

OFFICIAL STATEMENT

NEW ISSUE – BOOK-ENTRY ONLY FORM

RATINGS: See “Ratings” Herein

NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES OF INTEREST ON THE 2008C BONDS. INTEREST ON THE 2008C BONDS IS INCLUDABLE IN GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL AND STATE OF ARIZONA INCOME PURPOSES.

\$9,140,000
CITY OF GLENDALE, ARIZONA
MUNICIPAL PROPERTY CORPORATION
EXCISE TAX REVENUE BONDS
TAXABLE SERIES 2008C

Bonds Dated: Date of Initial Delivery

Due: July 1, as shown on the inside cover

The Excise Tax Revenue Bonds, Series 2008C (the “2008C Bonds”) are being issued by the City of Glendale Municipal Property Corporation (the “Corporation”) for the benefit of the City of Glendale, Arizona (the “City”). The Corporation also expects to issue concurrently with the 2008C Bonds, and on a parity therewith, \$32,315,000 aggregate principal amount of its Excise Tax Revenue Bonds, Series 2008A (Tax-Exempt) (the “2008A Bonds”) and \$52,780,000 aggregate principal amount of its Excise Tax Revenue Bonds, Taxable Series 2008B (the “2008B Bonds” and, together with the 2008A Bonds and 2008C Bonds, the “2008 Bonds”), which 2008A and 2008B Bonds were offered and sold under a separate official statement and are not being offered herein. The 2008 Bonds will be issued pursuant to a Trust Indenture, dated as of October 1, 1999 (the “Original Indenture”), as supplemented and amended, including by a Ninth Supplemental Trust Indenture, dated as of June 1, 2008 (the “2008 Indenture” and, together with the Original Indenture, the “Indenture”) between the Corporation and The Bank of New York Trust Company, N.A. (together with any successors in such capacity, the “Trustee”). In connection with the issuance of the 2008 Bonds, the Corporation will enter into a Ninth Supplement to the Series 1999 Lease Agreement, dated as of June 1, 2008 (the “2008 Lease Supplement”) with the City, which supplements a Series 1999 Lease Agreement, dated as of October 1, 1999 (the “Original Lease Agreement” and, as supplemented by the 2008 Lease Supplement, the “Lease Agreement”) whereby the City agrees to make rental payments sufficient to pay principal of, premium, if any, and interest on the 2008 Bonds, when due. In the Indenture, the Corporation has assigned its rights (with certain exceptions) under the Lease Agreement, including the rights to these rental payments, to the Trustee.

The 2008C Bonds will be dated as of initial delivery thereof, will mature on July 1 of the years and in the amounts shown on the inside cover hereof and will bear interest from their dated date, at the rates per annum shown on the inside cover hereof.

The 2008C Bonds will be issuable only in fully registered form and, when issued, will be available to purchasers in the denominations described below, only through the book-entry system maintained by The Depository Trust Company, New York, New York (“DTC”). The 2008C Bonds will be registered initially in the name of Cede & Co., as nominee for DTC. While the 2008C Bonds are in the book-entry system, no physical delivery of such bonds will be made to ultimate purchasers thereof and all payments of principal, premium, if any, and interest, related to such bonds will be made directly by the Trustee to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of such bonds, as described herein.

Interest on the 2008C Bonds will be payable on January 1 and July 1 of each year (each, an “Interest Payment Date”), commencing on January 1, 2009. The 2008C Bonds will be issued in the denomination of \$5,000 each or any integral multiple thereof.

Proceeds of the 2008 Bonds will be used to (i) refund and redeem the Corporation’s outstanding Subordinate Excise Tax Revenue Bonds, Series 2006B and reimburse the City for certain related interest expenses thereon, (ii) pay costs of the 2008 Project described herein, (iii) pay capitalized interest on the 2008 Bonds, (iv) fund a Revenue Stabilization Fund for the benefit of the 2008B Bonds, and (v) pay the costs of issuing the 2008 Bonds. See, “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein

Except as described herein, the 2008 Bonds are payable solely from rental payments to be made by the City under the Lease Agreement and certain amounts held by the Trustee under the Indenture. The City’s obligation under the Lease Agreement is a special obligation of the City and is payable solely from and is secured by a pledge of the City’s Unrestricted Excise Taxes, as described herein. Such pledge is on a parity of lien with the pledge of the Unrestricted Excise Taxes to secure \$191,510,000 outstanding aggregate principal amount of the Corporation’s Senior Excise Tax Obligations and bonds or other obligations issued or incurred in the future on a parity therewith, as provided in the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT OF THE 2008 BONDS” herein. Such pledge is superior and prior to the lien on Unrestricted Excise Taxes pledged to the Corporation’s 2002B Subordinate Excise Tax Bonds, 2003D Subordinate Excise Tax Bonds (each as defined herein), the pledge of certain Unrestricted Excise Taxes to the Arizona Sports and Tourism Authority and any additional bonds hereafter issued on a subordinate basis. NEITHER THE 2008 BONDS NOR THE LEASE AGREEMENT CONSTITUTES OR CREATES A GENERAL OBLIGATION OF THE CITY OR THE CORPORATION.

The 2008C Bonds are subject to redemption prior to maturity as described herein. See “THE 2008C BONDS – Redemption Provisions” herein

The scheduled payment of principal of and interest on the 2008C Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2008C Bonds by FINANCIAL SECURITY ASSURANCE INC.



SEE MATURITY SCHEDULE AND OTHER INFORMATION ON INSIDE COVER

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2008C Bonds are offered, when, as and if certain conditions are satisfied and subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Corporation and for the City by Greenberg Traurig, LLP and by the City Attorney of the City. Certain legal matters will be passed upon for the Underwriter by Squire, Sanders & Dempsey L.L.P. It is expected that the 2008C Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 10, 2008.

BANC OF AMERICA SECURITIES LLC

June 2, 2008

\$9,140,000
CITY OF GLENDALE, ARIZONA
MUNICIPAL PROPERTY CORPORATION
EXCISE TAX REVENUE BONDS, TAXABLE SERIES 2008C

MATURITY SCHEDULE

<u>Maturity</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> [®]
2010	\$1,705,000	3.958%	3.958%	378294DN9
2011	1,785,000	4.376%	4.376%	378294DP4
2012	1,730,000	4.596%	4.596%	378294DQ2
2013	1,570,000	4.776%	4.776%	378294DR0
2014	1,350,000	4.869%	4.869%	378294DS8
2015	1,000,000	5.019%	5.019%	378294DT6

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CITY OF GLENDALE MUNICIPAL PROPERTY CORPORATION

BOARD OF DIRECTORS

Leland Peterson, President and Chairman
Art Dobbelaere, Vice President and Secretary
Mark Joraanstad, Member
Roger Schwierjohn, Treasurer
John Stern, Member

CITY OF GLENDALE, ARIZONA

CITY COUNCIL

Elaine M. Scruggs, Mayor
Manuel D. Martinez, Vice Mayor – Cholla District
Joyce V. Clark - Yucca District
David M. Goulet – Ocotillo District
H. Philip Lieberman - Cactus District
Steven E. Frate – Sahuaro District
Yvonne J. Knaack - Barrel 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
Jon Froke, Acting Deputy City Manager
Craig Tindall, City Attorney
Pam Hanna, City Clerk
Raymond H. Shuey, Chief Financial Officer/Finance Director

SPECIAL SERVICES

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(602) 445-8464

FINANCIAL ADVISOR

JNA Consulting Group, LLC
1400 Wyoming Street
Suite 3
Boulder City, Nevada 89005
(702) 294-5100

TRUSTEE

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

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the City of Glendale, Arizona (the "City"), the City of Glendale Municipal Property Corporation (the "Corporation"), or the Underwriter. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the original offering of the 2008C Bonds or an offer to sell or solicitation of offers to buy, nor shall there be any sale of the 2008C Bonds, by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information contained in this Official Statement has been obtained from the City and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, any of the foregoing. The presentation of such information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representation of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The 2008C Bonds will not be registered 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 has passed upon the accuracy of this Official Statement.

The City has undertaken to provide continuing disclosure with respect to the 2008C Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" and "Appendix E – FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2008C BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix G specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; or (ii) the validity of the 2008C Bonds.

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\$9,140,000
CITY OF GLENDALE, ARIZONA
MUNICIPAL PROPERTY CORPORATION
EXCISE TAX REVENUE BONDS, TAXABLE SERIES 2008C

INTRODUCTION

This Official Statement, including the cover page and Appendices hereto (the "Official Statement"), is provided to furnish certain information with respect to the issuance, sale and delivery of the Excise Tax Revenue Bonds, Taxable Series 2008C (the "2008C Bonds") being issued by the City of Glendale Municipal Property Corporation (the "Corporation") for the benefit of the City of Glendale, Arizona (the "City"). The Corporation also expects to issue concurrently with the 2008C Bonds, and on a parity therewith, \$32,315,000 aggregate principal amount of its Excise Tax Revenue Bonds, Series 2008A (Tax-Exempt) (the "2008ABonds") and \$52,780,000 aggregate principal amount of its Excise Tax Revenue Bonds, Taxable Series 2008B (the "2008B Bonds" and, together with the 2008A Bonds and 2008C Bonds, the "2008 Bonds"), which 2008A and 2008B Bonds were offered and sold under a separate official statement and are not being offered herein. The 2008 Bonds will be issued pursuant to a Trust Indenture, dated as of October 1, 1999 (the "Original Indenture"), as supplemented and amended, including by a Series 2008 Ninth Supplemental Trust Indenture, dated as of June 1, 2008 (the "2008 Indenture" and, together with the Original Indenture, the "Indenture"), between the Corporation and The Bank of New York Trust Company, N.A. (together with any successors in such capacity, the "Trustee"). In connection with the issuance of the 2008 Bonds, the Corporation will enter into a Ninth Supplement to Series 1999 Lease Agreement, dated as of June 1, 2008 (the "2008 Lease Supplement") with the City, which supplements a Series 1999 Lease Agreement, dated as of October 1, 1999 (the "Original Lease Agreement" and, as supplemented by the 2008 Lease Supplement, the "Lease Agreement") whereby the City agrees to make rental payments sufficient to pay principal of, premium, if any, and interest on the 2008 Bonds, when due. In the Indenture, the Corporation has assigned its rights (with certain exceptions) under the Lease Agreement, including the rights to these rental payments, to the Trustee.

Net proceeds of the 2008 Bonds will be used to (i) refund and redeem the Corporation's outstanding Subordinate Excise Tax Revenue Bonds, Series 2006B (the "Bonds Being Refunded"), and reimburse the City for certain interest expense related to the Bonds Being Refunded, (ii) pay costs of acquiring media equipment for the below-described Conference Center Project, (iii) pay capitalized interest on the 2008 Bonds to January 1, 2009, (iv) fund a Revenue Stabilization Fund for the benefit of the 2008B Bonds, and (v) pay the costs of issuing the 2008 Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein. The proceeds of the Bonds Being Refunded were used to design, acquire, construct and equip certain conference center and related media and parking garage facilities for the City (the "Conference Center Project") and other public infrastructure (the "Additional Project" and, together with the Conference Center Project, the "2008 Project"). The sites for portions of the Conference Center Project (the "Leased Land") will be leased by the City to the Corporation pursuant to a Series 2008 Ground Lease, dated as of June 1, 2008 (the "2008 Ground Lease"), between the City, as lessor, and the Corporation, as lessee.

The 2008 Bonds are payable from and secured by rental payments to be made by the City under the Lease Agreement and certain amounts held by the Trustee under the Indenture. The City's obligation under the Lease Agreement is a special obligation of the City and is payable solely from and is secured by a pledge of the City's Unrestricted Excise Taxes, which are generally all excise, transaction privilege, franchise and income taxes which the City now collects, which it may collect in the future, and which are allocated or apportioned to the City by the State of Arizona (the "State"), or any political subdivision thereof, or by any other governmental unit or agency, other than Restricted Excise Taxes, which are *not* being pledged by the City. "Restricted Excise Taxes" are (i) the City's share of any excise, transaction privilege, franchise and income taxes which under Arizona law must be expended for other purposes, such as the motor vehicle fuel tax, and (ii) excise taxes, transaction privilege, franchise and income taxes of the City collected now or hereafter which have been approved at an election within the City and restricted to certain uses, such as the existing City's Public Safety Tax and Transportation Tax (as such terms are defined under "SECURITY AND SOURCES OF PAYMENT OF THE 2008 BONDS--Categories of Excise Taxes--City Transaction Privilege (Sales) Taxes"). Such pledge is on a parity of lien with the pledge of the Unrestricted Excise Taxes to secure the Corporation's Excise Tax Revenue Refunding Bonds Series 1999 (the "1999 Bonds"), with a current outstanding principal balance of \$3,380,000, Excise Tax Revenue Bonds Series 2003A (the "2003A Bonds"), with a current outstanding principal balance of \$49,625,000 and Taxable Series 2003B, with a current outstanding

principal balance of \$96,840,000 (together with the 2003A Bonds, the “2003 Bonds”), Excise Tax Revenue Bonds, Series 2004A (the “2004 Bonds), with a current outstanding principal of \$8,415,000, and Excise Tax Revenue Bonds Series 2006A (the “2006 Bonds), with a current outstanding principal of \$33,250,000, and bonds or other obligations issued or incurred in the future on a parity with the 2008 Bonds, the 2006 Bonds, the 2004 Bonds, the 2003 Bonds and the 1999 Bonds, as provided in the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT OF THE 2008 BONDS” herein. In addition, the following subordinate lien bonds and obligations are outstanding: the Corporation’s Subordinate Excise Tax Revenue Bonds, Series 2002D (the “2002D Subordinate Excise Tax Bonds”) and 2003D (the “2003D Subordinate Excise Tax Bonds”), with current outstanding principal balances of \$5,055,000 and \$7,250,000, respectively, and the City’s pledge of certain unrestricted excise taxes to the Arizona Sports and Tourism Authority (“AzSTA”).

Neither the 2008 Project nor the Leased Land secure the City’s rental payment obligation under the Lease Agreement; however, certain revenues derived by the City from the Conference Center Project additionally secure payment of the 2008B Bonds, but no other obligations of the Corporation or the City. Neither the Trustee nor the registered Owners of any 2008 Bond has any right to exclude the City from the 2008 Project or the Leased Land as a remedy upon the occurrence of an event of default under the Lease Agreement, nor to have the 2008 Project or the Leased Land sold. Except as described above, neither the Trustee nor the registered Owners of the 2008 Bonds have any interest in the revenues derived from the 2008 Project by the City or any property interest in the 2008 Project.

The 2008 Bonds and the obligation of the City to make rental payments under the Lease Agreement each constitute a limited obligation of the Corporation and the City, respectively, and neither constitutes a general obligation of the Corporation or the City within the meaning of the Constitution or laws of the State.

Unless and until discontinued, the 2008C Bonds will be held in book-entry form by The Depository Trust Company, New York, New York (“DTC”), a registered securities depository, and beneficial interests therein may only be purchased and sold, and payments of principal of, premium, if any, and interest on the 2008C Bonds will be made only to beneficial owners, through participants in the DTC system. Beneficial interests in the 2008C Bonds will be made in the denominations described on the cover page hereof. See Appendix F -- “BOOK-ENTRY-ONLY SYSTEM” herein.

Financial Security Assurance Inc. (the “Insurer” or “Financial Security”) has committed to issue, effective as of the date of original delivery of the 2008C Bonds, its municipal bond insurance policy (the “Insurance Policy” or the “Policy”) insuring the scheduled payment of principal of and interest on the 2008C Bonds, when due. Financial Security has also committed to issue, effective as of the date of original delivery of the 2008A and 2008B Bonds, its municipal bond insurance policies insuring the scheduled payment of principal of and interest on the 2008A and 2008B Bonds, when due. See “BOND INSURANCE” herein. A specimen of the form of the Insurance Policy is included in this Official Statement as Appendix G. The Insurer will have the right to consent on behalf of the Owners of the 2008 Bonds (with certain exceptions) to amendments to the Indenture and the Lease Agreement.

Certain capitalized terms used herein are defined under Appendix A - “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE AGREEMENT - Definitions of Certain Terms.”

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes (“A.R.S.”) or uncodified, or of the Arizona Constitution, are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

As used in this Official Statement, “Debt Service” means principal, premium, if any, and interest related to the 2008 Bonds; and “State” or “Arizona” means the State of Arizona.

This Official Statement contains descriptions of the 2008C Bonds, the Lease Agreement and the Indenture. The descriptions of the 2008C Bonds, the Lease Agreement and the Indenture and other documents described in this Official Statement do not purport to be definitive or comprehensive, all references to those documents are qualified in their entirety by reference to the form of those documents, and copies of drafts thereof are available from the City prior to the delivery of the 2008C Bonds.

THE 2008C BONDS

General Provisions

The 2008C Bonds will be dated as of the date of their initial delivery, and will bear interest payable semiannually on January 1 and July 1 of each year (each an “Interest Payment Date”), commencing January 1, 2009, until maturity, at the rates set forth on the inside cover page of this Official Statement. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

As described in Appendix F--“BOOK-ENTRY-ONLY SYSTEM,” the 2008C Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the 2008C Bonds, all payments on the 2008C Bonds and notices regarding the 2008C Bonds will be made directly to DTC.

Subject to the provisions summarized in Appendix F – “BOOK-ENTRY-ONLY SYSTEM,” the principal of and premium, if any, on each 2008C Bond will be payable at the designated office of the Trustee. Interest on each 2008C Bond will be paid on each Interest Payment Date by check drawn on the Trustee mailed on or before the Interest Payment Date to the registered owners as shown on the records of the Trustee as of the fifteenth day of the month immediately preceding such Interest Payment Date or, if such date is not a business day, on the next succeeding business day (the “Regular Record Date”) or the Trustee may agree with a registered Owner of \$1,000,000 or more in aggregate principal amount of the 2008C Bonds for another form of payment.

If the Trustee fails to make payments or provision for payment of interest on the 2008C Bonds when due on any Interest Payment Date, that interest shall cease to be payable to the registered Holder of such 2008C as of the applicable Regular Record Date, and when moneys become available for payment of that interest, the Trustee shall establish a Special Record Date for the payment of that interest, which shall be at least ten days prior to the proposed interest payment date, and notice of such Special Record Date shall be mailed to each Holder at least ten days prior to the Special Record Date.

Each 2008C Bond will accrue interest from the Interest Payment Date next preceding the date of its execution, unless: (1) executed on an Interest Payment Date or after a Regular Record Date but before the following Interest Payment Date, in which case interest accrues from such Interest Payment Date, (2) executed on the date of initial delivery or prior to January 1, 2009, in which case interest accrues from its dated date, or (3) payment of interest is in default, in which case interest is payable from the last date to which interest has been paid or, if none, its dated date.

Redemption Provisions

Optional Redemption. The 2008C Bonds will be subject to redemption prior to maturity at the direction of the City at any time, in whole or in part from maturities selected by the City, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2008C Bonds then being redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such 2008C Bonds discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Yield (defined below) plus 12.5 basis points, in either case plus accrued interest to the date fixed for redemption. “Treasury Yield” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (defined below), assuming a price for the Comparable Treasury Issue (defined below and expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (defined below) for such redemption date. “Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Banker (defined below) as having a maturity comparable to the remaining term of the 2008C Bonds that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the 2008C Bonds. “Independent Investment Banker” means Banc of America Securities LLC or, if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the City. “Comparable Treasury Price” means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S.

Government Securities LLC” or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, the average of the Reference Treasury Dealer Quotations (defined below) for such redemption date. “Reference Treasury Dealer Quotations” means, with respect to the Reference Treasury Dealer (defined below) and any redemption date, the average, as determined by the Trustee, of the bid and asked prices of the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by the Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date. “Reference Treasury Dealer” means Banc of America Securities LLC and its successors or any other primary U.S. Government securities dealer in New York City appointed by the City. The Trustee will calculate the redemption price determined as described above and such redemption price will be final and conclusive for all purposes.

Partial Redemption of 2008C Bonds. 2008C Bonds of a single maturity to be redeemed in part will be selected by the Trustee by lot or in such other manner as the Trustee deems fair.

Notice of Redemption

The Trustee will cause notice of such redemption to be given to the Owner of any 2008C Bond designated for redemption (so long as the book-entry-only system is in effect, only Cede & Co.), at the address last appearing upon the Register by mailing a copy of the redemption notice by first-class mail, express delivery service or other means which may evidence receipt, not less than thirty (30) days prior to the redemption date. The failure to receive the notice or any defect in the notice will not affect the validity of the redemption of any 2008C Bond.

Notice having been properly given, the 2008C Bonds shall become due and payable on the redemption date so designated and, upon presentation and surrender thereof at the place specified in the redemption notice, the redemption price of such 2008C Bonds shall be paid. If on the redemption date sufficient moneys are held by the Trustee to pay the redemption price, then and after the redemption date interest or accreted value, as applicable, on the 2008C shall cease to accrue.

Defeasance

If the Trustee (i) pays all of the outstanding 2008C Bonds, when due, or (ii) at or prior to maturity of all 2008C Bonds, has received in trust moneys or Qualified Eligible Investments which are sufficient to pay the principal of, premium, if any, and interest on such 2008C Bonds, as applicable, the lien of the Indenture shall terminate with respect to such 2008C Bonds, except for the obligation of the Trustee to make payments on such 2008C Bonds. See Appendix A - SUMMARY OF THE CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE AGREEMENT - Indenture - Release of Indenture and Defeasance.

PLAN OF FINANCE

A portion of the net proceeds received from the proceeds of the sale of the 2008 Bonds, after payment of the premium for the Insurance Policy, will be applied by the Trustee, together with other legally available monies of the City, to the redemption of the Bonds Being Refunded on the date of issuance of the 2008 Bonds, at the redemption price of the principal amount thereof and accrued interest to the redemption date, and to reimburse the City for certain interest expenses paid on the Bonds Being Refunded. The remainder of such net proceeds will be used to pay costs of the 2008 Project, to pay capitalized interest on the 2008 Bonds to January 1, 2009, to fund a Revenue Stabilization Fund for the benefit of the 2008B Bonds, and to pay the costs of issuing the 2008 Bonds. See “SOURCES AND USES OF FUNDS” below.

Delivery of the 2008A and 2008B Bonds concurrently with the issuance of the delivery of the 2008C Bonds will be necessary in order to provide sufficient funds to redeem and retire all of the Bonds Being Refunded; however, issuance and delivery of the 2008A and 2008B Bonds will not be a condition precedent for the issuance and delivery of the 2008C Bonds. The 2008A and 2008B Bonds were offered under a separate official statement and sold pursuant to a bond purchase agreement dated May 15, 2008, for delivery on the same delivery date expected for the 2008C Bonds. If the 2008A and 2008B Bonds are not issued and delivered concurrently with the 2008C Bonds, there would be up to \$75,200,000 aggregate principal amount of the Corporation’s Subordinate Excise Tax Revenue Bonds, Series 2006B, outstanding following issuance of the 2008C, in addition to the \$12,305,000 outstanding principal amount of other

Subordinate Excise Tax Obligations (as defined below) described in this Official Statement, all of which would be secured by payments to be made by the City from Unrestricted Excise Taxes on a basis junior and subordinate to the pledge of such Unrestricted Excise Taxes for payment of the hereafter-described Senior Excise Tax Obligations, including the 2008C Bonds.

SOURCES AND USES OF FUNDS

Monies received from the issuance and sale of the 2008 Bonds will be applied as follows:

Sources of Funds:	2008A Bonds ⁴	2008B Bonds ⁴	2008C Bonds	Total
Principal Amount of 2008 Bonds	\$32,315,000.00	\$52,780,000.00	\$9,140,000.00	\$94,235,000.00
Net Original Issue Premium	239,885.70	-0-	-0-	239,885.70
Total Sources	<u>\$32,554,885.70</u>	<u>\$52,780,000.00</u>	<u>\$9,140,000.00</u>	<u>\$94,474,885.70</u>
Uses of Funds:				
Redemption of Bonds Being Refunded – Principal	\$30,117,029.83	\$45,065,013.18	\$8,339,341.04	\$83,521,384.05
Redemption of Bonds Being Refunded – Interest	730,168.68	2,779,703.27 ²	202,182.14	3,712,054.09
Deposit to Acquisition and Construction Fund	420,000.00	-0-	-0-	420,000.00
Capitalized Interest on Bonds	695,925.47	1,891,408.79 ³	440,278.31	3,027,612.57
Issuance Costs ¹	591,761.72	1,043,874.78	158,198.51	1,793,835.01
Deposit to Revenue Stabilization Fund	-0-	1,999,999.98	-0-	1,999,999.98
Total Uses	<u>\$32,554,885.70</u>	<u>\$52,780,000.00</u>	<u>\$9,140,000.00</u>	<u>\$94,474,885.70</u>

¹ Including underwriting, bond insurance, legal and financing fees, printing costs, rating fees and other miscellaneous expenses relating to the issuance of the 2008 Bonds.

² Includes \$1,687,130.02 to reimburse the City for accrued interest payment made on the Bonds Being Refunded.

³ \$122,092.19 of amount will be used to pay capitalized interest on the 2008A Bonds.

⁴ As discussed above in “PLAN OF FINANCE,” issuance and delivery of the 2008A and 2008B Bonds will not be a condition precedent for the issuance and delivery of the 2008C Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE 2008 BONDS

General

The 2008 Bonds are payable from and secured by rental payments made by the City under the Lease Agreement and certain amounts held by the Trustee under the Indenture. The rental payments required to be made by the City under the Lease Agreement are sufficient to pay Debt Service on the 2008 Bonds. The term of the 2008 Lease Supplement is through July 2, 2033, or such earlier or later date on which all lease payments due thereunder have been paid in connection with the redemption or defeasance of the 2008 Bonds (the “Term of the Lease Agreement”). The obligation of the City to make rental payments under the Lease Agreement is a limited obligation of the City and is payable solely from and secured by a pledge of the City’s Unrestricted Excise Taxes, except that the Lease Agreement provides that the City may choose to, but is not required to, make rental payments from other legally available funds of the City. Certain revenues derived by the City from the Conference Center Project will additionally secure payment of the 2008B Bonds, but no other obligations of the Corporation or the City; however, the amount or availability of such revenues cannot be predicted at this time.

The 2008 Bonds and the obligation of the City to make rental payments under the Lease Agreement are not a general obligation of the Corporation or the City, respectively, but are a limited obligation of Corporation and the City, respectively, and are payable solely from and are secured by a pledge of the City’s Unrestricted Excise Taxes. See “Sources for Lease Payments” below.

Under the Lease Agreement, the City will be required to make rental payments sufficient to pay principal of, premium, if any, and interest on the 1999 Bonds, the 2003 Bonds, the 2004 Bonds, the 2006 Bonds and the 2008 Bonds, when due, from Unrestricted Excise Taxes. In addition, the City may hereafter issue or incur additional excise tax obligations (the "Additional Senior Excise Tax Obligations"), either as additional bonds issued under the Indenture or otherwise, which are payable from and secured by a pledge of Unrestricted Excise Taxes on a parity with the pledge of such taxes made for the 2008 Bonds, the 2006 Bonds, the 2004 Bonds, the 2003 Bonds and the 1999 Bonds (together with the Additional Senior Excise Tax Obligations, the "Senior Excise Tax Obligations"), as provided in the Lease Agreement as described below under "Covenants Pertaining to the Unrestricted Excise Taxes." The City's Unrestricted Excise Taxes have also been pledged in the 2002 Subordinate Lease Agreement and the 2003 Subordinate Lease Agreement (together, the "Subordinate Agreements") which secure the 2002D Subordinate Excise Tax Bonds and 2003D Subordinate Excise Tax Bonds, with a total current outstanding balance of \$12,305,000, and to the Arizona Sports and Tourism Authority on a basis junior and subordinate to the pledge of such taxes for Senior Excise Tax Obligations, and the City may hereafter issue or incur additional obligations which are payable from and secured by a pledge of Unrestricted Excise Taxes on a basis which is junior and subordinate to the lien on such taxes for Senior Excise Tax Obligations (herein referred to as "Additional Subordinate Excise Tax Obligations" and, together with the rental obligations under the Subordinate Agreements, the "Subordinate Excise Tax Obligations"), as described below under "Covenants Pertaining to the Unrestricted Excise Taxes."

