

**City of Phoenix Civic Improvement Corporation**  
**An Arizona Nonprofit Corporation**  
(A Component Unit of the City of Phoenix, Arizona)

**Annual Financial Report**  
For the Fiscal Year Ended June 30, 2010

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**Annual Financial Report**  
For the Fiscal Year Ended June 30, 2010

**TABLE OF CONTENTS**

	<u>Page</u>
ADMINISTRATIVE ORGANIZATION	3
FINANCIAL SECTION	
Independent Auditor's Report	5
Management's Discussion and Analysis	7
Basic Financial Statements	
Entity-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Governmental Fund Financial Statements	
Balance Sheet	14
Reconciliation of the Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to the Financial Statements	
1. Summary of Significant Accounting Policies	18
2. Investments	21
3. Sales Contracts Receivable	22
4. Notes Receivable	31
5. Refunded Obligations	31
6. Bonds and Certificates Payable	32
7. Bond Anticipation Notes Payable	54
8. Construction Commitments	54
9. Subsequent Events	55



**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**ADMINISTRATIVE ORGANIZATION**

**Board Members**

*Wallace Estfan*  
*President*

*Michael R. Davis*  
*Vice President*

*James H. Lundy*  
*Secretary/Treasurer*

*Barbara Barone*  
*Director*

*Bruce Covill*  
*Director*

*Karlene Keogh*  
*Director*

**City of Phoenix Administrative Staff**

*David Cavazos*  
*City Manager*

*Jeffrey S. DeWitt*  
*Finance Director*





## Independent Auditor's Report

Board of Directors  
City of Phoenix Civic Improvement Corporation  
Phoenix, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Phoenix Civic Improvement Corporation (the "Corporation") (a Component Unit of the City of Phoenix, Arizona) as of and for the year ended June 30, 2010, which collectively comprise the Corporation's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of the Corporation'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. 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 and each major fund of the City of Phoenix Civic Improvement Corporation as of June 30, 2010, and the respective changes in financial position for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 7 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

*Clifton Gunderson LLP*

Phoenix, Arizona  
February 15, 2011



## Management's Discussion and Analysis

As management of the City of Phoenix Civic Improvement Corporation (the "Corporation"), a component unit of the City of Phoenix, Arizona (the "City") we offer the readers of the Corporation's basic financial statements this narrative overview and analysis of financial activities of the Corporation for the fiscal year ended June 30, 2010.

### Overview of the Basic Financial Statements

The Corporation is a blended component unit of the City of Phoenix. This discussion and analysis is intended to serve as an introduction to the Corporation's separate basic financial statements.

The Corporation's basic financial statements are comprised of the following three components:

- Entity-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Entity-wide financial statements.** The *entity-wide financial statements* are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business. These statements are presented on pages 12 - 13 of this report. Summarized versions of these statements are included in this MD&A.

The *Statement of Net Assets* presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of changes in the Corporation's financial position.

The *Statement of Activities* presents information showing how the Corporation'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 periods e.g., accounts payable. This is the full accrual method of accounting.

**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 Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal activities. All of the funds of the Corporation are categorized as governmental funds. The fund financial statements are presented on pages 14 - 17 of this report.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-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, which is the modified accrual basis of accounting.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 – 54 of this report.

## Condensed Financial Information and Analysis of Overall Financial Position

The following tables and analysis discuss the financial position and changes to the financial position for the Corporation as a whole as of and for the year ended June 30, 2010. The prior year's financial position and results are presented for comparative purposes.

Summary of net assets (in thousands):

	<u>2010</u>	<u>2009</u>
Total noncapital assets	\$ <u>5,452,313</u>	\$ <u>5,303,327</u>
Total assets	<u>5,452,313</u>	<u>5,303,327</u>
Current liabilities	626,578	353,279
Long-term liabilities	<u>4,707,364</u>	<u>4,853,047</u>
Total liabilities	<u>5,333,942</u>	<u>5,206,326</u>
Net assets		
Restricted for debt service	66,479	61,288
Restricted for capital projects	-	420,218
Unrestricted	<u>51,892</u>	<u>(384,505)</u>
Total net assets	\$ <u>118,371</u>	\$ <u>97,001</u>

Summary of changes in net assets (in thousands):

	<u>2010</u>	<u>2009</u>
Program revenues	\$ 591,133	\$ 566,343
Investment income	1,892	7,951
Payments from the City of Phoenix	1,564	-
Other Government Participation	<u>5,000</u>	<u>-</u>
Total revenues	<u>599,589</u>	<u>574,294</u>
Cost of sales	343,776	343,629
Interest on long-term debt	231,413	211,103
Payments to the City of Phoenix	-	3,586
Other expenses	<u>3,030</u>	<u>15,029</u>
Total expenses	<u>578,219</u>	<u>573,347</u>
Increase in net assets	\$ <u>21,370</u>	\$ <u>947</u>

Total assets increased by 2.8% in the current fiscal year from \$5,303,327 at June 30, 2009 to \$5,452,313 as of June 30, 2010. Total liabilities increased by 2.5% in the current fiscal year from \$5,206,326 in fiscal year 2009 to \$5,333,942 in fiscal year 2010. The increase in liabilities of \$127,616 is primarily due an increase in bond anticipation notes payable offset by a decrease in bonds payable. The net assets of the Corporation increased \$21,370 for the fiscal year ended June 30, 2010.

As noted earlier, the Corporation uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The following table and analysis summarizes changes in fund balances by major fund (in thousands).

	<u>Fund Balances</u> <u>June 30, 2009</u>	<u>Net Change in</u> <u>Fund Balances</u>	<u>Fund Balances</u> <u>June 30, 2010</u>
General	\$ 164	\$ (74)	\$ 90
Debt Service	61,288	5,191	66,479
Capital Projects	420,218	(472,501)	(52,283)
Total	<u>\$ 481,670</u>	<u>\$ (467,384)</u>	<u>\$ 14,286</u>

The General Fund accounts for trustee fees and other miscellaneous expenditures. The decrease in fund balance is due to the write off of previously recognized interest income for the Native American Connections, Inc (NACI) notes receivable that was restructured during fiscal year 2010. Fund balance for the rest of the general fund was essentially unchanged as the City provided financial resources to meet the expenditures of the fund.

The Debt Service Fund accounts primarily for current year principal and interest debt service payments. Fund balance increased by \$5,191, of which \$5,000 was due to funds received from the State of Arizona placed in reserve to pay for future debt service on the State of Arizona Distribution Revenue Bonds, Series 2005A.

The Capital Projects Fund accounts for the investment and expenditure of monies used for capital acquisitions and construction. The decrease in fund balance is primarily due to capital outlay expenditures from bond proceeds of previously issued debt and transfers to the debt service fund, offset by proceeds of bond anticipation notes issued during the fiscal year.

#### **Capital Asset and Debt Administration**

The Corporation records assets under construction or purchased with bond proceeds as assets held for sale to the City of Phoenix. Upon completion of the purchase and construction of the assets they are sold to the City. The Corporation does not record the completed assets on its financial statements, as the Corporation does not own any capital assets.

During the fiscal year ended June 30, 2010, the Corporation's bond and certificates payable decreased by \$121,022 due to routine debt service payments. There were no new bond issues or bond refunding during fiscal year 2010. Also, bond anticipation notes payable increased by \$220,000 due to the issuance of bond anticipation notes as noted below.

In July 2009, the Corporation issued \$100,000 of Wastewater Bond Anticipation Notes, Series 2009.

In October 2009, the Corporation issued an additional \$120,000 in Airport Revenue Bond Anticipation Notes (Aviation BANS) that was authorized in the previous fiscal year, bringing the Aviation Series 2008 bonds anticipation notes payable to \$200,000.

During fiscal year 2010, the Corporation made the final principal and interest payments for the Senior Lien Excise Tax Revenue Bonds (Phoenix Municipal Courthouse Project), Series 1999A and the Junior Lien Wastewater System Revenue Bonds, Series 2000.

Further detail pertaining to the Corporation's outstanding long-term debt is available in Note 6 on pages 32 - 53.

**Economic Factors**

There have been no changes in the Corporation's agreement with the City to receive payments for debt service requirements on outstanding debt. There have been no adverse changes in the City's financial position that would affect their ability to continue to make payments to the Corporation to fund payments on debt service.

**Requests for Financial Information**

This financial report is designed to provide a general overview of the City of Phoenix Civic Improvement Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Phoenix, Calvin C. Goode Municipal Building, Ninth Floor, 251 West Washington, Phoenix, Arizona, 85003.



# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## STATEMENT OF NET ASSETS

June 30, 2010

(in thousands)

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Restricted Cash and Securities with Fiscal Agents	\$ 57,132
Investments	362,658
Interest Receivable	675
Receivable from the City of Phoenix	66,786
Prepaid Items	32
Current Portion of Sales Contracts Receivable	<u>113,660</u>
Total Current Assets	600,943
Notes Receivable	859
Sales Contracts Receivable, Less Current Portion	3,035,876
Assets Held for Sale to the City of Phoenix	<u>1,814,635</u>
Total Assets	<u>5,452,313</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	106,318
Advances from the City of Phoenix	73,740
Bond Anticipation Notes Payable	300,000
Current Portion of Bonds and Certificates Payable	<u>146,520</u>
Total Current Liabilities	626,578
Payable to the City of Phoenix	859
Bonds and Certificates Payable, Less Current Portion	4,538,821
Unamortized Premium	165,742
Rebatable Arbitrage	<u>1,942</u>
Total Liabilities	<u>5,333,942</u>
<b>NET ASSETS</b>	
Restricted for Debt Service	66,479
Unrestricted	<u>51,892</u>
Total Net Assets	<u>\$ 118,371</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2010

(in thousands)

	<b>Governmental Activities</b>
<b>EXPENSES</b>	
Cost of Sales	\$ 343,776
Interest on Long-Term Debt	231,413
Issuance Costs	190
Trustee Fees	61
Other	2,779
Total Expenses	<u>578,219</u>
<b>PROGRAM REVENUES</b>	
Sales Contracts Income	383,961
Sales Contracts Interest Income	191,864
Other Income	15,308
Total Program Revenues	<u>591,133</u>
Net Program Revenues	<u>12,914</u>
<b>GENERAL REVENUES</b>	
Investment Income	1,892
Payments from the City of Phoenix	1,564
Other Government Participation	5,000
Total General Revenues	<u>8,456</u>
Change in Net Assets	21,370
<b>NET ASSETS, JULY 1, 2009</b>	<u>97,001</u>
<b>NET ASSETS, JUNE 30, 2010</b>	<u><u>\$ 118,371</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

(in thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and Securities with Fiscal Agents	\$ -	\$ 57,132	\$ -	\$ 57,132
Investments	-	9,346	353,312	362,658
Interest Receivable	58	1	616	675
Receivable from the City of Phoenix	1	106	-	107
Prepaid Items	32	-	-	32
	<hr/>			
Total Assets	<u>\$ 91</u>	<u>\$ 66,585</u>	<u>\$ 353,928</u>	<u>\$ 420,604</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 1	\$ 106	\$ 106,211	\$ 106,318
Bond Anticipation Notes Payable	-	-	300,000	300,000
	<hr/>			
Total Liabilities	1	106	406,211	406,318
Fund Balances (Deficits), Reserved	90	66,479	(52,283)	14,286
	<hr/>			
Total Liabilities and Fund Balances	<u>\$ 91</u>	<u>\$ 66,585</u>	<u>\$ 353,928</u>	<u>\$ 420,604</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2010

(in thousands)

