, the date of the most recent available actuarial valuation, and related information follow.

	Fire	Police
Contribution rates:		
City	9.92%	13.86%
Plan members	7.65%	7.65%
Annual pension cost	\$842	\$2,991
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
Includes inflation at	5.00%	5.00%
Amortization method	Level % open	Level % open
Remaining amortization period	30 years for unfunded actuarial accrued liability, 20 years for excess	30 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

**D. Three year trend information for PSPRS**

Information for the agent plan for PSPRS for Glendale Fire and Police as of the most recent available actuarial valuations for June 30, 2006, follows.

**Contributions required and contributions made**

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation
<b>Police</b>			
2006	\$ 2,991	100.0 %	\$ -
2005	\$ 2,172	100.0 %	\$ -
2004	\$ 1,906	100.0 %	\$ -
<b>Fire</b>			
2006	\$ 842	100.0 %	\$ -
2005	\$ 895	100.0 %	\$ -
2004	\$ 622	100.0 %	\$ -

Includes insurance premium tax, where applicable.

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**E. Required supplementary information**

Analysis of funding progress for the agent plan as of the most recent available actuarial valuation, June 30, 2006, follows.

Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
<b>Police</b>						
2006	\$ 77,968	\$ 110,181	\$ 32,213	70.8%	\$ 22,052	146.1%
2005	\$ 74,645	\$ 96,763	\$ 22,117	77.1%	\$ 19,240	115.0%
2004	\$ 72,743	\$ 86,792	\$ 14,050	83.8%	\$ 17,343	81.0%

Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
<b>Fire</b>						
2006	\$ 60,772	\$ 74,401	\$ 13,629	81.7%	\$ 13,518	100.8%
2005	\$ 58,641	\$ 63,202	\$ 4,561	92.8%	\$ 11,376	40.1%
2004	\$ 56,727	\$ 54,893	\$ (1,834)	103.3%	\$ 9,849	- %

**XVII. Other post-employment benefits**

Other than the pension benefits through the Arizona State Retirement System or the Arizona Public Safety Personnel Retirement System, the City does not provide post-employment benefits. However, the City does allow all of its retired employees to participate in the health care and life insurance plan provided to active employees. The plan provides health, dental, and/or life insurance to participants. The retired employees pay the entire cost of their participation in the plan.

The City makes no contribution to the plan for former employees. Since the number of retirees is small, and their portion of the premium cost is paid to providers at the same time as the City's active employee portion, the City has chosen to account for monies received from retirees, but not yet paid out, as a part of employee benefits fund liability.

**XVIII. Contingent liabilities and commitments**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the city expects such amounts, if any, to be immaterial.

The City is subject to claims and litigation, which arise in the ordinary course of its operations. In the opinion of the City Attorney, the resolution of such claims and litigation will have no material adverse effect on the financial position or the future operations of the City.

**CITY OF GLENDALE, ARIZONA**

Notes to the Financial Statements

June 30, 2006

(amounts expressed in thousands)

**XIX. Subsequent events**

On September 15, 2006, the City made a total payment of \$7,000 on the Northern Crossing Land Purchase note dated November 15, 2002. This amount included a prepayment of \$5,369 in principal without penalty. The payment was programmed in the 2006-07 adopted budget out of the general fund.

The City has issued an additional \$3,402 on July 26, 2006, in Municipal Property Corporation (MPC) Subordinate Excise Tax Revenue Bond Series 2006B under the bridge financing agreement.

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City of Glendale, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

---

# REQUIRED SUPPLEMENTARY INFORMATION

(other than MD&A)

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FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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City of Glendale, Arizona  
**Budgetary Comparison Schedule**  
**General Fund**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

1 of 2

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1, 2005	\$ 59,617	\$ 59,617	\$ 68,302	\$ 8,685
<b>RESOURCES (INFLOWS):</b>				
Taxes	59,378	59,378	65,463	6,085
Licenses and permits	12,881	12,881	10,267	(2,614)
Intergovernmental	47,010	47,010	57,508	10,498
Charges for services	13,458	13,458	23,738	10,280
Fines and forfeitures	545	545	3,564	3,019
Investment income (loss)	1,168	1,168	3,752	2,584
Proceeds from disposal of assets	-	-	2,154	2,154
Miscellaneous	9,884	9,883	2,103	(7,780)
Total revenues	144,324	144,323	168,549	24,226
Add: Transfers in	8,242	8,242	8,792	550
Less: Transfers out	(12,684)	(12,706)	(13,461)	(755)
Amounts available for appropriation	199,499	199,476	232,182	32,706
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
General government	31,618	31,289	27,405	3,884
Public safety	64,029	64,965	64,257	708
Public works	24,711	25,535	24,198	1,337
Community services	29,823	28,575	24,099	4,476
Community environment	657	554	346	208
Contingencies	17,544	11,585	-	11,585
Miscellaneous	500	3,556	2,649	907
Debt service:				
Principal	3,130	3,130	3,131	(1)
Interest	1,729	1,729	1,208	521
Capital outlay	9,579	14,617	9,673	4,944
Total charges to appropriations	183,320	185,535	156,966	28,569
Budgetary fund balance, June 30, 2006	\$ 16,179	\$ 13,941	\$ 75,216	\$ 61,275