SOURCES FOR LEASE PAYMENTS

The rental payments to be made by the City under the Lease Agreement are secured by a first claim and pledge by the City of all of the City's Unrestricted Excise Taxes, which comprise all excise, transaction privilege, franchise and income tax which it now collects, which it may collect in the future, or which are allocated or apportioned to the City by the State or any political subdivision thereof, or by any other governmental unit or agency, other than Restricted Excise Taxes, which are not being pledged by the City. "Restricted Excise Taxes" are (i) the City's share of any excise, transaction privilege, franchise and income taxes which under Arizona law must be expended for other purposes, such as the motor vehicle fuel tax, and (ii) excise taxes, transaction privilege, franchise and income taxes of the City collected now or hereafter which have been approved at an election within the City and restricted to certain uses, such as the existing City's Public Safety Tax and Transportation Tax (as such terms are defined under "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 BONDS--Categories of Excise Taxes--*City Transaction Privilege (Sales) Taxes*"). The pledge of such Unrestricted Excise Taxes is on parity with the pledge of such taxes for payment of the Senior Excise Tax Obligations now or hereafter issued or incurred by the City.

Debt Service Reserve Fund

The Indenture establishes a Reserve Fund for the payment of the Senior Excise Tax Obligations. The Reserve Fund is not currently funded and will not be funded, nor will a Reserve Fund Surety Bond be in place, on the date of issuance of the 2008 Bonds. The Indenture and the Lease Agreement provide that the City will fund the Reserve Fund, or in the alternative, deliver a Reserve Fund Surety Bond to the Trustee, if the Excise Taxes collected by the City during a fiscal year are less than three times the maximum annual debt service on the Senior Excise Tax Obligations. The City will determine, and provide the Trustee with a written statement of the amount of such coverage ratio prior to the January 1 following the end of each fiscal year and if the aforementioned coverage ratio of 3 times is not met, shall fund from Excise Taxes in twelve equal monthly installments on the 15th day of each month beginning January 15 until the Reserve Fund equals the Reserve Fund Requirement (as hereinafter defined), or in the alternative, the City shall on such January 15, deliver to the Trustee a Reserve Fund Surety Bond with a value equal to the Reserve Fund Requirement. The Reserve Fund Requirement shall mean the least of (i) 10% of the original principal amount of the Senior Excise Tax Obligations; (ii) maximum annual debt service on the Senior Excise Tax Obligations; and (iii) 125% of the average annual debt service on the Senior Excise Tax Obligations, in each case, taking into account any amounts, or the value of any Reserve Fund Surety Bonds, in the Reserve Fund following the issuance of Senior Excise Tax Obligations under the Indenture.

2008B Revenue Stabilization Fund

The Indenture establishes a 2008B Revenue Stabilization Fund which will be funded with proceeds of the 2008B Bonds. Amounts in the 2008B Revenue Stabilization Fund may be used at the direction of the City to pay debt service on 2008B Bonds, upon a determination by the City that the amount of revenues derived by the City from the

Conference Center Project (including Unrestricted Excise Tax collections from such sources) during the preceding fiscal year is less than Rental Payments related to debt service on the 2008B Bonds for the current fiscal year. The City is not obligated to replace any amounts transferred or withdrawn from the 2008B Revenue Stabilization Fund and there is no assurance that amounts will be retained or be available in the 2008B Revenue Stabilization Fund to pay debt service on the 2008B Bonds on any payment date.

Lease Agreement Covenants Pertaining to the Unrestricted Excise Taxes

Senior Excise Tax Obligation Covenant Regarding Maintenance of Unrestricted Excise Taxes. The City covenants in the Lease Agreement that the Unrestricted Excise Taxes it imposes will be retained and maintained so that the amount of all Unrestricted Excise Taxes received within and for the next preceding fiscal year, will be equal to at least three times the rental requirements payable on Senior Excise Tax Obligations in any current fiscal year. The City further covenants that if such receipts for any such preceding fiscal year shall not equal three times the rental requirements of any current fiscal year, or if at any time it appears that the current receipts will not be sufficient to meet the rental requirements for Senior Excise Tax Obligations in any current fiscal year, it will, to the extent permitted by law, either impose new Unrestricted Excise Taxes or will increase the rate of such taxes currently imposed in order that (i) the current receipts will be sufficient to meet all current requirements under the Lease Agreement for payments on the Senior Excise Tax Obligations, and (ii) the current year's receipts will be reasonably calculated to attain the level required for the succeeding fiscal year's requirements.

Subordinate Excise Tax Obligation Covenant Regarding Maintenance of Unrestricted Excise Taxes. In addition, the City covenants in the Subordinate Excise Tax Obligations that the Unrestricted Excise Taxes it imposes will be retained and maintained so that the amount of all Unrestricted Excise Taxes received within and for the next preceding fiscal year, will be equal to at least two times the combined total rentals payable on Senior Excise Tax Obligations and Subordinate Excise Tax Obligations in any current fiscal year. The City further covenants that if receipts from Unrestricted Excise Taxes for any preceding fiscal year shall not equal two times the combined total rental requirements of any current fiscal year, or if at any time it appears that the current receipts will not be sufficient to meet the rental requirements for all Senior Excise Tax Obligations and Subordinate Excise Tax Obligations in any current fiscal year, the City will, to the extent permitted by law, either impose new Unrestricted Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) the current receipts will be sufficient to meet all current requirements under the Senior Excise Tax Obligations and Subordinate Excise Tax Obligations, and (ii) the current year's receipts will be reasonably calculated to attain the level as required above for the succeeding fiscal year's rental requirements.

City's Right to Further Encumber Unrestricted Excise Taxes

In the Lease Agreement, the City retains the right to issue or incur additional obligations payable from its Unrestricted Excise Taxes, whether as Additional Senior Excise Tax Obligations, Additional Subordinate Excise Tax Obligations or third lien obligations, as described below. Such additional obligations may be incurred in connection with the issuance of Additional Senior Excise Tax Obligations under the Indenture, upon compliance with Lease Agreement provisions for Additional Senior Excise Tax Obligations, and certain other conditions are met. However, under the Lease Agreement, the City is permitted to issue or incur such additional excise tax obligations, whether as Additional Senior Excise Tax Obligations, Subordinate Excise Tax Obligations or third lien obligations, under other documentation and without regard to the requirements of the Indenture for the issuance of any such bonds, upon compliance with the requirements contained in the Lease Agreement.

Senior Excise Tax Obligation Conditions for the Issuance of Additional Excise Tax Obligations. Under the Lease Agreement, the City covenants that it will not further encumber Unrestricted Excise Taxes pledged to the payment of Senior Excise Tax Obligations, including the 1999 Bonds, the 2003 Bonds, the 2004 Bonds, the 2006 Bonds and the 2008 Bonds, unless the Unrestricted Excise Taxes collected in the next preceding fiscal year amounted to at least three times the highest combined interest and principal requirements for any succeeding twelve (12) months' period for all Senior Excise Tax Obligations and any parity obligations so proposed to be secured by a pledge of such Unrestricted Excise Taxes.

Subordinate Excise Tax Obligation Conditions for the Issuance of Additional Excise Tax Obligations. In addition, in the Subordinate Agreements, the City covenants and agrees that, so long as any of Senior Excise Tax

Obligations remain Outstanding, it will not encumber the Unrestricted Excise Taxes on a basis equal to or superior to the lien granted in the Subordinate Agreements unless the Unrestricted Excise Taxes collected in the next preceding fiscal year amounted to at least two times the highest combined interest and principal requirements for any succeeding twelve (12) months' period for all Senior Excise Tax Obligations and Subordinate Excise Tax Obligations then outstanding and the obligations proposed to be issued or incurred secured by such Unrestricted Excise Taxes.

Expected Additional Excise Tax Obligations The City has provided a site and, as of May 29, 2008, advanced approximately \$20,500,000 of its funds toward the design and construction of a new Major League Baseball spring training stadium and related facilities on land owned by the City and has entered into use agreements with the Chicago White Sox and Los Angeles Dodgers baseball organizations for the use of such facilities. Although the City has agreements in place with the teams and with the AzSTA to provide funds to finance portions of the cost of the facilities, permanent financing for the entire cost, estimated to be \$100,000,000, has not been finalized to reimburse the City for amounts advanced and to pay the remaining costs of the facility. In connection with such a financing, the City is expected to enter into agreements to pledge Unrestricted Excise Taxes for such purpose in limited amounts or under limited circumstances, as provided in such agreements.

The City may also issue Additional Senior Excise Tax Obligations or Subordinate Excise Tax Obligations for other purposes, subject to meeting the requirements set forth above.

Third Lien Excise Tax Obligations. Neither the Lease Agreement nor the Indenture places any restriction on the City's ability to issue or incur further obligations which are payable from and secured by a pledge of Unrestricted Excise Taxes on a basis subordinate and junior to the pledge of such Unrestricted Excise Taxes securing the Senior Excise Tax Obligations and Subordinate Excise Tax Obligations. The City currently has no third lien excise tax obligations outstanding.

Categories of Excise Taxes

The major categories of Excise Taxes are discussed more fully below.

City's Transaction Privilege (Sales) Taxes

The City's transaction privilege (sales) tax is levied by the City upon persons on account of their business activities within the City. The amount of tax due is calculated by applying the tax rate against the gross proceeds of sales of gross income derived from the business activities shown in the table below.

TABLE 1
Transaction Privilege Taxes By Category

Advertising	Leasing/Licensing/Rental of Real Property	Publishing
Amusement	Leasing/Licensing/Rental of Tangible Personal Property	Restaurant and Bars
Contracting	Manufactured Buildings	Retail (including food sales)
Hotel/Motel	Mining	Telecommunications
Jet Fuel	Printing	Transportation
		Utilities

The City's total transaction privilege tax rate is presently 2.2%. Of the total tax rate, 0.5% (one-half of one percent) approved on April 14, 1994 and September 11, 2007 is dedicated to public safety (the "Public Safety Tax") and 0.5% (one-half of one percent) approved on November 6, 2001 is dedicated to transportation (the "Transportation Tax"). Revenues from the Public Safety Tax and the Transportation Tax do *not* constitute part of the Unrestricted Excise Taxes which the City has pledged in the Lease Agreement for payment of the 2008 Bonds.

State Shared Sales Taxes

Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business

activity as the City’s transaction privilege (sales) tax with the exception of food sales, which the State exempts from the tax. As the table below indicates, the rate of taxation varies among the different types of business activities taxed, with the most common rate being 5.0% of the amount or volume of business transacted.

The aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution share” of revenues attributable to each category of taxable activity. Each city’s or town’s allocation of the revenues available to all cities and towns is based on its population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns.

TABLE 2
State Sales Tax
Taxable Activities, Tax Rates and Distribution Share

<u>Taxable Activities</u>	<u>Tax Rate</u>	<u>Distribution Share</u>
Mining – Severance	2.500%	80.00%
Timbering- Severance	(a)	80.00
Oil & Gas, Sand & Gravel	3.1250	32.00
Transportation – Persons & Freight	5.0000	20.00
Utilities	5.0000	20.00
Telecommunications	5.0000	20.00
Publishing	5.0000	20.00
Job Printing	5.0000	20.00
Private Cars	5.0000	20.00
Pipelines	5.0000	20.00
Prime Contracting	5.0000	20.00
Owner Builders	5.0000	20.00
Restaurants and Bars	5.0000	40.00
Amusements	5.0000	40.00
Rentals/Personal Property	5.0000	40.00
Retail (excluding food sales)	5.0000	40.00
Hotel/Motel	5.5000	50.00

(a) The severance tax rate on timbering activity is \$2.13/1,000 board feet of ponderosa pine and \$1.51/1,000 board feet of other wood.

The amount and continued receipt of State-shared sales taxes by the City could be adversely affected by future changes in law by the State Legislature. See “Legislative Ability to Reduce State-Shared Tax Revenues; No Debt Service Coverage Covenant” below.

Sales Tax Increase for Education Funding Purposes. On November 7, 2000, Arizona voters passed Proposition 301, which increased the State’s sales tax rate from 5% to 5.6%, effective June 1, 2001. Tax revenues received allocable to the 0.6% tax rate increase have been earmarked for educational purposes and are *not* currently included in the sales tax revenues shared by the State with the City.

State-Shared Income Taxes

Under current State law, cities and towns are preempted by the State from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to typically receive 15.0% of the net revenues of the State personal and corporate income tax collections for the two fiscal years prior to the current fiscal year. Distribution of such funds is made monthly based on the proportion of each city’s or town’s population to the total population of all incorporated cities and towns in the State as determined by the latest decennial or special census.

The State legislature has at various times adjusted the distribution percentage. Currently, the percentage of state shared income tax received by cities and towns is 15.0%, but may be adjusted in future years. The amount and continued receipt of State-shared income taxes by the City could be adversely affected by future changes in law by the State Legislature. See “Legislative Ability to Reduce State-Shared Excise Tax Revenues; No Debt Service Coverage Covenant” below.

Other Excise Tax Revenues

Cities and towns in the State have exclusive control over public rights of way dedicated to the municipality and may grant franchise agreements to and impose franchise taxes on utilities using those rights of way. A franchise may be granted only with voter approval and the term of franchises is limited to 25 years. The City has granted franchises to and imposed franchise taxes on utility and cable television providers.

The City also imposes and collects fees for licenses and permits to engage in certain activities within the City and for the right to utilize certain City property, and imposes and collects fines and forfeitures for violations of State laws or City ordinances relating to traffic, parking, animal control and other offenses.

The following table sets forth a summary of the City’s combined receipt of Unrestricted Excise Tax receipts for the last five fiscal years.

TABLE 3
City of Glendale
Unrestricted Excise Tax Receipts¹

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Sales Tax Revenues ²	\$43,666,799	\$51,917,551	\$53,382,171	\$ 63,125,569	\$ 67,757,819
State-Shared Sales Taxes	17,112,806	18,408,696	20,270,811	23,297,507	23,036,546
State-Shared Income Taxes ³	23,288,415	19,730,140	20,114,852	22,909,485	27,517,526
Licenses and Permits	<u>4,003,412</u>	<u>4,220,590</u>	<u>4,374,958</u>	<u>4,878,157</u>	<u>5,290,087</u>
TOTAL	<u>\$88,071,432</u>	<u>\$94,276,977</u>	<u>\$98,142,792</u>	<u>\$114,210,718</u>	<u>\$123,601,978</u>
Percent Growth	3.22%	7.05%	4.10%	16.37%	8.22%

¹ Figures derived from City’s audited financial statements which are prepared on an accrual basis. Compliance with the City’s covenants contained in the Lease Agreement relating to maintenance of Unrestricted Excise Taxes and the issuance or incurrence of Additional Senior Excise Tax Obligations will be determined on a cash basis for receipt of Unrestricted Excise Taxes.

² Represents Unrestricted Sales Tax Revenues and does not include Public Safety Tax or Transportation Tax.

³ Decrease in fiscal year 2004 was due to reduction in the distribution to Arizona cities to 14.8% for fiscal years 2002/03 and 2003/04.

SOURCE: City of Glendale, Arizona Finance Department.

Based on the City’s Unrestricted Excise Tax collections of \$123,601,978 for the fiscal year ending June 30, 2007, the following tables set forth the percentage of the City’s aggregate lease payment obligations secured by such Unrestricted Excise Tax collections.

TABLE 4
Excise Tax Revenues and Senior Debt Service Requirements
City of Glendale, Arizona

Year Ending <u>July 1</u>	Excise Tax Revenues ¹	Combined Outstanding Senior Bonds Debt Service	2008A Bonds Principal	2008A Bonds Interest ²	2008B Bonds Principal	2008B Bonds Interest ²	2008C Bonds Principal	2008C Bonds Interest ²	2008 Bonds Total Debt Service	Total Senior Debt Service	Coverage on Senior Debt ³
2008	\$123,601,978	\$13,493,165								\$13,493,165	9.160
2009	123,601,978	14,564,376		\$1,550,571	\$1,430,000	\$3,353,779		\$440,278	\$6,774,628	21,339,004	5.792
2010	123,601,978	13,058,265		1,465,106	65,000	3,091,048	\$1,705,000	416,011	6,742,165	19,800,430	6.242
2011	123,601,978	13,594,353	\$ 95,000	1,465,106	210,000	3,087,508	1,785,000	348,527	6,991,141	20,585,494	6.004
2012	123,601,978	13,707,416		1,462,256	470,000	3,076,071	1,730,000	270,416	7,008,743	20,716,159	5.966
2013	123,601,978	13,742,576		1,462,256	740,000	3,050,475	1,570,000	190,905	7,013,636	20,756,212	5.955
2014	123,601,978	13,802,829		1,462,256	1,030,000	3,010,174	1,350,000	115,922	6,968,352	20,771,181	5.951
2015	123,601,978	11,900,169	240,000	1,462,256	1,345,000	2,954,081	1,000,000	50,190	7,051,527	18,951,696	6.522
2016	123,601,978	11,955,709	1,350,000	1,452,656	1,425,000	2,880,832	0	0.00	7,108,488	19,064,197	6.483
2017	123,601,978	14,328,969	1,405,000	1,398,656	1,495,000	2,803,226	0	0.00	7,101,882	21,430,851	5.767
2018	123,601,978	14,381,439	1,465,000	1,342,456	1,575,000	2,721,809	0	0.00	7,104,265	21,485,704	5.753
2019	123,601,978	14,437,085	1,530,000	1,283,856	1,655,000	2,636,034	0	0.00	7,104,890	21,541,975	5.738
2020	123,601,978	14,491,837	1,590,000	1,222,656	1,755,000	2,535,460	0	0.00	7,103,116	21,594,953	5.724
2021	123,601,978	14,549,625	1,655,000	1,159,056	1,865,000	2,428,808	0	0.00	7,107,864	21,657,489	5.707
2022	123,601,978	14,599,916	1,725,000	1,090,788	1,975,000	2,315,472	0	0.00	7,106,260	21,706,176	5.694
2023	123,601,978	14,654,858	1,790,000	1,017,475	2,105,000	2,195,452	0	0.00	7,107,927	21,762,785	5.680
2024	123,601,978	15,303,860	1,875,000	927,975	2,235,000	2,067,531	0	0.00	7,105,506	22,409,366	5.516
2025	123,601,978	15,357,645	1,970,000	834,225	2,370,000	1,931,710	0	0.00	7,105,935	22,463,580	5.502
2026	123,601,978	15,413,337	2,070,000	735,725	2,515,000	1,787,685	0	0.00	7,108,410	22,521,747	5.488
2027	123,601,978	12,819,452	2,170,000	632,225	2,670,000	1,632,836	0	0.00	7,105,061	19,924,513	6.204
2028	123,601,978	12,877,274	2,280,000	523,725	2,835,000	1,468,445	0	0.00	7,107,170	19,984,444	6.185
2029	123,601,978	12,073,946	2,390,000	409,725	3,010,000	1,293,894	0	0.00	7,103,619	19,177,565	6.445
2030	123,601,978	12,125,306	2,500,000	302,175	3,195,000	1,108,568	0	0.00	7,105,743	19,231,049	6.427
2031	123,601,978	12,185,353	2,615,000	189,675	3,390,000	911,852	0	0.00	7,106,527	19,291,880	6.407
2032	123,601,978	12,247,087	1,600,000	72,000	4,730,000	703,129	0	0.00	7,105,129	19,352,216	6.387
2033	123,601,978	5,048,584			6,690,000	411,903	0	0.00	7,101,903	12,150,487	10.173

¹ Represents 2006-07 Unrestricted Excise Tax Revenues; does not include Public Safety Tax or Transportation Tax. Source: City of Glendale, Arizona.

² Excludes impact of capitalized interest.

³ Coverage based upon maximum annual debt service compared to Unrestricted Excise Taxes collected for the 2006-07 fiscal year.

TABLE 5
Excise Tax Revenues and Estimated Senior and Subordinate Debt Service Requirements
City of Glendale, Arizona

Year Ending July 1	Excise Tax Revenues ¹	Total Senior Bond Debt Service ²	Total Subordinate Debt Service ³	Combined Senior and Subordinate Debt Service	Coverage on Senior and Subordinate Bonds	Excise Tax Revenues (Including Sales Tax Derived from Certain Stadium Revenues) ⁴	Less Subordinate Payments to AzSTA ⁵	Combined Senior and Subordinate Debt Service (Including Payments to AzSTA)	Coverage on Senior and Subordinate Debt ⁶
2008	\$123,601,978	\$13,493,165	\$ 600,513	\$14,093,678	8.770	\$125,152,477	\$1,550,499	\$15,644,177	8.000
2009	123,601,978	21,339,004	600,513	21,939,517	5.610	124,654,716	1,052,738	22,992,255	5.422
2010	123,601,978	19,800,430	600,513	20,400,943	6.058	124,689,834	1,087,856	21,488,799	5.803
2011	123,601,978	20,585,494	600,513	21,186,007	5.833	124,772,989	1,171,011	22,357,018	5.581
2012	123,601,978	20,716,159	600,513	21,316,672	5.774	124,763,240	1,161,262	22,477,934	5.550
2013	123,601,978	20,756,212	600,513	21,356,725	5.762	124,801,718	1,199,740	22,556,465	5.533
2014	123,601,978	20,771,181	600,513	21,371,694	5.746	124,841,467	1,239,489	22,611,183	5.521
2015	123,601,978	18,951,696	600,513	19,552,209	6.302	124,936,224	1,334,246	20,886,455	5.982
2016	123,601,978	19,064,197	600,513	19,664,710	6.285	124,925,662	1,323,684	20,988,394	5.952
2017	123,601,978	21,430,851	600,513	22,031,364	5.610	124,969,368	1,367,390	23,398,754	5.341
2018	123,601,978	21,485,704	600,513	22,086,217	5.596	125,015,341	1,413,363	23,499,580	5.320
2019	123,601,978	21,541,975	600,513	22,142,488	5.582	125,124,928	1,522,950	23,665,438	5.287
2020	123,601,978	21,594,953	600,513	22,195,466	5.569	125,111,679	1,509,701	23,705,167	5.278
2021	123,601,978	21,657,489	600,513	22,258,002	5.553	125,162,995	1,561,017	23,819,019	5.255
2022	123,601,978	21,706,176	600,513	22,306,689	5.541	125,233,067	1,631,089	23,937,778	5.232
2023	123,601,978	21,762,785	600,513	22,363,298	5.527	125,358,218	1,756,240	24,119,538	5.197
2024	123,601,978	22,409,366	600,513	23,009,879	5.372	125,344,002	1,742,024	24,751,903	5.064
2025	123,601,978	22,463,580	600,513	23,064,093	5.359	125,402,156	1,800,178	24,864,271	5.043
2026	123,601,978	22,521,747	600,513	23,122,260	5.346	125,462,143	1,860,165	24,982,425	5.022
2027	123,601,978	19,924,513	600,513	20,525,026	6.022	125,606,331	2,004,353	22,529,379	5.575
2028	123,601,978	19,984,444	600,513	20,584,957	6.004	125,589,561	1,987,583	22,572,540	5.564
2029	123,601,978	19,177,565	600,513	19,778,078	6.249	125,656,333	2,054,355	21,832,433	5.755
2030	123,601,978	19,231,049	1,486,056	20,717,105	5.966	125,725,299	2,123,321	22,840,426	5.505
2031	123,601,978	19,291,880	1,485,800	20,777,680	5.949	125,890,478	2,288,500	23,066,180	5.458
2032	123,601,978	19,352,216	1,484,750	20,836,966	5.932	125,870,670	2,268,692	23,105,658	5.448
2033	123,601,978	12,150,487	1,483,000	13,633,487	9.066	125,947,319	2,345,341	15,978,828	7.882
2034	123,601,978	0	8,563,250	8,563,250	14.434	126,027,203	2,425,225	10,988,475	11.469
2035	123,601,978	0	0	0	n/a	126,216,342	2,614,364	2,614,364	48.278
2036	123,601,978	0	0	0	n/a	126,193,855	2,591,877	2,591,877	48.688

¹ Represents 2006-07 Unrestricted Excise Tax Revenues; does not include Public Safety Tax or Transportation Tax. Source: City of Glendale, Arizona.

² Senior Debt Service from Table 4.

³ Represents annual rental payments by the City which are due on the January 1 and July 1 preceding each Interest Payment Date of the 2002D and 2003D Subordinate Excise Tax Bonds.

⁴ Calculated by adding estimated payments to AzSTA to Excise Tax Revenues. See footnote 5 below.

⁵ Estimated annual payments to AzSTA. Payments are limited to the amount of Unrestricted Excise Tax revenue generated at the NFL stadium and certain property surrounding the NFL stadium. Source: Official Statement dated December 16, 2006 related to the Arizona Sports and Tourism Authority Senior Revenue Refunding Bonds (Multipurpose Stadium Facility Project) Series 2007A and Senior Series 2007A Supplemental Indenture executed in connection therewith.

⁶ Coverage based upon maximum annual debt service compared to Unrestricted Excise Taxes collected for the 2006-07 fiscal year. See "Legislative Ability to Eliminate or Reduce State-Shared Excise Taxes; No Debt Service Coverage Covenant" herein.

Legislative Ability to Eliminate or Reduce State-Shared Taxes; No Debt Service Coverage Covenant

The State has shared transaction privilege tax receipts with Arizona cities and towns continuously since 1942 and shared income tax receipts continuously since 1972.

The State Legislature may from time to time eliminate State-shared sales and income taxes and any other State-shared revenues or may change the amount and timing of State-shared sales and income taxes and any other State-shared revenues and is under no legal obligation to maintain the amount of State-shared sales and income taxes or any other State-shared revenues distributed to the City at any amount or level. Accordingly, the City is unable to covenant to maintain its State-shared sales and income taxes at any particular level of coverage to Debt Service on the Senior Excise Tax Bonds or Subordinate Excise Tax Bonds.

From time to time, bills are introduced in the Arizona Legislature to make changes to the formulae used to allot State-shared sales taxes and State revenue sharing. The possibility of changes in this regard are more likely to be adverse to the City when the State is experiencing financial difficulties. The budget difficulties currently being experienced by the State for fiscal years 2007/08 and 2008/09 have recently worsened, increasing the likelihood of changes to such formulas that could have adverse results for the City. The City cannot determine whether any such measures will become law or how they might affect the revenues that comprise the Unrestricted Excise Taxes. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which repeal or modify State sales taxes and State income taxes (the major source of funds for State revenue sharing). The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

THE CORPORATION

The City of Glendale Municipal Property Corporation is a non-profit corporation organized under the Laws of the State of Arizona on August 25, 1982 for the purpose of assisting the City in the acquisition, construction and/or improvement, and financing of municipal property, facilities and equipment for the benefit of the City. The City may enter into an agreement with the Corporation, under which the Corporation sells bonds and pays for capital improvements, with the improvements ultimately being purchased from the Corporation by the City over a period of years. The City exercises significant oversight authority over the Corporation, including the appointment of its governing board.

The Corporation will enter into the Lease Agreement and issue the 2008 Bonds pursuant to the Indenture. Neither the Trustee nor any Owner of the 2008 Bonds will have any right to seek payment of debt service from the Corporation, except to the extent of the payments made by the City pursuant to the Lease Agreement, which are secured solely by a pledge of the City's Unrestricted Excise Taxes.

The following table illustrates the Corporation's bonded indebtedness to be outstanding following issuance of the 2008 Bonds.

TABLE 6
Municipal Property Corporation Bonds to be Outstanding
City of Glendale, Arizona

<u>Issue</u>	<u>Year Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
<u>Senior Lien Excise Tax Bonds</u>			
Senior Lien Refunding Bonds (Series 1999)	1999	\$ 12,615,000	\$ 3,380,000
Senior Lien Bonds (Series 2003A)	2003	49,940,000	49,625,000
Senior Lien Bonds (Taxable Series 2003B)	2003	105,260,000	97,840,000
Senior Lien Bonds (Series 2004A)	2004	10,880,000	8,415,000
Senior Lien Bonds (Series 2006A)	2006	33,250,000	<u>33,250,000</u>
Total Senior Lien Bonds Outstanding			<u>\$191,510,000</u>
Plus the 2008 Bonds			
Senior Lien Bonds (Series 2008A) ¹	2008	\$32,315,000	\$32,315,000
Senior Lien Bonds (Series 2008B) ¹	2008	52,780,000	52,780,000
Senior Lien Bonds (Series 2008C)	2008	9,140,000	<u>9,140,000</u>
Total Senior Lien Bonds to be Outstanding			<u>\$285,745,000</u>
<u>Subordinate Lien Excise Tax Bonds</u> ²			
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 to be Outstanding			<u>\$12,305,000</u>
Grand Total			<u>\$298,050,000</u>

¹ As discussed above in "PLAN OF FINANCE," issuance and delivery of the 2008A and 2008B Bonds will not be a condition precedent for the issuance and delivery of the 2008C Bonds.

² Net of the Bonds Being Refunded

SOURCE: City of Glendale Department of Finance.

ADDITIONAL DEBT AND OTHER OBLIGATIONS

Additional 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 in Appendix B, the City has voter authorization to issue up to \$420,832,000 of general obligation bonds as of June 30, 2007. It is anticipated that the bonds previously approved by voters will be issued over a multi-year period. Such bonds will be secured by and payable from ad valorem property taxes. The City reserves the privilege to issue such bonds or other securities at any time legal requirements are satisfied.

Capital Improvement Plan

The City's Capital Improvement Plan (the "Capital Plan") is a ten-year roadmap for creating, maintaining and paying for Glendale's present and future infrastructure needs. The Capital Plan is designed to ensure that the 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 citywide process of revising and updating the City's Capital Plan.

The City Council reviews annually 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 Capital Plan and how those projects should be integrated into the City's annual budgeting process. After the new Capital Plan is reviewed by the City Council, the chief financial officer will update the City's Debt Management Plan to ensure that the debt service costs for capital projects (i.e., bond principal and interest expenses) are adequately addressed in the annual operating budget.

BOND INSURANCE

Municipal Bond Insurance Policy

Concurrently with the issuance of the 2008C Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the 2008C Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest when due on the 2008C Bonds, as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2008, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately \$3,012,872,486 and its total net unearned premium reserve was approximately \$2,419,501,630 in accordance with statutory accounting principles. At March 31, 2008, Financial Security's consolidated shareholder's equity was approximately \$3,053,752,711 and its total net unearned premium reserve was approximately \$1,882,057,335 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the 2008C Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the 2008C Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the 2008C Bonds or the advisability of investing in the 2008C Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Corporation the information presented under this caption for inclusion in the Official Statement.

LITIGATION

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The City Attorney has advised City management of the nature and extent of pending or threatened claims against the City. In the opinion of the City management, such matters will not, either alone or in the aggregate, have a materially adverse effect on the City's ability to comply with the requirements of the Lease Agreement.

To the knowledge of 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 execution, delivery or performance of the 2008 Bonds by the Corporation or the Lease Agreement by the City or contesting or questioning the proceedings and authority under which the 2008 Bonds and the Lease Agreement were to be executed or delivered, or the validity of the 2008 Bonds or the Lease Agreement. Certificates of appropriate representatives of the Corporation and the City to that effect will be executed at the time of the delivery of the 2008 Bonds.

TAX CONSIDERATIONS

NO ATTEMPT HAS BEEN OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL OR STATE OF ARIZONA INCOME TAX PURPOSES OF THE INTEREST ON THE 2008C BONDS RECEIVED BY THE REGISTERED OWNERS THEREOF (THE TAXABLE INTEREST). THE TAXABLE INTEREST IS INCLUDABLE IN THE GROSS INCOME OF THE HOLDERS THEREOF FOR FEDERAL AND STATE OF ARIZONA INCOME TAX PURPOSES.

LEGAL MATTERS

Legal matters incident to the issuance of the 2008C Bonds are subject to the legal opinion of Greenberg Traurig, LLP, Bond Counsel. Signed copies of the opinion, dated and speaking only as of the date of delivery of the 2008C Bonds will be delivered to the Underwriter. The proposed form of the legal opinion is set forth as Appendix B. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

The due authorization, execution, and delivery by the Corporation and the City, and the validity and enforceability against the Corporation and the City, of the Indenture and the Lease Agreement and certain other legal matters will be passed upon for the Corporation and the City by Greenberg Traurig, LLP, counsel to the Corporation and the City. Certain legal matters will be passed upon for the Underwriter by Squire, Sanders & Dempsey L.L.P.

The legal opinions express the professional opinions of counsel rendering them, but are not binding on any court or other governmental agency and are not guarantees of a particular result.

CANCELLATION OF CONTRACTS

The provisions of Arizona Revised Statutes Section 38-511, as amended, provide that certain public bodies, including the City, may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the public body if any person significantly involved in the initiating, negotiating, securing, drafting or creating of the contract on behalf of the public body 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 to the contract with respect to the subject matter thereof. The cancellation shall be effective when written notice from the governing body of the public body is received by all other parties to the contract unless the notice specifies a later time. The City is a party to several contracts which are material to the payment of the 2008 Bonds, including the Lease Agreement. The City and the Trustee each represent that it is not presently aware of any violation of such Section. Exercise of a remedy under A.R.S. Section 38-511, as amended, would adversely affect the Owners of the 2008 Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the City as of June 30, 2007 and for its Fiscal Year then ended, which are included as Appendix D of this Official Statement, have been audited by Heinfeld, Meech & Co., P.C., independent accountants, as stated in their report which also appears in Appendix D.

UNDERWRITING

The 2008C Bonds are being purchased for reoffering by Banc of America Securities LLC (the “Underwriter”) The Underwriter has agreed to purchase, subject to certain conditions, the 2008C Bonds at an aggregate purchase price of \$9,089,323.27, consisting of the principal amount thereof less an underwriter’s discount of \$50,676.73. The Underwriter will commit to purchase all of the 2008C Bonds if any are purchased. The 2008C Bonds are offered for sale initially at the approximate yields set forth on the inside front cover page of this Official Statement, which yields may be changed, from time to time, by the Underwriter. The 2008C Bonds may be offered and sold to certain dealers (including underwriters and dealers depositing the 2008C Bonds into investment trusts) at prices lower than the public offering price.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the beneficial owners of 2008C 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, 2009 (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 to a Central Post Office, as defined in the Undertaking. At present no such information depository has been designated for 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 to a Central Post Office. The specific nature of the information to be contained in the Annual Reports and the Notices of Material Events is set forth in Appendix E, “Form of Continuing Disclosure Undertaking,” attached hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. 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 2008C Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2008 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 or to a Central Post Office. Absence of continuing disclosure due to non-appropriation could adversely affect the 2008C 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.

RATINGS

Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies (“Standard & Poor’s”) have assigned the 2008C Bonds long-term ratings of “Aaa” and “AAA,” respectively, on the understanding that the Insurance Policy will be issued by Financial Security concurrently with the issuance of the 2008C Bonds. Moody’s has also assigned the 2008C Bonds an underlying rating of “Aa3” and Standard & Poor’s has assigned an underlying rating of “AA+”. Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the ratings. Explanations of the ratings may be obtained from Standard & Poor’s at 55 Water Street, New York, New York 10004, and from Moody’s at 7 World Trade Center, 250 Greenwich Street, New York, New York 10041. Such rating agencies were provided with materials relating to the City and the 2008C Bonds and other relevant information, which includes information not included in this Official Statement, and no application has been made to any other rating agency for the purpose of obtaining a rating on the 2008C Bonds. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2008C Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE AGREEMENT

The following statements are excerpts of certain provisions of the Original Indenture as supplemented by the Ninth Supplemental Indenture and the Original Lease Agreement, as supplemented by the 2008 Lease Supplement. Some of these provisions, together with certain other provisions thereof, have been summarized elsewhere in this Official Statement. All such excerpts are qualified in their entireties by reference to the Indenture and the Lease Agreement, as the case may be, for a full and complete statement of their provisions.

DEFINITIONS OF CERTAIN FORMS

The following words have the meanings set forth below when used in the Agreement and in the Indenture and are used as defined terms in the document summaries which follow:

“1999 Bonds” means the \$12,615,000 aggregate principal amount of City of Glendale Municipal Property Corporation Excise Tax Refunding Bonds, Series 1999.

“Original Lease Agreement” means the Series 1999 Lease Agreement, dated as of October 1, 1999, executed by the Corporation as Lessor and the City as Lessee.

“Additional Senior Excise Tax Bonds” means Additional Senior Excise Tax Bonds which may be issued under the Indenture which, as to the pledge of Additional Excise Taxes, are on a parity with the 1999 Bonds, the 2003 Bonds, the 2004 Bonds, the 2006 Bonds, and the 2008 Bonds.

“Beneficial Owner” means any person for whom a Participant acquires an interest in a 1999 Bond.

“Bond Legislation” means (a) when used with reference to the Senior Excise Tax Bonds, the resolution providing for their issuance and approving the Lease Agreement and the Indenture and related matters; (b) when used with reference to an issue of Additional Senior Excise Tax Bonds, the resolutions providing for the issuance of such Senior Excise Tax Bonds, to the extent applicable, and the legislation providing for the issuance of the Additional Senior Excise Tax Bonds and approving any amendment or supplement to the Lease Agreement, any Supplemental Indenture and related matters; and (c) when used with reference to Senior Excise Tax Bonds when Additional Senior Excise Tax Bonds are outstanding, the resolution providing for the issuance of the Senior Excise Tax Bonds and the legislation providing for the issuance of the then outstanding and the then to be issued Additional Senior Excise Tax Bonds; in each case as amended or supplemented from time to time.

“Bond Payment Date” means any Principal Payment Date or Interest Payment Date.

“Bond Payments” means, for any period or time, the principal of and interest and any premium due on the Senior Excise Tax Bonds for that period or payable at that time, as the case may be.

“Bond Service Charges” means, for any period of time, the principal of and interest due on the Senior Excise Tax Bonds for that period or payable at that time, as the case may be.

“Bond Retirement Fund” means the Bond Retirement Fund created in Section 5.01 of the Indenture.

“Book Entry Form” or *“Book Entry System”* means a form or system under which (i) the beneficial right to Bond Payments may be transferred only through a Book Entry and (ii) physical Bonds are issued only to a Depository or its nominee as Owner, with the Bonds “immobilized” to the custody of the Depository, and the Book Entry is the record that identifies the Owners of beneficial interests in the Bonds;

“City” means the City of Glendale, Arizona.

“Code” means the Internal Revenue Code of 1986, as amended. References to the Code and Sections thereof include relevant applicable regulations and proposed regulations thereunder and any successor provisions to those Sections, regulations or proposed regulations.

“Corporation” means the City of Glendale Municipal Property Corporation, a nonprofit corporation organized and existing under the laws of the State of Arizona.

“County” means Maricopa County, Arizona.

“Demand for Payment” means the certificate submitted by the Trustee to the provider of a Surety Bond, if any, for payment under the Surety Bond substantially in the form attached to the Surety Bond as an attachment.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its Participants or otherwise, a Book Entry System to record beneficial ownership of Bonds, and to effect transfers of Bonds, in Book Entry Form, and includes The Depository Trust Company (a limited purposes trust company), New York, New York,

“Eligible Investments” means, with respect to the 2008C Bonds:

1. Qualified Permitted Investments;
2. Federal Housing Administration debentures;
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - A. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) Senior debt obligations
 - B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA or “Fannie Mae”) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding the portion of their unpaid principal amounts)
 - E. Student Loan Marketing Association (SLMA or “Sallie Mae”) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - F. Financing Corporation (FICO) Debt obligations
 - G. Resolution Funding Corp. (REFCORP) Debt obligations
4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated ‘A-1’ or better by S&P.
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated 'A-1+' by S&P and 'Prime-1' by Moody's.

7. Money market funds rated 'AAm' or 'AAm-G' or higher by S&P

8. "State Obligations", which means:

A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated 'A3' by Moody's and 'A' by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S & P and "Aaa" by Moody's meeting the following requirements:

A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Insurer, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor or for the Corporation (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase agreements shall be met;

E. The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (i) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by S&P and “Aa2” by Moody’s; provided that, by the terms of the investment agreement:

A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Certificates;

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Corporation and the Trustee hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Corporation or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Corporation, the Trustee and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

E. the investment agreement shall provide that if during its term:

(i) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3”, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the Corporation, the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Corporation or the Trustee, and

F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or the Trustee, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or the Trustee, as appropriate.

"*Event of Bankruptcy*" means the filing of a petition in bankruptcy court by or against the specified person under the United States Bankruptcy Code.

"*Financial Agreement*" means an agreement between the City, the Corporation and the provider of a Surety Bond setting forth the rights and obligations of the parties thereto with respect to matters such as payments under the Surety Bond and reimbursement thereof

"*Original Indenture*" means the Indenture, dated as of October 1, 1999, executed by the Corporation and the Trustee, as trustee.

"*Insurance Policy*" means, collectively, the insurance policies issued by the Insurer with respect to the 2008C Bonds guaranteeing the scheduled payment of principal of and interest on the 2008C Bonds when due.

"*Insurer*" means with respect to the 2008C Bonds Financial Security Assurance Inc., a New York stock insurance company or any successor thereto or assignee thereof, and with respect to any other series of Bonds the entity insuring such series of Bonds.

"*Interest Fund*" means the Interest Fund created in the Indenture.

"*Interest Payment Date*" or "*Interest Payment Dates*" means, as to the Senior Excise Tax Bonds, including each date or dates designated as an Interest Payment Date or Dates in the form of bond for which provision is made in the Indenture.

"*Lease Agreement*" means the Original Lease Agreement, as supplemented and amended, including the 2008 Lease Supplement.

"*Legislative Authority*" means the Board of Directors of the Corporation.

"*Maximum Annual Debt Service*" means as of any date of calculation the highest principal and interest payment requirements with respect to all Outstanding Senior Excise Tax Bonds for any succeeding Fiscal Year.

“*Outstanding Senior Excise Tax Bonds*”, “*Senior Excise Tax Bonds outstanding*” or “*outstanding*” as applied to Senior Excise Tax Bonds, mean, as of the applicable date, all Senior Excise Tax Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

(i) Senior Excise Tax Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(ii) Senior Excise Tax Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Senior Excise Tax Bonds); provided, that if any of those Senior Excise Tax Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Owners of that notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(iii) Senior Excise Tax Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and

(v) Senior Excise Tax Bonds in lieu of which others have been authenticated under the Indenture,

“*Owner*” or “*Bondowner*” or “*Owner of a Senior Excise Tax Bond*” means the person in whose name a Senior Excise Tax Bond is registered on the Register.

“*Participant*” means any participant contracting with a Depository under a Book Entry System and includes security brokers and dealers, banks and trust companies, and clearing corporations.

“*Paying Agent*” means any bank or trust company designated as a Paying Agent by or in accordance with the Indenture.

“*Predecessor Senior Excise Tax Bond*” of any particular Senior Excise Tax Bond means every previous Senior Excise Tax Bond evidencing all or a portion of the same debt as that evidenced by the particular Senior Excise Tax Bond. For the purposes of this definition, any Senior Excise Tax Bond authenticated and delivered under the Indenture in lieu of a lost, stolen or destroyed Senior Excise Tax Bond shall, except as otherwise provided in the Indenture, be deemed to evidence the same debt as the lost, stolen or destroyed Senior Excise Tax Bond.

“*President*” means the President of the Board of Directors of the Corporation.

“*Principal Payment Date*” means, as to a series of Senior Excise Tax Bonds, July 1 in the years specified in the applicable indenture, as supplemented for the stated amount of principal to be retired at maturity, or any other date on which the principal of such series of Senior Excise Tax Bonds is payable as a result of acceleration or redemption, optional or mandatory.

“*Qualified Permitted Investments*” means with respect to the 2008C Bonds:

- (a) Cash;
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”);
- (c) Direct obligations of the United States Treasury which have been stripped by the United States Treasury itself, CATS, TIGRS, and similar securities;
- (d) Resolution Funding Corporation (REFCORP) – Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form are acceptable;

(e) Subject to the prior written consent of the Insurer, pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If however, the issue is only rated by S&P (i.e. there is no Moody’s rating), then the pre-refunded bonds must have been pre-funded with cash, direct U.S. or U.S. guaranteed obligations, or “AAA” rated pre-refunded municipals to satisfy this condition.

(f) Subject to the prior written consent of the Insurer, obligations issued by the following agencies, which are backed by the full faith and credit of the United States:

1. U.S. Export-Import Bank (Eximbank) – Direct obligations or fully guaranteed certificates of beneficial ownership;
2. Farmers Home Administration (FmHA) – Certificates of beneficial ownership;
3. Federal Financing Bank;
4. General Services Administration – Participation certificates;
5. U.S. Maritime Administration – Guaranteed Title XI financing;
6. U.S. Department of Housing and Urban Development – Project notes, Local authority bonds, New Communities Debentures (U.S. guaranteed debentures) and U.S. Public Housing notes and bonds (U.S. government guaranteed public housing notes and bonds);

(g) Subject to prior written consent of the Insurer, securities eligible for “AAA” defeasance under the existing criteria of S&P.

“*Rebate Fund*” means the 2008A Rebate Fund as defined in the Indenture.

“*Register*” means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to the Indenture.

“*Registrar*” means, as to the 2008 Bonds, the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Indenture and as to any series of Additional Senior Excise Tax Bonds, the bank, trust company or other person designated as such by or pursuant to the applicable Bond Legislation or Supplemental Indenture, each of which shall be a transfer agent registered in accordance with Section 17(A)(c) of the Securities Exchange Act of 1934.

“*Regular Record Date*” means, with respect to any Senior Excise Tax Bond, the fifteenth day of the calendar month next preceding an Interest Payment Date applicable to that Senior Excise Tax Bond.

“*Reimbursement Period*” means twelve months.

“*Reimbursement Rate*” means the rate set forth in the Financial Agreement.

“*Reserve Fund*” means the Reserve Fund created in the Indenture.

“*Reserve Fund Surety Bond*” or “*Surety Bond*” means the surety bond or bonds or policy or policies of insurance issued to the Corporation in amounts which, when added to funds on deposit in the Reserve Fund, are equal to the Reserve Requirement, the proceeds of which shall be used only to prevent deficiencies in the payment of the principal of or interest on the Bonds resulting from insufficient amounts being on deposit in the Bond Retirement Fund and the Interest Fund to make such payments of principal and interest as the same become due. Such surety bonds or policies shall be written by an entity experienced in insuring municipal bonds whose policies of insurance would not adversely affect the rating of the Bonds by Moody’s Investors Service, Inc. and by Standard & Poor’s Rating Services, if the Bonds were so rated and provided that at the time of the issuance of such surety bonds or policies such entity or the component insurance companies thereof shall have received the highest policyholder ratings accorded insurers by

the A. M. Best Company or any comparable service. To the extent required to be funded, such surety bonds or policies shall be in full force and effect at all times during the term that any Senior Excise Tax Bonds are outstanding during which there are not funds on deposit in the Reserve Fund equal to or more than the Reserve Requirement. Such Surety Bond shall be substantially in the form attached to the Financial Guaranty Agreement. If there is any change in such surety bonds or policies, the Corporation shall notify Moody's Investors Service, Inc., Standard & Poor's Rating Services, the Insurer and the issuer of the Surety Bond. The prior written consent of the Insurer for the 2008C Bonds is a condition precedent to the deposit of a Surety Bond in lieu of cash with the respect to the 2008C Bonds.

"Reserve Requirement" means, to the extent required to be funded, the least of (i) 10% of the stated principal amount of the Senior Excise Tax Bonds; (ii) maximum annual debt service on the Senior Excise Tax Bonds; and (iii) 125% of average annual debt service on the Senior Excise Tax Bonds, in each case, taking into account any amounts, or the value of any Reserve Fund Surety Bonds, in the Reserve Fund following the issuance of Additional Senior Excise Tax Bonds.

"Revenue Fund" means Revenue Fund as defined in the Indenture.

"Revenues" means (a) the rental payments due under the Agreement, (b) all other moneys received or to be received by the Corporation or the Trustee in respect of the Agreement, including without limitation, moneys and investments in the Bond Retirement Fund except any amount in the Rebate Fund, (c) any moneys and investments in the Reserve Fund, and (d) all income and profit from the investment of the foregoing moneys except any money to be paid as rebate payments.

"Secretary" means the Secretary of the Board of Directors of the Corporation.

"Senior Excise Tax Bonds" means the 1999 Bonds, the 2003 Bonds, the 2004 Bonds, the 2006 Bonds, the 2008 Bonds, and any Additional Senior Excise Tax Bonds.

"Special Record Date" means, with respect to any Senior Excise Tax Bond, the date established by the Trustee in connection with the payment of overdue interest on that Senior Excise Tax Bond pursuant to the Indenture.

"State" means the State of Arizona.

"Supplemental Indenture" means any indenture supplemental to the Indenture entered into between the Corporation and the Trustee in accordance with the Original Indenture.

"Surety Bond Coverage" means the amount available at any particular time to be paid to the Trustee under the terms of the Surety Bond, which amount shall never exceed the Reserve Requirement.

"Surety Bond Payment" means an amount equal to the debt service payment required to be made by the Corporation pursuant to the Indenture less (i) that portion of the debt service payment paid by the Corporation, and (ii) other funds legally available to the Trustee for payment to the Owners, all as certified by the Trustee in a Demand for Payment.

"Surety Reimbursement Fund" means the Surety Reimbursement Fund as defined in the Supplemental Indenture.

"Trustee" means The Bank of New York Trust Company, N.A. until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee.

"Unassigned Corporation's Rights" means all of the rights of the Corporation to receive additional payments under the Lease Agreement, to be held harmless and indemnified under the provisions thereof, to be reimbursed for attorneys' fees and expenses under the Lease Agreement, to receive notice thereunder and to give or withhold consent to amendments, changes, modifications and alterations of the Lease Agreement and its right to enforce such rights.

THE INDENTURE

The following is a summary of certain provisions in the Indenture. Capitalized terms not otherwise defined in this section have the meanings given to them in the Indenture.

Pledge and Assignment. Under the Indenture, the Corporation will pledge and assign to the Trustee all its right, title and interest in and to the Lease Agreement and all payments to be made thereunder except for certain rights to payment of expenses. Such rights of the Corporation will be assigned to the Trustee to secure the payment of the debt service on the Senior Excise Tax Bonds.

Source of Payment of Senior Excise Tax Bonds. The Senior Excise Tax Bonds shall be special obligations of the Corporation and the Bond Payments thereon shall be payable equally and ratably solely from the Revenues, provided that only rental payments and such other amounts as come due under the Lease Agreement shall secure the Senior Excise Tax Bonds. Notwithstanding anything to the contrary in the Bond Legislation, the Senior Excise Tax Bonds or the Indenture, the Bonds do not and shall not represent or constitute a debt or pledge of the faith and credit of the Corporation or the taxing power of the City or of the State or of any political subdivision, municipality or other local agency thereof.

Establishment of Funds. The following are established under the Indenture as separate deposit accounts (except when invested as hereinafter set forth) in the custody of the Trustee: (i) Revenue Fund, (ii) Interest Fund, (iii) Bond Retirement Fund, (iv) Reserve Fund, (v) Surety Reimbursement Fund, (vi) 2008A Rebate Fund, and (vii) 2008B Revenue Stabilization Fund.

Receipt of Revenues. The monthly installments of rental payments to be paid by the City pursuant to the terms of the Lease Agreement have been assigned by the Corporation to the Trustee so that such moneys shall be paid by the City directly to the Trustee; and the Trustee shall credit such moneys to the Revenue Fund.

Flow of Funds.

A. *Revenue Fund.* The Trustee will transfer from the Revenue Fund the following amounts at the time and in the manner hereinafter provided for, to wit:

1. *Interest Fund.* Five business days prior to each Interest Payment Date, the Trustee will deposit in the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Senior Excise Tax Bonds on the next Interest Payment Date, and each such deposit will be made so that adequate moneys for the payment of interest will be available in such Account on each date that interest payments are to be made under the Indenture. Money in the Interest Fund related to Senior Excise Tax Bonds will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Senior Excise Tax Bonds as it will become due and payable.

2. *Bond Retirement Fund.* Five business days prior to each Principal Payment Date, the Trustee will deposit in the Bond Retirement Fund an amount equal to the amount of the principal coming due and payable on the Senior Excise Tax Bonds on the next Principal Payment Date, and each such deposit will be made so that adequate moneys for the payment of principal will be available in such account on each date that principal payments are to be made under the Indenture. Moneys in the Bond Retirement Fund related to Senior Excise Tax Bonds will be used by the Trustee solely for the purpose of paying the principal of the Senior Excise Tax Bonds as each amount will become due and payable, on or before the dates on which such amount will become due and payable, the amounts due to mature on such date

3. *Reserve Fund* (to the extent required to be funded). Monthly, commencing on the first day of the month following a payment made on the Reserve Fund Surety Bond with respect to the Senior Excise Tax Bonds, the Trustee shall deposit an amount equal to one-twelfth of the amount required to restore the Reserve Fund to an amount which, together with the Surety Bond Coverage, is equal to the Reserve Requirement for the Senior Excise Tax Bonds. The Trustee shall, to the extent it has funds available for payment into the Reserve Fund, apply such funds, first, to reimburse the provider of a Surety Bond for any

payments made by such provider under such Reserve Fund Surety Bond with respect to the Senior Excise Tax Bonds until the Surety Bond Coverage with respect to the Senior Excise Tax Bonds equals the Surety Bond Limit, and second, to the Reserve Fund to the extent that the Reserve Requirement for the Senior Excise Tax Bonds exceeds the Surety Bond Limit with respect to the Senior Excise Tax Bonds. No deposit need be made into the Reserve Fund if the amount of money contained therein is at least equal to an amount equal to the Reserve Requirement for the Senior Excise Tax Bonds minus the Surety Bond Coverage with respect to the Senior Excise Tax Bonds.

If on any July 15 the amount in the Reserve Fund exceeds an amount equal to the Reserve Requirement for the Senior Excise Tax Bonds and if the Corporation is not then in default under the Indenture, the Trustee shall withdraw the amount of any such excess from such fund and shall deposit such amount in the Senior Excise Tax Revenue Fund. Except for such withdrawals, all money in the Reserve Fund shall be used and withdrawn solely for the purpose of paying the interest on or principal of the Senior Excise Tax Bonds in the event that no other money of the Corporation is available therefor, or for the retirement of all the Senior Excise Tax Bonds then outstanding. In the event that there is insufficient money in the Reserve Fund or other moneys of the Corporation are not available for the payment of the interest on or principal of the Senior Excise Tax Bonds, then in that event, the Trustee is authorized and directed to timely deliver a Demand for Payment to the provider of a Surety Bond in order to effect payment under the Reserve Fund Surety Bond with respect to the Senior Excise Tax Bonds for the payment of the interest on or principal of the Senior Excise Tax Bonds. Any funds on deposit in the Reserve Fund may be invested by the Trustee as described in the Indenture; *provided, however*, that such funds may not be invested at a yield which would cause the Senior Excise Tax Bonds to be arbitrage bonds as defined in Section 148 of the 1986 Code.

4. *Surety Reimbursement Fund* (to the extent required to be funded). Monthly, commencing on the first day of the month following any payment made on the Reserve Fund Surety Bond with respect to the Senior Excise Tax Bonds the Trustee shall set aside out of the Revenue Fund and deposit in the Surety Reimbursement Fund a sum of money equal to the amount required to reimburse the provider of a Surety Bond for any interest owed by the Corporation to the Insurer for payments made by the Insurer under the Reserve Fund Surety Bond with respect to the Senior Excise Tax Bonds or for any other moneys owed by the Corporation to the provider of a Surety Bond under the Financial Agreement with respect to the Senior Excise Tax Bonds. Pursuant to the Financial Agreement, such reimbursement must be made by the Trustee before the expiration of the Reimbursement Period for each Surety Bond Payment made by the provider of a Surety Bond with interest on the Surety Bond Payment from the date made to the date of reimbursement at the lesser of the Reimbursement Rate or the maximum rate permitted by then applicable law. All moneys in the Surety Reimbursement Fund shall be used and withdrawn by the Corporation solely for the purpose of reimbursing the provider of a Surety Bond for any interest owed by the Corporation to the provider of a Surety Bond for payments made by the provider of a Surety Bond under the Reserve Fund Surety Bond with respect to the Senior Excise Tax Bonds or any other moneys owed by the Corporation to the provider of a Surety Bond under the Financial Agreement with respect to the Senior Excise Tax Bonds, Such deposits into the Surety Reimbursement Fund shall be made prior to the making of any required cash payments to the Reserve Fund.

B. *Revenue Fund — General*. The Trustee will apply money in the Revenue Fund to the setting aside of money' for the foregoing Funds to the extent available in the order or priority of the foregoing paragraph.

Rebate Fund. To the extent required by law, there is created as a separate deposit account in the custody of the Trustee a trust fund to be designated "2008A Rebate Fund", hereinafter referred to as the "2008A Rebate Fund". Any provision of the Indenture to the contrary notwithstanding, amounts credited to the 2008A Rebate Fund shall be free and clear of any pledge under the Indenture. Moneys and investments in the 2008A Rebate Fund are not Revenues; however, they shall be invested pursuant to the procedures and in the manner provided in the Indenture for investment of moneys in the funds referred to therein.

Neither the Corporation nor the Trustee need comply with the covenants relating to the 2008A Rebate Fund if and to the extent that it receives an opinion of nationally recognized bond counsel to the effect that such failure to comply will not have an adverse effect on the exclusion from gross income of the interest on the 2008A Bonds for federal income tax purposes.

Investment of Funds. Substantially all money in any of the funds to be established by the Trustee pursuant to the Indenture shall be invested and reinvested by the Trustee in Eligible Investments, at the direction of the City, so long as the City is not in default under the Lease Agreement. Such investments of moneys shall mature or be redeemable at the option of the Trustee at the times and in the amounts necessary to provide moneys to pay Bond Payments as they become due at stated maturity or by redemption. Any interest, profit or loss on investments made pursuant to the Indenture shall be credited or charged to the respective fund to which such interest, profit or loss relates. It is understood, pursuant to the Lease Agreement, that any losses on such investments are to be made up by the City to the extent necessary to meet the Bond Payments and to pay the Trustee's fees and expenses under the Indenture; and any money paid to the Trustee by the City for such purpose shall be deposited in the fund or funds with respect to which, and to the extent that, such losses were incurred. At any time that the City is in default under the Lease Agreement, all money in any of the funds established by the Trustee pursuant to the Indenture shall be invested and reinvested by the Trustee at the direction of the Corporation in Eligible Investments. In the absence of any direction to invest from the City or the Corporation, the Trustee shall invest in the investments listed in paragraph (viii) of the Eligible investments.

All accrued interest shall be held by the Trustee, and invested only in United States Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged. Amounts credited to any account or fund may be invested, together with amounts credited to one or more other accounts or funds, in the same Eligible Investment, provided that (i) each such investment complies in all respects with the provisions of the Indenture as they apply to each account or fund for which the joint investment is made and (ii) the Trustee maintains separate records for each account or fund and such investments are accurately reflected therein.

With respect to all funds and accounts except the Reserve Fund, valuation shall occur annually. Investments in the Reserve Fund shall be valued semiannually, except in the event of a withdrawal from the Reserve Fund, whereupon they shall be valued immediately after such withdrawal and monthly thereafter until the Reserve Fund is at its required level. If amounts on deposit in the Reserve Fund shall, at any time, be less than the applicable Reserve Requirement, the City and the Corporation shall be notified immediately of such deficiency, and such deficiency shall be made up from the additional rental payments after required deposits to the Revenue Fund (i) substantially equal payments in the event such deficiency results from a decrease in the market value of the Eligible Investments on deposit in the Reserve Fund and (ii) over a twelve (12) month period, in twelve (12) substantially equal payments, in the event such deficiency results from a withdrawal from such fund.

Restrictions on Investment. At no time shall any funds constituting gross proceeds of the 2008A Bonds be used in any manner to cause or result in a prohibited payment under applicable Treasury Regulations pertaining to, or in any other fashion as would constitute failure of compliance with, Section 148 of the Code.

Special Agreement with Owners. Notwithstanding any provision of the Indenture or of any 2008 Bond to the contrary, with the approval of the Corporation, the Trustee may enter into an agreement with the Owner of a 2008 Bond in the custody of a Depository providing for making all payments to that Owner of Bond Payments on that 2008 Bond or any part thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner (including wire transfer of funds) other than as provided in the Indenture and in the 2008 Bonds, without prior presentation or surrender of the 2008 Bond, upon any conditions which shall be satisfactory to the Trustee; provided, that payment in any event shall be made to the person who is the Owner of that 2008 Bond, on the date or other date duly agreed upon principal and premium is due, and, with respect to the payment of interest, as of the applicable Regular Record Date or Special Record Date or other date as duly agreed upon as the case may be,

The Trustee will furnish a copy of each of those agreements, certified to be correct by an officer of the Trustee, to the Registrar. Any payment of Bond Payments pursuant to such an agreement shall constitute payment thereof pursuant to, and for all purposes of, the Indenture.

Replacement Bonds and Change of Depository. In the event (i) DTC, including any successor as securities depository for the Bonds registered in a Book-Entry System (the "Book-Entry Bonds"), determines not to continue to act as securities depository for the Book-Entry Bonds, or (ii) the Corporation determines that the incumbent securities depository shall no longer so act, and delivers a written certificate to the Trustee to that effect, then the Corporation will discontinue the Book-Entry System with the incumbent securities depository for the Book-Entry Bonds. If the Corporation determines to replace the incumbent securities depository for the Book-Entry Bonds with another

qualified securities depository, the Corporation shall prepare or direct the preparation, for each series of Book-Entry Bonds, of a new single, separate fully registered Book-Entry Bond for the aggregate outstanding principal amount of Book-Entry Bonds of each maturity of such series, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the Corporation, the Trustee and the successor securities depository for the Book-Entry Bonds as are not inconsistent with the term of the Indenture. If the Corporation fails to identify another qualified successor securities depository of the Book-Entry Bonds to replace the incumbent securities depository, then the Book-Entry Bonds shall no longer be restricted to being registered in the register in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Book-Entry Bonds, or its nominee, shall designate. In such an event the Trustee shall authenticate and deliver a sufficient quantity of Bonds of each series as to carry out the transfers and exchanges provided in the indenture. All such Bonds shall be in fully registered form in denominations authorized by the Indenture.

Events of Default and Remedies. With respect to Senior Excise Tax Bonds, the following events constitute Events of Default under the Indenture:

- (a) payment of any interest on any Senior Excise Tax Bond shall not be made when and as that interest will become due and payable;
- (b) payment of the principal of or any premium on any Senior Excise Tax Bond will not be made when and as that principal or premium will become due and payable, whether at stated maturity, by redemption, by acceleration or otherwise;
- (c) failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Senior Excise Tax Bonds, which failure will have continued for a period of 30 days after written notice of such failure, by registered or certified mail, will have been given to the Corporation. requiring that it be remedied, which notice may be given by the Trustee in its discretion and will be given by the Trustee at the written request of the Owners of not less than 25 percent in aggregate principal amount of any series of Senior Excise Tax Bonds then outstanding; and provided that the Insurer with respect to the 2008C Bonds may, in its sole discretion, approve extensions of such time periods.
- (d) the occurrence and continuance of any default as defined under the Lease Agreement;
- (e) the Corporation fails to maintain the Reserve Requirement in accordance with the indenture;
- (f) the occurrence of an Event of Bankruptcy as to the Corporation or the Corporation: (i) commences a proceeding under any federal or state insolvency, reorganization or similar law, or has such a proceeding commenced against it and either has an order of insolvency or reorganization entered against it or has the proceeding remain undismissed and unstayed for ninety days; or (ii) has a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property. The declaration of an Event of Default described above and the exercise of remedies upon any such declaration will be subject to any applicable limitations of federal or state law affecting or precluding such declaration or exercise during the pendency of or immediately following any liquidation or reorganization proceedings.

Except as otherwise provided in the Indenture upon an occurrence of Event of Default listed in (d) above, the Trustee, by notice in writing to the Corporation, may, and upon the written request of the Owners of at least twenty five percent (25%) in the principal amount of each series of the Senior Excise Tax Bonds at the time then outstanding, shall declare, by notice in writing to the Corporation, the principal of all the Senior Excise Tax Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable. With respect to the 2008C Bonds, such Bonds shall not be accelerated without the consent of the Insurer. If the 2008C Bonds are accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the Corporation), and the Trustee is required to accept such amounts. Upon

payment of such accelerated principal and interest accrued to the acceleration date, the Insurer's obligations under the Insurance Policy with respect to the 2008C Bonds shall be fully discharged.

This provision, however, is subject to the condition that if, at any time after declaration or the occurrence of acceleration and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the Corporation pays to or deposits with the Trustee a sum sufficient to pay all principal on the Senior Excise Tax Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Senior Excise Tax Bonds, plus to the extent permitted by law, interest at the same rate as before maturity on such overdue installments of principal, and all existing Events of Default will have been cured then, and in every case, the Trustee will waive the Event of Default and its consequences and will rescind and annul such declaration and its consequences; but no waiver or rescission and annulment will extend to or will affect any subsequent Event of Default, or will impair any rights consequent thereon.

The Trustee, on the occurrence and continuance of any Event of Default, may, and upon the written request of the Insurer or the owners of at least twenty five percent (25%) in principal amount of each series of the Senior Excise Tax Bonds outstanding will, exercise any available remedies to enforce the payment of Bond Payments or the observance and performance of any other covenant, agreement or obligation under the indenture, the Lease Agreement or any other instrument providing security, directly or indirectly, for the Senior Excise Tax Bonds.

In determining whether an Event of Default has occurred and is continuing with respect to the 2008C Bonds, no effect shall be given to payments made under the Insurance Policy.

Other Remedies; Rights of Owners. As the assignee of all right, title and interest of the Corporation in and to the Lease Agreement (except for the Corporation's Unassigned Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Corporation under the Lease Agreement. In exercising any remedy, right or power thereunder or hereunder, the Trustee shall take any action which would best serve the interests of the Owners in the judgment of the Trustee, applying the standards described in the Indenture.

An Owner shall not have any right to institute any suit, action or proceeding for the enforcement of the indenture, for the execution of any trust of the indenture, or for the exercise of any other remedy under the indenture, unless:

- (a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the indenture, or of which it is deemed to have notice;
- (b) the Owners of at least 25 percent in aggregate principal amount of each series of Senior Excise Tax Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in the Indenture; and
- (c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Owners of the Senior Excise Tax Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of this indenture by its or their action, or to enforce, except in the manner provided in the Indenture, any remedy, right or power under the Indenture. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Owners of all Senior Excise Tax Bonds then outstanding. Nothing in the indenture shall affect or impair, however, the right of any Owner to enforce the payment of the Bond Service Charges or Bond Payments on any Senior Excise Tax Bond owned by that Owner at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Waivers of Events of Default. Except as provided in the indenture and upon the consent of the insurer, at any time, in its discretion, the Trustee may waive any Event of Default under the Indenture and its consequences and may rescind and annul any declaration of maturity of principal of the Senior Excise Tax Bonds. The Trustee shall do so upon the written request of the Owners of

(a) at least a majority in aggregate principal amount of all Senior Excise Tax Bonds then outstanding in respect of which an Event of Default in the payment of Bond Service Charges or Bond Payments exists, or

(b) at least 25 percent in aggregate principal amount of each series of Senior Excise Tax Bonds then outstanding, in the case of any other Event of Default.

There shall not be so waived, however, any Event of Default or any declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment payments of the amounts provided in the indenture for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Corporation, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Insurer Control of Proceedings. Anything in the 2008 Indenture to the contrary notwithstanding, unless the Insurer is in bankruptcy, receivership, insolvency or similar proceedings or is in default or is contesting its obligations under the Insurance Policy (i) the Insurer shall be entitled to control and direct enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the 2008 Indenture, (ii) the Insurer shall also be entitled to approve all waivers of Events of Default, and (iii) for all purposes of the remedy provisions of the 2008 Indenture and the 2008 Lease Supplement, except for the giving of notice to Owners, the Insurer shall be deemed to be the sole Owner.

Application of Moneys. After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys pursuant to any right given or action taken under the provisions of the indenture or the provisions of the Lease Agreement (including without limitation, reasonable attorneys' fees and expenses, except as limited by law any action taken under the Indenture), all moneys received by the Trustee, shall be applied as follows, subject to the Indenture and any ownership, nonpresentment and redemption provision made pursuant to the Indenture; provided, however, that any moneys received under the Lease Agreement which are used to pay Bond Payments shall be used only to pay Bond Payments on the Senior Excise Tax Bonds:

(a) Unless the principal of all of the Senior Excise Tax Bonds shall have become, or shall have been declared to be, due and payable, all of those moneys shall be deposited in the Bond Retirement Fund and shall be applied:

FIRST — To the payment to the Owners entitled thereto of all installments of interest then due on the Senior Excise Tax Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Senior Excise Tax Bonds; and

SECOND — To the payment to the Owners entitled thereto of the unpaid principal of any of the Senior Excise Tax Bonds which shall have become due (other than Senior Excise Tax Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at stated maturity, by redemption or pursuant to any mandatory sinking fund requirements, in the order of their due dates, beginning with the earliest due date, with interest on those Senior Excise Tax Bonds from the respective dates upon which they became due at the rates specified in those Senior Excise Tax Bonds, and if the amount available is not sufficient to

pay in full all Senior Excise Tax Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Senior Excise Tax Bonds; and

THIRD — To the payment of the provider of a Surety Bond of all amounts due the provider of a Surety Bond, first with respect to Surety Bond Payments and second, with respect to other amounts due the provider of a Surety Bond, including interest.

(b) If the principal of all of the Senior Excise Tax Bonds shall have become due or shall have been declared to be due and payable pursuant to the Indenture, all of those moneys shall be deposited into the Bond Retirement Fund and shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Senior Excise Tax Bond over any other Senior Excise Tax Bond, ratably, according to the amounts due respectively for principal and interest, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Senior Excise Tax Bonds.

(c) If the principal of all of the Senior Excise Tax Bonds shall have been declared to be due and payable pursuant to the Indenture, and if that declaration thereafter shall have been rescinded and annulled under the provisions of the indenture, subject to the provisions of paragraph (b) above in the event that the principal of all of the Bonds shall become due and payable later, the moneys shall be deposited in the Senior Excise Tax Bond Retirement Fund and shall be applied in accordance with the provisions of the Indenture.

(d) Whenever moneys are to be applied pursuant to the provisions of the Indenture, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of the indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of and any premium on a Bond to the Owner thereof, until the Senior Excise Tax Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

Supplemental indentures. The Corporation and the Trustee subject to the conditions and restrictions in the Indenture, may enter into supplemental indentures for any one or more or all of the following purposes, without the consent of or notice to the Owners of any Senior Excise Tax Bonds;

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Owners or the Trustee;
- (c) to assign additional revenues under the Indenture;
- (d) to accept additional security and instruments and documents of further assurance with respect to the Senior Excise Tax Bonds;
- (e) to add to the covenants, agreements and obligations of the Corporation under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Owners, or to surrender or limit any right, power or authority reserved to or conferred upon the Corporation in the Indenture, including without limitation, the limitation of rights of redemption so that in certain instances Senior Excise

Tax Bonds of different series will be redeemed in some prescribed relationship to one another for the protection of the Owners of a particular series of Senior Excise Tax Bonds;

(f) to evidence any succession to the Corporation and the assumption by its successor of the covenants, agreements and obligations of the Corporation under the Indenture, the Agreement and the Senior Excise Tax Bonds;

(g) to make necessary or advisable amendments or additions in connection with the issuance of Additional Senior Excise Tax Bonds in accordance with the Indenture as do not adversely affect the interests of Owners of outstanding Senior Excise Tax Bonds;

(h) to permit the exchange of Senior Excise Tax Bonds, at the option of the Owner or Owners thereof, for coupon Senior Excise Tax Bonds of the same series payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the Predecessor Senior Excise Tax Bonds, bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if, in the opinion of nationally recognized bond counsel selected by the Trustee, that exchange would not result in the interest on any of the Senior Excise Tax Bonds outstanding becoming subject to federal income taxation;

(i) to permit the use of a book entry system to identify the owner of an interest in an obligation issued by the Corporation under the Indenture, whether that obligation was formerly, or could be, evidenced by a tangible security;

(j) to permit the Trustee to comply with any obligations imposed upon it by law;

(k) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Paying Agents;

(l) to achieve compliance of the indenture with any applicable federal securities or tax law;

(m) to make provision for a policy of insurance or a surety bond to satisfy the Reserve Requirement, *provided* that such policy or bond shall not affect the rating on the Bonds by Moody's Investors Service, Inc. or Standard & Poor's Rating Services, and provided further that the Corporation has received the consent of the Insurer, if any, with respect to a particular series of Senior Excise Tax Bonds;

(n) to permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners;

(o) To permit the transfer of a series of Senior Excise Tax Bonds from one Depository to another, and the succession of Depositories;

(p) To permit the withdrawal of Senior Excise Tax Bonds issued to a Depository for use in a Book Entry System and the issuance of replacement Senior Excise Tax Bonds in fully registered form to other than a Depository; and

(q) To permit the issuance of subordinate bonds, under such terms as are permitted by the Indenture.

The provisions listed above as subsections (j) and (l) will not be deemed to constitute a waiver by the Trustee, the Registrar, the Corporation or any Owner of any right which it may have in the absence of those provisions to contest the application of any change in law to the indenture or the Bonds.

With the consent of the insurer and of the Owners of not less than a majority in aggregate principal amount of each series of the Bonds at the time outstanding, the Corporation and the Trustee may enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or

eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture will (1) extend the maturity of the Senior Excise Tax Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, without the consent of the Owner of each such Senior Excise Tax Bond so affected, or (2) reduce the aforesaid percentage of Owners of Senior Excise Tax Bonds required to approve any such supplemental indenture or create any privilege or priority of any Senior Excise Tax Bond or Senior Excise Tax Bonds over any other Senior Excise Tax Bond or Senior Excise Tax Bonds, without the consent of the Insurer and the Owners of all Senior Excise Tax Bonds then outstanding. The Trustee is authorized to join with the Corporation in the execution and delivery of such supplemental indenture unless such supplemental indenture contains provisions adverse to the Trustee, in which case the Trustee may, but will not be obligated to, enter into such supplemental indenture.

For the purpose of supplementing the Indenture, and pursuant to (and in addition to) the other requirements stated in the Indenture, without the consent of, or notice to, any of the Registered Owners, the Corporation and the Trustee may execute indentures supplemental to the Indenture which shall not, in the opinion of the Corporation and the Trustee, be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) To permit the transfer of Senior Excise Tax Bonds from one Depositors' to another, and the succession of Depositories;

(b) To permit the withdrawal of Senior Excise Tax Bonds issued to a Depository for use in a Book Entry System and the issuance of replacement Senior Excise Tax Bonds in fully registered form to other than a Depository.

Release of Indenture. If (i) the Corporation shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Owners of the Outstanding Bonds, all Bond Payments due or to become due thereon, (ii) provision has been made for full payment to the provider of a Surety Bond of all amounts due the provider of a Surety Bond under the Indenture, the Lease Agreement and the Financial Agreement, and (iii) provision also shall be made for the payment of all other sums payable under the Indenture and under the Lease Agreement, then the Indenture shall cease, determine and become null and void (except for those provisions surviving by reason of the Indenture in the event the Senior Excise Tax Bonds are deemed paid and discharged pursuant to the Indenture), and the covenants, agreements and obligations of the Corporation under the Indenture shall be released, discharged and satisfied.

Thereupon, and subject to the survival of certain provisions of the Indenture if applicable,

(i) the Trustee shall release the Indenture (except for those provisions surviving by reason of the Indenture in the event the Outstanding Bonds are deemed paid and discharged pursuant to the Indenture), and shall execute and deliver to the Corporation any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Corporation, and

(ii) the Trustee and any other Paying Agents shall assign and deliver to the Corporation any property subject at the time to the lien of the Indenture, which then may be in their possession, except amounts in the Bond Retirement Fund required to be held by the Trustee under the Indenture or otherwise for the payment of Bond Payments.

Payment and Discharge of 2008C Bonds. All or any part of the 2008C Bonds shall be deemed to have been paid and discharged within the meaning of the Indenture, including the prior paragraph, if:

(a) the Trustee as paying agent and any Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) the Trustee shall have received, in trust for an irrevocably committed thereto, Qualified Eligible Investments which are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (a) above, without further

investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed), for the payment of all Bond Service Charges or Bond Payments on those Senior Excise Tax Bonds, at their maturity or redemption dates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all Bond Service Charges or Bond Payments thereon to the date of the tender of payment; provided, that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given of irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice.

Notwithstanding anything in the 2008 Indenture to the contrary, in the event that the principal and/or interest due on the 2008C Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the 2008C Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge under the 2008 Indenture and all covenants, agreements and other obligations of the Corporation to the Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Owners.

Good Faith Compliance. The Corporation further covenants that it will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for declaring such agreement in default.

Rights and Enforcement of the Lease Agreement. The Trustee may enforce, in its name or in the name of the Corporation, all rights of the Corporation for and on behalf of the Owners, except for Unassigned Corporation's Rights, and may enforce all covenants, agreements and obligations of the Corporation under and pursuant to the Lease Agreement, regardless of whether the Corporation is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations.

Consent of the Insurer in Addition to Owner Consent. Unless otherwise provided in the 2008 Indenture, the Insurer's consent shall be required for the following purposes: (i) execution and delivery of any supplemental Indenture or any amendment, supplement or change to or modification of the Lease Agreement; (ii) removal of the Trustee or selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Owners' consent.

Default by the Insurer. Any provisions of the Indenture to the contrary notwithstanding, if under any provision of the 2008 Indenture any action is to be taken only with the consent or approval of the Insurer, if at the time of such consent or approval would otherwise be called for, the Insurer is in bankruptcy, receivership, insolvency or similar proceedings or is in default of or is contesting its obligations under the Insurance Policy, then the consent or approval of such Insurer shall not be required.

Insurer as Third-Party Beneficiary. To the extent the 2008 Indenture confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of the 2008 Indenture, the Insurer is explicitly recognized as being a third-party beneficiary thereunder and may enforce any right, remedy or claim conferred, given or granted under the 2008 Indenture.

THE LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Agreement.

General. The Lease Agreement is between the Corporation, as lessor, and the City, as lessee, and provides for the lease to the City of certain improvements located on certain real property owned by the City upon which an easement has been extended to the Corporation pursuant to the Agreement for a term commencing as of October 1, 1999 and continuing until July 2, 2033, or such later date as of which the Indenture is released and discharged pursuant to its terms. The City has the right to terminate the Lease Agreement when payment of or provision for payment and discharge of all Bonds is made.

Rent. The City will agree to pay each month as rental payments to the Corporation, its successors or assigns, under the Lease Agreement the sums necessary to permit the Corporation to make timely payment of the debt service on the Outstanding Bonds, of all amounts due the provider of a Surety Bond under the Financial Agreement and of all other amounts required to be paid by the Corporation to the Trustee under the Indenture with respect to such Outstanding Bonds. The City's rental payments will be paid directly to the Trustee for and on behalf of the Corporation. When the Corporation's Outstanding Bonds and other obligations under the Indenture and Lease Agreement have been fully paid or provided for, the City will have no further obligation to make rental payments under the Lease Agreement.

Terms of Rental Payments. From the sources described herein, the City agrees to pay the rental payments under the Lease Agreement to the Corporation or its successors or assigns. The rental payments payable under the Lease Agreement, shall be paid for and in consideration of the use and occupancy of the property which the City receives, and in consideration of the continued quiet use and enjoyment thereof as provided in the Lease Agreement. The City's rental payments shall be paid directly to said Trustee for and on behalf of the Corporation. The City's obligation for rental payments shall be coextensive with the Corporation's debt service and other payment obligations under the Indenture, and that, when the Corporation's Outstanding Bonds and other obligations under the Indenture and Lease Agreements have been fully paid or provided for, the City shall have no further obligation to make rental payments under the Lease Agreement. The City shall pay certain fees and expenses of the Trustee and the Corporation as additional rental payments. Said rental payments, as well as any other money required to be expended by the City pursuant to the provisions of the Lease Agreement, shall be payable solely from sources referred to in the Lease Agreement, and shall under no circumstances constitute a general obligation of the City or be payable from the proceeds of ad valorem taxes.

Sources of Payment and Pledge. Except as provided below, all payments made in accordance with the Lease Agreement with respect to Senior Excise Tax Bonds will be made only from and the City will pledge therefor the Unrestricted Excise Taxes on a senior and prior basis to the pledge for the Subordinate Obligations. The City will first make all rental payments accruing under the Lease Agreement out of the respective aforesaid sources, and thereafter may use the remaining funds for any other lawful purpose, but only to the extent that, taking into account the reasonably anticipated receipts during the coming month, such sources will not be reduced to such a level that the City will be unable to make the monthly rental payment. In addition to the pledge of Unrestricted Excise Taxes, the City also pledges the revenues derived from the Conference Center Project to the payment of the 2008B Bonds.

In the Agreement, the City grants the provider of a Surety Bond a lien upon such amounts of said taxes and revenues as will be sufficient for payment of all amounts due the provider of a Surety Bond, which lien is subordinate only to the lien granted to the Owners of the Senior Excise Tax Bonds and to the Trustee.

Remedies Upon Default; No Abatement of Rentals. Upon the nonpayment of the whole or any part of the rentals when the same are to be paid or upon violation by the City of any other covenant or provision of the Lease Agreement, and if such default has not been cured (i) in the case of nonpayment of rentals, within five (5) days, and (ii) in the case of the breach of any other covenant or provision of the Lease Agreement within fifteen (15) days, after notice in writing from the Corporation specifying such default, then the Corporation may bring an action for the recovery of any of the rentals due or accruing, or for damages for breach and the Corporation may pursue any other remedy which the law affords, including the remedy of specific performance.

The Corporation, upon the bringing of a suit to collect the rentals in default, may have a receiver appointed of all the excise and franchise taxes which are pledged for the payment of the rentals.

Additional Senior Excise Tax Bonds. The Corporation may establish one or more issues of Additional Senior Excise Tax Bonds and may issue and deliver such Additional Senior Excise Tax Bonds, in such principal amount as may be determined by the Corporation, subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Senior Excise Tax Bonds:

- (a) such Additional Senior Excise Tax Bonds will have been authorized to lease or acquire property and construct other facilities upon the request of the City for governmental, civic and community purposes, or to refund or refinance any bonds which have been issued for such purposes, and the issuance

thereof will have been determined and declared by the Corporation, by appropriate resolution, to be necessary for that purpose;

(b) the Corporation will be in compliance with all covenants and undertakings set forth in the Lease Agreement and in the Indenture, as either or both may have been supplemented;

(c) the resolution authorizing issuance of such Additional Senior Excise Tax Bonds will require that the proceeds of the sale of such Additional Senior Excise Tax Bonds will be applied solely for one or more of the purposes set forth in (a) above and expenses and costs incidental thereto, including costs and expenses incident to the issuance and sale of such Additional Senior Excise Tax Bonds and the costs of any premium relating to insurance on the Additional Senior Excise Tax Bonds or on any debt service reserve fund therefor, and, if desired, a reasonable debt service reserve fund, for the protection of the Owners of the Additional Senior Excise Tax Bonds and interest on said Additional Senior Excise Tax Bonds during the actual period of any construction of such facilities, and for a period of not to exceed twelve (12) months thereafter;

(d) such Additional Senior Excise Tax Bonds will be equally and ratably secured with the 1999 Bonds, without preference or priority of any of the bonds over any other bonds, except as expressly provided in the Indenture, as supplemented;

(e) the Corporation will have entered into a revised agreement with the City, or shall have amended or supplemented the Lease Agreement in and by which the City obligates itself in the manner therein provided to increase the rentals or to make such payments to the Corporation at the times and in amounts sufficient to provide for the payment of principal and interest on such Additional Senior Excise Tax Bonds as such principal and interest become due: and

(f) the taxes pledged for the Bonds collected in the next preceding fiscal year amounted to at least three (3) times the highest combined debt service requirements for any succeeding twelve (12) months' period for all Senior Excise Tax Bonds then outstanding and any parity obligations to be outstanding subsequent to the issuance of the Additional Senior Excise Tax Bonds so proposed to be secured.

Additional Covenants. With respect to Senior Excise Tax Bonds, the City has covenanted and agreed that the Unrestricted Excise Taxes which it presently imposes will be retained and maintained so that the amount of all such taxes received from such sources plus the amount of other such taxes allocated to it by any other governmental unit, all within and for the next preceding fiscal year, will be equal to at least three (3) times the total of rentals payable under the Lease Agreement and all supplements in any current fiscal year. The City has further covenanted and agreed that if such receipts for any such preceding fiscal year are not equal to three (3) times the rental requirements of any current fiscal year, or if at any time it appears that the current receipts will not be sufficient to meet the rental requirements under the Lease Agreement and all supplements, it will, to the extent permitted by law, either impose new excise and franchise taxes, or will increase the rates of such charges currently imposed in order that (i) the current receipts will be sufficient to meet all current requirements thereunder, and (ii) the current year's receipts will be reasonably calculated to attain the level as required above for the succeeding fiscal year's rental requirements.

Amendment of the Lease Agreement. The Corporation shall not alter, modify or cancel, or agree by consent to alter, modify or cancel, the Lease Agreement without the consent of the Trustee, excepting only such alteration or modification as may be permitted by the Indenture.

FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF BOND COUNSEL]

[Date of Delivery]

City of Glendale Municipal
Property Corporation
Glendale, Arizona

We have examined the transcript of proceedings (the “Transcript”) relating to the issuance by the City of Glendale Municipal Property Corporation (the “Corporation”), of its \$9,140,000 Excise Tax Revenue Bonds, Taxable Series 2008C (the “Bonds”), dated as of the date hereof. The Bonds are issued for the purpose of refunding certain outstanding bonds of the Corporation and paying costs of issuance of the Bonds. The documents in the Transcript examined include an executed counterpart of the following: (i) the Series 1999 Lease Agreement, dated as of October 1, 1999 (the “1999 Agreement”), between the City of Glendale, Arizona, (the “City”) and the Corporation as supplemented and amended, including the Ninth Supplement to Series 1999 Lease Agreement, dated as of June 1, 2008, between the City and the Corporation (the “Ninth Supplement” and together with the 1999 Agreement, the “Lease Agreement”); and (ii) the Trust Indenture, dated as of October 1, 1999 (the “1999 Indenture”) between the Corporation and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”) and the Series 2008 Ninth Supplemental Trust Indenture, dated as of June 1, 2008, between the Corporation and the Trustee (the “2008 Indenture” and together with the 1999 Indenture, the “Indenture”). We have also examined a signed and authenticated bond of the first maturity.

Based upon this examination, we are of the opinion that, under existing law:

1. The Bonds, the Lease Agreement and the Indenture are valid, legal, binding and enforceable in accordance with their respective terms, subject to bankruptcy laws and other laws affecting the creditors’ rights and to the exercise of judicial discretion.

2. The Bonds constitute special obligations of the Corporation, and the principal of and interest and any premium on the Bonds (collectively, “debt service”), unless paid from other sources and subject to bankruptcy laws and other laws affecting creditor’s rights and to the exercise of judicial discretion, are payable solely from the revenues and other moneys pledged and assigned by the Indenture to secure that payment. Those revenues and other moneys include payments required to be made by the City under the Lease Agreement, and the City’s obligation to make those payments is secured by a pledge of certain excise taxes levied and collected by the City and shared taxes received by the City from the State of Arizona. The Indenture creates the pledge which it purports to create in the pledged revenues and other moneys in the funds and accounts created by the Indenture (other than the Rebate Fund), provided that no opinion is expressed as to the perfection of any security interest in revenue and moneys on deposit in funds and accounts not held by the Trustee. The Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation other than the specified excise and shared taxes and the Bonds do not represent or constitute a debt or pledge of the general credit of the Corporation or the City, and the Lease Agreement, including the City’s obligation to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. Interest on the 2008C Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is not excludable from State of Arizona income taxation

In rendering the opinions expressed above, we have relied, without independent investigation, 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 and property financed with those proceeds.

The rights of the holders of the Bonds and under the other documents referred to 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.

Respectfully submitted,

**CITY OF GLENDALE, ARIZONA
GENERAL AND FINANCIAL INFORMATION**

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 2008 population of 248,584. The following table illustrates Glendale's growth expressed by population statistics for the City along with the population statistics for Maricopa 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 Estimate ¹	244,772	3,879,150	6,432,007

¹ Estimate as of May 1, 2007 provided by City of Glendale Planning Department. Population estimate as of May 1, 2008 is 248,584.

SOURCE: 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 a five-mile long stretch of the Loop 303 freeway.

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	57.80

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 was elected to Glendale City Council in 1990 and has served as Mayor since February 1993. She was most recently selected as Chair of the Valley Metro Regional Public Transportation Authority (RPTA) Board of Directors. Mayor Scruggs has previously served as Chair of the Arizona Municipal Water Users Association (AMWUA) and the Maricopa Association of Governments Regional Council and Transportation 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 Magazine as their 2003 Woman of the Year for her outstanding community service.

Councilmember Joyce V. Clark 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.

Councilmember Steven E. Frate was elected to represent the Sahuaro District in March 2000 and re-elected in 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 pilot project for neighborhood planning, which is today'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 was also appointed to serve on the Maricopa Association of Governments (MAG) Commuter Rail Stakeholders Group. He also serves on the Maricopa Association of Government's Continuum of Care Regional Committee on Homelessness, is Chairman of the Glendale Salvation Army Advisory Board, and is a member of the Glendale Rotary. 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.

Councilmember David M. Goulet was elected to represent the Ocotillo District in May 1998 and was recently re-elected in March 2002 and 2006. He currently serves as Chairman of the Code Review Committee and the Risk Management and Worker's Compensation Trust Board. 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. Councilmember 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.

Councilmember H. Philip Lieberman was 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 Vice Chair of the University Community Council. 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 and has served as a district commissioner for the Boy Scouts of America. 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.

Vice Mayor Manuel D. Martinez was appointed to represent the Cholla District in October 1996 and was elected in March 1998 and re-elected in 2002 and 2006. He was named Vice Mayor in January 2007. He currently serves as chair of the Government Services Committee. Vice Mayor Martinez is a member and past 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 Employment and Training Administrator. 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.

Councilmember Yvonne J. Knaack was elected in November 2006 to represent the Barrel District. She serves as a member of the Code Review Committee. 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 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 participates in a number of governmental organizations, which include the National Forum for Black Public Administrators, Arizona City/County Management Association, and is a member and past Senior Regional Vice President for the International City/County Management Association. Mr. Beasley has received local and national recognition from his peers and the community on a variety of initiatives and projects as well as for his exceptional leadership capabilities.

Pamela J. 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 to include the International City/County Management Association and is currently the President Elect for the Arizona City/County Management Association. Ms. Kavanaugh is a past recipient of the Superior Service Award from the American Society for Public Administration and also the Arizona City/County Management Association's Outstanding Assistant Award.

Arthur R. Lynch was appointed Director of Finance for the City of Glendale, Arizona in October 1985 and served as Chief Financial Officer until February 2005 when he was appointed Deputy City Manager. Mr. Lynch served as the Deputy City Manager for Administrative Services for two years which included special projects, Economic Development, Management and Budget, Finance and Information Technology. He now serves as the

Deputy City Manager for Facilities & Financial Management, overseeing and coordinating the activities of the Marketing & Communications Division, Economic Development, Special Projects, and Facilities/Financial Property Management. Art previously served as Director of Accounting for the City of Shreveport, Louisiana, from October 1979 through September 1985. Mr. Lynch 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 and a Masters of Public Administration Degree from Arizona State University. 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 help launch the Vantagepoint Mutual Funds series as one of its founding Board Members for the ICMA Retirement Corporation. He served as the Chairman of the Vantagepoint Funds Board for the 2001 year and has been chairman of the board for the past two years of the nearly \$32 billion dollar mutual fund complex. He has designed the financing structures and negotiated agreements for all the major development projects in the City including Jobing.com Arena, University of Phoenix Stadium infrastructure, Arrowhead Mall infrastructure, various hotels, and other special projects.

Horatio Skeete was appointed Deputy City Manager in 2004 and is in charge of the administrative services group, which includes the Human Resources, Finance, Budget and Information Technology Departments. Prior to this assignment, he was the Deputy City Manager over the Community Development Group in the City of Glendale. Some of the major projects he was responsible for included the Cardinals Stadium, Westgate Development, Zanjero Development, Cabela's, Northern Parkway, and development around Loop 303. Prior to coming to the City he was the City Manager for the City of Litchfield Park for five years. Mr. Skeete received his Bachelor of Science in Accounting from the Devry Institute of Technology. He obtained an MBA from the University of Phoenix. Horatio has also received the Certified Public Manager designation from Arizona State University.

Raymond H. 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 over his tenure with the City he 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 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, 2007, the City has approximately 2,220 full-time employees, with a calendar 2007 payroll of \$109,778,283. 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.

Economy

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

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 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, a new \$455,000,000 multipurpose stadium opened in the City on property adjacent to the Jobing.com Arena, which is the home venue of the Arizona Cardinals of the National Football League. The facility, named University of Phoenix Stadium, was constructed and is owned by the Arizona Sports and Tourism Authority. 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 also the home of the Tostitos Fiesta Bowl and hosted the first Bowl Championship Series in January 2007 and the 2008 Super Bowl.

Commercial development is expected to experience continued growth due in large part to the development surrounding the Jobing.com Arena and the University of Phoenix Stadium.

The City has entered into agreements with respect to the construction of a spring training facility and related infrastructure for the MLB Chicago White Sox and MLB Los Angeles Dodgers. The facility is currently under construction and is anticipated to be completed by February 2009. Permanent financing is expected from various sources, including funds available from the Arizona Tourism and Sports Authority.

Employment. The City's average unemployment rate for 2007 is 3.30% and the State of Arizona's unemployment average is 3.80%. 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	4.60	4.20	3.50	3.70
2007	4.60	3.80	3.20	3.30

SOURCE: Arizona Department of Economic Security, Research Administration, Economic Analysis.

As mentioned above, 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’s Operational Training Development Program and is home of the 56th Fighter Wing as well as the Air Force Reserves 944th 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 November – April) 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 County’s economy. A significant amount of those dollars impact the City’s economy.

The following is a list illustrating major employers in the City.

**MAJOR EMPLOYERS
City of Glendale, Arizona
As of June 30, 2007**

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	2,500
City of Glendale	Government	2,100
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
AAA	Insurance	808

SOURCE: 2007 City of Glendale, Arizona Comprehensive Annual Financial Report.

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.

**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	163,083,162	172,445,926	74,992,869	410,521,957
2005 ¹	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
2007	83,352,525	456,019,936	42,761,336	582,133,797
Jul 06-Mar 07	61,977,169	406,504,868	26,540,867	495,022,905
Jul 07-Mar 08	64,173,212	312,775,856	35,734,076	412,683,144

¹ 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 PERMITS¹
City of Glendale, Arizona**

Fiscal Year	Total Building Permits
2002	5,439
2003	6,299
2004	4,819
2005 ²	7,048
2006	6,909
2007	6,256
Jul 06-Mar 07	4,570
Jul 07-Mar 08	5,477

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

² 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 charts illustrate a building permit summary for residential and non-residential construction and new housing starts for the County.

VALUE OF BUILDING PERMITS¹
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
2007	5,022,311	4,375,147	321,195	2,257,246	11,975,899

¹ 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
2007	35,465

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.

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 Jobing.com Arena and the NFL Cardinals' new University of Phoenix Stadium. (See "Additional Information" below.)

The Glendale Municipal Airport was relocated in 1985. 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 186 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 fixed base operations is located on the field with two 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

Major Airlines	Regional Airlines	Major Freight Carriers
Aeromexico Airlines	US Airways/America West Express	ABX Air
Air Canada Airlines	Delta Connection	Air Transport International
Air Tran International	Great Lakes	Airnet Systems
Alaska Airlines	Midwest Airlines	Ameriflight
American Airlines	Sun Country	DHL Airways
British Airway	United Express	Empire Airlines
Continental Airlines		Federal Express
Delta Air Lines		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
2007	21,208,743	20,920,228	42,128,971

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.

**FINANCIAL DATA
CURRENT YEAR STATISTICS
City of Glendale, Arizona
As of April 1, 2008**

Total Direct General Obligation Bonded Debt ¹	\$223,660,000
Total Street and Highway User Revenue Bonded Debt ²	30,895,000
Total Outstanding Water and Sewer Revenue Bonded Debt ³	301,691,935
Total Transportation Excise Tax Revenue Obligations	109,110,000
Total Other Excise Tax Revenue Obligations ⁴	290,815,000
Primary Assessed Valuation ⁵	1,450,039,205
Secondary Assessed Valuation ⁵	1,827,019,187
Estimated Full Cash Value ^{6,7}	16,733,845,908

¹ Includes \$10,805,000 of general obligation bonds paid by revenues derived from the City's Water and Sewer Fund and \$330,986 of general obligation landfill bonds paid by landfill revenues.

² Reflects outstanding street and highway user revenue bonds.

³ Reflects outstanding water and sewer revenue obligations, senior bonds and parity obligations.

⁴ Includes Bonds Being Refunded, but does not include 2008 Bonds.

⁵ 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.

⁶ Fiscal year 2008 value.

⁷ Provided by Maricopa County Treasurer's Office.

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

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, 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 CAPACITY¹
City of Glendale, Arizona
January 1, 2008**

6% Limitation Capacity		20% Limitation Capacity	
6% Limitation	\$109,621,151	20% Limitation	\$365,403,837
Less Direct Bonded Debt Outstanding	<u>(49,990,000)</u>	Less Direct Bonded Debt Outstanding	<u>(173,670,000)</u>
Unused 6% Borrowing Capacity	\$59,631,151	Unused 20% Borrowing Capacity	\$191,733,837

¹ Excludes debt service fund balances.

SOURCE: City of Glendale, Arizona Finance Department.

OUTSTANDING BONDED INDEBTEDNESS
City of Glendale, Arizona
As of April, 2008

	Year Issued	Original Amount	Outstanding Portion Subject to 6% Limit	Outstanding Portion Subject to 20% Limit	Total Principal Outstanding
DIRECT GENERAL OBLIGATION BONDED DEBT ¹					
Various Purpose G.O. Bonds	1998	\$12,000,000	\$ 0	\$ 1,465,000	\$ 1,465,000
Various Purpose G.O. Bonds	2000	21,675,000	2,335,000	2,120,000	4,455,000
Various Purpose G.O. Bonds	2002	40,235,000	6,785,000	22,385,000	29,170,000
Various Purpose G.O. Bonds	2003	66,400,000	10,860,000	39,280,000	50,140,000
Various Purpose G.O. Bonds	2004	36,645,000	7,375,000	23,035,000	30,410,000
Various Purpose G.O. Bonds	2005	11,960,000	9,890,000	0	9,890,000
Various Purpose G.O. Bonds	2006	29,365,000	12,415,000	15,650,000	28,065,000
Refunding Bonds	2006	9,065,000	0	9,065,000	9,065,000
Various Purpose G.O. Bonds	2007	61,000,000	330,000	60,670,000	61,000,000
Total Direct General Obligation Bonded Debt			49,990,000	173,670,000	223,660,000
Less General Obligation Bonded Debt Supported from Revenues ²					(11,135,986)
Net General Obligation Bonded Debt					\$212,524,014
OUTSTANDING WATER AND SEWER REVENUE BONDED DEBT ^{3,4}					
Water and Sewer Bonds	2000	53,000,000			18,950,000
Water and Sewer Note Payable	2001	15,400,000			10,239,130
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	2007	44,500,000			44,500,000
Water and Sewer Obligations	2008	65,500,000			65,500,000
Total Water and Sewer Revenue Bonded Debt					\$301,691,935
OUTSTANDING STREET AND HIGHWAY USER REVENUE BONDED DEBT ⁵					
Street & Highway User Bonds	2000	8,750,000			4,735,000
Street & Highway User Rev. and Ref. Bonds	2004	14,655,000			11,630,000
Street & Highway User Revenue Bonds	2006	15,745,000			14,530,000
Total Street and Highway User Revenue Bonded Debt					\$ 30,895,000
TRANSPORTATION EXCISE TAX REVENUE BONDED DEBT					
Transportation Excise Tax Revenue Bonds	2007	109,110,000			109,110,000
Total Transportation Excise Tax Revenue Bonds					\$109,110,000

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

² Includes \$10,805,000 of bonds which are paid by revenues derive from the City's Water and Sewer Fund. \$330,986 of bonds are paid by revenues derived from the City's Landfill Fund.

³ Net revenues from the operation of the City's water and sewer system have been and will be servicing the debt requirements of \$10,805,000 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.

⁴ 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.

⁵ 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 ¹
City of Glendale, Arizona
As of June 30, 2007
(000's)

Overlapping Jurisdiction	Properties Applicable to City of Glendale ²		
	Net Debt Outstanding ³	Percentage Applicable to Glendale	Amount Applicable to Glendale
City of Glendale ⁴	\$ 212,524	100.0000%	\$212,524
Peoria Unified School District No. 11	248,369	24.6698	61,272
Glendale Elementary School District No. 40	28,560	98.9015	28,246
Deer Valley Unified School District No. 97	189,500	20.9545	39,709
Alhambra Elementary School District No. 68	30,125	18.2639	5,502
Glendale Union High School District No. 205	116,090	22.1341	25,695
Maricopa County ⁵	0	3.7774	0
Maricopa County Community College District ⁶	461,645	3.7774	17,438
Phoenix Union High School District No. 210	319,995	1.4275	4,568
Pendergast Elementary School District No. 92	95,000	13.3309	12,664
Tolleson Union High School District No. 214	64,355	4.4081	2,837
Washington Elementary School District No. 6	109,150	2.7613	3,014
Dysart Unified School District No. 89	95,255	0.0387	37
Agua Fria Union High School District No. 216	60,555	0.2625	159
Litchfield Elementary School District No. 79	<u>21,525</u>	0.3990	<u>86</u>
TOTAL	\$2,052,648		\$413,752

¹ 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. 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 \$0.10 per \$100 of assessed valuation for the 2007-2008 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.

- Footnotes continued on following page -

- ² 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 2007.
- ³ 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.
- ⁴ Includes proposed and outstanding general obligation debt as of July 1, 2007; does not include proposed or outstanding City Bonds in the following amounts: Water and Sewer Revenue Bonds/Obligations - \$236,191,935; Street and Highway User Revenue Bonds - \$30,895,000. Does not include \$10,805,000 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 \$330,986 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 \$290,815,000 City of Glendale Municipal Property Corporation Bonds.
- ⁵ 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.
- ⁶ Does not include Maricopa County Community College District revenue bonds.

SOURCE: City of Glendale Finance Department; 2007 City of Glendale, Arizona Comprehensive Annual Financial Report.

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, 2007
(Thousands)

Fiscal Year	Annual Capital Lease Requirements
2008	\$ 3,227
2009	3,061
2010	2,787
2011	3,357
2012	5,409
2013-2017	<u>319</u>
Total	<u>\$18,160</u>

SOURCE: 2007 City of Glendale Comprehensive Annual Financial Report.

As illustrated in Note IX.I in Appendix B, the City has other obligations in the amount of \$6,279,000 outstanding as of June 30, 2007.

DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT RATIOS
City of Glendale, Arizona
As of January 1, 2008

	Per Capita Bonded Debt (2008 Population Estimate at 248,584) ¹	As % of City's 2008 Secondary Assessed Valuation	As % of City's Estimated Full Cash Value
Net Direct General Obligation Bonded Debt ² (\$212,524,014)	\$ 854.38	11.63%	1.27%
Net Direct and Overlapping General Obligation Bonded Debt ³ (\$413,752,000)	\$1,664.44	22.65%	2.47%

¹ The population count is provided by the City of Glendale Planning Department.

² Excludes approximately \$10,805,000 of general obligation bonds paid, or to be paid, by revenues derived from the City's Water and Sewer Fund. Excludes \$330,986 of general obligation bonds paid, or to be paid, by revenues derived from the City's Landfill Fund.

³ Overlapping debt from "DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT" above.

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 ¹

Tax Years	Railroad, Private Car Co. & Airline Flight Property ²	Mines, Utilities, Commercial & Industrial ^{3,4}	Owner Occupied Residential	Agriculture & Vacant Land ³
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

¹ 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.

² 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.

³ 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.

⁴ The Arizona State Legislature passed legislation in 2005 that decreases the percentage of property tax assessment for commercial property by one percent per year beginning tax year 2006 and ending 2010.

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**

	2003-04 Secondary Assessed Valuation	2004-05 Secondary Assessed Valuation	2005-06 Secondary Assessed Valuation	2006-07 Secondary Assessed Valuation ¹	2007-08 Secondary Assessed Valuation ¹
1. Mining, Utilities, Commercial	\$ 352,719,595	\$ 390,470,689	\$ 406,243,366	\$ 475,523,161	\$ 519,787,340
2. Agricultural & Vacant	30,800,037	38,032,311	41,109,906	57,754,756	64,940,091
3. Owner Occupied	585,175,121	601,574,046	690,156,470	695,611,467	1,050,479,128
4. Rented Residential, Residential Common Areas	107,353,765	109,590,079	126,603,653	136,711,715	185,360,922
5. Railroad, Private Car Companies, Flight Properties	2,814,725	3,628,163	3,676,862	3,951,690	4,407,199
6. Noncommercial Historic, Foreign Trade Zones	1,153,304	1,254,729	1,147,951	1,436,297	2,044,506
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	0	0	0	0	0
	<u>\$1,080,016,547</u>	<u>\$1,144,550,017</u>	<u>\$1,268,938,208</u>	<u>\$1,370,989,086</u>	<u>\$1,827,019,186</u>

¹ Assessed Value Total comes from the 2007 Published Abstract.

SOURCE: State of Arizona, Department of Revenue.

Tax Procedures

Determination of Full Cash Value. Most property is valued by the Maricopa County Assessor, (the “Assessor”). The Arizona Department of Revenue values 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 COLLECTED¹
City of Glendale, Arizona
As of January 31, 2008
(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
2003	\$16,743	\$16,289	97.29%	\$362	\$16,651	99.45%
2004	18,468	17,899	96.92	424	18,323	99.21
2005	19,534	19,011	97.32	397	19,408	99.36
2006	21,567	20,980	97.28	461	21,441	99.42
2007	23,423	22,721	97.00	426	23,147	98.82
2008 ²	28,728	15,315	0.00	0	15,315	53.31

¹ 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.

² 2007-2008 Taxes in Course of Collection; First installment due 10-1-07, delinquent 11-1-07; Second installment due 3-1-08, delinquent 5-1-08.

SOURCE: 2007 City of Glendale, Arizona Comprehensive Annual Financial Report; Maricopa County Treasurer Office.

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 2007-08

Overlapping Jurisdiction	2008 Net Secondary A.V.	2008 Net Primary A.V.	2008 Total Tax Rates Per \$100 A.V.
State of Arizona	\$71,852,630,420	\$58,327,805,577	\$0.0000
Maricopa County	49,534,573,826	38,930,267,545	1.1046
Maricopa County Community College District	49,537,573,826	38,930,267,545	0.9760
Maricopa County Library District ¹	49,534,573,862	n/a	0.0391
Maricopa County Flood Control District ¹	45,910,342,173	n/a	0.1533
Maricopa County Fire District ¹	49,534,573,826	38,930,267,545	0.0053
Maricopa County Health Care District ¹	49,534,573,826	38,930,267,545	0.0935
Central Arizona Water Conservation District ¹	60,105,899,776	48,192,400,291	0.1000
West-Mec Vocational District	17,114,649,736	n/a	0.0500
Electrical District No.7	933,219,549	n/a	0.0051
Deer Valley Unified S.D. No. 97	3,224,835,278	2,457,656,806	5.3135
Dysart Unified S.D. No. 89	1,539,856,962	1,150,856,089	6.0728
Peoria Unified S.D. No. 11	2,064,548,189	1,600,783,058	6.5425
Agua Fria Union H.S.D. No. 216	1,286,732,110	964,577,915	2.6321
Glendale Union H.S.D. No. 205	2,422,636,313	1,981,464	3.0303
Phoenix Union H.S.D. No. 210	6,844,050,898	5,662,069,521	3.4173
Tolleson Union H.S.D. No. 214	1,295,768,538	1,026,215,361	2.8637
Alhambra Elementary S.D. No. 68	522,638,011	439,988,253	3.8843
Cartwright Elementary S.D. No. 83	464,166,489	379,293,974	4.8960
Glendale Elementary S.D. No. 40	497,227,059	399,979,739	5.3796
Litchfield Elementary S.D. No. 79	870,875,213	639,957,491	2.7224
Pendergast Elementary S.D. No. 92	434,854,044	331,219,591	5.3171
Washington Elementary S.D. No. 6	1,925,409,254	1,581,979,725	3.8415
City of Glendale	1,827,019,186	1,450,039,204	1.6200

¹ 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 2007-2008

Taxpayer	Type of Property	2008 Secondary Assessed Valuation	As % of City's Total Secondary Assessed Valuation ¹
Arizona Public Services Company	Electric Utility	\$17,308,746	0.9474%
Qwest Corporation	Telecommunications	13,830,663	0.7570%
Wal-Mart Stores Inc.	Warehouse	11,336,693	0.6205%
New River Associates	Shopping Center/Mall	10,176,348	0.5570%
VHS of Arrowhead Inc.	Hospital	7,296,932	0.3994%
Lexington Glendale	Manufacturing	6,236,400	0.3413%
Southwest Gas Corporation	Gas Utility	6,048,153	0.3310%
Hbg Arizona LLC	Warehouse/Industrial Park	5,933,454	0.3248%
51 Bells Limited Partnership	Warehouse/Office/Retail	5,206,951	0.2850%
Burlington Northern/Santa Fe Railway Co.	Railroad Operations	4,899,762	0.2682%
Coyote Center Development LLC	Vacant Commercial Urban	4,794,560	0.2624%
Arrowhead 20 20 LP	Condos	4,684,000	0.2564%
NNN Talavi Corporate Ctr. LLC/et al.	Office Building	4,555,944	0.2494%
Sanderson Ford Inc.	Auto/Truck Dealership	4,012,768	0.2196%
Banner Health System	Medical Clinic	3,952,242	0.2163%
HW Phoenix LP	Manufacturing	3,927,654	0.2150%
Brookwood Owner 1 LLC/et al.	Office/Store/Apartment	3,806,160	0.2083%
Monadnock Property Trust LLC	Apartment Complex	3,699,800	0.2025%
Sears Roebuck and Co	Retail	3,584,920	0.1962%
Chase Commercial Mortgage	Shopping Center	<u>3,552,735</u>	<u>0.1945%</u>
	TOTAL	\$128,844,885	7.0522%

¹ Based on the City's 2008 secondary assessed value of \$1,827,019,187.