Fund balances - total governmental funds balance sheet	\$ 14,286
Amounts reported for governmental activities in the statement of net assets are different because:	
Assets held for sale to the City of Phoenix are not financial resources and, therefore, are not reported in the governmental funds.	1,814,635
Sales contracts and notes receivable are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.	3,150,395
Receivable from the City of Phoenix for accrued interest on capital appreciation bonds is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.	66,679
Advances from the City of Phoenix that are payments for long-term liabilities are not reported in the governmental funds.	(73,740)
Long-term liabilities, including bonds and certificates payable and rebatable arbitrage, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,853,884)
Net assets of governmental activities - statement of net assets	<u>\$ 118,371</u>

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2010

(in thousands)

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals</b>
<b>REVENUES</b>				
Investment Income	\$ 6	\$ 390	\$ 1,496	\$ 1,892
Payments from the City of Phoenix	2,770	328,194	-	330,964
Other Government Participation		5,000		5,000
Total Revenues	<u>2,776</u>	<u>333,584</u>	<u>1,496</u>	<u>337,856</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	-	136,330	-	136,330
Interest	-	230,439	-	230,439
Capital Outlay	-	-	434,235	434,235
Payments to the City of Phoenix	10	1,196	-	1,206
Issuance Costs	-	-	190	190
Trustee Fees	61	-	-	61
Other	2,779	-	-	2,779
Total Expenditures	<u>2,850</u>	<u>367,965</u>	<u>434,425</u>	<u>805,240</u>
Revenues Under Expenditures	(74)	(34,381)	(432,929)	(467,384)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) Other Funds	-	39,572	(39,572)	-
Net Increase (Decrease) in Fund Balances	(74)	5,191	(472,501)	(467,384)
<b>FUND BALANCES, JULY 1, 2009</b>	<u>164</u>	<u>61,288</u>	<u>420,218</u>	<u>481,670</u>
<b>FUND BALANCES (DEFICITS), JUNE 30, 2010</b>	<u>\$ 90</u>	<u>\$ 66,479</u>	<u>\$ (52,283)</u>	<u>\$ 14,286</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, 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, 2010  
(in thousands)

Net change in fund balances - total governmental funds	\$ (467,384)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, those costs are reported as assets held for sale to the City of Phoenix.	434,235
Payments from the City of Phoenix for principal debt service payments provide current financial resources to the governmental funds but reduce long-term receivables in the statement of net assets.	(136,330)
Sales contracts income provides program revenue and cost of sales are an expense in the statement of activities. This is the amount by which the sales contracts income exceeded the costs of sales. Cost of sales and sales contracts income are not reported in the governmental funds.	40,185
Some expenses reported in the statement of activities including rebatable arbitrage, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	713
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments. There were no acquisitions or amounts refunded in the current year.	136,330
Bond discounts and premiums are amortized in the statement of activities but do not require the use of current financial resources and, therefore, are not reported in the governmental funds.	<u>13,621</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 21,370</u></u>

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

The City of Phoenix Civic Improvement Corporation (the "Corporation"), a component unit of the City of Phoenix, Arizona (the "City"), was organized under the laws of the State of Arizona as a nonprofit corporation for the purpose of acquiring real estate and constructing or otherwise acquiring or equipping buildings, structures or improvements to be utilized by the City for the benefit, common good, and general welfare of the City and its inhabitants. Upon dissolution, any remaining assets are to be distributed to the City. As a political subdivision, the Corporation is exempt from Federal income taxes and, accordingly, it has obtained an exemption from Arizona income taxes. The City performs and absorbs significantly all administrative functions and costs on behalf of the Corporation, including construction commitments.

### 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The following is a summary of the significant policies:

#### a. Reporting Entity

The Corporation is legally separate from the City, however, because its sole purpose is to finance and construct public facilities for the City, the Corporation's financial statements are included as a blended component unit of the City's reporting entity.

#### b. Basic Financial Statements

The basic financial statements constitute the core of the financial section of the Corporation's Annual Financial Report. The basic financial statements include the entity-wide financial statements, governmental fund financial statements, and the accompanying notes to these financial statements.

The entity-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Corporation as a whole. All activities are reported in the entity-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The entity-wide financial statements focus more on the sustainability of the Corporation as an entity and the change in aggregate financial position resulting from the activities of the fiscal year.

The entity-wide Statement of Net Assets reports all financial resources of the entity. It is displayed in a format of assets less liabilities equal net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are displayed in two components: 1) restricted and 2) unrestricted. Restricted net assets are those with constraints placed on their use. Those constraints are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the Corporation would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Reservations or designations of net assets imposed by the reporting entity, whether by administrative policy or legislative actions of the reporting entity, are not shown on the entity-wide financial statements. Cash is restricted for capital project expenditures, debt service, and trustee fees.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. Since the governmental fund financial statements are presented on a different basis than the entity-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to transform the fund financial statements into the entity-wide financial statements.

**c. Fund Accounting**

The Corporation uses governmental funds to report on its financial position and the results of its operations. The Corporation's fund financial statements are prepared using fund accounting to aid management by segregating transactions related to certain activities.

A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund balance, revenues and expenditures.

The Corporation considers the following funds to be major funds.

**General Fund**

The general fund is used to account for all financial resources except those required to be accounted for in other funds. This fund receives various financial resources that are used to pay trustee fees and other miscellaneous expenses. Financial resources may be transferred to other funds as needed.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, the principal and interest payments on the Corporation's debt.

**Capital Projects Fund**

The capital projects fund is used to account for the investment and expenditure of financial resources used for the acquisition or construction of capital facilities to be sold to the City of Phoenix. Funds in the capital projects fund can also be used for debt service payments.

**d. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The fund financial statements of the Corporation have been prepared using the modified accrual basis of accounting. Fund balances are restricted for use in debt retirement or payment of related expenditures, as provided for in the bond documents.

**e. Budget and Budgetary Accounting**

Budgeting for the financial activities of the Corporation is performed at the City level, not at the component unit level. As such, no budgetary disclosures are presented.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

### **f. Reservations and Designations**

Reservations and designations of fund balance are recorded to signify that a portion of fund balance is not appropriate for expenditure, or is legally segregated or earmarked by management for specific future use. The Corporation's fund balances are reserved for debt service and capital encumbrances.

### **g. Assets Held for Sale to the City of Phoenix**

The Corporation's assets held for sale are comprised solely of construction in progress. Upon completion of the purchase and construction, the assets are sold to the City, and the Corporation records a sales contract receivable and program revenue from the City of Phoenix. Assets sold to the City are either capital assets of the City or used as contributions for City joint ventures. Additionally, assets held for sale are reduced by the cost of the asset sold and charged to cost of sales.

### **h. Advances from the City of Phoenix**

Any principal debt service payments received from the City prior to the recording of the sales contract receivable are classified as advances from the City of Phoenix.

### **i. Long-Term Obligations**

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, in the period in which the bonds are issued. 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.

### **j. Deferred Gains and Losses**

From time to time, the corporation issues refunding bonds, wherein the proceeds and additional resources are used to purchase securities guaranteed by the United States government which are deposited in an irrevocable trust under an escrow agreement that states that all proceeds from the trust are to be used to fund principal and interest payments of the refunded debt. In accordance with the Corporation's stated purpose to promote the common good and general welfare of the City of Phoenix, any gains and/or losses realized as a result of a refunding issuance are not gains and/or losses of the Corporation, rather the gains and/or losses are realized by the City of Phoenix. Deferred gains and losses are due to the unamortized premium and discounts on the original bonds at the time of the refunding and the net book value difference between the original bonds and the refunding bonds. As of June 30, 2010, the City has assumed and recorded \$29 million of deferred losses from refunding.

### **k. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**2. Investments**

Investments are held in the City's name. The City Charter and ordinances authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, money market accounts, commercial paper, certificates of deposit, the State Treasurer's Local Government Investment Pool (LGIP), highly rated obligations issued or guaranteed by any state or political subdivision thereof rated in the highest short-term or second highest long-term category and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by a solvent U.S. corporation which are not in default as to principal or interest.

Investments are stated at fair value. Fair value is defined as the price at which two willing parties would complete the exchange. Management intends to hold these investments until maturity. The fair value of these securities at June 30, 2010, is as follows (in thousands):

	<u>Credit Quality Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury Securities	AAA (1)	\$ 185,122	0.283
U.S. Government Agency Securities			
FFCB Notes	AAA	24,043	0.526
FHLB Notes	AAA	86,334	0.203
FHLMC Notes	AAA	43,578	0.209
FNMA Notes	AAA	<u>23,581</u>	0.168
Total U.S. Government Agency Securities		<u>177,536</u>	0.244
Total Investments		<u>\$ 362,658</u>	0.264
(1) U.S. Government Guaranteed			

The distribution of the investments by bond issuance and bond anticipation note is as follows (in thousands):

Subordinated Excise Tax Revenue Bonds (Civic Plaza Expansion Project), Series 2005A	\$ 3,190
Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2006A	29,199
Subordinated Excise Tax Revenue Bonds, Series 2006B	273
Subordinated Excise Tax Revenue Bonds, Series 2007A	12,430
State of Arizona Distribution Revenue Bonds (Civic Plaza Expansion Project), Series 2005B	9,346
Transit Excise Tax Revenue Bonds (Light Rail Project), Series 2004	92,911
Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)	57,498
Senior Lien Airport Revenue Bonds, Series 2008B (AMT)	17,137
Airport Revenue Bond Anticipation Notes, Series 2008	38,846
Junior Lien Water System Revenue Bonds, Series 2009A	76,151
Wastewater Bond Anticipation Notes, Series 2009	<u>25,677</u>
<b>Totals</b>	<u>\$ 362,658</u>

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

### Interest Rate Risk

Exposure to interest rate risk is managed by matching investment maturities with anticipated expenses, and by limiting maturities as follows:

Commercial Paper	270 days final maturity
U.S. Treasury Securities	5 year final maturity
U.S. Government Agency Securities	5 year final maturity
Municipal Securities	5 years for long-term issues

### Credit Risk

Investments are limited to those with the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's (S&P) and Moody's Investors Service (Moody's). The portfolio is primarily invested in securities issued by the U.S. Treasury or by U.S. Government Agency Securities which carry long-term AAA ratings from both rating organizations. Commercial paper and municipal securities must have a short-term minimum rating of A1 by S&P and P1 by Moody's and a long-term uninsured rating of A+ by S&P and A1 by Moody's. The rating requirements do not apply to obligations issued by the City of Phoenix.

### Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total investments are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>
FFCB	U.S. Government Agency Securities	\$ 24,043
FHLB	U.S. Government Agency Securities	86,334
FHLMC	U.S. Government Agency Securities	43,578
FNMA	U.S. Government Agency Securities	23,581

### **3. Sales Contracts Receivable**

Under the terms of the sales contract agreements, the City agrees to pay a purchase price equal to the debt service requirements of the bonds and certificates issued by the Corporation to finance or refinance the purchases or construction of the property and equipment, plus expenses incurred by the Corporation for purposes approved by the City, less interest income earned on the Corporation's investments. Asset acquisition and construction costs are recorded as assets held for sale to the City of Phoenix. When construction is completed the asset is sold to the City.