(Continued)

City of Glendale, Arizona  
**Budgetary Comparison Schedule** (continued)  
**General Fund**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

**Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures**

**Sources/inflows of resources:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 232,182
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(68,302)
Market adjustment on restricted investments not available for appropriation.	217
Internal charges for services provided.	(20,144)
Proceeds from disposal of assets.	(2,154)
Less: Transfers in.	(8,792)
Add: Transfers out.	13,461
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 146,468</u>

**Uses/outflows or resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 156,966
Capital outlay funded by capital lease.	68
Salaries payable.	718
Change in prepaid assets or inventory.	(18)
Internal charges for services provided.	(20,144)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 137,590</u>

City of Glendale, Arizona  
**Budgetary Comparison Schedule**  
**Transportation Fund**  
For the Fiscal Year Ended June 30, 2006  
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1, 2005	\$ 31,083	\$ 31,083	\$ 32,885	\$ 1,802
<b>RESOURCES (INFLOWS):</b>				
Taxes	20,534	20,534	23,215	2,681
Intergovernmental	22,991	22,991	1,953	(21,038)
Charges for services	200	200	188	(12)
Investments	447	447	1,045	598
Miscellaneous Revenues	-	-	327	327
Total revenues	44,172	44,172	26,728	(17,444)
Add: Transfers in	900	900	900	-
Less: Transfers out	(750)	(701)	(985)	(284)
Amounts available for appropriation	75,405	75,454	59,528	(15,926)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Community services	13,108	9,815	8,841	974
Capital outlay	61,473	61,554	26,532	35,022
Total charges to appropriations	74,581	71,369	35,373	35,996
Budgetary fund balance, June 30, 2006	\$ 824	\$ 4,085	\$ 24,155	\$ 20,070

**Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures**

**Sources/inflows of resources:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 59,528
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(32,885)
Less: Transfers in.	(900)
Add: Transfers out.	985
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 26,728

**Uses/outflows or resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 35,373
Change in compensated absences liability.	6
Salaries payable.	16
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 35,395

## **CITY OF GLENDALE, ARIZONA**

Notes to Required Supplementary Information

June 30, 2006

(amounts expressed in thousands)

### **I. Budgetary basis of accounting**

The City prepares its annual budget on a basis, which differs from the GAAP basis. Budgetary comparison schedules for the general and transportation funds are included as required supplementary information to provide a meaningful comparison of actual results to budget on the budget basis. Budgetary comparison schedules for all other funds are presented as other supplemental information after the combining statements. In all cases, the budgetary schedules include a reconciliation of the adjustments required to convert the budgetary revenues and expenditures or change in net assets on a budgetary basis, to revenues and expenditures/expenses or change in net assets on a GAAP basis.

### **II. Budgetary information**

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to the first of June of each year, the City Manager submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed operating and capital expenditures and the means of financing them.
2. The projected beginning budgeted fund balances for each fund are based on preliminary estimates of the June 30<sup>th</sup> ending actual budget basis fund balances rather than the June 30<sup>th</sup> ending budgeted fund balances. These two amounts will differ because of differences in actual results for the year versus planned results and by unused contingency appropriations.
3. Prior to July 1, after receiving comments in a public hearing, a tentative budget is adopted by the City Council, which fixes an upper-dollar limit for all funds combined, beyond which the City may not increase appropriations. After two weeks of legal advertising, the City Council legally adopts a final budget ordinance, which fixes appropriations for each fund, except for the nonexpendable trust fund.
4. Budget basis expenditures may not exceed appropriations for each fund, except in conjunction with the transfer of contingency funds. Contingency funds are appropriated for several funds as identified in the budget basis schedules and may only be transferred with City Council approval. The City Council may reallocate appropriations through amendment, but may not increase total appropriations above the total budget, which was legally adopted for the fiscal year.
5. The Director of Management and Budget is generally authorized to transfer budgeted amounts within departments' approved capital or operating budgets, and the City Manager is authorized to transfer appropriations between departments. Any new capital improvement projects or any nonbudgeted projects require City Council approval.
6. Formal budgetary integration is employed as a management control device during the year for all funds.

### **III. Contingency appropriation**

The principal purpose of a contingency appropriation is to cover any unforeseen expenditure, which may arise after the budget is adopted. It is impossible to estimate revenues exactly or to determine in a prior year the exact expenditures of each program or activity for the ensuing year. Thus, a contingency is essential for budgetary purposes.