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 2007-2008 secondary assessed valuation of Salt River Project within the City is \$11,650,714. The estimated in lieu contribution will be \$188,741.

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
2008	1,827,019,187	49,534,573,826

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

ESTIMATED FULL CASH VALUE HISTORY¹
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
2008	16,733,846	378,259,314

¹ 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 2008 budget its "Distinguished Budget Presentation," the 22nd 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: (1) the base budget consisting of recurring costs from the current fiscal year; and (2) 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 for the basic financial statements from the City's June 30, 2007, Comprehensive Annual Financial Report. The City received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for its 2007 Comprehensive Annual Financial Report as well as in each of the 17 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 \$500,000 for each workers' compensation claim and purchases commercial insurance for claims in excess of \$500,000. Funds receiving insurance coverage pay monthly premiums to the workers' compensation fund based upon an actuarial review. 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 D, City of Glendale, Arizona – Audited Financial Statements for Fiscal Year Ended June 30, 2007, Note VI.B for further information.

Employee Retirement Systems and 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 D, City of Glendale, Arizona – Audited Financial Statements for Fiscal Year Ended June 30, 2007, Note XVI.A for more information regarding these retirement plans and the City’s contributions. The City has engaged an actuary to perform calculations of the City’s liability as of June 30, 2008 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, 2007, Note XVII for additional information.

**AUDITED FINANCIAL STATEMENTS
OF THE
CITY OF GLENDALE, ARIZONA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2007, 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, 2007, 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 November 21, 2007, 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 75 through 78 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

November 21, 2007



City of Glendale, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS

(Required Supplementary Information)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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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, 2007. 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 (MD&A), provide these significant key financial highlights for 2006-07 as follows:

- The City's total net assets increased \$54,805 or 5.30%. The governmental net assets increased by \$42,607 or 6.77%, and the business-type net assets increased by \$12,198 or 3.02%.
- General revenues from governmental activities increased \$13,549 or 7.79% and were 65.40% of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions increased \$28,103 or 39.50%.
- The business-type activities total revenues increased by \$9,101 or 9.37%.
- The total cost of all City programs increased by \$42,296 or 14.29%.
- A major governmental fund, the general fund, had \$157,791 in revenues, which is an increase of \$11,323 or 7.73% 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 \$162,737, which is an increase of \$25,147 or 18.28%. The fund balance decreased \$11,073 or 15.28%. This decrease resulted mainly from an increase in general government, public safety and debt service expenditures.
- The City issued by way of voter authorization: 1) \$61,000 in general obligation bonds that will be used to pay the costs of acquisitions, improvements and equipment for proposed projects such as streets and parking, public safety, flood control, and parks and recreation, and 2) \$44,500 in subordinate lien water and sewer revenue obligation bonds that will be used in the various improvements and extensions of existing water and sewer projects, replacement and rehabilitation of water lines throughout the city, and construction of water treatment plants and associated costs.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. 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.

CITY OF GLENDALE, ARIZONA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2007
(amounts expressed in thousands)

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, street maintenance, and interest on long-term debt. 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 13 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.

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

CITY OF GLENDALE, ARIZONA
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(amounts expressed in thousands)

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 \$1,088,479 as of June 30, 2007.

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, 2007
(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, 2007, and 2006
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 303,981	\$ 293,114	\$ 198,700	\$ 196,267	\$ 502,681	\$ 489,381
Capital assets, net	1,025,808	869,900	511,525	457,034	1,537,333	1,326,934
Total assets	1,329,789	1,163,014	710,225	653,301	2,040,014	1,816,315
Current liabilities	57,813	44,443	18,295	12,003	76,108	56,446
Noncurrent liabilities	600,272	489,474	275,155	236,721	875,427	726,195
Total liabilities	658,085	533,917	293,450	248,724	951,535	782,641
Net assets:						
Invested in capital assets, net of related debt	446,828	398,517	249,569	233,387	696,397	631,904
Restricted	180,303	155,163	11,881	12,437	192,184	167,600
Unrestricted	44,573	75,417	155,325	158,753	199,898	234,170
Total net assets	\$ 671,704	\$ 629,097	\$ 416,775	\$ 404,577	\$ 1,088,479	\$ 1,033,674

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.

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CITY OF GLENDALE, ARIZONA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2007
(amounts expressed in thousands)

The following table presents a summary of the changes in net assets compared to prior year.

Changes in Net Assets
As of June 30, 2007, and 2006
(in thousands)

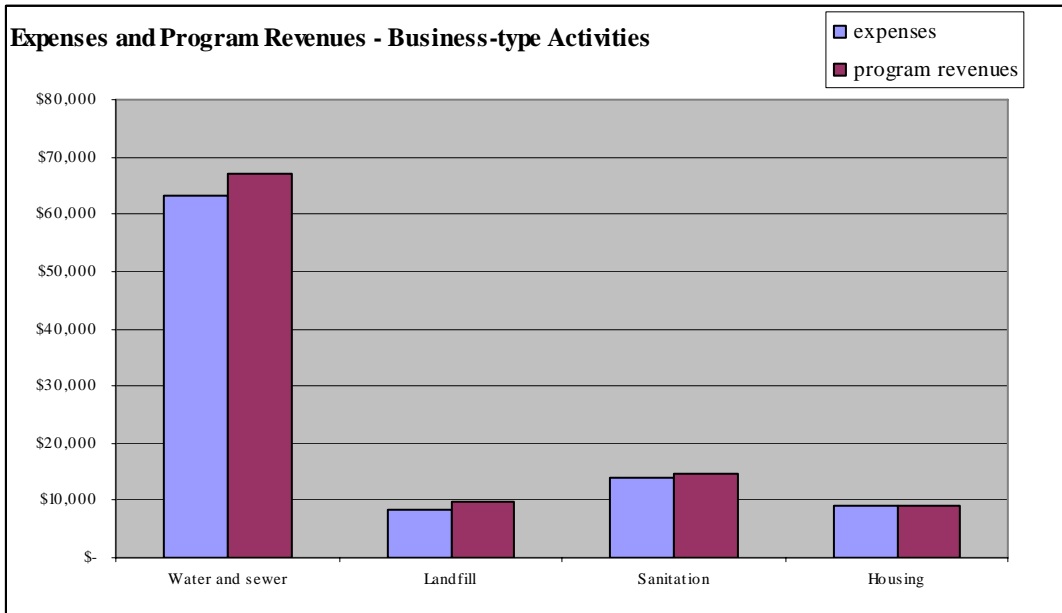
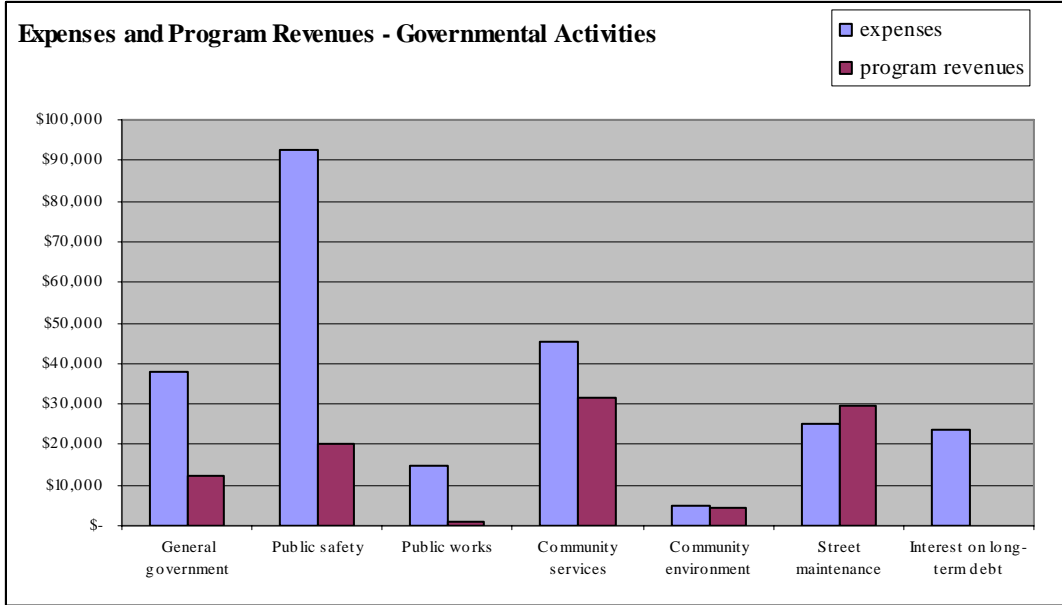
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 36,438	\$ 32,769	\$ 87,182	\$ 79,251	\$ 123,620	\$ 112,020
Operating grants and contributions	36,566	31,973	8,254	8,020	44,820	39,993
Capital grants and contributions	26,247	6,406	5,125	5,403	31,372	11,809
Total program revenues	99,251	71,148	100,561	92,674	199,812	163,822
General revenues:						
Property taxes	23,085	21,386	-	-	23,085	21,386
Sales taxes	97,825	90,968	-	-	97,825	90,968
State shared sales tax	23,037	23,298	-	-	23,037	23,298
Urban revenue sharing (state shared income tax)	27,518	22,909	-	-	27,518	22,909
Auto in-lieu taxes	10,044	10,444	-	-	10,044	10,444
Investment earnings, unrestricted	5,557	4,395	5,381	3,466	10,938	7,861
Gain on disposal of capital assets	202	348	103	844	305	1,192
Miscellaneous	301	272	140	100	441	372
Total revenues	286,820	245,168	106,185	97,084	393,005	342,252
Expenses:						
General government	37,992	33,329	-	-	37,992	33,329
Public safety	92,405	75,277	-	-	92,405	75,277
Public works	14,816	13,995	-	-	14,816	13,995
Community services	45,481	40,275	-	-	45,481	40,275
Community environment	4,698	4,125	-	-	4,698	4,125
Street maintenance	24,906	22,720	-	-	24,906	22,720
Other	-	3,020	-	-	-	3,020
Interest on long-term debt	23,551	16,883	-	-	23,551	16,883
Water and sewer	-	-	63,289	55,607	63,289	55,607
Landfill	-	-	8,264	7,950	8,264	7,950
Sanitation	-	-	13,847	13,257	13,847	13,257
Housing	-	-	8,951	9,466	8,951	9,466
Total expenses	243,849	209,624	94,351	86,280	338,200	295,904
Excess before transfers	42,971	35,544	11,834	10,804	54,805	46,348
Transfers in (out)	(364)	700	364	(700)	-	-
Increase in net assets	42,607	36,244	12,198	10,104	54,805	46,348
Net assets, beginning	629,097	592,853	404,577	394,473	1,033,674	987,326
Net assets, ending	\$ 671,704	\$ 629,097	\$ 416,775	\$ 404,577	\$ 1,088,479	\$ 1,033,674

Changes in net assets. The increase in net assets for the governmental activities was primarily due to developer contributed capital of \$10,250 and an increase in general revenues of \$13,549 from prior year. The City's revenue from governmental activities for the fiscal year ended June 30, 2007, was \$286,820. The cost of programs and services for governmental activities were \$243,849.

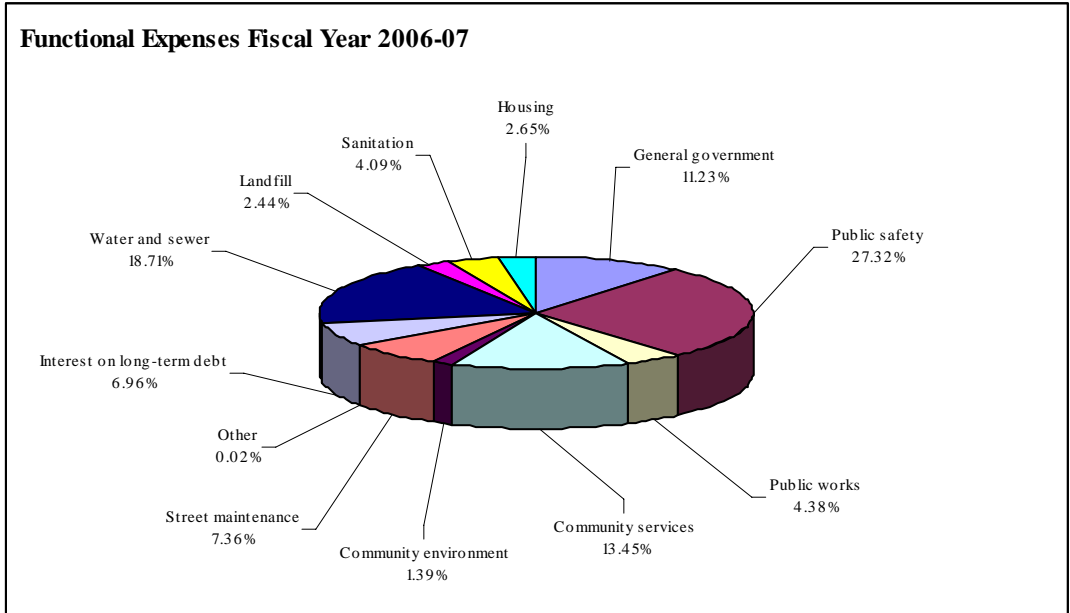
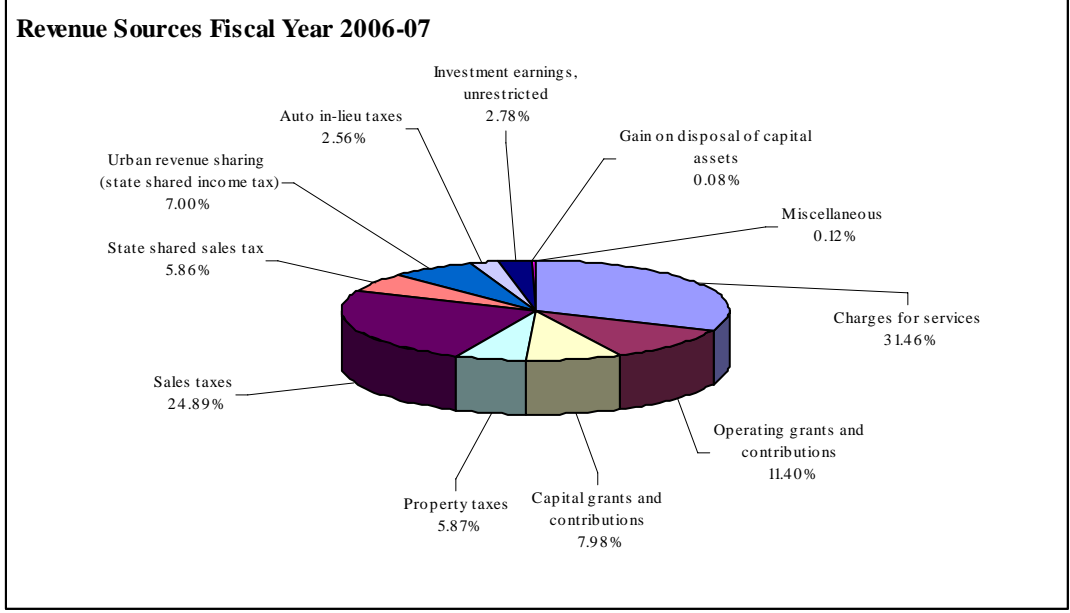
The increase in net assets for the business activities was primarily an increase of \$7,655 in water and sewer charges for services due to a rate increase, in addition to developer contributed capital of \$4,574. The

CITY OF GLENDALE, ARIZONA
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 (amounts expressed in thousands)

City's revenue from business-type activities for the fiscal year ended June 30, 2007, was \$106,185. The cost of programs and services were \$94,351.



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Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2007
 (amounts expressed in thousands)



CITY OF GLENDALE, ARIZONA
 Management's Discussion and Analysis (MD&A)
 For the Fiscal Year Ended June 30, 2007
 (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 \$209,710, a decrease of \$343 or 0.16% in comparison with the prior year.
- *Unreserved undesignated fund balance*, which is available for spending at the City's discretion within a fund, was \$119,553, a decrease of \$10,089 or 7.78% from the prior year.
- The City also had \$34,628 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	\$ 10,500
Special revenue	26,750
Debt service	12,191
Capital projects	919
Permanent	<u>5,169</u>
Total	<u>\$ 55,529</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 \$50,880, while total fund balance reached \$61,380. 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 31.27% of total general fund expenditures, while total fund balance represents 37.72% of that same amount.

The transportation fund accounts for the City's public transit program. The fund saw a decrease in fund balance of \$23,146 for the fiscal year ended June 30, 2007. This decrease is due to increase in capital outlay.

The municipal property corporation construction fund accounts for the resources used to finance municipal projects. The fund saw an increase in fund balance of \$1,166 for the fiscal year ended June 30, 2007. This was due to an increase in investment income.

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

CITY OF GLENDALE, ARIZONA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2007
(amounts expressed in thousands)

Net assets of the enterprise funds and the internal service funds increased \$12,168 or 2.95%. The enterprise funds' total net assets were 2.84% restricted and 37.42% 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 \$8,094 for the fiscal year ended June 30, 2007. 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 \$2,436 for the fiscal year ended June 30, 2007. This increase is due to: 1) operating revenues exceeding operating expenses, and 2) increased investment earnings.

The internal service fund accounts for risk management, workers' compensation, and employee benefits provided to other departments. The fund saw a decrease of \$205 for the fiscal year ended June 30, 2007. This decrease was due to an increase in insurance claims through employee benefits.

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 stable to increased interest rates and additional cash on hand to invest.
- General fund revenues exceeded the final amended budget by \$4,744 or 2.72%, primarily due to increased charges for services.
- General fund expenditures were less than the final amended budget by \$39,189 or 17.54%. This positive variance resulted from \$12,832 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, 2007, for its governmental-type activities was \$1,025,808 and for the business-type activities was \$511,525. 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.

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

- Began construction of Regional Public Safety Training Facility, \$31,056
- Began construction of downtown pedestrian plaza, \$11,929
- Began construction of downtown parking structure, \$3,388
- Began construction of media center, conference center, and parking garage, \$53,204
- Began construction of Bethany Home outfall channel, \$2,948
- Improvement of streets and pavements, \$18,248 and \$24,430

CITY OF GLENDALE, ARIZONA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2007
(amounts expressed in thousands)

The following table is a summary of capital assets reflected in the June 30, 2007, financial statements 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	
	2007	2006	2007	2006	2007	2006
Construction in progress	\$ 251,824	\$ 98,504	\$ 89,120	\$ 47,972	\$ 340,944	\$ 146,476
Land	70,205	63,372	11,609	11,609	81,814	74,981
Artwork	1,448	1,189	-	-	1,448	1,189
Buildings	141,068	145,570	8,485	8,890	149,553	154,460
Improvements other than buildings	70,571	71,401	21,246	19,773	91,817	91,174
Infrastructure-streets	373,865	371,535	-	-	373,865	371,535
Infrastructure-parks	50,029	51,687	-	-	50,029	51,687
Infrastructure-airport	7,844	8,156	-	-	7,844	8,156
Infrastructure-flood/storm drains	26,954	26,804	-	-	26,954	26,804
Water lines	-	-	73,613	69,298	73,613	69,298
Sewer lines	-	-	79,874	80,529	79,874	80,529
Water treatment plant	-	-	78,372	65,626	78,372	65,626
Sewer treatment plant	-	-	119,743	123,531	119,743	123,531
Meters and services	-	-	19,198	19,942	19,198	19,942
Fire hydrants	-	-	3,478	3,580	3,478	3,580
Machinery and equipment	15,515	17,063	799	458	16,314	17,521
Computer equipment	1,028	421	214	217	1,242	638
Software	191	241	-	-	191	241
Automotive equipment	15,266	13,957	5,774	5,609	21,040	19,566
Total	\$ 1,025,808	\$ 869,900	\$ 511,525	\$ 457,034	\$ 1,537,333	\$ 1,326,934

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 \$825,056 compared to \$681,679 last year, a 21.03% net increase. Of this amount, \$236,349 comprises debt backed by the full faith and credit of the City.

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2007	2006	2007	2006	2007	2006
General obligation	\$ 224,234	\$ 175,155	12,115	\$ 13,075	\$ 236,349	\$ 188,230
Special assessments	-	39	-	-	-	39
Highway user revenue bonds	34,065	35,940	-	-	34,065	35,940
Municipal property corporation						
revenue bonds	293,530	223,988	-	-	293,530	223,988
Capital lease obligation	12,492	12,875	2,349	2,613	14,841	15,488
Water and sewer						
revenue bonds/obligations	-	-	229,130	190,020	229,130	190,020
Notes payable	6,279	15,689	10,862	12,285	17,141	27,974
Total	\$ 570,600	\$ 463,686	\$ 254,456	\$ 217,993	\$ 825,056	\$ 681,679

The City's total long-term debt increased by \$143,377 from the prior year. A key factor in this increase was the issuance of general obligation, subordinate lien water and sewer revenue obligations, and additional drawdown of municipal property corporation bonds during the year.

CITY OF GLENDALE, ARIZONA
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2007
(amounts expressed in thousands)

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

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, streets and transportation facilities, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities. The City's current unused 6% and 20% debt limitation on June 30, 2007, was \$20,226 and \$124,482, 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 2007-08 budget is \$942,000 (up 3.18% from 2006-07), including a \$363,200 operating budget (an increase of 7.77% from 2007) and \$418,800 in capital outlay (down 3.72% from 2007). The fiscal year 2007-08 budget includes \$85,600 contingency appropriation to cover emergency expenses or revenue shortages.

- 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 2007 was 3.10%, which is a decrease from a year ago. This compares favorably to the state's average unemployment rate of 3.60% and the national average rate of 4.50%.

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

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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City of Glendale, Arizona
Statement of Net Assets
June 30, 2007
(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 192,283	\$ 74,193	\$ 266,476
Receivables (net of allowance for uncollectibles)			
Property taxes	986	-	986
Accounts	73,930	10,049	83,979
Accrued interest	1,518	133	1,651
Intergovernmental receivable	12,131	245	12,376
Internal balances	1,045	(1,045)	-
Inventories and prepaid items	5,123	2,406	7,529
Restricted cash and investments	12,941	51,309	64,250
Capital assets:			
Non-depreciable	323,477	100,729	424,206
Depreciable (net)	702,331	410,796	1,113,127
Deferred receivable	4,024	-	4,024
Water storage right (net)	-	6,628	6,628
Equity in joint venture	-	54,782	54,782
Total assets	<u>1,329,789</u>	<u>710,225</u>	<u>2,040,014</u>
LIABILITIES			
Vouchers payable	30,789	11,457	42,246
Accounts payable	650	130	780
Retainage payable	2,777	187	2,964
Accrued expenses	-	464	464
Accrued interest payable	12,367	4,911	17,278
Intergovernmental payable	317	202	519
Deposits	1,326	944	2,270
Unearned revenue	9,587	-	9,587
Noncurrent liabilities:			
Due within one year	35,847	9,855	45,702
Due in more than one year	564,425	265,300	829,725
Total liabilities	<u>658,085</u>	<u>293,450</u>	<u>951,535</u>
NET ASSETS			
Invested in capital assets, net of related debt	446,828	249,569	696,397
Restricted for:			
Capital projects	107,955	-	107,955
Debt service	28,720	1,345	30,065
Transportation	741	-	741
Highway and streets	2,301	-	2,301
Vehicle replacement	6,659	-	6,659
Development impact fee	23,788	-	23,788
Revenue bond retirement, replacement, and extension	-	8,689	8,689
Perpetual care - nonexpendable	5,240	-	5,240
Other purposes	4,899	1,847	6,746
Unrestricted	44,573	155,325	199,898
Total net assets	<u>\$ 671,704</u>	<u>\$ 416,775</u>	<u>\$ 1,088,479</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, 2007
(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>
Primary government:				
Governmental activities:				
General government	\$ 37,992	\$ 11,610	\$ 768	\$ 2
Public safety	92,405	1,964	7,443	10,752
Public works	14,816	531	257	-
Community services	45,481	22,285	4,223	5,236
Community environment	4,698	-	4,388	-
Street maintenance	24,906	48	19,487	10,257
Interest on long-term debt	23,551	-	-	-
Total governmental activities	<u>243,849</u>	<u>36,438</u>	<u>36,566</u>	<u>26,247</u>
Business-type activities:				
Water and sewer	63,289	62,125	-	4,877
Landfill	8,264	9,742	-	-
Sanitation	13,847	14,653	-	-
Housing	8,951	662	8,254	248
Total business-type activities	<u>94,351</u>	<u>87,182</u>	<u>8,254</u>	<u>5,125</u>
Total primary government	<u>\$ 338,200</u>	<u>\$ 123,620</u>	<u>\$ 44,820</u>	<u>\$ 31,372</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
\$ (25,612)	\$ -	\$ (25,612)
(72,246)	-	(72,246)
(14,028)	-	(14,028)
(13,737)	-	(13,737)
(310)	-	(310)
4,886	-	4,886
(23,551)	-	(23,551)
<u>(144,598)</u>	<u>-</u>	<u>(144,598)</u>
-	3,713	3,713
-	1,478	1,478
-	806	806
-	213	213
<u>-</u>	<u>6,210</u>	<u>6,210</u>
<u>(144,598)</u>	<u>6,210</u>	<u>(138,388)</u>
3,743	-	3,743
19,342	-	19,342
97,825	-	97,825
23,037	-	23,037
27,518	-	27,518
10,044	-	10,044
5,557	5,381	10,938
202	103	305
301	140	441
(364)	364	-
<u>187,205</u>	<u>5,988</u>	<u>193,193</u>
42,607	12,198	54,805
629,097	404,577	1,033,674
<u>\$ 671,704</u>	<u>\$ 416,775</u>	<u>\$ 1,088,479</u>

City of Glendale, Arizona
Balance Sheet
Governmental Funds
June 30, 2007
(amounts expressed in thousands)