The accompanying statement of net assets reflects the amounts due for completed assets as a receivable from the City. Principal and interest payments due from the City at June 30, 2010 are as follows (in thousands):

Total receivable from the City of Phoenix	\$5,214,745
Less: Deferred interest	(2,065,209)
	3,149,536
Less: Current portion	(113,660)
Sales Contracts Receivable	<u>\$3,035,876</u>

The descriptions of the sales contracts that are accounted for at the entity-wide level of the Corporation follow.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**Senior Lien Excise Tax Revenue Bonds (Adams Street Garage Project), Series 1999B**

On June 1, 1999, the Corporation entered into an agreement with the City under which the Corporation assisted the City in financing the acquisition and construction costs of a 1,700-space multi-level parking garage through the issuance of \$15,000,000 in Senior Lien Excise Tax Revenue Bonds, Series 1999B.

In June 2007, \$12,865,000 of Senior Lien Excise Tax Revenue Bonds (Adams Street Garage Project), Series 1999B were refunded. Debt service payments and other costs related to the Senior Lien Excise Tax Revenue Bonds (Adams Street Garage Project), Series 1999B which were not refunded are included in the Senior Lien Excise Tax Revenue Bonds (Adams Street Garage Project), Series 1999B.

**Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003**

The issuance of \$47,600,000 of Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003, dated May 1, 2003, refunded the outstanding \$46,645,000 of Senior Lien Excise Tax Revenue Bonds (New City Hall Project), Series 1993. The proceeds from the issuance of \$47,600,000 in Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003, were placed in an irrevocable trust to provide for future debt service payments on the refunded bonds.

In June 2007, \$19,915,000 of Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003 were refunded. The proceeds from the issuance of \$103,605,000 in Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007 were placed in an irrevocable trust to be applied to a portion of the maturing annual principal payments dated July 1, 2008 through July 1, 2026. Debt service payments and other costs related to the Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003 which were not refunded are included in the Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003.

**Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007**

The issuance of \$103,605,000 of Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007, dated June 1, 2007, refunded \$19,915,000 of Senior Lien Excise Tax Revenue Refunding Bonds (New City Hall), Series 2003; \$70,020,000 of Senior Lien Excise Tax Revenue Bonds (Phoenix Municipal Courthouse), Series 1999A; \$12,865,000 in Senior Lien Excise Tax Revenue Bonds (Adams Street Garage), Series 1999B; and \$1,240,000 of Senior Lien Excise Tax Revenue Refunding Bonds (Airport Improvements), Series 1994. The proceeds from the issuance of \$103,605,000 of Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007 were placed in an irrevocable trust to provide for future debt service payments on the refunded bonds.

**Municipal Multipurpose Arena Subordinated Excise Tax Revenue Refunding Bonds, Taxable Series 1998**

The issuance of \$48,740,000 in Municipal Multipurpose Arena Subordinated Excise Tax Revenue Refunding Bonds, Taxable Series 1998, dated January 15, 1998, refunded \$40,735,000 in Municipal Multipurpose Arena Subordinated Excise Tax Revenue Bonds, Series 1989 (Taxable). The proceeds from the issuance of \$48,740,000 of Municipal Multipurpose Arena Subordinated Excise Tax Revenue Refunding Bonds, Taxable Series 1998, were placed in an irrevocable trust to provide for future debt service payments on the refunded bonds.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000**

On August 1, 2000, the Corporation entered into an agreement with the City under which the Corporation assisted in the financing of the acquisition of equipment and real property and construction of certain improvements through the issuance of \$65,000,000 of Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000.

In June 2004, \$4,880,000 of Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000 were refunded. The proceeds from the issuance of \$5,700,000 in Subordinated Excise Tax Revenue Refunding Bonds, Series 2004 were placed in an irrevocable trust to be applied to a portion of the maturing annual principal payments and a portion of the semiannual interest payments due July 1, 2004 through July 1, 2014 on the refunded bonds. Debt service payments and other costs related to the Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000 which were not refunded are included in the Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000.

In June 2007, \$19,185,000 of Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000 were refunded. The proceeds from the issuance of \$71,820,000 in Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B were placed in an irrevocable trust to be applied to a portion of the maturing annual principal payments dated July 1, 2008 through July 1, 2011.

In June 2009, the City of Phoenix defeased \$912,000 of outstanding City of Phoenix Civic Improvement Corporation Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000. Debt service payments and other costs related to the Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000 which were not refunded or defeased are included in the Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000.

**Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A**

On May 1, 2003, the Corporation entered into an agreement with the City under which the Corporation assisted in the financing of the acquisition of equipment and real property and construction of certain improvements to the City's solid waste collection and disposal system through the issuance of \$80,000,000 of Subordinated Excise Tax Revenue Bonds, Series 2003A.

In June 2007, \$45,610,000 of Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A were refunded. The proceeds from the issuance of \$71,820,000 of Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B were placed in an irrevocable trust to be applied to a portion of the maturing annual principal payment dated July 1, 2015 through July 1, 2023. Debt service payments and other costs related to the Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A which were not refunded are included in the Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A.

**Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003B**

On May 1, 2003, the Corporation entered into an agreement with the City under which the Corporation assisted in the financing of the acquisition of certain equipment and real property, and construction and renovation of certain improvements through the issuance of \$25,000,000 of Subordinated Excise Tax Revenue Bonds, Series 2003B.

**Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003C and 2003D**

On May 1, 2003, the Corporation entered into an agreement with the City under which the Corporation assisted in the financing of the acquisition and construction of economic development projects in downtown Phoenix through the issuance of \$35,000,000 of Subordinated Excise Tax Revenue Bonds, Series 2003C and 2003D.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**Subordinated Excise Tax Revenue Bonds, Series 2004**

On June 1, 2004, the Corporation entered into an agreement with the City under which the Corporation assisted in the financing of the acquisition of certain equipment and real property and construction of certain improvements through issuance of \$22,000,000 of Subordinated Excise Tax Revenue Bonds, Series 2004.

In June 2009, the City of Phoenix defeased \$1,810,000 of outstanding City of Phoenix Civic Improvement Corporation Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2004. Debt service payments and other costs related to the Subordinated Excise Tax Revenue Bonds, Series 2004 which were not defeased are included in the Subordinated Excise Tax Revenue Bonds, Series 2004.

**Subordinated Excise Tax Revenue Bonds (Civic Plaza Expansion Project), Series 2005A**

In September 2005, the Corporation entered into an agreement with the City for the purpose of paying a portion of the costs of constructing, expanding, modifying and improving the Phoenix Civic Plaza Convention Center through the issuance of \$300,000,000 of Subordinated Excise Tax Revenue Bonds (Civic Plaza Expansion Project), Series 2005A.

**Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2006A**

On June 1, 2006, the Corporation entered into an agreement with the City under which the Corporation assisted in financing the acquisition of equipment and real property and construction of certain improvements to the City's solid waste collection and disposal system through the issuance of \$84,265,000 of Subordinated Excise Tax Revenue Bonds, Series 2006A.

**Subordinated Excise Tax Revenue Bonds, Series 2006B**

On June 1, 2006, the Corporation entered into an agreement with the City under which the Corporation assisted in financing the acquisition of certain equipment and real property, and construction and renovation of certain improvements through the issuance of \$28,230,000 of Subordinated Excise Tax Revenue Bonds, Series 2006B.

**Subordinated Excise Tax Revenue Bonds, Taxable Series 2006C**

On June 1, 2006, the Corporation entered into an agreement with the City under which the Corporation assisted in financing the acquisition of certain equipment and real property, and construction and renovation of certain improvements through the issuance of \$41,920,000 of Subordinated Excise Tax Revenue Bonds, Series 2006C.

**Subordinated Excise Tax Revenue Bonds, Series 2007A**

On June 1, 2007, the Corporation entered into an agreement with the City under which the Corporation assisted in financing the construction of two new City of Phoenix Police Precincts through the issuance of \$21,115,000 of Subordinated Excise Tax Revenue Bonds, Series 2007A.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B**

The issuance of \$71,820,000 of Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B, dated June 1, 2007, refunded \$7,775,000 of Municipal Facilities Subordinated Excise Tax Revenue Refunding Bonds, Series 1997; \$19,185,000 of Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000; and \$45,610,000 of Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A. The proceeds from the issuance of \$71,820,000 in Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B, were placed in an irrevocable trust to provide for future debt service payments on the refunded bonds.

In June 2009, the City of Phoenix defeased \$1,100,000 of outstanding City of Phoenix Civic Improvement Corporation Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B. Debt service payments and other costs related to the Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B which were not defeased are included in the Subordinated Excise Tax Revenue Bonds, Series 2007B.

**Subordinated Excise Tax Revenue Refunding Bonds, Taxable Series 2007C**

On June 1, 2007, the Corporation entered into a purchase agreement with the City under which the Corporation assisted in refunding the outstanding \$34,380,000 of bonds issued by the Civic Plaza Building Corporation in 1998. The bonds were refunded through the issuance of \$35,670,000 in Subordinated Excise Tax Revenue Refunding Bonds, Taxable Series 2007C.

**State of Arizona Distribution Revenue Bonds (Civic Plaza Expansion Project), Series 2005B**

In October 2005, the Corporation entered into an agreement with the City for the purpose of paying a portion of the costs of constructing, expanding, modifying and improving the Phoenix Civic Plaza Convention Center through the issuance of \$275,362,352 of State of Arizona Distribution Revenue Bonds (Civic Plaza Expansion Project), Series 2005B.

**Transit Excise Tax Revenue Bonds (Light Rail Project), Series 2004**

In December 2004, the Corporation entered into an agreement with the City under which the Corporation assisted the City in the financing of a portion of the design, acquisition, equipping and construction of the City's light rail transit system through the issuance of \$500,000,000 of Transit Excise Tax Revenue Bonds (Light Rail Project), Series 2004.

**Senior Lien Airport Revenue Bonds, Series 1998A**

On August 1, 1998, the Corporation entered into a purchase agreement with the City to pay a portion of the cost of certain improvements and expansion projects at the City's airports. The purchase was financed through the issuance of \$150,000,000 in Senior Lien Airport Revenue Bonds, Series 1998A.

The City agreed to purchase the improvements funded with the proceeds of the Senior Lien Airport Revenue Bonds, Series 1998A pursuant to the City purchase agreement. The City's payments under the purchase agreement are to be made solely from net airport revenues. Net airport revenues generally include all income and revenue derived from the use and operation of the City's airports (excluding passenger facility charges, federal grants, and special facility revenues) and net of all expenses reasonably incurred in connection with the operation and maintenance of the airports (excluding depreciation and interest on money borrowed).

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**Senior Lien Airport Revenue Refunding Bonds, Series 2002A (AMT)**

The issuance of \$23,225,000 in Senior Lien Airport Revenue Refunding Bonds, Series 2002A, dated May 1, 2002 refunded \$2,880,000 in Senior Lien Excise Tax Revenue Refunding Bonds (Airport Improvements), Series 1994; \$1,810,000 in Airport Terminal Senior Lien Excise Tax Revenue Refunding Bonds, Series 1998; and \$19,750,000 in various City General Obligation and Airport Revenue Bonds. The proceeds from the issuance of \$23,225,000 in Senior Lien Airport Revenue Refunding Bonds, Series 2002A were placed in an irrevocable trust to provide for the maturing principal amounts due on July 1, 2002 on the refunded bonds.

The City agreed to purchase the improvements funded with the proceeds of the refunded bonds pursuant to the City purchase agreement. The City's payments under the purchase agreement are to be made solely from net airport revenues. Net airport revenues generally include all income and revenue derived from the use and operation of the City's airports (excluding passenger facility charges, federal grants and special facility revenues) and net of all expenses reasonably incurred in connection with the operation and maintenance of the airports (excluding depreciation and interest on money borrowed).

**Senior Lien Airport Revenue Bonds, Series 2002B (AMT)**

On May 1, 2002, the Corporation entered into a purchase agreement with the City to pay a portion of the cost of certain improvements and expansion projects at the City's airports. The purchase was financed through the issuance of \$231,390,000 in Senior Lien Airport Revenue Bonds, Series 2002B.

The City agreed to purchase the improvements funded with the proceeds of the Senior Lien Airport Revenue Bonds, Series 2002B pursuant to the City purchase agreement. The City's payments under the purchase agreement are to be made solely from net airport revenues. Net airport revenues generally include all income and revenue derived from the use and operation of the City's airports (excluding passenger facility charges, federal grants and special facility revenues) and net of all expenses reasonably incurred in connection with the operation and maintenance of the airports (excluding depreciation and interest on money borrowed).

**Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)**

On June 1, 2008, the Corporation entered into a purchase agreement with the City to pay a portion of the cost of various improvements at the Airport. The purchase was financed through the issuance of \$206,840,000 in Senior Lien Airport Revenue Bonds, Series 2008A.

The City agreed to purchase the improvements funded with the proceeds of the Senior Lien Airport Revenue Bonds, Series 2008A pursuant to the City purchase agreement. The City's payments under the purchase agreement are to be made solely from net airport revenues or amounts available in the 2008 Bond Reserve Fund. Net airport revenues generally include all income and revenue derived from the use and operation of the City's airports (excluding passenger facility charges, federal grants and special facility revenues) and net of all expenses reasonably incurred in connection with the operation and maintenance of the airports (excluding depreciation and interest on money borrowed).

# **CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

## **NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

### **Senior Lien Airport Revenue Bonds, Series 2008B (AMT)**

On June 1, 2008, the Corporation entered into a purchase agreement with the City to pay a portion of the cost of various improvements at the Airport. The purchase was financed through the issuance of \$43,160,000 in Senior Lien Airport Revenue Bonds, Series 2008B.

The City agreed to purchase the improvements funded with the proceeds of the Senior Lien Airport Revenue Bonds, Series 2008B pursuant to the City purchase agreement. The City's payments under the purchase agreement are to be made solely from net airport revenues or amounts available in the 2008 Bond Reserve Fund. Net airport revenues generally include all income and revenue derived from the use and operation of the City's airports (excluding passenger facility charges, federal grants and special facility revenues) and net of all expenses reasonably incurred in connection with the operation and maintenance of the airports (excluding depreciation and interest on money borrowed).

### **Senior Lien Airport Revenue Refunding Bonds, Series 2008C (Non-AMT)**

The issuance of \$109,850,000 in Senior Lien Airport Revenue Refunding Bonds, Series 2008C, dated June 18, 2008, refunded \$6,615,000 in Senior Lien Excise Tax Revenue Refunding Bonds (Airport Improvements), Series 1994; \$2,250,000 in Airport Revenue Bonds, Series 1994B; and \$102,575,000 in Airport Revenue Bonds, Series 1998A. The proceeds from the issuance of \$109,850,000 in Senior Lien Airport Revenue Refunding Bonds, Series 2008C were transferred to the respective paying agents for the bonds and interest being refunded.

### **Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT)**

The issuance of \$68,520,000 in Senior Lien Airport Revenue Refunding Bonds, Series 2008D, dated June 18, 2008, refunded \$6,945,000 in Airport Revenue Bonds, Series 1994C; \$14,875,000 in Airport Revenue Bonds, Series 1994D; \$31,000,000 in Subordinated Excise Tax Variable Rate Demand Revenue Bonds (Airport Improvements), Series 1995; and \$17,380,000 in Airport Terminal Senior Lien Excise Tax Revenue Refunding Bonds, Series 1998. The proceeds from the issuance of \$68,520,000 in Senior Lien Airport Revenue Refunding Bonds, Series 2008D were transferred to the respective paying agents for the bonds and interest being refunded.

### **Rental Car Facility Charge Revenue Bonds, Taxable Series 2004**

In June 2004, the Corporation entered into a purchase agreement with the City to pay a portion of the cost of designing, acquiring, constructing, and equipping certain facilities, infrastructure, site development, and equipment necessary for the operation of a consolidated rental car center at the Airport. The purchase was financed through the issuance of \$260,000,000 in Rental Car Facility Charge Revenue Bonds, Taxable Series 2004.

The City agreed to purchase the improvements funded with the proceeds of the Rental Car Facility Charge Revenue Bonds, Taxable Series 2004 pursuant to the City purchase agreement. The City's payments under the purchase agreement are to be made from a first priority pledge of the pledged revenues. The pledged revenues consist primarily of customer facility charges that have been collected from rental car customers from June 1, 2002 through the issuance of the 2004 Bonds and deposited to certain Trustee funds, customer facility charges collected after issuance of the 2004 Bonds and transferred to the Trustee, and investment income from investments therein.

The pledged revenues do not include amounts paid by the rental car center companies as ground rentals or concession fees or customer facility charges which exceed the pledged rate.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**Junior Lien Water System Revenue Refunding Bonds, Series 2001**

The issuance of \$99,980,000 of Junior Lien Water System Revenue Refunding Bonds, Series 2001, dated August 1, 2001 refunded \$87,120,000 of Junior Lien Water System Revenue Bonds, Series 1994 and \$12,795,000 of Junior Lien Water System Revenue Bonds, Series 1996. The proceeds from the issuance of \$99,980,000 of Junior Lien Water System Revenue Refunding Bonds, Series 2001 were placed in an irrevocable trust to provide for future debt service payments on the refunded bonds.

**Junior Lien Water System Revenue Bonds, Series 2002**

On April 1, 2002, the Corporation and the City entered into a purchase agreement to refund \$170,000,000 of outstanding bond anticipation notes and to pay \$50,000,000 of the cost of certain improvements of the City's water system. The purchase was financed through the issuance of \$220,000,000 of Junior Lien Water System Revenue Bonds, Series 2002.

The City's payments under the purchase agreement are to be made solely from designated revenues which are described as net operating revenues less the outstanding senior lien debt service requirements. Net operating revenues generally include all income and revenue derived from the ownership, use or operation of the City's Water System (excluding proceeds of special assessments; local, state or federal grants; capital improvement contract payments; or other money received for capital improvements to the Water System) and net of all expenses reasonably incurred in connection with the operation and maintenance of the Water System (excluding payments to others for construction of facilities to provide additional capacity for the Water System).

**Junior Lien Water System Revenue Refunding Bonds, Series 2003**

The issuance of \$11,325,000 of Junior Lien Water System Revenue Refunding Bonds, Series 2003, dated October 1, 2003 refunded \$10,000,000 of the City's Senior Lien Water System Revenue Refunding Bonds, Series 1993 and refunded \$591,000 of interest that was coming due on January 1, 2004 with respect to the Corporation's Junior Lien Water System Revenue Bonds, Series 2002. The proceeds from the issuance of \$11,325,000 of Junior Lien Water System Revenue Refunding Bonds, Series 2003 were transferred to the respective paying agents for the bonds and interest being refunded.

**Junior Lien Water System Refunding Certificates of Participation, Series 17**

The issuance of \$27,775,000 of Junior Lien Water System Refunding Certificates of Participation, Series 17, dated July 1, 2004, refunded the outstanding Junior Lien Water System Refunding Certificates of Participation, Series 1. The proceeds from the issuance were placed in an irrevocable trust to provide for future debt service payments on the refunded certificates.

**Junior Lien Water System Revenue Bonds, Series 2005**

On June 1, 2005, the Corporation and the City entered into an agreement under which the Corporation assisted in the financing of certain improvements of the City's water system and for the purpose of refunding the Corporation's outstanding Water System Revenue Bond Anticipation Notes, Series 2003. This agreement was financed through the issuance of \$600,000,000 of Junior Lien Water System Revenue Bonds, Series 2005.

**Junior Lien Water System Revenue Bonds, Series 2009A**

On June 2, 2009, the Corporation and the City entered into an agreement under which the Corporation assisted in the financing of certain improvements of the City's water system and for the purpose of refunding the Corporation's outstanding Water System Revenue Bond Anticipation Notes, Series 2007A and Series 2007B. This agreement was financed through the issuance of \$450,000,000 of Junior Lien Water System Revenue Bonds, Series 2009A.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**Junior Lien Water System Revenue Refunding Bonds, Series 2009B**

The issuance of \$90,295,000 of Junior Lien Water System Revenue Refunding Bonds, Series 2009B, dated June 2, 2009 fully refunded \$98,385,000 of the City's Junior Lien Water System Revenue Refunding Bonds, Series 1998. The proceeds from the issuance of \$90,295,000 of Junior Lien Water System Revenue Refunding Bonds, Series 2009B were transferred to the respective paying agents for the bonds and interest being refunded.

**Senior Lien Wastewater System Revenue Refunding Bonds, Series 2004B**

In January 2005, the Corporation entered into an agreement with the City for the purpose of refunding the Corporation's outstanding Wastewater System Lease Revenue Bonds, Series 1993 and Wastewater System Lease Revenue Refunding Bonds, Series 1993. The Senior Lien Wastewater System Revenue Refunding Bonds were issued in two series. The Senior Lien Wastewater System Variable Rate Demand Revenue Refunding Bonds, Series 2004A, were issued in a par amount of \$130,260,000 as variable rate bonds and the Senior Lien Wastewater System Revenue Refunding Bonds, Series 2004B, were issued in a par amount of \$102,020,000 as fixed rate bonds.

**Senior Lien Wastewater System Revenue Refunding Bonds, Series 2008**

The issuance of \$133,400,000 in Senior Lien Wastewater System Revenue Refunding Bonds, Series 2008, dated November 18, 2008, refunded \$130,260,000 in Senior Lien Variable Rate Demand Revenue Refunding Bonds, Series 2008. The City also terminated two interest rate swap agreements with respect to the refunded variable rate wastewater bonds.

**Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001**

The issuance of \$166,260,000 of Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001, dated July 1, 2001 refunded \$48,355,000 in Junior Lien Wastewater System Revenue Bonds, Series 1997 and \$109,310,000 in Junior Lien Wastewater System Revenue Bonds, Series 2000. The proceeds from the issuance of \$166,260,000 of Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001 were placed in an irrevocable trust to provide for future debt service payments on the refunded bonds.

**Junior Lien Wastewater System Revenue Bonds, Series 2004**

On December 1, 2004, the Corporation and the City entered into an agreement to refund \$100,000,000 of the Corporation's outstanding Wastewater System Bond Anticipation Notes, Series 2003 and to pay the cost of certain improvements of the City's wastewater system through the issuance of \$180,000,000 in Junior Lien Wastewater System Revenue Bonds, Series 2004.

**Junior Lien Wastewater System Revenue Bonds, Series 2007**

On November 1, 2007, the Corporation and the City entered into an agreement to refund \$150,000,000 of the Corporation's outstanding Wastewater System Bond Anticipation Notes, Series 2006 and to pay the cost of certain improvements of the City's wastewater system through the issuance of \$300,000,000 in Junior Lien Wastewater System Revenue Bonds, Series 2007.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**  
(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2010

**4. Notes Receivable**

On June 15, 2000, the Corporation and the City entered into a purchase agreement to purchase property and pay the cost of certain improvements to the property. The Corporation simultaneously entered into a purchase and loan agreement with Native American Connections, Inc. (NACI) for the resale of the property to NACI and to act as the lender for the purchase of and improvements to the property. The loan agreement has been recorded as a note receivable in the Native American Connections, Inc. Loan Funds.

On April 1, 2010, NACI, the Corporation and the City renegotiated the loan. The former rate of 5.06% was renegotiated and a new rate of 3% was applied retroactively to the inception of the loan. This change in rate along with the agreement to consider certain fee payments as principal reduced the principal of the loan to \$859,016 and accrued interest receivable to \$61,636.

<b>Amended Note Amount:</b>	\$859,016
<b>Original Agreement Date:</b>	June 15, 2000
<b>Amendment Date:</b>	April 1, 2010
<b>Maturity Date:</b>	January 1, 2021
<b>Interest Rate:</b>	3.00%
<b>Balance at June 30, 2010:</b>	\$859,016

Beginning on April 1, 2010 and every first of the month thereafter; the NACI will make monthly payments of \$3,361 each. Payments beginning on April 1, 2010 will be applied to the accrued interest receivable balance and monthly interest until December 1, 2013. Monthly payments will then be applied to principal and interest. In addition to the monthly payments, the NACI will make regularly scheduled principal payments of \$150,000 on January 1, 2014, \$250,000 on January 1, 2016 and \$282,363 on January 1, 2021.

**5. Refunded Obligations**

Future debt service on refunded bonds has been provided through advance refunding bond issues whereby refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued or guaranteed by the United States government. These securities are then deposited in an irrevocable trust under an escrow agreement which states that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flows generated by securities, will be sufficient to service the previously issued bonds.

The outstanding balance of the refunded debt and the related assets held in trust are not included in the accompanying financial statements. Advance refunding arrangements at June 30, 2010 were as follows (in thousands):

Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003	\$ 18,675
Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A	45,610
Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001	7,190
Junior Lien Wastewater System Revenue Bonds, Series 2004	4,960
Subordinated Excise Tax Revenue Bonds, Series 2004	1,670
Subordinated Excise Tax Revenue Refunding Bonds, Series 2004	5,700
Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B	1,080
<b>Totals</b>	<b>\$ 84,885</b>
 Assets Held in Trust (at fair value)	 <b>\$ 86,241</b>

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

### 6. Bonds and Certificates Payable

A schedule of the Corporation's long-term debt is as follows:

<u>Issue</u>	<u>Issue Date</u>	<u>Original Issuance</u>
Senior Lien Excise Tax Revenue Bonds (Adams Street Garage Project), Series 1999B	06/01/99	\$ 15,000,000
Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003	05/01/03	\$ 47,600,000
Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007	06/01/07	\$ 103,605,000
Municipal Multipurpose Arena Subordinated Excise Tax Revenue Refunding Bonds, Taxable Series 1998	01/15/98	\$ 48,740,000
Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000	08/01/00	\$ 65,000,000
Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A	05/01/03	\$ 80,000,000
Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003B	05/01/03	\$ 25,000,000
Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003C and 2003D	05/01/03	\$ 35,000,000
Subordinated Excise Tax Revenue Bonds, Series 2004	06/01/04	\$ 22,000,000
Subordinated Excise Tax Revenue Bonds (Civic Plaza Expansion Project), Series 2005A	09/13/05	\$ 300,000,000
Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2006A	06/01/06	\$ 84,265,000

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

<b>Purpose</b>	<b>Call and Redemption Terms</b>
To fund the acquisition and construction of a 1,700-space multi-level parking garage in downtown Phoenix.	Bonds maturing on or after July 1, 2010 are callable in whole or in part at any time, at rates ranging from 100% to 101% of par.
To refund a portion of the Corporation's Senior Lien Excise Tax Revenue Bonds (New City Hall Project), Series 1993.	Bonds maturing on or after July 1, 2014 are callable on 7/1/13 and thereafter, in whole or in part at any time, at 100% of par.
To refund a portion of the Senior Lien Excise Tax Revenue Refunding Bonds (New City Hall), Series 2003; a portion of the Senior Lien Excise Tax Revenue Bonds (Phoenix Municipal Courthouse), Series 1999A; a portion of the Senior Lien Excise Tax Revenue Bonds (Adams Street Garage), Series 1999B and a portion of Senior Lien Excise Tax Revenue Refunding Bonds (Airport Improvements), Series 1994.	Bonds maturing on or after July 1, 2018 are callable on 7/1/17 and thereafter, in whole or in part at any time, at 100% of par.
To refund a portion of the outstanding Municipal Multipurpose Arena Subordinated Excise Tax Revenue Bonds, Series 1989 (Taxable).	Bonds maturing on or after July 1, 2009 are callable in whole at any time, or in part on any interest payment date at 100% to 101% of par.
To fund the acquisition of equipment and real property and construction of certain improvements.	Bonds maturing on or after July 1, 2011 are callable on 7/1/10 and thereafter, in whole or in part at any time, at 100% to 101% of par.
To fund the acquisition of certain equipment and real property and construction of certain improvements to the City's solid waste collection and disposal system.	Bonds maturing on or after July 1, 2014 are callable on 7/1/13 and thereafter, in whole or in part at any time, at 100% of par.
To fund the acquisition of certain equipment and real property and funding the construction and renovation of certain improvements.	Bonds maturing on or after July 1, 2014 are callable on 7/1/13 and thereafter, in whole or in part at any time, at 100% of par.
To fund the acquisition and construction of economic development projects in downtown Phoenix.	Bonds maturing on or after July 1, 2014 are callable on 7/1/13 and thereafter, in whole or in part at any time, at 100% of par.
To fund the acquisition of certain equipment and real property and funding the construction of certain improvements.	Bonds maturing on or after July 1, 2015 are callable on 7/1/14 and thereafter, in whole or in part at any time, at 100% of par.
To fund a portion of the costs of the constructing, expanding, modifying and improving of the Phoenix Civic Plaza Convention Center	Bonds maturing on or after July 1, 2017 are callable on 7/1/15 and thereafter, in whole or in part at any time, at 100% of par.
To fund the acquisition, construction, equipment, and improvement of certain real and personal property for the City's solid waste collection and disposal system.	Bonds maturing on or after July 1, 2017 are callable on 7/1/16 and thereafter, in whole or in part at any time, at 100% of par.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

<b>Issue</b>	<b>Issue Date</b>	<b>Original Issuance</b>
Subordinated Excise Tax Revenue Bonds, Series 2006B	06/01/06	\$ 28,230,000
Subordinated Excise Tax Revenue Bonds, Taxable Series 2006C	06/01/06	\$ 41,920,000
Subordinated Excise Tax Revenue Bonds, Series 2007A	06/01/07	\$ 21,115,000
Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B	06/01/07	\$ 71,820,000
Subordinated Excise Tax Revenue Refunding Bonds, Series 2007C (Taxable)	06/01/07	\$ 35,670,000
State of Arizona Distribution Revenue Bonds (Civic Plaza Expansion Project), Series 2005B	10/06/05	\$ 275,362,352
Transit Excise Tax Revenue Bonds (Light Rail Project), Series 2004	12/10/04	\$ 500,000,000
Senior Lien Airport Revenue Bonds, Series 1998A	08/01/98	\$ 150,000,000
Senior Lien Airport Revenue Refunding Bonds, Series 2002A (AMT)	05/01/02	\$ 23,225,000
Senior Lien Airport Revenue Bonds, Series 2002B (AMT)	05/01/02	\$ 231,390,000
Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)	06/18/08	\$ 206,840,000

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

<b>Purpose</b>	<b>Call and Redemption Terms</b>
To fund the acquisition, construction, equipment, and improvement of certain real and personal property.	Bonds maturing on or after July 1, 2017 are callable on 7/1/16 and thereafter, in whole or in part at any time, at 100% of par.
To fund the acquisition, construction, equipment, and improvement of certain real and personal property.	Bonds maturing on or after July 1, 2017 are callable on 7/1/16 and thereafter, in whole or in part at any time, at 100% of par.
To fund the construction of a new City of Phoenix Police Precinct.	Bonds maturing on or after July 1, 2018 are callable on 7/1/17 and thereafter, in whole or in part at any time, at 100% of par.
To refund the outstanding Municipal Facilities Subordinated Excise Tax Revenue Refunding Bonds, Series 1997. Also, to refund a portion of Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000 and a portion of Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A.	Bonds maturing on or after July 1, 2018 are callable on 7/1/17 and thereafter, in whole or in part at any time, at 100% of par.
To refund the outstanding bonds issued by the Phoenix Civic Plaza Building Corporation in 1998 to build the Civic Plaza East Garage.	Bonds maturing on or after July 1, 2018 are callable on 7/1/17 and thereafter, in whole or in part at any time, at 100% of par.
To fund a portion of the cost of constructing, expanding, modifying and improving the Phoenix Civic Plaza Convention Center.	Bonds are not subject to redemption prior to maturity.
To fund a portion of the costs of the design, acquisition, equipping and construction of the City's light rail transit system.	Bonds maturing on or after July 1, 2015 are callable on 7/1/14 and thereafter, in whole or in part at any time, at 100% of par.
To fund a portion of certain improvements and expansion projects at the City's airports.	Series 1998A bonds maturing on or after July 1, 2009 are callable in whole or in part at any time, at 100% to 101% of par.
To refund a portion of the outstanding Senior Lien Excise Tax Revenue Refunding Bonds (Airport Improvements), Series 1994; a portion of the Airport Terminal Senior Lien Excise Tax Revenue Refunding Bonds, Series 1998; and a portion of various Airport General Obligation and Airport Revenue bonds.	Bonds maturing on or after July 1, 2013 are callable on 7/1/12 and thereafter, in whole or in part at any time, at 100% of par.
To fund a portion of certain improvements and expansion projects at the City's airports.	Bonds maturing on or after July 1, 2013 are callable on 7/1/12 and thereafter, in whole or in part at any time, at 100% of par.
To fund a portion of certain improvements at the City's airports.	Bonds maturing on or after July 1, 2019 are callable on 7/1/18 and thereafter, in whole or in part at any time, at 100% of par.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

<b>Issue</b>	<b>Issue Date</b>	<b>Original Issuance</b>
Senior Lien Airport Revenue Bonds, Series 2008B (AMT)	06/18/08	\$ 43,160,000
Senior Lien Airport Revenue Refunding Bonds, Series 2008C (Non-AMT)	06/18/08	\$ 109,850,000
Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT)	06/18/08	\$ 68,520,000
Rental Car Facility Charge Revenue Bonds, Taxable Series 2004	06/02/04	\$ 260,000,000
Junior Lien Water System Revenue Refunding Bonds, Series 2001	08/01/01	\$ 99,980,000
Junior Lien Water System Revenue Bonds, Series 2002	04/01/02	\$ 220,000,000
Junior Lien Water System Revenue Refunding Bonds, Series 2003	10/01/03	\$ 11,325,000
Junior Lien Water System Refunding Certificates of Participation, Series 17	07/01/04	\$ 27,775,000
Junior Lien Water System Revenue Bonds, Series 2005	06/01/05	\$ 600,000,000
Junior Lien Water System Revenue Bonds, Series 2009A	06/02/09	\$ 450,000,000
Junior Lien Water System Revenue Refunding Bonds, Series 2009B	06/02/09	\$ 90,295,000

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

<b>Purpose</b>	<b>Call and Redemption Terms</b>
To fund a portion of certain improvements at the City's airports.	Bonds maturing on or after July 1, 2019 are callable on 7/1/18 and thereafter, in whole or in part at any time, at 100% of par.
To refund the Senior Lien Excise Tax Revenue Refunding Bonds (Airport Improvements), Series 1994 and a 1994 Airport general obligation bond. Refunding a portion of the Senior Lien Airport Revenue Bonds, Series 1998A and 1998B.	Bonds maturing on or after July 1, 2019 are callable on 7/1/18 and thereafter, in whole or in part at any time, at 100% of par.
To refund the Subordinated Excise Tax Variable Rate Demand Revenue Bonds (Airport Improvements), Series 1995 and the Airport Terminal Senior Lien Excise Tax Revenue Refunding Bonds, Series 1998. Refunding various Airport general obligation bonds.	Bonds maturing on or after July 1, 2019 are callable on 7/1/18 and thereafter, in whole or in part at any time, at 100% of par.
To fund the majority of the cost of designing, acquiring, constructing and equipping certain facilities, infrastructures, site development, and equipment necessary for the operation of a consolidated rental car center at the Airport.	Bonds are callable in whole or in part at any time prior to maturity at 100% of par plus the make-whole premium, if any.
To refund a portion of the outstanding Junior Lien Water System Revenue Bonds, Series 1994 and a portion of the outstanding Junior Lien Water System Revenue Bonds. Series 1996.	Bonds are not subject to redemption prior to stated maturity.
To fund the improvements to the water system, and refunding of the outstanding Water System Revenue Bond Anticipation Notes, Series 2001A and 2001B.	Bonds maturing on or after July 1, 2013 are callable in whole at any time or in part on any interest payment date at 100% of par.
To refund the outstanding Senior Lien Water System Revenue Refunding Bonds, Series 1993 and paying a portion of the interest with respect to the Junior Lien Water System Revenue Bonds. Series 2002.	Bonds maturing on or after July 1, 2015 are callable in whole or in part at any time, at 100% of par.
To refund of the outstanding Junior Lien Water System Refunding Certificates of Participation, Series 1, dated September 1, 1992.	Certificates maturing after August 1, 2014 are callable prior to maturity in whole or in part on any interest payment date thereafter at 100% of par.
To refund the outstanding Water System Revenue Bond Anticipation Notes, Series 2003 and to fund the cost of certain improvements of the City's water system.	Bonds maturing on or after July 1, 2016 are callable in whole or in part at any time, at 100% of par.
To refund the outstanding Water System Revenue Bond Anticipation Notes, Series 2007A and 2007B and to fund the cost of certain improvements of the City's water system.	Bonds maturing on or after July 1, 2020 are callable on 7/1/19 and thereafter, in whole or in part at any time, at 100% of par.
To refund the outstanding Junior Lien Water System Revenue Refunding Bonds, Series 1998.	Bonds are not subject to redemption prior to maturity.

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

<b>Issue</b>	<b>Issue Date</b>	<b>Original Issuance</b>
Senior Lien Wastewater System Revenue Refunding Bonds, Series 2004B	01/11/05	\$ 102,020,000
Senior Lien Wastewater System Revenue Refunding Bonds, Series 2008	11/18/08	\$ 133,400,000
Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001	07/01/01	\$ 166,260,000
Junior Lien Wastewater System Revenue Bonds, Series 2004	12/01/04	\$ 180,000,000
Junior Lien Wastewater System Revenue Bonds, Series 2007	11/27/07	\$ 300,000,000

# CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

<b>Purpose</b>	<b>Call and Redemption Terms</b>
To refund the outstanding Wastewater System Lease Revenue Bonds, Series 1993, and Wastewater System Lease Revenue Refunding Bonds, Series 1993.	Bonds maturing on or after July 1, 2019 are callable on 7/1/18 and thereafter, in whole or in part at any time, at 100% of par.
To refund the outstanding Senior Lien Wastewater System Variable Rate Demand Revenue Refunding Bonds, Series 2004.	Bonds maturing on or after July 1, 2019 are callable on 7/1/18 and thereafter, in whole or in part at any time, at 100% of par.
To refund a portion of the outstanding Junior Lien Wastewater System Revenue Bonds, Series 1997 and a portion of the outstanding Junior Lien Wastewater System Revenue Bonds, Series 2000.	Bonds maturing on or after July 1, 2012 are callable on 7/1/11 and thereafter, in whole or in part at any time, at 100% of par.
To refund the outstanding Wastewater System Bond Anticipation Notes, Series 2003 and to fund the cost of certain improvements of the City's wastewater system.	Bonds maturing on or after July 1, 2015 are callable on 7/1/14 and thereafter, in whole or in part at any time, at 100% of par.
To refund the outstanding Wastewater System Bond Anticipation Notes, Series 2006 and to fund the cost of certain improvements of the City's wastewater system.	Bonds maturing on or after July 1, 2018 are callable on 7/1/17 and thereafter, in whole at any time or in part on any interest payment date at 100% of par.

Maturities for the bond issues and certificates of participation are on the following pages.

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30	Principal	Interest	Total
<b>Senior Lien Excise Tax Revenue Bonds (Adams Street Garage Project), Series 1999B</b>			
2011	\$ 410,000	\$ 20,500	\$ 430,500
	\$ 410,000	\$ 20,500	\$ 430,500

Coupon rates 5.00 - 5.88%  
 Effective interest rate 5.32%

**Senior Lien Excise Tax Revenue Refunding Bonds, Series 2003**

2011	\$ 1,390,000	\$ 941,775	\$ 2,331,775
2012	1,460,000	872,275	2,332,275
2013	1,530,000	799,275	2,329,275
2014	1,610,000	722,775	2,332,775
2015	1,675,000	658,375	2,333,375
2016-2020	3,570,000	2,334,375	5,904,375
2021-2025	2,450,000	1,843,875	4,293,875
2026-2029	6,725,000	804,375	7,529,375
	\$ 20,410,000	\$ 8,977,100	\$ 29,387,100

Coupon rates 2.00 - 5.00%  
 Effective interest rate 4.43%

**Senior Lien Excise Tax Revenue Refunding Bonds, Series 2007**

2011	\$ 2,425,000	\$ 4,980,550	\$ 7,405,550
2012	2,955,000	4,883,550	7,838,550
2013	3,075,000	4,754,350	7,829,350
2014	3,235,000	4,600,600	7,835,600
2015	3,390,000	4,440,850	7,830,850
2016-2020	25,700,000	19,228,875	44,928,875
2021-2025	34,840,000	11,703,413	46,543,413
2026-2029	27,445,000	3,125,024	30,570,024
	\$ 103,065,000	\$ 57,717,212	\$ 160,782,212

Coupon rates 4.00 - 5.00%  
 Effective interest rate 4.51%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Municipal Multipurpose Arena Subordinated Excise Tax Revenue Refunding Bonds, Taxable Series 1998</b>			
2011	\$ 2,570,000	\$ 1,821,160	\$ 4,391,160
2012	2,735,000	1,656,680	4,391,680
2013	2,910,000	1,481,640	4,391,640
2014	3,100,000	1,295,400	4,395,400
2015	3,280,000	1,109,400	4,389,400
2016-2019	15,210,000	2,347,800	17,557,800
	<u>\$ 29,805,000</u>	<u>\$ 9,712,080</u>	<u>\$ 39,517,080</u>

Coupon rates	<u>5.88 - 6.40%</u>
Effective interest rate	<u>6.64%</u>

**Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2000**

2011	\$ 2,435,000	\$ 140,012	\$ 2,575,012
	<u>\$ 2,435,000</u>	<u>\$ 140,012</u>	<u>\$ 2,575,012</u>

Coupon rates	<u>4.40 - 5.75%</u>
Effective interest rate	<u>4.94%</u>

**Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2003A**

2011	\$ 3,405,000	\$ 733,500	\$ 4,138,500
2012	3,575,000	563,250	4,138,250
2013	3,750,000	384,500	4,134,500
2014	3,940,000	197,000	4,137,000
	<u>\$ 14,670,000</u>	<u>\$ 1,878,250</u>	<u>\$ 16,548,250</u>

Coupon rates	<u>2.00 - 5.00%</u>
Effective interest rate	<u>4.17%</u>

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Municipal Facilities Subordinated Excise Tax Revenue Bonds, Series 2003B</b>			
2011	\$ 1,395,000	\$ 791,525	\$ 2,186,525
2012	1,465,000	721,775	2,186,775
2013	1,535,000	648,525	2,183,525
2014	1,610,000	571,775	2,181,775
2015	1,105,000	510,595	1,615,595
2016-2020	5,350,000	1,919,495	7,269,495
2021-2025	5,405,000	651,680	6,056,680
	<u>\$ 17,865,000</u>	<u>\$ 5,815,370</u>	<u>\$ 23,680,370</u>

Coupon rates	<u>2.00 - 5.00%</u>
Effective interest rate	<u>4.03%</u>

**Municipal Facilities Subordinated Excise Tax Revenue Bonds, Taxable Series 2003C and 2003D**

2011	\$ 790,000	\$ 1,849,069	\$ 2,639,069
2012	825,000	1,813,519	2,638,519
2013	860,000	1,775,039	2,635,039
2014	900,000	1,734,497	2,634,497
2015	945,000	1,691,106	2,636,106
2016-2020	5,505,000	7,683,003	13,188,003
2021-2025	7,160,000	6,013,378	13,173,378
2026-2030	9,455,000	3,727,726	13,182,726
2031-2033	7,080,000	829,727	7,909,727
	<u>\$ 33,520,000</u>	<u>\$ 27,117,064</u>	<u>\$ 60,637,064</u>

Coupon rates	<u>3.95 - 5.75%</u>
Effective interest rate	<u>5.65%</u>

**Subordinated Excise Tax Revenue Bonds, Series 2004**

2011	\$ 1,770,000	\$ 649,662	\$ 2,419,662
2012	1,870,000	552,313	2,422,313
2013	1,715,000	447,125	2,162,125
2014	1,805,000	357,088	2,162,088
2015	1,670,000	262,325	1,932,325
2016-2020	3,205,000	365,900	3,570,900
2021-2024	200,000	25,750	225,750
	<u>\$ 12,235,000</u>	<u>\$ 2,660,163</u>	<u>\$ 14,895,163</u>

Coupon rates	<u>3.00 - 5.63%</u>
Effective interest rate	<u>4.14%</u>

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Subordinated Excise Tax Revenue Bonds (Civic Plaza Expansion Project), Series 2005A</b>			
2011	\$ -	\$ 14,925,000	\$ 14,925,000
2012	-	14,925,000	14,925,000
2013	-	14,925,000	14,925,000
2014	-	14,925,000	14,925,000
2015	-	14,925,000	14,925,000
2016-2020	27,210,000	72,667,500	99,877,500
2021-2025	42,395,000	63,789,250	106,184,250
2026-2030	53,985,000	52,194,000	106,179,000
2031-2035	68,615,000	37,575,750	106,190,750
2036-2040	87,570,000	18,618,500	106,188,500
2041	20,225,000	1,011,250	21,236,250
	<u>\$ 300,000,000</u>	<u>\$ 320,481,250</u>	<u>\$ 620,481,250</u>

Coupon rates 4.25 - 5.00%

Effective interest rate 4.62%

**Subordinated Excise Tax Revenue Bonds (Solid Waste Improvements), Series 2006A**

2011	\$ 3,005,000	\$ 3,405,887	\$ 6,410,887
2012	3,170,000	3,285,688	6,455,688
2013	3,345,000	3,158,887	6,503,887
2014	3,530,000	3,025,088	6,555,088
2015	3,725,000	2,883,887	6,608,887
2016-2020	21,935,000	11,879,988	33,814,988
2021-2025	28,670,000	5,881,187	34,551,187
2026	6,715,000	285,387	7,000,387
	<u>\$ 74,095,000</u>	<u>\$ 33,805,999</u>	<u>\$ 107,900,999</u>

Coupon rates 4.00 - 5.00%

Effective interest rate 4.45%

**Subordinated Excise Tax Revenue Bonds, Series 2006B**

2011	\$ 5,325,000	\$ 443,050	\$ 5,768,050
2012	2,150,000	176,800	2,326,800
2013	2,270,000	90,800	2,360,800
	<u>\$ 9,745,000</u>	<u>\$ 710,650</u>	<u>\$ 10,455,650</u>

Coupon rates 4.00 - 5.00%

Effective interest rate 3.89%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Subordinated Excise Tax Revenue Bonds, Taxable Series 2006C</b>			
2011	\$ 905,000	\$ 2,468,407	\$ 3,373,407
2012	960,000	2,414,108	3,374,108
2013	1,015,000	2,354,107	3,369,107
2014	1,080,000	2,298,283	3,378,283
2015	1,145,000	2,238,342	3,383,342
2016-2020	5,625,000	10,219,985	15,844,985
2021-2025	7,195,000	8,261,925	15,456,925
2026-2030	9,640,000	5,681,825	15,321,825
2031-2035	12,900,000	2,412,000	15,312,000
	<u>\$ 40,465,000</u>	<u>\$ 38,348,982</u>	<u>\$ 78,813,982</u>

Coupon rates 5.50 - 6.50%

Effective interest rate 6.10%

**Subordinated Excise Tax Revenue Bonds, Series 2007A**

2011	\$ 775,000	\$ 882,100	\$ 1,657,100
2012	805,000	851,100	1,656,100
2013	840,000	818,900	1,658,900
2014	870,000	785,300	1,655,300
2015	910,000	748,325	1,658,325
2016-2020	5,185,000	3,103,525	8,288,525
2021-2025	6,570,000	1,709,013	8,279,013
2026-2027	3,090,000	221,825	3,311,825
	<u>\$ 19,045,000</u>	<u>\$ 9,120,088</u>	<u>\$ 28,165,088</u>

Coupon rates 4.00 - 5.00%

Effective interest rate 4.46%

**Subordinated Excise Tax Revenue Refunding Bonds, Series 2007B**

2011	\$ 945,000	\$ 3,352,250	\$ 4,297,250
2012	3,605,000	3,314,450	6,919,450
2013	3,790,000	3,162,200	6,952,200
2014	3,460,000	2,982,700	6,442,700
2015	7,750,000	2,817,200	10,567,200
2016-2020	31,650,000	9,037,750	40,687,750
2021-2023	17,715,000	1,743,350	19,458,350
	<u>\$ 68,915,000</u>	<u>\$ 26,409,900</u>	<u>\$ 95,324,900</u>

Coupon rates 3.75 - 4.50%

Effective interest rate 4.33%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Subordinated Excise Tax Revenue Refunding Bonds, Series 2007C (Taxable)</b>			
2011	\$ 1,895,000	\$ 1,763,658	\$ 3,658,658
2012	2,000,000	1,660,097	3,660,097
2013	2,110,000	1,550,096	3,660,096
2014	2,220,000	1,433,414	3,653,414
2015	2,350,000	1,309,893	3,659,893
2016-2020	13,880,000	4,408,285	18,288,285
2021-2022	6,730,000	585,637	7,315,637
	<u>\$ 31,185,000</u>	<u>\$ 12,711,080</u>	<u>\$ 43,896,080</u>

Coupon rates 5.44 - 5.63%

Effective interest rate 5.81%

**State of Arizona Distribution Revenue Bonds (Civic Plaza Expansion Project), Series 2005B**

2011	\$ -	\$ -	\$ -
2012	551,303	-	551,303
2013	17,785,400	-	17,785,400
2014	-	20,449,000	20,449,000
2015	-	20,449,000	20,449,000
2016-2020	7,060,489	101,873,200	85,833,786
2021-2025	24,125,183	97,438,000	205,394,733
2026-2030	43,549,529	87,527,825	131,077,354
2031-2035	67,647,322	70,766,300	138,413,622
2036-2040	89,909,455	46,583,625	136,493,080
2041-2044	91,412,012	14,844,225	106,256,237
	<u>\$ 342,040,693</u>	<u>\$ 459,931,175</u>	<u>\$ 801,971,868</u>

Coupon rates 3.85 - 4.72%

Effective interest rate 4.72%

**Transit Excise Tax Revenue Bonds (Light Rail Project), Series 2004**

2011	\$ 23,755,000	\$ 21,714,038	\$ 45,469,038
2012	27,215,000	20,526,287	47,741,287
2013	31,035,000	19,097,500	50,132,500
2014	35,090,000	17,545,750	52,635,750
2015	39,480,000	15,791,250	55,271,250
2016-2020	276,345,000	44,320,750	320,665,750
	<u>\$ 432,920,000</u>	<u>\$ 138,995,575</u>	<u>\$ 571,915,575</u>

Coupon rates 5.00 - 5.25%

Effective interest rate 4.08%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30	Principal	Interest	Total
<b>Senior Lien Airport Revenue Bonds, Series 1998A</b>			
2011	\$ -	\$ 1,714,250	\$ 1,714,250
2012	-	1,714,250	1,714,250
2013	-	1,714,250	1,714,250
2014	-	1,714,250	1,714,250
2015	-	1,714,250	1,714,250
2016-2020	-	8,571,250	8,571,250
2021-2025	34,285,000	6,912,750	41,197,750
	<u>\$ 34,285,000</u>	<u>\$ 24,055,250</u>	<u>\$ 58,340,250</u>

Coupon rates	<u>4.75 - 5.25%</u>
Effective interest rate	<u>5.08%</u>

**Senior Lien Airport Revenue Refunding Bonds, Series 2002A (AMT)**

2011	\$ 4,960,000	\$ 926,875	\$ 5,886,875
2012	5,515,000	654,075	6,169,075
2013	6,100,000	350,750	6,450,750
	<u>\$ 16,575,000</u>	<u>\$ 1,931,700</u>	<u>\$ 18,506,700</u>

Coupon rates	<u>4.20 - 5.75%</u>
Effective interest rate	<u>5.51%</u>

**Senior Lien Airport Revenue Bonds, Series 2002B (AMT)**

2011	\$ -	\$ 12,410,137	\$ 12,410,137
2012	-	12,410,137	12,410,137
2013	-	12,410,137	12,410,137
2014	7,200,000	12,410,138	19,610,138
2015	7,615,000	11,996,138	19,611,138
2016-2020	45,170,000	52,886,625	98,056,625
2021-2025	58,940,000	39,121,426	98,061,426
2026-2030	76,125,000	21,936,862	98,061,862
2031-2032	36,340,000	2,886,187	39,226,187
	<u>\$ 231,390,000</u>	<u>\$ 178,467,787</u>	<u>\$ 409,857,787</u>

Coupon rates	<u>5.25 - 5.75%</u>
Effective interest rate	<u>5.51%</u>

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Senior Lien Airport Revenue Bonds, Series 2008A (Non-AMT)</b>			
2011	\$ -	\$ 10,339,550	\$ 10,339,550
2012	-	10,339,550	10,339,550
2013	-	10,339,550	10,339,550
2014	-	10,339,550	10,339,550
2015	-	10,339,550	10,339,550
2016-2020	6,775,000	51,697,750	58,472,750
2021-2025	39,300,000	46,265,750	85,565,750
2026-2030	50,155,000	35,412,150	85,567,150
2031-2035	64,005,000	21,564,000	85,569,000
2036-2038	46,605,000	4,736,250	51,341,250
	<u>\$ 206,840,000</u>	<u>\$ 211,373,650</u>	<u>\$ 418,213,650</u>

Coupon rates	<u>4.80 - 5.00%</u>
Effective interest rate	<u>5.02%</u>

**Senior Lien Airport Revenue Bonds, Series 2008B (AMT)**

2011	\$ -	\$ 2,230,400	\$ 2,230,400
2012	4,505,000	2,230,400	6,735,400
2013	4,730,000	2,005,150	6,735,150
2014	4,965,000	1,768,650	6,733,650
2015	5,215,000	1,520,400	6,735,400
2016-2019	23,745,000	3,196,200	26,941,200
	<u>\$ 43,160,000</u>	<u>\$ 12,951,200</u>	<u>\$ 56,111,200</u>

Coupon rates	<u>5.00 - 5.25%</u>
Effective interest rate	<u>4.68%</u>

**Senior Lien Airport Revenue Refunding Bonds, Series 2008C (Non-AMT)**

2011	\$ 5,860,000	\$ 4,423,400	\$ 10,283,400
2012	6,055,000	4,232,950	10,287,950
2013	7,070,000	3,930,200	11,000,200
2014	7,405,000	3,597,850	11,002,850
2015	7,250,000	3,250,550	10,500,550
2016-2020	41,770,000	10,722,100	52,492,100
2021-2022	19,575,000	1,422,900	20,997,900
	<u>\$ 94,985,000</u>	<u>\$ 31,579,950</u>	<u>\$ 126,564,950</u>

Coupon rates	<u>3.00 - 5.00%</u>
Effective interest rate	<u>4.26%</u>

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Senior Lien Airport Revenue Refunding Bonds, Series 2008D (AMT)</b>			
2011	\$ 9,170,000	\$ 2,778,087	\$ 11,948,087
2012	9,580,000	2,296,663	11,876,663
2013	4,005,000	1,769,762	5,774,762
2014	4,160,000	1,549,488	5,709,488
2015	3,590,000	1,320,687	4,910,687
2016-2020	21,805,000	3,527,463	25,332,463
	<u>\$ 52,310,000</u>	<u>\$ 13,242,150</u>	<u>\$ 65,552,150</u>

Coupon rates	<u>4.00 - 5.50%</u>
Effective interest rate	<u>4.58%</u>

**Rental Car Facility Charge Revenue Bonds, Taxable Series 2004**

2011	\$ 7,065,000	\$ 14,209,079	\$ 21,274,079
2012	7,435,000	13,838,167	21,273,167
2013	7,845,000	13,431,473	21,276,473
2014	8,285,000	12,992,152	21,277,152
2015	8,750,000	12,526,536	21,276,536
2016-2020	52,055,000	54,316,049	106,371,049
2021-2025	69,945,000	36,433,284	106,378,284
2026-2029	73,305,000	11,800,624	85,105,624
	<u>\$ 234,685,000</u>	<u>\$ 169,547,364</u>	<u>\$ 404,232,364</u>

Coupon rates	<u>3.69 - 6.25%</u>
Effective interest rate	<u>6.20%</u>

**Junior Lien Water System Revenue Refunding Bonds, Series 2001**

2011	\$ 1,985,000	\$ 3,744,544	\$ 5,729,544
2012	3,825,000	3,645,294	7,470,294
2013	4,020,000	3,454,044	7,474,044
2014	4,225,000	3,253,043	7,478,043
2015	4,440,000	3,036,512	7,476,512
2016-2020	25,935,000	11,433,011	52,314,173
2021-2024	26,215,000	3,701,225	29,916,225
	<u>\$ 70,645,000</u>	<u>\$ 32,267,673</u>	<u>\$ 102,912,673</u>

Coupon rates	<u>4.00 - 5.50%</u>
Effective interest rate	<u>4.68%</u>

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Junior Lien Water System Revenue Bonds, Series 2002</b>			
2011	\$ 7,925,000	\$ 9,957,550	\$ 17,882,550
2012	8,360,000	9,521,675	17,881,675
2013	8,735,000	9,145,475	17,880,475
2014	9,215,000	8,665,050	17,880,050
2015	9,725,000	8,158,225	17,883,225
2016-2020	57,135,000	32,273,300	89,408,300
2021-2025	73,730,000	15,676,250	89,406,250
2026	17,030,000	851,500	17,881,500
	<u>\$ 191,855,000</u>	<u>\$ 94,249,025</u>	<u>\$ 286,104,025</u>

Coupon rates 4.00 - 5.50%

Effective interest rate 5.08%

**Junior Lien Water System Revenue Refunding Bonds, Series 2003**

2011	\$ 80,000	\$ 465,863	\$ 545,863
2012	85,000	463,063	548,063
2013	90,000	459,875	549,875
2014	90,000	456,500	546,500
2015	95,000	453,125	548,125
2016-2020	6,700,000	1,839,987	8,539,987
2021-2022	3,745,000	254,700	3,999,700
	<u>\$ 10,885,000</u>	<u>\$ 4,393,113</u>	<u>\$ 15,278,113</u>

Coupon rates 2.00 - 4.50%

Effective interest rate 4.53%

**Junior Lien Water System Refunding Certificates of Participation, Series 17**

2011	\$ 2,300,000	\$ 780,650	\$ 3,080,650
2012	2,250,000	688,650	2,938,650
2013	2,930,000	598,650	3,528,650
2014	2,950,000	481,450	3,431,450
2015	2,860,000	363,450	3,223,450
2016-2018	5,460,000	373,012	5,833,012
	<u>\$ 18,750,000</u>	<u>\$ 3,285,862</u>	<u>\$ 22,035,862</u>

Coupon rates 2.50 - 4.75%

Effective interest rate 4.13%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Junior Lien Water System Revenue Bonds, Series 2005</b>			
2011	\$ 19,300,000	\$ 28,631,200	\$ 47,931,200
2012	18,155,000	27,666,200	45,821,200
2013	18,470,000	26,758,450	45,228,450
2014	19,495,000	25,834,950	45,329,950
2015	20,675,000	24,860,200	45,535,200
2016-2020	127,490,000	107,570,750	235,060,750
2021-2025	180,620,000	70,408,749	251,028,749
2026-2029	178,260,000	22,480,613	200,740,613
	<u>\$ 582,465,000</u>	<u>\$ 334,211,112</u>	<u>\$ 916,676,112</u>

Coupon rates 4.75 - 5.00%

Effective interest rate 4.28%

**Junior Lien Water System Revenue Bonds, Series 2009A**

2011	\$ -	\$ 22,443,100	\$ 22,443,100
2012	-	22,443,100	22,443,100
2013	-	22,443,100	22,443,100
2014	9,445,000	22,443,100	31,888,100
2015	9,915,000	21,970,850	31,885,850
2016-2020	44,885,000	104,145,750	149,030,750
2021-2025	69,895,000	89,545,550	159,440,550
2026-2030	89,110,000	70,333,438	159,443,438
2031-2035	113,645,000	45,793,437	159,438,437
2036-2039	113,105,000	14,447,175	127,552,175
	<u>\$ 450,000,000</u>	<u>\$ 436,008,600</u>	<u>\$ 886,008,600</u>

Coupon rates 3.50 - 5.00%

Effective interest rate 4.63%

**Junior Lien Water System Revenue Refunding Bonds, Series 2009B**

2011	\$ 8,495,000	\$ 3,647,437	\$ 12,142,437
2012	6,270,000	3,222,688	9,492,688
2013	6,460,000	3,034,587	9,494,587
2014	9,155,000	2,729,638	11,884,638
2015	9,510,000	2,376,437	11,886,437
2016-2020	42,545,000	5,007,675	47,552,675
	<u>\$ 82,435,000</u>	<u>\$ 20,018,462</u>	<u>\$ 102,453,462</u>

Coupon rates 2.75 - 5.00%

Effective interest rate 2.78%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Senior Lien Wastewater System Revenue Refunding Bonds, Series 2004B</b>			
2011	\$ 11,245,000	\$ 3,091,900	\$ 14,336,900
2012	11,805,000	2,537,200	14,342,200
2013	12,385,000	1,952,250	14,337,250
2014	13,005,000	1,333,000	14,338,000
2015	13,655,000	682,750	14,337,750
	<u>\$ 62,095,000</u>	<u>\$ 9,597,100</u>	<u>\$ 71,692,100</u>

Coupon rates 2.50 - 5.00%

Effective interest rate 3.67%

**Senior Lien Wastewater System Revenue Refunding Bonds, Series 2008**

2011	\$ -	\$ 7,337,000	\$ 7,337,000
2012	-	7,337,000	7,337,000
2013	-	7,337,000	7,337,000
2014	-	7,337,000	7,337,000
2015	-	7,337,000	7,337,000
2016-2020	64,715,000	29,150,825	93,865,825
2021-2024	68,685,000	10,346,600	79,031,600
	<u>\$ 133,400,000</u>	<u>\$ 76,182,425</u>	<u>\$ 209,582,425</u>

Coupon rates 5.50%

Effective interest rate 5.02%

**Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001**

2011	\$ 9,160,000	\$ 7,544,144	\$ 16,704,144
2012	9,645,000	7,063,244	16,708,244
2013	10,160,000	6,544,825	16,704,825
2014	6,820,000	5,998,725	12,818,725
2015	-	5,632,150	5,632,150
2016-2020	57,160,000	23,167,919	80,327,919
2021-2024	53,275,000	6,238,612	59,513,612
	<u>\$ 146,220,000</u>	<u>\$ 62,189,619</u>	<u>\$ 208,409,619</u>

Coupon rates 4.50 - 5.38%

Effective interest rate 5.02%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Junior Lien Wastewater System Revenue Bonds, Series 2004</b>			
2011	\$ 5,780,000	\$ 8,384,998	\$ 14,164,998
2012	6,065,000	8,095,998	14,160,998
2013	6,275,000	7,889,787	14,164,787
2014	6,605,000	7,560,350	14,165,350
2015	1,990,000	7,213,588	9,203,588
2016-2020	40,290,000	31,762,887	72,052,887
2021-2025	51,380,000	20,676,688	72,056,688
2026-2029	51,150,000	6,495,748	57,645,748
	<u>\$ 169,535,000</u>	<u>\$ 98,080,044</u>	<u>\$ 267,615,044</u>

Coupon rates 3.40 - 5.25%

Effective interest rate 4.59%

**Junior Lien Wastewater System Revenue Bonds, Series 2007**

2011	\$ -	\$ 14,825,388	\$ 14,825,388
2012	5,460,000	14,825,388	20,285,388
2013	5,760,000	14,606,988	20,366,988
2014	6,075,000	14,318,988	20,393,988
2015	6,410,000	14,056,088	20,466,088
2016-2020	37,735,000	65,396,435	103,131,435
2021-2025	49,315,000	54,948,799	104,263,799
2026-2030	64,460,000	41,203,750	105,663,750
2031-2035	84,245,000	23,222,250	107,467,250
2036-2037	40,540,000	3,067,500	43,607,500
	<u>\$ 300,000,000</u>	<u>\$ 260,471,574</u>	<u>\$ 560,471,574</u>

Coupon rates 4.00 - 5.00%

Effective interest rate 4.65%

**CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30	Principal	Interest	Total
<b>Total Bonds and Certificates Payable</b>			
2011	\$ 146,520,000	\$ 220,767,695	\$ 367,287,695
2012	160,351,303	213,442,584	373,793,887
2013	182,600,400	205,624,247	388,224,647
2014	181,545,000	217,707,542	399,252,542
2015	179,120,000	208,644,034	387,764,034
2016-2020	1,148,800,489	888,429,419	2,037,229,908
2021-2025	982,360,183	601,599,741	1,583,959,924
2026-2030	760,199,529	364,082,672	1,124,282,201
2031-2035	454,477,322	205,049,651	659,526,973
2036-2040	377,729,455	87,453,050	465,182,505
2041-2044	111,637,012	15,855,475	127,492,487
	<u>\$ 4,685,340,693</u>	<u>\$ 3,228,656,109</u>	<u>\$ 7,913,996,802</u>

Changes in long-term debt during fiscal year 2009-10 are summarized as follows (in thousands)

Bonds and Certificates Payable, July 1	\$ 4,806,363
Additions (3)	15,308
Reductions	<u>(136,330)</u>
Bonds and Certificates Payable, June 30	<u>\$ 4,685,341</u>

(3) Additions include \$15,308 for accrued interest on the State of Arizona Distribution Revenue Bonds (Civic Plaza Expansion Project), Series 2005B, capital appreciation bonds

Interest payable amounts accrued through June 30 by the Corporation but not yet funded by the City have been recorded as a receivable from the City.

## CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION

(A Component Unit of the City of Phoenix, Arizona)

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

#### 7. Bond Anticipation Notes Payable

The City entered into city purchase agreements with the City of Phoenix Civic Improvement Corporation for the acquisition and construction of improvements at Phoenix Sky Harbor International Airport and to the wastewater system of the City. The Corporation is currently authorized to issue up to an aggregate principal amount of \$100,000,000 of its Airport Revenue Bond Anticipation Notes, Series 2008A and \$100,000,000 of its Airport Revenue Bond Anticipation Notes, Series 2008B (the "Airport BANS") and an aggregate principal amount of \$150,000,000 of its Wastewater System Revenue Bond Anticipation Notes, Series 2009 (the "Wastewater BANS").

The notes are issued as commercial paper in varying maturities up to 270 days and are currently outstanding in an aggregate principal amount of \$200,000,000 and \$100,000,000 for Airport BANS and Wastewater BANS, respectively. Interest rates paid on the notes range from 0.24% through 0.43% on the Airport BANS and from 0.21% through 0.57% on the Wastewater BANS. The notes are secured by irrevocable, direct pay letters of credit issued by Bank of America N.A (the "Bank"). While the City has not granted any lien on revenues of the airport or the wastewater system to the owners of the notes, under the purchase agreement, the City has granted the Bank lien to the respective junior subordinate lien revenues to secure its obligation to satisfy the Corporation's payment obligations under the reimbursement

Changes in bond anticipation notes payable (in thousands):

Bond Anticipation Notes Payable, July 1	\$	80,000
Additions		220,000
Reductions		-
Bond Anticipation Notes Payable, June 30	<u>\$</u>	<u>300,000</u>

#### 8. Construction Commitments

As of June 30, 2010, the Corporation has outstanding construction commitments related to the various bond issues. The commitments have not been recorded in the accompanying financial statements. Only the currently payable portion of the contracts have been included in accounts payable in the accompanying financial statements.

## **CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION**

(A Component Unit of the City of Phoenix, Arizona)

### **NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

#### **9. Subsequent Events**

On August 11, 2010, the Corporation issued \$642,680,000 Junior Lien Airport Revenue Bonds, Series 2010A (Non-AMT). The bonds were issued at an all-in true interest cost of 4.69% and were delivered on September 1, 2010.

On August 11, 2010, the Corporation issued \$21,345,000 Junior Lien Airport Revenue Bonds, Taxable Series 2010B (Recovery Zone Economic Development Bonds-Direct Payment). The bonds are designated as "Recovery Zone Economic Development Bonds-Direct Payment." The City of Phoenix has elected to receive subsidy payments, in the amount of 45% of each interest payment on the bonds, paid directly to the City of Phoenix by the United States Treasury. The bonds were issued at an all-in true interest cost, net of the subsidy, of 3.67% and were delivered on September 1, 2010.

On August 11, 2010, the Corporation issued \$32,080,000 Junior Lien Airport Revenue Refunding Bonds, Series 2010C (Non-AMT). The bonds were issued at an all-in true interest cost of 4.33% and were delivered on September 1, 2010. Total present value savings on the refunding was \$2,242,464.