Contingency appropriation is re-established each fiscal year based on available fund balance and balancing needs of the budget year. The unused balances of contingency appropriations are reflected in the budget basis financial statements.

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

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**FORM OF BOND COUNSEL OPINION (2007)**

**July \_\_, 2007**

We hereby certify that we have examined certified copy of the proceedings of the Council of the City of Glendale, Maricopa County, Arizona, passed preliminary to the issue by said City of its General Obligation Bonds, Series 2007, in the amount of \$61,000,000 (the "Bonds"), in fully registered form, dated as of the date of delivery in the denomination of \$5,000 each or authorized whole multiples thereof, maturing on July 1 of each of the years, in the amounts and bearing interest at the respective rates per annum as follows:

**\$61,000,000  
City of Glendale, Arizona  
General Obligation Bonds,  
Series 2007**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
07/01/2008	\$3,090,000	4.00%
07/01/2009	3,130,000	4.00
07/01/2010	3,255,000	4.00
07/01/2011	3,385,000	4.25
07/01/2012	3,520,000	4.25
07/01/2013	3,660,000	4.25
07/01/2014	3,805,000	4.25
07/01/2015	3,960,000	4.25
07/01/2016	4,120,000	4.25
07/01/2017	4,290,000	4.50
07/01/2018	4,485,000	5.00
07/01/2019	4,710,000	5.00
07/01/2020	4,945,000	4.50
07/01/2021	5,195,000	5.00
07/01/2022	5,450,000	4.50

The Bonds being issued for the purposes authorized at elections held in and for the City on November 2, 1999 and May 15, 2007.

The Bonds are subject to redemption prior to their stated maturities as follows:

The Bonds maturing on and after July 1, 2018 are subject to prior redemption, at the option of the City, on and after July 1, 2017 in whole or in part at any time from any maturity selected by the City and by lot within a maturity at a price equal to the principal amount of each Bonds, or portion thereof, as redeemed, and accrued interest thereon to the redemption date without premium.

Based on such examination we are of the opinion that said proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Arizona now in force.

We further certify that we have examined the forms of Bond prescribed for said issue and find the same in due form of law and in our opinion the Bonds, to the amount named, are valid and legally binding upon said City of Glendale and all taxable property in said City is subject to the levy of taxes without limitation as to rate.

The Internal Revenue Code of 1986, as amended (the "*Code*"), includes requirements which the City must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted in the ordinance authorizing issuance of the Bonds to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Subject to the limitations in the last paragraph hereof, the City has full legal power and authority to comply with such covenants.) Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Bonds is excludible from the gross income of the owners thereof for federal income tax purposes, and, if the foregoing is the case, the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

In rendering the opinions expressed above, we have relied upon the certificate of even date herewith of the City with respect to certain material facts solely within the City's knowledge relating to the application of the proceeds of the Bonds.

The rights of the owners of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

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**CITY OF GLENDALE (“CITY”)**

**\$61,000,000**  
**City of Glendale, Arizona**  
**General Obligation Bonds**  
**Series 2007**

**CONTINUING DISCLOSURE UNDERTAKING  
FOR THE PURPOSE OF PROVIDING  
CONTINUING DISCLOSURE INFORMATION  
UNDER SECTION (B)(5) OF RULE 15C2-12**

This Continuing Disclosure Undertaking (the “*Undertaking*”) is executed and delivered by the City of Glendale, Arizona (the “*City*”) in connection with the issuance of its Bonds (as defined below). The Bonds are being issued pursuant to the City’s Ordinance No. 2577 approved on June 26, 2007 (the “*Ordinance*”).

In consideration of the issuance of the Bonds by the City and the purchase of such Bonds by the beneficial owners thereof, the City covenants and agrees as follows:

1. *Purpose of this Undertaking.* This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Issuer represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. *Definitions.* The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Information*” means the financial information and operating data set forth in *Exhibit I*.

“*Annual Information Disclosure*” means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in *Exhibit I*.

“*Bonds*” means the \$61,000,000 General Obligation Bonds, Series 2007.

*Central Post Office* means as of any date, an entity then recognized by the Commission as eligible to receive filings and submit such filing to the NRMSIRs and any applicable SID. As of the date of this Undertaking, the Central Post Office is:

Disclosure USA.org  
P.O. Box 684667  
Austin, Texas 78768-4667  
Fax: (512) 476-6403  
<http://www.DisclosureUSA.org>

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II* that is material, as materiality is interpreted under the Exchange Act.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*NRMSIRs*” means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repositories  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-Mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data, Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-Mail: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

FTInteractive Data  
Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Phone: (212) 771-6899  
Fax: (212) 771-7390  
E-Mail: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

Standard & Poor’s J.J. Kenny Repository  
55 Water Street, 45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-Mail: [nrmsirrepository@sandp.com](mailto:nrmsirrepository@sandp.com)

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

*“Participating Underwriter”* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

*“Rule”* means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

*“SID”* means any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Agreement.