	Major Funds				Total Governmental Funds
	General	Transportation	Municipal Property Corp Construction	Other Non-major Governmental Funds	
ASSETS					
Equity in pooled cash and investments	\$ 59,185	\$ 6,079	\$ 20,854	\$ 90,322	\$ 176,440
Receivables, net of allowance for doubtful accounts:					
Property taxes	160	-	-	826	986
Accounts	9,350	2,155	-	62,420	73,925
Accrued interest	1,423	-	-	95	1,518
Due from other funds	3,229	-	-	-	3,229
Intergovernmental receivable	2,926	2,655	-	6,550	12,131
Inventories and prepaid items	219	-	-	158	377
Restricted cash and investments	602	-	-	12,189	12,791
Deferred receivables	-	-	-	4,024	4,024
Total assets	<u>\$ 77,094</u>	<u>\$ 10,889</u>	<u>\$ 20,854</u>	<u>\$ 176,584</u>	<u>\$ 285,421</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Vouchers payable	\$ 9,574	\$ 8,687	\$ 1,787	\$ 9,469	\$ 29,517
Accounts payable	645	-	-	5	650
Retainage payable	7	1,013	1,233	524	2,777
Compensated absences - current	943	77	-	85	1,105
Intergovernmental payable	315	-	-	2	317
Due to other funds	-	-	-	3,210	3,210
Deposits	1,282	-	-	44	1,326
Matured interest payable	-	-	-	9,072	9,072
Deferred revenue	2,948	184	-	7,009	10,141
Matured bonds payable	-	-	-	17,596	17,596
Total liabilities	<u>15,714</u>	<u>9,961</u>	<u>3,020</u>	<u>47,016</u>	<u>75,711</u>
Fund Balances:					
Reserved (Note XV)	10,500	-	-	45,029	55,529
Unreserved:					
Designated (Note XV):					
General fund	3,405	-	-	-	3,405
Special revenue funds	-	716	-	30,507	31,223
Undesignated, reported in:					
General fund	47,475	-	-	-	47,475
Special revenue funds	-	212	-	2,934	3,146
Capital projects funds	-	-	17,834	51,098	68,932
Total fund balances	<u>61,380</u>	<u>928</u>	<u>17,834</u>	<u>129,568</u>	<u>209,710</u>
Total liabilities and fund balances	<u>\$ 77,094</u>	<u>\$ 10,889</u>	<u>\$ 20,854</u>	<u>\$ 176,584</u>	<u>\$ 285,421</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, 2007
(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	\$	209,710
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$	1,329,969
Less accumulated depreciation		<u>(304,161)</u>
		1,025,808
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		5,698
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.		
		6,901
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		(534,233)
Notes payable		(6,279)
Capital lease obligations		(12,492)
Developer payable obligations		(1,570)
Compensated absences		(12,288)
Bond premium		(6,363)
Arbitrage rebate payable		<u>(447)</u>
		(573,672)
Unmatured interest payable		
		(3,295)
Deferred revenue that is measurable but not yet available for governmental fund activities is recognized as revenue for governmental-wide activities.		
		<u>554</u>
Net assets of governmental activities	\$	<u><u>671,704</u></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, 2007
(amounts expressed in thousands)

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General	Transportation	Municipal Property Corp Construction		
REVENUES					
Taxes and special assessments	\$ 70,324	\$ 25,051	\$ -	\$ 25,747	\$ 121,122
Licenses and permits	10,316	-	-	7,523	17,839
Intergovernmental	61,156	4,613	-	41,930	107,699
Charges for services	4,783	197	-	5,106	10,086
Fines and forfeitures	3,932	-	-	-	3,932
Investment income	4,959	997	1,281	3,668	10,905
Miscellaneous	2,321	9	19	1,863	4,212
Total revenues	<u>157,791</u>	<u>30,867</u>	<u>1,300</u>	<u>85,837</u>	<u>275,795</u>
EXPENDITURES					
Current:					
General government	22,852	-	108	1,564	24,524
Public safety	77,508	-	-	9,245	86,753
Public works	12,089	-	-	66	12,155
Community services	26,667	9,449	-	3,034	39,150
Community environment	247	-	-	4,410	4,657
Street maintenance	659	-	-	12,713	13,372
Miscellaneous	2,834	-	-	225	3,059
Debt service:					
Principal	8,476	1,414	-	18,206	28,096
Interest	1,202	176	-	19,252	20,630
Capital outlay	10,203	47,136	72,221	49,861	179,421
Total expenditures	<u>162,737</u>	<u>58,175</u>	<u>72,329</u>	<u>118,576</u>	<u>411,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,946)</u>	<u>(27,308)</u>	<u>(71,029)</u>	<u>(32,739)</u>	<u>(136,022)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	72,327	61,000	133,327
Premium on long-term debt issued	-	-	-	1,198	1,198
Proceeds from equipment disposal	838	4	-	8	850
Capital lease proceeds	668	-	-	-	668
Other uses:					
Transfers in	977	5,176	-	18,792	24,945
Transfers out	(8,610)	(1,018)	(132)	(15,549)	(25,309)
Total other financing sources and uses	<u>(6,127)</u>	<u>4,162</u>	<u>72,195</u>	<u>65,449</u>	<u>135,679</u>
Net change in fund balances	<u>(11,073)</u>	<u>(23,146)</u>	<u>1,166</u>	<u>32,710</u>	<u>(343)</u>
Fund balances, July 1	<u>72,453</u>	<u>24,074</u>	<u>16,668</u>	<u>96,858</u>	<u>210,053</u>
Fund balances, June 30	<u>\$ 61,380</u>	<u>\$ 928</u>	<u>\$ 17,834</u>	<u>\$ 129,568</u>	<u>\$ 209,710</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, 2007
(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	\$	(343)
<p>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 \$179,421 exceeded depreciation of \$35,030 for the current period.</p>		
		144,391
<p>The net effect of various transactions involving capital is to increase net assets.</p>		
Capital contributions	\$	10,250
Disposals		(850)
Gain on sales		202
		<u>9,602</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		1,140
<p>The net effect of long-term debt issuance and the related transactions is to increase net assets.</p>		
Bond premium		(1,198)
Bonds issuance costs		377
Principal paid		28,096
Long-term debt issued		(133,327)
Capital lease proceeds		(668)
Arbitrage rebate		(447)
		<u>(107,167)</u>
<p>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.</p>		
		(529)
<p>Internal service funds are used by management to charge the costs of workers' compensation, risk management, and employee benefits individual funds.</p>		
		(793)
<p>The net revenue of certain activities as unearned revenue is reported in governmental activities.</p>		
		(4)
<p>Expenses on the statement of activities differ from governmental funds because of the portion not accrued on the governmental funds.</p>		
		<u>(3,690)</u>
Change in net assets of governmental activities	\$	<u><u>42,607</u></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, 2007
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Major Funds		Other	Total	
	Water and Sewer	Landfill	Proprietary Funds		
ASSETS					
Current assets:					
Equity in pooled cash and investments	\$ 46,862	\$ 21,319	\$ 6,012	\$ 74,193	\$ 15,843
Receivables:					
Accounts	7,790	769	1,745	10,304	-
Allowance for uncollectibles	(226)	(3)	(26)	(255)	-
Accrued interest	133	-	-	133	-
Intergovernment receivable	9	-	236	245	-
Inventories and prepaid items	2,401	-	5	2,406	80
Total current assets	<u>56,969</u>	<u>22,085</u>	<u>7,972</u>	<u>87,026</u>	<u>15,923</u>
Noncurrent assets:					
Restricted cash and investments	51,303	-	6	51,309	150
Capital assets:					
Capital assets	628,790	21,347	21,045	671,182	-
Accumulated depreciation	(139,287)	(8,117)	(12,253)	(159,657)	-
Capital assets, net	<u>489,503</u>	<u>13,230</u>	<u>8,792</u>	<u>511,525</u>	<u>-</u>
Water storage rights, net	6,628	-	-	6,628	-
Equity in joint venture	54,782	-	-	54,782	-
Total noncurrent assets	<u>602,216</u>	<u>13,230</u>	<u>8,798</u>	<u>624,244</u>	<u>150</u>
Total assets	<u>659,185</u>	<u>35,315</u>	<u>16,770</u>	<u>711,270</u>	<u>16,073</u>
LIABILITIES					
Current liabilities:					
Vouchers payable	11,087	239	131	11,457	1,272
Accounts payable	82	-	48	130	-
Retainage payable	187	-	-	187	-
Compensated absences	1,043	191	278	1,512	-
Accrued expenses	464	-	-	464	-
Due to other funds	-	-	19	19	-
Intergovernment payable	185	-	17	202	-
Deposits	667	154	118	939	-
Unearned rent	-	-	5	5	-
Estimated claims payable	-	-	-	-	5,027
Current portion of long-term debt:					
General obligation bonds	790	189	-	979	-
Unamortized premium on debt issuance	400	-	-	400	-
Revenue bonds/obligations payable	5,680	-	-	5,680	-
Capital lease obligations	-	-	661	661	-
Other long-term debt	623	-	-	623	-
Interest payable	4,878	13	20	4,911	-
Total current liabilities	<u>26,086</u>	<u>786</u>	<u>1,297</u>	<u>28,169</u>	<u>6,299</u>
Noncurrent liabilities:					
Compensated absences	277	60	249	586	-
General obligation bonds	10,805	331	-	11,136	-
Unamortized premium on debt issuance	6,710	-	-	6,710	-
Revenue bonds/obligations payable	223,450	-	-	223,450	-
Other long-term debt	484	-	30	514	-
Notes payable	10,239	-	-	10,239	-
Capital lease obligations	-	-	1,688	1,688	-
Claims payable	-	-	-	-	2,873
Estimated closure and post-closure costs	-	10,977	-	10,977	-
Total noncurrent liabilities	<u>251,965</u>	<u>11,368</u>	<u>1,967</u>	<u>265,300</u>	<u>2,873</u>
Total liabilities	<u>278,051</u>	<u>12,154</u>	<u>3,264</u>	<u>293,469</u>	<u>9,172</u>
NET ASSETS					
Invested in capital assets, net of related debt	230,416	12,710	6,443	249,569	-
Restricted for:					
Debt service	1,345	-	-	1,345	-
Revenue bond retirement, replacement and extension	8,689	-	-	8,689	-
Other purposes	413	-	1,434	1,847	-
Unrestricted	140,271	10,451	5,629	156,351	6,901
Total net assets	<u>\$ 381,134</u>	<u>\$ 23,161</u>	<u>\$ 13,506</u>	<u>417,801</u>	<u>\$ 6,901</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(1,026)	
Net assets of business-type activities				<u>\$ 416,775</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, 2007
(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	\$ 11	\$ -	\$ 8,254	\$ 8,265	\$ -
Metered water sales	31,038	-	-	31,038	-
Sewer service charges	23,614	-	-	23,614	-
Container service	-	-	4,968	4,968	-
Curb service	-	-	9,659	9,659	-
Landfill user fees	-	6,310	-	6,310	-
Self-insurance premium	-	-	-	-	21,748
Recycling sales	-	3,301	-	3,301	-
Other fees	1,369	-	671	2,040	76
Total operating revenues	<u>56,032</u>	<u>9,611</u>	<u>23,552</u>	<u>89,195</u>	<u>21,824</u>
Operating expenses:					
Water	17,001	-	-	17,001	-
Sewer	12,459	-	-	12,459	-
Landfill	-	6,493	-	6,493	-
Housing	-	-	8,582	8,582	-
Closure/post-closure care adjustment	-	589	-	589	-
Sanitation	-	-	12,775	12,775	-
Administrative and general	11,365	-	-	11,365	-
Insurance claims	-	-	-	-	22,778
Amortization and depreciation	13,673	1,132	1,319	16,124	-
Total operating expenses	<u>54,498</u>	<u>8,214</u>	<u>22,676</u>	<u>85,388</u>	<u>22,778</u>
Operating income (loss)	<u>1,534</u>	<u>1,397</u>	<u>876</u>	<u>3,807</u>	<u>(954)</u>
Nonoperating revenues (expenses):					
Impact fees	6,242	131	15	6,388	-
Investment income	4,372	1,091	210	5,673	749
Interest expense	(8,564)	(29)	(77)	(8,670)	-
Net loss from joint venture	(33)	-	-	(33)	-
Amortization of bond issuance cost	(83)	-	-	(83)	-
Gain on disposal of assets	38	1	66	105	-
Intergovernmental - capital grants	-	-	248	248	-
Total nonoperating revenue (expenses)	<u>1,972</u>	<u>1,194</u>	<u>462</u>	<u>3,628</u>	<u>749</u>
Income before contributions and transfers	3,506	2,591	1,338	7,435	(205)
Capital contributions	4,574	-	-	4,574	-
Transfers in	14	-	505	519	-
Transfers out	-	(155)	-	(155)	-
Change in net assets	<u>8,094</u>	<u>2,436</u>	<u>1,843</u>	<u>12,373</u>	<u>(205)</u>
Total net assets - beginning	373,040	20,725	11,663		7,106
Total net assets - ending	<u>\$ 381,134</u>	<u>\$ 23,161</u>	<u>\$ 13,506</u>		<u>\$ 6,901</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(175)	
Change in net assets of business-type activities				<u>\$ 12,198</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, 2007
(amounts expressed in thousands)

	Business-type Activities - Enterprise Fund:				Governmental Activities - Internal Service Funds
	Major Funds		Other Proprietary Funds	Total	
	Water and Sewer	Landfill			
Cash flows from operating activities:					
Cash received from customers	\$ 55,314	\$ 9,592	\$ 15,274	\$ 80,180	\$ 21,836
Cash received from federal government	-	-	8,050	8,050	-
Cash paid to suppliers:					
Internal city departments	(6,121)	(1,381)	(7,700)	(15,202)	-
External vendors	(13,879)	(2,716)	(8,021)	(24,616)	-
Cash paid for insurance and in settlement of claims	-	-	-	-	(22,296)
Cash paid to employees for services	(14,823)	(2,389)	(5,641)	(22,853)	-
Net cash provided (used) by operating activities	<u>20,491</u>	<u>3,106</u>	<u>1,962</u>	<u>25,559</u>	<u>(460)</u>
Cash flows from noncapital financing activities:					
Proceeds from sale of investments	-	-	8	8	-
Transfers in	14	-	505	519	-
Transfers out	-	(155)	-	(155)	-
Net cash provided by (used) noncapital financing activities	<u>14</u>	<u>(155)</u>	<u>513</u>	<u>372</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	(38)	-	-	(38)	-
Proceeds from bonds sold	45,684	-	-	45,684	-
Principal payments on obligations	(7,274)	(355)	(63)	(7,692)	-
Acquisition of capital assets and rights	(73,873)	(941)	(879)	(75,693)	-
Impact fees	6,242	131	15	6,388	-
Interest payments on obligations	(8,651)	(34)	(79)	(8,764)	-
Capital grant proceeds	-	-	248	248	-
Net cash (used) by capital and related financing activities	<u>(37,910)</u>	<u>(1,199)</u>	<u>(758)</u>	<u>(39,867)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received from investments	4,482	1,091	210	5,783	748
Net cash provided by investing activities	<u>4,482</u>	<u>1,091</u>	<u>210</u>	<u>5,783</u>	<u>748</u>
Net increase (decrease) in cash and cash equivalents during fiscal year	(12,923)	2,843	1,927	(8,153)	288
Cash and cash equivalents, July 1	111,088	18,476	4,091	133,655	15,705
Cash and cash equivalents, June 30	<u>\$ 98,165</u>	<u>\$ 21,319</u>	<u>\$ 6,018</u>	<u>\$ 125,502</u>	<u>\$ 15,993</u>

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

	Business-type Activities - Enterprise Fund:				Governmental Activities - Internal Service Funds
	Major Funds		Other	Total	
	Water and Sewer	Landfill	Proprietary Funds		
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 1,534	\$ 1,397	\$ 876	\$ 3,807	\$ (954)
Adjustments to reconcile operating income to net cash provided by operations:					
Amortization and depreciation	13,673	1,132	1,319	16,124	-
Changes in assets and liabilities					
Accounts receivable	(784)	200	(35)	(619)	-
Intergovernmental receivable	(7)	-	(119)	(126)	-
Inventories and prepaid items	(355)	-	-	(355)	8
Vouchers payable	5,578	(25)	13	5,566	79
Accrued expenses	669	-	(10)	659	-
Intergovernmental payable	-	-	(85)	(85)	-
Due to other funds	-	-	(9)	(9)	-
Deposits	30	13	10	53	-
Deferred revenue	-	(232)	-	(232)	-
Compensated absences	153	32	1	186	-
Claims payable	-	-	-	-	407
Proceeds from disposal of assets	-	-	1	1	-
Estimated closure and post-closure costs	-	589	-	589	-
Net cash provided by operating activities	<u>\$ 20,491</u>	<u>\$ 3,106</u>	<u>\$ 1,962</u>	<u>\$ 25,559</u>	<u>\$ (460)</u>
Reconciliation of statement of net assets cash and investments to the statement of cash flows:					
Per combined statement of net assets:					
Equity in pooled cash and investments	\$ 46,862	\$ 21,319	\$ 6,012	\$ 74,193	\$ 15,843
Restricted cash and investments	51,303	-	6	51,309	150
Total cash and cash equivalents	<u>\$ 98,165</u>	<u>\$ 21,319</u>	<u>\$ 6,018</u>	<u>\$ 125,502</u>	<u>\$ 15,993</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets	\$ 4,574	\$ -	\$ -	\$ 4,574	\$ -
Loss on joint venture	(33)	-	-	(33)	-

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(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, 2007

(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. *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.

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").

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

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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:

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 *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 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-

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

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(amounts expressed in thousands)

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 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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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 collected within the 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. 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.

G. 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, 2007, the postage portion of the general fund supplies inventory was \$45. 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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

H. 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.

I. 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 \$8,670. In addition, \$872 was included as part of the cost of capital assets under construction in connection with water and sewer projects.

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.

J. 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, 2007, is \$2,188. In addition, the City will be responsible for paying for the cost of water delivered each year.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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, 2007, the City has capitalized payment of \$4,440 for these water rights. Upon completion, the City will amortize this asset over 40 years on a straight-line basis.

K. 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.

L. 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.

Property Tax Calendar

Lien date	January 1, 2006
Levy (assessment) date (third Monday in August)	August 21, 2006
Due dates:	
First half of assessment	October 2, 2006
Second half of assessment	March 1, 2007
Penalties and interest added (collection dates):	
First half of assessment	November 1, 2006
Second half of assessment	May 1, 2007

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 ratio 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, 2007, is as follows:

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

Fund	Rate
General fund	\$ 0.31
General obligation debt service fund	1.41
Total	\$ 1.72

M. 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 after one year of service, 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, 2007, 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.

N. 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.

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.

O. 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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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.

P. 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.

Q. 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 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.

R. 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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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 2006-07 was \$215.

II. Compliance - Excess of expenditures over appropriations

For the year ended June 30, 2007, expenditures exceeded appropriations in the Transportation fund and Community Development Block Grant fund (the legal level of budgetary control) by \$93 and \$123, respectively. These over-expenditures were funded by operating transfers.

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 \$56,250 and the bank balances were \$59,579. The difference of \$3,329 represents deposits in transit, outstanding checks and other reconciling items. Of the bank balance, \$300 was insured by the Federal Depository Insurance Corporation (FDIC). The remaining bank balances were covered by \$101,406 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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

As of June 30, 2007, 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	\$ 52,668	\$ -	\$ 52,668
U.S. Agencies	121,285	2,998	124,283
Total investments	173,953	2,998	176,951
State LGIP total	77,493	-	77,493
Grand total investments	\$ 251,446	\$ 2,998	254,444
Cash deposits			56,228
Other restricted cash			20,054
Total deposits and investments			\$ 330,726

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, 2007, 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&P Rating</u>	<u>% of Investments</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Agencies	Aaa	AAA	70.24%	0.32
Commercial paper	P1	A-1+	29.76%	0.11

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>
FNMA Total	U.S. Agencies	\$ 55,370
FHLB Total	U.S. Agencies	28,398
FHLMC Total	U.S. Agencies	25,525
FFCB Total	U.S. Agencies	14,990
Citigroup Funding Total	Commercial Paper	11,944
CC USA Total	Commercial Paper	10,940
ING Funding Total	Commercial Paper	9,933
UBS Finance Total	Commercial Paper	9,912

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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

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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, 2007, is as follows:

	Balances June 30, 2006	Additions	Transfers	Disposals	Balances June 30, 2007
Governmental activities					
Non-depreciable assets:					
Construction in progress	\$ 98,504	\$ 166,095	\$ (12,775)	\$ -	\$ 251,824
Land	63,372	6,867	-	(34)	70,205
Artwork	1,189	9	250	-	1,448
Total non-depreciable assets	<u>163,065</u>	<u>172,971</u>	<u>(12,525)</u>	<u>(34)</u>	<u>323,477</u>
Depreciable assets:					
Buildings	183,649	767	-	-	184,416
Improvements other than buildings	125,523	1,430	4,076	-	131,029
Infrastructure - streets	498,237	7,919	7,277	-	513,433
Infrastructure - parks	63,121	-	787	-	63,908
Infrastructure - flood/storm drains	30,296	299	260	-	30,855
Infrastructure - airport	13,256	-	125	-	13,381
Machinery and equipment	29,586	1,939	-	(5)	31,520
Computer equipment	1,578	909	-	-	2,487
Software	688	47	-	-	735
Automotive equipment	32,025	4,820	-	(2,117)	34,728
Total depreciable assets at historical cost	<u>977,959</u>	<u>18,130</u>	<u>12,525</u>	<u>(2,122)</u>	<u>1,006,492</u>
Less accumulated depreciation for:					
Buildings	(38,079)	(5,269)	-	-	(43,348)
Improvements other than buildings	(54,122)	(6,336)	-	-	(60,458)
Infrastructure - streets	(126,702)	(12,866)	-	-	(139,568)
Infrastructure - parks	(11,434)	(2,445)	-	-	(13,879)
Infrastructure - flood/storm drains	(3,492)	(409)	-	-	(3,901)
Infrastructure - airport	(5,100)	(437)	-	-	(5,537)
Machinery and equipment	(12,523)	(3,487)	-	5	(16,005)
Computer equipment	(1,157)	(302)	-	-	(1,459)
Software	(447)	(97)	-	-	(544)
Automotive equipment	(18,068)	(3,382)	-	1,988	(19,462)
Total accumulated depreciation	<u>(271,124)</u>	<u>(35,030)</u>	<u>-</u>	<u>1,993</u>	<u>(304,161)</u>
Total depreciable assets, net	<u>706,835</u>	<u>(16,900)</u>	<u>12,525</u>	<u>(129)</u>	<u>702,331</u>
Governmental activities capital assets, net	<u>\$ 869,900</u>	<u>\$ 156,071</u>	<u>\$ -</u>	<u>\$ (163)</u>	<u>\$ 1,025,808</u>

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

	Balances June 30, 2006	Additions	Disposals	Balances June 30, 2007
Business-type activities:				
Non-depreciable assets:				
Construction in progress - water and sewer	\$ 47,599	\$ 63,487	\$ (22,529)	\$ 88,557
Construction in progress - landfill	-	26	-	26
Construction in progress - housing authority	373	215	(51)	537
Land	11,609	-	-	11,609
Total non-depreciable assets	<u>59,581</u>	<u>63,728</u>	<u>(22,580)</u>	<u>100,729</u>
Depreciable assets:				
Buildings	14,034	51	-	14,085
Improvements other than buildings	24,297	2,743	-	27,040
Water lines	93,932	6,120	-	100,052
Sewer lines	115,736	1,880	-	117,616
Water treatment plant	105,776	16,096	-	121,872
Sewer treatment plant	134,618	75	-	134,693
Meters and services	27,609	-	-	27,609
Fire hydrants	5,187	-	-	5,187
Machinery and equipment	3,509	578	(145)	3,942
Computer equipment	1,213	14	-	1,227
Automotive equipment	16,124	1,848	(842)	17,130
Total depreciable assets at historical cost	<u>542,035</u>	<u>29,405</u>	<u>(987)</u>	<u>570,453</u>
Less accumulated depreciation for:				
Buildings	(5,144)	(456)	-	(5,600)
Improvements other than buildings	(4,524)	(1,270)	-	(5,794)
Water lines	(24,634)	(1,805)	-	(26,439)
Sewer lines	(35,207)	(2,535)	-	(37,742)
Water treatment plant	(40,150)	(3,350)	-	(43,500)
Sewer treatment plant	(11,087)	(3,863)	-	(14,950)
Meters and services	(7,667)	(744)	-	(8,411)
Fire hydrants	(1,607)	(102)	-	(1,709)
Machinery and equipment	(3,051)	(236)	144	(3,143)
Computer equipment	(996)	(17)	-	(1,013)
Automotive equipment	(10,515)	(1,679)	838	(11,356)
Total accumulated depreciation	<u>(144,582)</u>	<u>(16,057)</u>	<u>982</u>	<u>(159,657)</u>
Total depreciable assets, net	<u>397,453</u>	<u>13,348</u>	<u>(5)</u>	<u>410,796</u>
Business-type activities capital assets, net	<u>\$ 457,034</u>	<u>\$ 77,076</u>	<u>\$ (22,585)</u>	<u>\$ 511,525</u>

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

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Depreciation was charged to functions/programs as follows:

Governmental activities:

General	\$ 11,378
Public safety	3,812
Public works	2,116
Street maintenance	11,923
Community services	5,765
Community environment	36
Total depreciation expense	<u>\$ 35,030</u>

Business-type activities:

Water and sewer	\$ 13,606
Landfill	1,132
Sanitation	962
Housing	357
Total depreciation expense	<u>\$ 16,057</u>

V. Construction and other significant commitments

The City has active construction projects as of June 30, 2007. 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	\$ 79,788	\$ 686
Community services	46,023	1,885
Public safety	37,968	2,755
Public works	66,002	13,203
Street maintenance	22,043	11,877
Water and sewer facilities	88,557	19,059
Landfill	26	-
Housing	537	-
Total primary government	<u>\$ 340,944</u>	<u>\$ 49,465</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) to AZSTA. 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.

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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

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(amounts expressed in thousands)

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 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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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. 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 \$7,899 as of June 30, 2007. Changes in the balances of claims liabilities during the past two years are as follows:

	Risk Management		Workers' Compensation		Employee Benefits	
	2007	2006	2007	2006	2007	2006
Unpaid claims, beginning of fiscal year	\$ 3,837	\$ 2,960	\$ 1,962	\$ 2,247	\$ 1,694	\$ 2,475
Current year claims and changes in estimate	1,153	2,833	1,126	388	18,300	15,603
Claims payments	(1,243)	(1,956)	(990)	(673)	(17,939)	(16,384)
Balance at fiscal year end	<u>\$ 3,747</u>	<u>\$ 3,837</u>	<u>\$ 2,098</u>	<u>\$ 1,962</u>	<u>\$ 2,055</u>	<u>\$ 1,694</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, 2007, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2008	\$ 2,489	\$ 738
2009	2,398	663
2010	2,264	524
2011	2,898	459
2012	5,253	155
2013-2017	323	-
Total minimum lease payments	15,625	2,539
Less: Amount representing interest	(3,133)	(190)
Present value of net minimum lease payments	<u>\$ 12,492</u>	<u>\$ 2,349</u>

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

The assets acquired through capital leases are as follows:

Class of Property	Governmental Activities	Business-type Activities
Equipment	\$ 472	\$ 250
Automotive equipment	2,975	7,490
Building	197	150
Other	5,492	2,389
	9,136	10,279
Less: Accumulated depreciation	(4,300)	(4,755)
Total	\$ 4,836	\$ 5,524

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 2006-07 were \$512.

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 \$187,403 (cost of \$228,264 less accumulated depreciation of \$40,861). 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
2008	\$ 1,236
2009	963
2010	917
2011	874
2012	807
2013 and beyond	19,613
Total	\$ 24,410

VIII. Short-term debt

The City did not issue short-term debt for the year ended June 30, 2007.

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

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City 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. On January 1, 2007, final payment was made to retire the outstanding special assessment bond and interest due.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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, 2007:

	June 30, 2006	Additions	Reductions	June 30, 2007	Amounts Due Within One Year
General obligation (G.O.) bonds	\$ 175,155	\$ 61,000	\$ (11,921)	\$ 224,234	\$ 11,711
Special assessment debt					
with governmental commitment	39	-	(39)	-	-
Revenue bonds:					
Street and highway	35,940	-	(1,875)	34,065	3,170
Municipal property corporation	223,988	72,327	(2,785)	293,530	2,715
Total bonds payable	<u>435,122</u>	<u>133,327</u>	<u>(16,620)</u>	<u>551,829</u>	<u>17,596</u>
Notes payable:					
Notes payable	15,689	-	(9,410)	6,279	821
Total debt service	<u>15,689</u>	<u>-</u>	<u>(9,410)</u>	<u>6,279</u>	<u>821</u>
Other long-term obligations:					
Capital lease obligations	12,875	668	(1,051)	12,492	1,654
Compensated absences	12,753	2,265	(1,625)	13,393	10,294
Claims and judgments	7,493	20,644	(20,238)	7,899	5,026
Unamortized premium on debt					
issuance	5,542	1,198	(377)	6,363	456
Developer payable obligations	-	1,570	-	1,570	-
Arbitrage rebate payable	-	447	-	447	-
Total other long-term obligations	<u>38,663</u>	<u>26,792</u>	<u>(23,291)</u>	<u>42,164</u>	<u>17,430</u>
Total	<u>\$ 489,474</u>	<u>\$ 160,119</u>	<u>\$ (49,321)</u>	<u>\$ 600,272</u>	<u>\$ 35,847</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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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, 2007:

	June 30, 2006	Additions	Reductions	June 30, 2007	Amounts Due Within One Year
Water and sewer G.O. bonds	\$ 12,375	\$ -	\$ (780)	\$ 11,595	\$ 790
Landfill G.O. bonds	700	-	(180)	520	189
Water and sewer revenue/obligation bonds	190,020	44,500	(5,390)	229,130	5,680
Total bonds payable	<u>203,095</u>	<u>44,500</u>	<u>(6,350)</u>	<u>241,245</u>	<u>6,659</u>
Notes payable	12,285	-	(1,423)	10,862	623
Total notes payable	<u>12,285</u>	<u>-</u>	<u>(1,423)</u>	<u>10,862</u>	<u>623</u>
Capital lease obligations	2,613	701	(965)	2,349	661
Estimated closure and post-closure costs	10,388	589	-	10,977	-
Unamortized premium on debt issuance	6,267	1,184	(341)	7,110	400
Compensated absences	1,912	274	(88)	2,098	1,512
Housing noncurrent liabilities	21	9	-	30	-
Arbitrage rebate payable	140	344	-	484	-
Total other long-term obligations	<u>21,341</u>	<u>3,101</u>	<u>(1,394)</u>	<u>23,048</u>	<u>2,573</u>
Total	<u>\$ 236,721</u>	<u>\$ 47,601</u>	<u>\$ (9,167)</u>	<u>\$ 275,155</u>	<u>\$ 9,855</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, 2007.

<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, 2007

(amounts expressed in thousands)

G. Bonds payable

Bonds payable at June 30, 2007, 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, 2007</u>
<u>G.O. bonds payable from secondary assessed property taxes</u>					
Refunding	5.05-5.55	1993	2007	\$ 36,125	\$ 585
Various	4.15-4.60	1998	2008	12,000	2,865
Various	5.00-5.40	2000	2015	20,215	5,269
Various	2.50-5.00	2002	2022	40,235	30,555
Various	1.50-5.00	2003	2022	52,525	42,215
Various	3.00-5.00	2004	2019	36,645	32,360
Various	3.50-4.00	2005	2015	11,960	10,955
Refunding	5.00-5.00	2006	2015	9,065	9,065
Various	4.00-5.00	2006	2021	29,365	29,365
Various	4.00-5.00	2007	2022	61,000	61,000
Total					<u>224,234</u>
<u>Revenue bonds payable from highway user revenue funds</u>					
Streets	5.00-5.37	2000	2010	8,750	6,155
Streets	2.50-4.00	2004	2014	14,655	12,165
Streets	4.00-5.00	2006	2016	15,745	15,745
Total					<u>34,065</u>
<u>Municipal property corporation payable from general fund lease payments</u>					
Refunding	4.25-4.90	2000	2009	12,615	4,935
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	96,940
MPC refunding	4.70-4.70	2004	2033	7,250	7,250
MPC excise tax 2004A	2.00-5.00	2004	2014	10,880	9,160
MPC excise tax 2006A	4.00-5.00	2006	2026	33,250	33,250
MPC excise tax 2006B	8.00-8.00	2006	2021	87,000	87,000
Total					<u>293,530</u>
Total bonds payable recorded in governmental activities					551,829
Less current portion					<u>(17,596)</u>
Long-term portion of bonds payable recorded in governmental activities					<u>\$ 534,233</u>

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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, 2007</u>
<u>G.O. bonds payable from landfill fund</u>					
Landfill	5.00-5.40	2000	2015	\$ 1,460	\$ 520
Total					<u>520</u>
<u>G.O. bonds payable from water and sewer fund</u>					
Water and sewer	1.50-5.00	2003	2022	13,875	11,595
Total					<u>11,595</u>
<u>Revenue bonds/obligations payable from water and sewer fund</u>					
Various	4.75-5.75	2000	2010	53,000	24,630
Various	4.00-5.00	2004	2023	80,000	80,000
Various	4.00-5.25	2006	2026	80,000	80,000
Various	4.25-5.00	2007	2028	44,500	44,500
Total					<u>229,130</u>
Total bonds payable recorded in business-type activities					241,245
Less current portion					<u>(6,659)</u>
Long-term portion of bonds payable recorded in business-type activities					<u>\$ 234,586</u>

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, streets and transportation facilities, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities.

The City's unused bonded debt borrowing capacity as of June 30, 2007, is as follows:

	<u>6%</u>	<u>20%</u>
Capacity to incur bonded debt	\$ 82,259	\$ 274,198
Less: Bonded debt applicable to limit	<u>(62,033)</u>	<u>(149,716)</u>
Unused bonded debt capacity	<u>\$ 20,226</u>	<u>\$ 124,482</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, 2007

(amounts expressed in thousands)

H. Bonds authorized, issued and unissued

Bonds authorized but not fully issued as of July 1, 2007, are shown below:

G.O. Bonds	Authorized Amount	Issued through June 30, 2007	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 ⁽¹⁾	18,215	4,494	13,721
Economic development	50,500	16,088	34,412
Flood control	38,860	35,307	3,553
Governmental facilities ⁽¹⁾	40,910	12,385	28,525
Landfill development ⁽¹⁾	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	50,666	14,135
Transit ⁽¹⁾	6,935	185	6,750
<u>Voter authorized May 15, 2007</u>			
Flood control	20,554	-	20,554
Parks and recreation	16,155	-	16,155
Public safety	102,638	-	102,638
Streets and parking	79,065	11,827	67,238
Total G.O. bonds	\$ 598,367	\$ 193,878	\$ 404,489
<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 ⁽¹⁾	10,000	-	10,000
Total revenue bonds	66,000	49,657	16,343
Total bonds	\$ 664,367	\$ 243,535	\$ 420,832

(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

Notes to the Financial Statements

June 30, 2007

(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 \$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. \$ 381

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. 4,278

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. 1,620

Total notes payable recorded in governmental activities 6,279
Less current portion (821)
Long-term portion of notes payable recorded in governmental activities \$ 5,458

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

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. \$ 10,862

Total notes payable recorded in business-type activities 10,862
Less current portion (623)
Long-term portion of notes payable recorded in business-type activities \$ 10,239

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

J. Debt service requirements

Fiscal Year Ending	Highway	Landfill	Municipal	Various Purposes		Water and Sewer		Revenue Bonds/ Obligations	Total
	User Revenue Bonds	G.O. Bonds	Property Corporation Bonds	G.O. Bonds	Notes Payable	G.O. Bonds	Notes Payable		
2008	\$ 4,705	\$ 216	\$ 24,430	\$ 24,012	\$ 1,203	\$ 1,263	\$ 1,129	\$ 17,491	\$ 74,449
2009	4,696	139	25,502	22,543	1,023	1,263	1,129	17,467	73,762
2010	4,699	-	23,991	22,673	913	1,256	1,129	17,468	72,129
2011	4,690	-	24,528	22,630	1,374	1,251	1,129	17,471	73,073
2012	4,696	-	24,642	22,631	1,817	1,251	1,129	17,471	73,637
2013	4,699	-	24,672	22,642	1,679	1,259	1,129	17,468	73,548
2014	4,686	-	24,734	22,646	-	1,260	1,129	17,467	71,922
2015	1,953	-	22,833	22,596	-	1,249	1,129	17,467	67,227
2016	1,971	-	22,893	19,039	-	1,236	1,129	17,469	63,737
2017	-	-	25,266	18,951	-	1,226	1,129	17,466	64,038
2018	-	-	25,318	18,901	-	1,214	1,129	17,470	64,032
2019	-	-	25,371	14,475	-	-	1,129	17,467	58,442
2020	-	-	25,423	11,155	-	-	1,128	17,469	55,175
2021	-	-	25,486	11,197	-	-	1,128	17,468	55,279
2022	-	-	25,530	8,456	-	-	1,128	17,467	52,581
2023	-	-	15,255	-	-	-	-	18,599	33,854
2024	-	-	15,904	-	-	-	-	18,599	34,503
2025	-	-	15,958	-	-	-	-	18,595	34,553
2026	-	-	16,014	-	-	-	-	18,597	34,611
2027	-	-	13,420	-	-	-	-	11,431	24,851
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	36,795	355	529,432	284,547	8,009	13,728	16,932	355,563	1,245,361
Less interest	5,900	24	238,617	72,024	1,730	2,923	6,693	132,113	460,024
Principal	<u>\$ 30,895</u>	<u>\$ 331</u>	<u>\$ 290,815</u>	<u>\$ 212,523</u>	<u>\$ 6,279</u>	<u>\$ 10,805</u>	<u>\$ 10,239</u>	<u>\$ 223,450</u>	<u>\$ 785,337</u>

The following table discloses the debt service requirements as of June 30, 2007, 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
2008	\$ 33,593	\$ 40,856	\$ 74,449
2009	35,201	38,561	73,762
2010	35,211	36,918	72,129
2011	37,878	35,195	73,073
2012	40,231	33,406	73,637
2013-2017	203,730	136,742	340,472
2018-2022	199,538	85,971	285,509
2023-2027	123,905	38,467	162,372
2028-2032	61,825	13,038	74,863
2033-2034	14,225	870	15,095
Total	<u>\$ 785,337</u>	<u>\$ 460,024</u>	<u>\$ 1,245,361</u>

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

K. New bonds

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. As of June 30, 2007, an additional \$72,327 has been issued. 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.

On June 14, 2007, the City issued \$44,500 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 2008 through 2027 with various interest rates of 4.25% 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 and secured by a subordinate pledge of net revenues of the system.

On June 26, 2007, the City issued \$61,000 in general obligation bonds to finance the costs of acquisition, improvement and equipment of various projects relating to government facility public safety, flood control, and streets and parking. The bonds mature on various dates starting 2008 through 2022 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.

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 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, 2007, 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	-	17,358
Percentage of capacity used	0%	77%
Total closure and post-closure costs in present dollars:		
as of June 30, 2007	\$ 15,258	\$ 14,288
as of June 30, 2006	\$ 14,928	\$ 13,979
Closure and post-closure care costs:		
Amount remaining to be recognized		
as of June 30, 2007	\$ 15,258	\$ 3,311
Liability recognized as of June 30, 2007	\$ -	\$ 10,977

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

These amounts are based on what it would cost to perform all closure and post-closure care in fiscal year 2006-07. 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 38 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.

XI. Interfund transactions

A. Interfund receivables

Interfund balances at June 30, 2007, consisted of the following:

	<u>Due To</u>	<u>Due From</u>
Major governmental funds:		
General	\$ 3,229	\$ -
Non-major governmental funds:		
Community development block grants fund	-	234
Other special revenue fund	-	2,976
Non-major enterprise funds:		
Housing fund	-	19
Total	<u>\$ 3,229</u>	<u>\$ 3,229</u>

The interfund balances at June 30, 2007, 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, 2007, are expected to be repaid within one year.

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CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

B. Interfund transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfers to general fund from:

Transportation fund	\$ 268
Non-major governmental funds	
Development impact fees fund	87
Other special revenue fund	18
Municipal Property Corporation construction fund	132
Streets construction fund	77
Fire and police construction fund	69
Parks bond construction fund	11
Other construction fund	174
Landfill enterprise fund	141
Total transfers to general fund	<u>977</u>

Transfers to transportation fund from:

General fund	900
Streets construction fund	4,276
	<u>5,176</u>

Transfers to non-major governmental funds from:

General fund	1,965
Transportation fund	750
Total transfers to non-major governmental fund	<u>2,715</u>

Transfers to non-major debt service funds from:

General fund	5,240
Non-major governmental funds	
Highway users gas tax fund	4,770
Special assessment debt service fund	112
Other special revenue fund	5,827
Other construction fund	128
Total transfers to non-major debt service fund	<u>16,077</u>

Transfers to water and sewer enterprise fund from:

Landfill enterprise fund	<u>14</u>
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Transfers to non-major enterprise funds from:

General fund	<u>505</u>
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Grand total all transfers	<u><u>\$ 25,464</u></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.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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 2007 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

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, 2007, the City intended to honor \$57,899 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, 2007, the City recognized a loss of \$33. 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, 2007, (unaudited) is as follows:

Assets	
Current assets	\$ 76,893
Capital assets, net of accumulated depreciation	694,205
Total assets	<u>771,098</u>
Liabilities	
	<u>68,444</u>
Net assets	<u>\$ 702,654</u>
Total revenues	\$ 161,445
Total expenses	(62,933)
Increase in net assets	<u>\$ 98,512</u>

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

Calculation of the City's equity:

City's share of SROG equity	\$ 48,428
(Total equity of \$702,654	
plus unrealized loss of \$2,591 less assets not	
owned by the City of \$141,477 multiplied by 8.59%)	
Net capitalized interest on the City's records	680
City contributions not yet received by SROG	5,674
Total City equity	<u>\$ 54,782</u>

Change in the City's equity:

Capital contributed to the joint venture	\$ 9,523
Net loss on joint venture	(33)
Net increase in equity	<u>\$ 9,490</u>

Copies of separate financial statements of the joint venture can be obtained from Arizona Municipal Water Users Association, 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). \$ 212

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. 2,633

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. 6

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. 56

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

Reserved for court security

Security surcharges collected by the City Court are required by ordinance to be spent solely on court security. \$ 88

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). 54

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. 127

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. 197

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. 3,162

Reserved for vehicle/equipment replacement

For future scheduled replacement of existing equipment and vehicles. 3,965

Total reserved for general fund type \$ 10,500

Designated for computer replacement

For future schedule replacement of existing personal computers. \$ 2,963

Designated 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. 220

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. 66

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. 97

Designated for telephone

For payment of future telephone charges and maintenance. 59

Total designated for general fund type \$ 3,405

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(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).

\$ 158

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.

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	1,563
Citywide recreation facilities	1,235
Citywide open space & trails	65
District No. 1	446
District No. 2	931
District No. 3	219

Library:

Buildings	2,715
Books	201
Library	3,000
Fire protection facilities	761
Police facilities	1,622
Transportation	9,371
General government	<u>1,659</u>
Total reserved for development impact fees	<u>23,788</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	2,032
Federal	<u>98</u>
Total reserved for drug enforcement	<u>2,130</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	424
Fire	<u>203</u>
Total reserved for police and fire activities	<u>627</u>

Total reserved for special revenue fund type

\$ 26,750

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

TRANSPORTATION FUND

Designated for local transportation assistance

For specific transit-related buildings and equipment \$ 716

NON-MAJOR GOVERNMENTAL FUNDS

Designated for home program

For community development block grant home program activities. 100

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. 539

Total designated for special revenue fund type \$ 1,355

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 \$ 11,910

Municipal property corporation 166

Highway users 115

Total reserved for debt service fund type \$ 12,191

Capital Projects Fund Type

NON-MAJOR GOVERNMENTAL FUNDS

Reserved for capital projects

Certain assets have been reserved for future flood control storm drain construction. \$ 919

Total reserved for capital projects fund type \$ 919

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. \$ 18,595

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. 9,199

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. 466

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. 551

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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.

\$ 1,057

Total designated for capital projects fund type

\$ 29,868

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.

\$ 229

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.

1,116

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.

8,689

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.

413

Total water and sewer

10,447

NON-MAJOR PROPRIETARY FUNDS

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

1,434

Total restricted for enterprise fund type

\$ 11,881

Permanent Fund Type

NON-MAJOR GOVERNMENTAL FUNDS

Reserved for cemetery perpetual care

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

\$ 5,169

Total reserved for permanent fund type

\$ 5,169

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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
Phoenix, Arizona 85012-0250

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

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

(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, 2007, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.10% (8.60% retirement and 0.50% 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, 2007, 2006 and 2005 were \$12,697, \$9,310 and \$7,094, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7.00% of the members' annual covered payroll. The City was required to remit contributions of 18.55% 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, 2007, 2006 and 2005 were \$59, \$39 and \$29, respectively, which were equal to the required contributions for the year.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

Agent Plans. For the year ended June 30, 2007, 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 11.53% and 13.05% for Fire and Police, respectively.

Annual Pension Cost (APC). The City's pension cost for Police and Fire for the year ended June 30, 2007, the date of the most recent available actuarial valuation, and related information follow.

	<u>Fire</u>	<u>Police</u>
Contribution rates:		
City	11.53%	13.05%
Plan members	7.65%	7.65%
Annual pension cost	\$1,812	\$3,270
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	29 years for unfunded actuarial accrued liability, 20 years for excess	29 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, 2007, follows.

Contributions required and contributions made

<u>Year Ended June 30</u>	<u>APC</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police			
2007	\$ 3,270	100.0 %	\$ -
2006	\$ 2,991	100.0 %	\$ -
2005	\$ 2,172	100.0 %	\$ -
Fire			
2007	\$ 1,812	100.0 %	\$ -
2006	\$ 842	100.0 %	\$ -
2005	\$ 895	100.0 %	\$ -

Includes insurance premium tax, where applicable.

E. Required supplementary information

Analysis of funding progress for the agent plan as of the most recent available actuarial valuation, June 30, 2007, follows.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

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
Police						
2007	\$ 75,860	\$ 128,670	\$ 52,810	59.0%	\$ 25,375	208.1%
2006	\$ 77,968	\$ 110,181	\$ 32,213	70.8%	\$ 22,052	146.1%
2005	\$ 74,645	\$ 96,763	\$ 22,118	77.1%	\$ 19,240	115.0%

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
Fire						
2007	\$ 58,882	\$ 83,023	\$ 24,141	70.9%	\$ 16,029	150.6%
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%

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 life insurance to participants. The retired employees pay the entire cost of their participation in the plan. The impact of GASB 43 and 45 OPEB is currently under review.

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.

XIX. Subsequent events

On July 12, 2007, the City received the \$61,000 par amount of bond proceeds from the 2007 General Obligation Bonds sold on June 26, 2007. Principal and interest on the bonds will be paid from secondary property tax revenues. The proceeds will be used to finance construction of streets, parking, public safety, flood control and government facility projects.

CITY OF GLENDALE, ARIZONA

Notes to the Financial Statements

June 30, 2007

(amounts expressed in thousands)

On July 12, 2007, the Arizona non-profit corporation Western Loop 101 Public Facilities Corporation was organized under Chapter 26, Title 10 of the Arizona Revised Statutes. The purpose of the corporation is to cause construction and equipping of a spring training facility for two Major League Baseball teams and all other related improvements or fixtures (the Project). The Board of Directors, as authorized by Mayor and Council in the formation of the corporation, can borrow an amount not to exceed \$125,000 (the Obligations) for the cost of design, construction, installation, equipping, and improvement of the Project. The Obligations are debt of the corporation and not the City. In addition, the City Manager is authorized by Mayor and Council to execute the necessary documents related to the Project, and the Chief Financial Officer is authorized to advance funds for Project for which funds may be reimbursed by proceeds from the Obligations. The Board of Directors of the corporation shall consist of four city employees and one private citizen with experience in the sports facility industry. Subsequent to year-end, contracts have been entered into for architect services in the amount of \$5,060, preconstruction services in the amount of \$948, and \$3,488 for engineering and surveying services for the project. City funds advanced to pay for costs of the Project total \$1,420.

On September 11, 2007, the Citizens of Glendale, at a special election, voted and passed proposition 401 Public Safety Funding Enhancement. This amendment to the City Code increased the privilege (sales) tax and retail sales tax rate, excluding food for home consumption by four-tenths of one percent (.4%) effective November 1, 2007. The revenue generated by this increase will be dedicated for public safety needs, two-thirds for police and one-third for fire.

On November 6, 2007, the City issued \$109,110 in transportation excise tax revenue bonds, series 2007. Proceeds will be used to finance transportation projects throughout the City. The revenues pledged for the repayment of the bonds will come from the half cent sales tax approved by voters in 2001 and dedicated solely for transportation projects.

The property tax rate for the 2007-08 fiscal year decreased for citizens of Glendale from \$1.72 to \$1.62 per one hundred dollars of assessed value. The ten cent tax rate decrease is minimized by the increase in property values in Glendale.

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City of Glendale, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

REQUIRED SUPPLEMENTARY INFORMATION

(other than MD&A)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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City of Glendale, Arizona
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2007
(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, 2006	\$ 60,266	\$ 60,266	\$ 75,216	\$ 14,950
RESOURCES (INFLOWS):				
Taxes	67,122	69,149	70,324	1,175
Licenses and permits	11,397	12,127	10,316	(1,811)
Intergovernmental	57,089	61,159	61,156	(3)
Charges for services	25,747	24,415	27,041	2,626
Fines and forfeitures	3,277	3,566	3,932	366
Investment income (loss)	1,285	525	2,773	2,248
Proceeds from disposal of assets	-	-	818	818
Capital lease proceeds.	-	-	668	668
Miscellaneous	4,978	3,705	2,317	(1,388)
Total revenues	<u>170,895</u>	<u>174,646</u>	<u>179,345</u>	<u>4,699</u>
Add: Transfers in	-	-	1,044	1,044
Less: Transfers out	<u>(6,842)</u>	<u>(6,842)</u>	<u>(8,677)</u>	<u>(1,835)</u>
Amounts available for appropriation	<u>224,319</u>	<u>228,070</u>	<u>246,928</u>	<u>18,858</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government	36,290	38,063	30,725	7,338
Public safety	78,145	79,676	77,873	1,803
Public works	25,677	26,048	25,153	895
Community services	34,205	33,826	26,945	6,881
Community environment	336	745	247	498
Street maintenance	1,341	1,663	659	1,004
Contingencies	16,568	12,832	-	12,832
Miscellaneous	5,113	6,197	2,788	3,409
Debt service:				
Principal	8,572	8,532	8,476	56
Interest	1,435	1,435	1,202	233
Capital outlay	<u>12,300</u>	<u>14,463</u>	<u>10,178</u>	<u>4,285</u>
Total charges to appropriations	<u>219,982</u>	<u>223,480</u>	<u>184,246</u>	<u>39,234</u>
Budgetary fund balance, June 30, 2007	<u>\$ 4,337</u>	<u>\$ 4,590</u>	<u>\$ 62,682</u>	<u>\$ 58,092</u>

(Continued)

City of Glendale, Arizona
Budgetary Comparison Schedule (continued)
General Fund
For the Fiscal Year Ended June 30, 2007
(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.	\$ 246,928
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(75,216)
Market adjustment on restricted investments not available for appropriation.	2,185
Internal charges for services provided.	(22,258)
Proceeds from disposal of assets.	(813)
Capital lease proceeds.	(668)
Less: Transfers in.	(1,044)
Add: Transfers out.	8,677
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 157,791</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 184,246
Capital outlay funded by capital lease.	25
Salaries payable.	(7,932)
Change in prepaid assets or inventory.	40
Internal charges for services provided.	(13,642)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 162,737</u>

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

City of Glendale, Arizona
Budgetary Comparison Schedule
Transportation Fund
For the Fiscal Year Ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1, 2006	\$ 27,957	\$ 27,957	\$ 24,155	\$ (3,802)
RESOURCES (INFLOWS):				
Taxes	23,475	26,001	25,051	(950)
Intergovernmental	6,258	1,832	4,613	2,781
Charges for services	200	200	197	(3)
Investments	447	533	997	464
Proceeds from disposal of assets	-	-	4	4
Long term debt issued	25,000	-	-	-
Miscellaneous Revenues	-	327	9	(318)
Total revenues	<u>55,380</u>	<u>28,893</u>	<u>30,871</u>	<u>1,978</u>
Add: Transfers in	65,971	67,178	50,760	(16,418)
Less: Transfers out	(65,821)	(66,029)	(46,603)	19,426
Amounts available for appropriation	<u>83,487</u>	<u>57,999</u>	<u>59,183</u>	<u>1,184</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Community services	13,928	10,708	9,365	1,343
Debt service:				
Principal retirement	-	-	1,414	(1,414)
Interest expense	-	-	176	(176)
Capital outlay	69,236	47,290	47,136	154
Total charges to appropriations	<u>83,164</u>	<u>57,998</u>	<u>58,091</u>	<u>(93)</u>
Budgetary fund balance, June 30, 2007	<u>\$ 323</u>	<u>\$ 1</u>	<u>\$ 1,092</u>	<u>\$ 1,091</u>

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.	\$ 59,183
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(24,155)
Proceeds from disposal of assets.	(4)
Less: Transfers in.	(50,760)
Add: Transfers out.	46,603
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 30,867</u>

Uses/outflows or resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 58,091
Change in compensated absences liability.	57
Salaries payable.	27
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 58,175</u>

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

CITY OF GLENDALE, ARIZONA

Notes to Required Supplementary Information

June 30, 2007

(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 30th ending actual budget basis fund balances rather than the June 30th 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.

**CITY OF GLENDALE (“CITY”)
FORM OF 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 Bonds (as defined below) by the City of Glendale Municipal Property Corporation (the “Corporation”) which have been purchased from the proceeds of the 2008 Bonds (as defined below). The Bonds are being issued pursuant to the City’s ordinance number _____ dated as of April 22, 2008 (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 Underwriter in complying with the requirements of the Rule (as defined below). The City represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriter 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, collectively, the \$9,140,000 Excise Tax Revenue Bonds, Series 2008C.

“Central Post Office” means as of any date, and entity then recognized by the Commission as eligible to received filing 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

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

FTInteractive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7392 (Primary Market Information)
E-Mail: NRMSIR@FTID.com

Standard & Poor’s Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@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 378294. The Final Official Statement relating to the Bonds is dated June 2, 2008 (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 of 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 or the Central Post Office) 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 of 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. Alternate Means of Disclosure. Notwithstanding the provisions hereof requiring that the Obligor file the Annual Reports, the notices of any Listed Event and certain other notices with each of the Repositories, for so long as there is a Central Post Office, the Obligor may instead comply with the provisions of this Disclosure Agreement by filing the Annual Reports and such notices with a Central Post Office.

7. 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/Central Post Office each time it is required to file information with such entities.

8. 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, if any, (or in the alternative of a Central Post Office) 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.

9. 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, if

(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.

10. 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, the Central Post Office).

11. 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.

12. 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.

13. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter 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.

14. 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.

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: June 10, 2008

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
Table 3—City of Glendale Unrestricted Excise Tax Receipts	
Table 4-- Excise Tax Revenues and the Senior Debt Service Requirements	
Table 5-- Excise Tax Revenues and the Senior and Subordinate Debt Service Requirements	
Table 6-- Outstanding Municipal Property Corporation Bonds	

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.

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS “APPENDIX F - “BOOK-ENTRY-ONLY SYSTEM” HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE CORPORATION, THE CITY, BOND COUNSEL OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2008C Bonds. The 2008C 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 2008C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 and www.dtc.org.

Purchases of 2008C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008C 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 2008C 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 2008C Bonds, except in the event that use of the book-entry system for the 2008C Bonds is discontinued.

To facilitate subsequent transfers, all 2008C 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 2008C 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 2008C Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2008C 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 2008C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2008C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2008C Bonds may wish to ascertain that the nominee holding the 2008C 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008C Bonds within a maturity 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 2008C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 2008C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2008C 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 Corporation or Trustee, 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, the Trustee, the Corporation or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or Trustee, 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 2008C Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

NEITHER THE CORPORATION, THE CITY NOR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2008C BONDS UNDER THE INDENTURE; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2008C BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2008C BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2008C BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2008C Bonds, as nominee for DTC, references herein to "Owner" or registered owners of the 2008C Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2008C Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Corporation or the Trustee to DTC only.

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)