*“State”* means the State of Arizona.

*“Undertaking”* means the obligations of the City pursuant to Sections 4 and 5 hereof.

3. *CUSIP Number/Final Official Statement.* The base CUSIP Number of the Bonds is 378280. The Final Official Statement relating to the Bonds is dated June 26, 2007, (the *“Final Official Statement”*).

4. *Annual Information Disclosure.* Subject to Section 9 of this Undertaking, the City shall disseminate its Annual Information and its Audited Financial Statement, if any, (in the form and by the dates set forth in *Exhibit I*) to all NRMSIRs and to the SID, if any, (or in the alternative, to a Central Post Office). The City is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to each NRMSIR and the SID, if any) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. *Material Events Disclosure.* Subject to Section 9 of this Undertaking, the City hereby covenants that it will disseminate in a timely manner Material Events Disclosure to each NRMSIR or to the MSRB and to the SID, if any, (or in the alternative to a Central Post Office). Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Ordinance.

6. *Duty to Update NRMSIRs/SID/Central Post Office.* The City shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID (or at its election, the Central Post Office) each time it is required to file information with such entities.

7. *Consequences of Failure of the City to Provide Information.* The City shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID (or at its election, the Central Post Office), if any, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default under the Ordinance. The sole remedy under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

8. *Amendments; Waiver.* Notwithstanding any other provision of this Agreement, the City by certified resolution authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived,

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined by a counsel or other entity unaffiliated with the City.

9. *Termination of Undertaking.* The Undertaking of the City shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Bonds under the Ordinance. The City shall give notice in a timely manner if this Section is applicable to each NRMSIR or to the MSRB and to the SID, if any, (or in the alternative, to a Central Post Office).

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the generally accepted accounting principles ("GAAP") to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the Fiscal Year of the City changes, the City shall file a notice of such change in the same manner as for a notice of material event.

10. *Dissemination Agent.* The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the City shall have

no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

12. *Beneficiaries.* This Undertaking has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. *Recordkeeping.* The City shall maintain records of all Annual Information Disclosure and Material Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. *Subject to Appropriation.* Pursuant to Arizona law, the City's undertaking to provide information under this Disclosure Certificate is subject to appropriation to cover the costs of preparing and mailing the Annual Report and notices of material events to each Repository. Should funds that would enable the City to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact will be made in a timely manner to each Repository.

15. *Governing Law.* This Undertaking shall be governed by the laws of the State.

CITY OF GLENDALE, ARIZONA

By: \_\_\_\_\_  
Its: Chief Financial Officer  
Address: 5850 West Glendale Avenue  
Glendale, Arizona

Date: July 12, 2007.

EXHIBIT I  
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED  
FINANCIAL STATEMENTS

*“Annual Financial Information”* means financial information and operating data of the type contained in the Official Statement under the following captions:

CAPTION/TABLE	PAGE
Current Year Statistics	A-15
Direct Bond Debt, Legal Limitation and Unused Borrowing Capacity	A-16
Outstanding Bonded Indebtedness	A-17
Lease-Purchase Agreements	A-20
Secondary Assessed Valuation by Property Classification	A-24
Real and Secured Property Taxes Levied and Collected	A-26
Assessed Valuation of Major Taxpayers	A-28

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the SID, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, on or before February 1 of each year for information as of the previous June 30 (unless otherwise specified). Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included and the Audited Financial Statements shall be subsequently provided within 30 days after their availability to the City.

Audited Financial Statements will be prepared according to GAAP standards, as applied to governmental units as modified by State law.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the City will disseminate a notice of such change as required by Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BOND AND PARITY OBLIGATIONS  
FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity provider, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds or Parity Obligations.
7. Modifications to the rights of security holders.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment.
11. Rating changes.

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**APPENDIX E**

**BOOK-ENTRY-ONLY SYSTEM**

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## BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form in the principal amount of \$5,000 or any integral multiple thereof. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, as set forth on the inside cover of this Official Statement, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Registrar and Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.*

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The Issuer and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, giving any notice permitted or required to be given to registered owners under the Bond Ordinance, including any notice of redemption, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The Issuer and the Paying Agent will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Registrar as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Bond Ordinance, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a registered owner.

As long as the DTC book-entry system is used for the Bonds, the Registrar will give any notice of redemption or any other notices required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Direct Participant, of any DTC Direct Participant to notify any Indirect Participant, of any DTC Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

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**APPENDIX F**

**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

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# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary