PHX DVT GYR

City of Phoenix Aviation Department

Annual Financial Report
June 30, 2011

City of Phoenix Aviation Department

3400 East Sky Harbor Boulevard, Suite 3300
Phoenix, Arizona 85034-4405
Phone: 602-273-3300
TTY: 1-800-781-1010

www.skyharbor.com

City of Phoenix

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Mayor and City Council

Phil Gordon, Mayor
Thelda Williams, District 1
Bryan Jeffries, District 2
Bill Gates, District 3
Tom Simplot, District 4
Claude Mattox, District 5
Sal DiCiccio, District 6
Michael Nowakowski, Vice Mayor, District 7
Michael Johnson, District 8

A new Mayor and two new City Council members were in office in January 2012:

Greg Stanton, Mayor
Jim Waring, District 2
Daniel Valenzuela, District 5

City Manager's Office

David Cavazos, City Manager
David Krietor, Deputy City Manager

Aviation Department

Danny Murphy, Aviation Director

Finance Department

Jeff DeWitt, Finance Director

City of Phoenix

MESSAGE FROM THE AVIATION DIRECTOR

Welcome to Phoenix Sky Harbor International Airport, ***America's Friendliest Airport®***. When travelers arrive at Sky Harbor, they enter a safe, secure and welcoming environment. We value our customers at Sky Harbor and it shows from the moment they walk through the door. Travelers are greeted by a team of Navigator volunteers, while employees provide world-class service to every customer, every day.

We at Sky Harbor are always striving to enhance the travel experience and our PHX Sky Train™ is an excellent example. Opening in the first quarter of 2013, the PHX Sky Train™ will transport passengers between our busiest terminal, Terminal 4, Economy Parking and the regional light rail system. And because of careful financial management, the PHX Sky Train™ will be extended to serve all three of our terminals by early 2015, nearly six years earlier than planned.

Completion of the train comes at the perfect time as passenger numbers rebound. Over the past year, Phoenix Sky Harbor has shown consistent growth. Passenger counts for Fiscal Year 2011 have exceeded Fiscal Year 2010 statistics by more than three percent. We are fortunate to have 17 airline partners at Sky Harbor which serve PHX travelers with daily non-stop flights to more than 100 cities world-wide. I would like to take this opportunity to thank all of our airlines, especially our two largest: US Airways and Southwest Airlines. These airlines allow Phoenix Sky Harbor to serve as the largest economic engine in the State of Arizona.

Even with connections to almost anywhere in the world, we are always striving to increase air service for our community. Our Air Service Development efforts include meeting with top corporations in the Phoenix metropolitan area to determine their needs and maintaining good communication with our current airline partners along with air carriers that do not yet serve our community.

Another important partner for Phoenix Sky Harbor is Phoenix Mesa Gateway Airport, located 30 miles to the east. We are proud to have a stake in their success. The City of Phoenix, which owns and operates Phoenix Sky Harbor International Airport, is one of five members of the Phoenix-Mesa Gateway Airport Authority. In addition, we operate Phoenix Deer Valley and Phoenix Goodyear Airports.

Thoughtful planning, efficient management of our daily operations and world-class customer service are what make a great airport. At Sky Harbor, we owe our continued success to the thirty-three thousand employees who make those goals a reality every day. We look forward to welcoming you on your next visit to ***America's Friendliest Airport®***.

Sincerely,

Danny Murphy
Aviation Director, City of Phoenix Aviation Department

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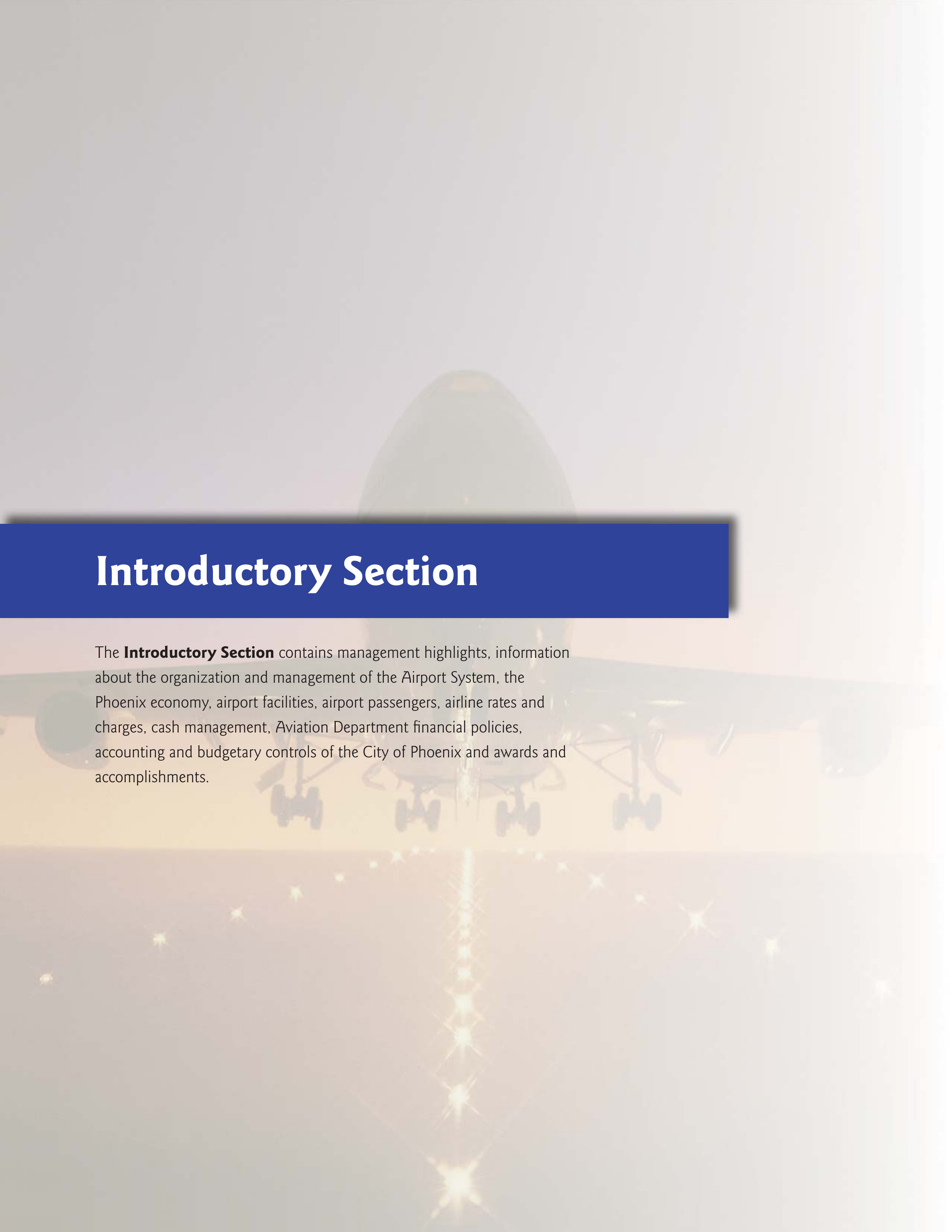


Introductory Section

The **Introductory Section** contains management highlights, information about the organization and management of the Airport System, the Phoenix economy, airport facilities, airport passengers, airline rates and charges, cash management, Aviation Department financial policies, accounting and budgetary controls of the City of Phoenix and awards and accomplishments.

City of Phoenix

Introductory Section

Management Highlights

There is much happening in the City of Phoenix (the City) and at Phoenix Sky Harbor International Airport (the Airport). With its warm climate, world-class resorts and numerous options for outdoor recreation, the region remains a strong draw for both leisure and business travelers.

One of the City's largest construction projects, the PHX Sky Train™, is an automated people mover designed to carry over 35 million riders annually through five stations at the Airport along a guideway to the 44th Street light rail station. The first stage is on budget and on schedule for opening in the first quarter of 2013. Two years of increased passenger growth, 3.1% in Fiscal Year 2011 and 1.0% in Fiscal Year 2010, support the need for increased intermodal connectivity. Also, the PHX Sky Train™ will reduce greenhouse gas emissions by taking vehicles off the roadways, further expanding the City's focus on green initiatives.

Management remains focused on mastering the passenger travel experience. Known as ***America's Friendliest Airport***®, the Airport has 300 Navigator volunteers who stand in the terminals greeting passengers and answering questions. For the technologically savvy traveler, the Airport is one of the leading airports in the world for social media, with more than 12,000 Facebook fans and nearly 6,000 Twitter followers. In 2011, the Airport launched a cutting-edge, customer-friendly mobile version of its website. The site was developed internally and provides quick access to information such as flight status, parking and ground transportation. Technology is used to generate revenues by advertising new services, amenities and discounts. Passengers can use both the Navigators and technology to locate any of the dozens of food and beverage options. As a variety of popular local and national restaurant brands open in phases through mid-2013 in Terminal 4, these information tools will further enhance the passenger experience.

Management is also focused on maintaining sound financial performance, which is evident from the strong financial metrics achieved. In late 2010, both Standard & Poor's and Moody's Investors Service evaluated the Series 2010 Junior Lien Airport Revenue bonds issued for development of Stage 1 of the PHX Sky Train™. These agencies rated the bonds 'A+/A1' and affirmed the rating on the outstanding Senior Lien bonds at 'AA-/Aa3.' The rating agencies continue to note that the Airport serves as Arizona's largest airport, maintains good revenue diversity and is attractive to airlines in large part due to its competitive operating costs. They also highlight the experienced and effective administrative team that employs conservative financial and debt management practices, which produce the Airport's ongoing solid financial performance.

The PHX Sky Train™

Currently under construction, PHX Sky Train™ Stage 1 will connect the regional light rail system, the Airport's east economy parking garages and the Airport's busiest terminal – Terminal 4. Stage 1 has a budget of approximately $644 million and is expected to be complete in the first quarter of 2013. On August 16, 2011, the Mayor and members of the City Council unveiled the first PHX Sky Train™ car at the Airport. The sleek, state-of-the-art vehicle made news around the world.

In June 2011, due to good financial management and increased passenger numbers, the City Council approved the accelerated construction of the Terminal 3 Line Extension (Stage 1a). This extension will run from Terminal 4 to Terminal 3 with a walkway to Terminal 2, thereby connecting all of the Airport's passengers to the regional light rail system. Stage 1a has a budget of $240 million and is expected to be completed in early 2015.

Green Initiatives

The PHX Sky Train™ is on its way to becoming the first Leadership in Energy and Environmental Design (LEED) certified project of its kind in the United States. The Phoenix Aviation Department (the Department) and its contractors are recycling or salvaging more than 50 percent of all construction waste and using at least ten percent recycled content in building materials. PHX Sky Train™ facilities are designed to conserve water and electricity.

In 2011, a 5.4-megawatt high efficiency solar power system was installed at the Airport's East Economy Parking Garages (4,000 panels) and at the Rental Car Center (12,000 panels - the largest installation of its kind in the state and one of the largest in the country). The project will generate 51% of the electricity demand at the Rental Car Center, East Economy Parking garages and toll plaza. The project also reduces the carbon footprint by more than 5,500 tons annually which is equivalent to removing nearly 20,000 cars from the roadways and saves the Airport $4.7 million dollars over the next 20 years.

These projects are in addition to the Airport's other many green initiatives including an ambitious alternative fuels program which includes the Department vehicles, contracted taxis and shuttles; recycling; and working with the power provider, Arizona Public Service, to reduce electricity during peak periods.

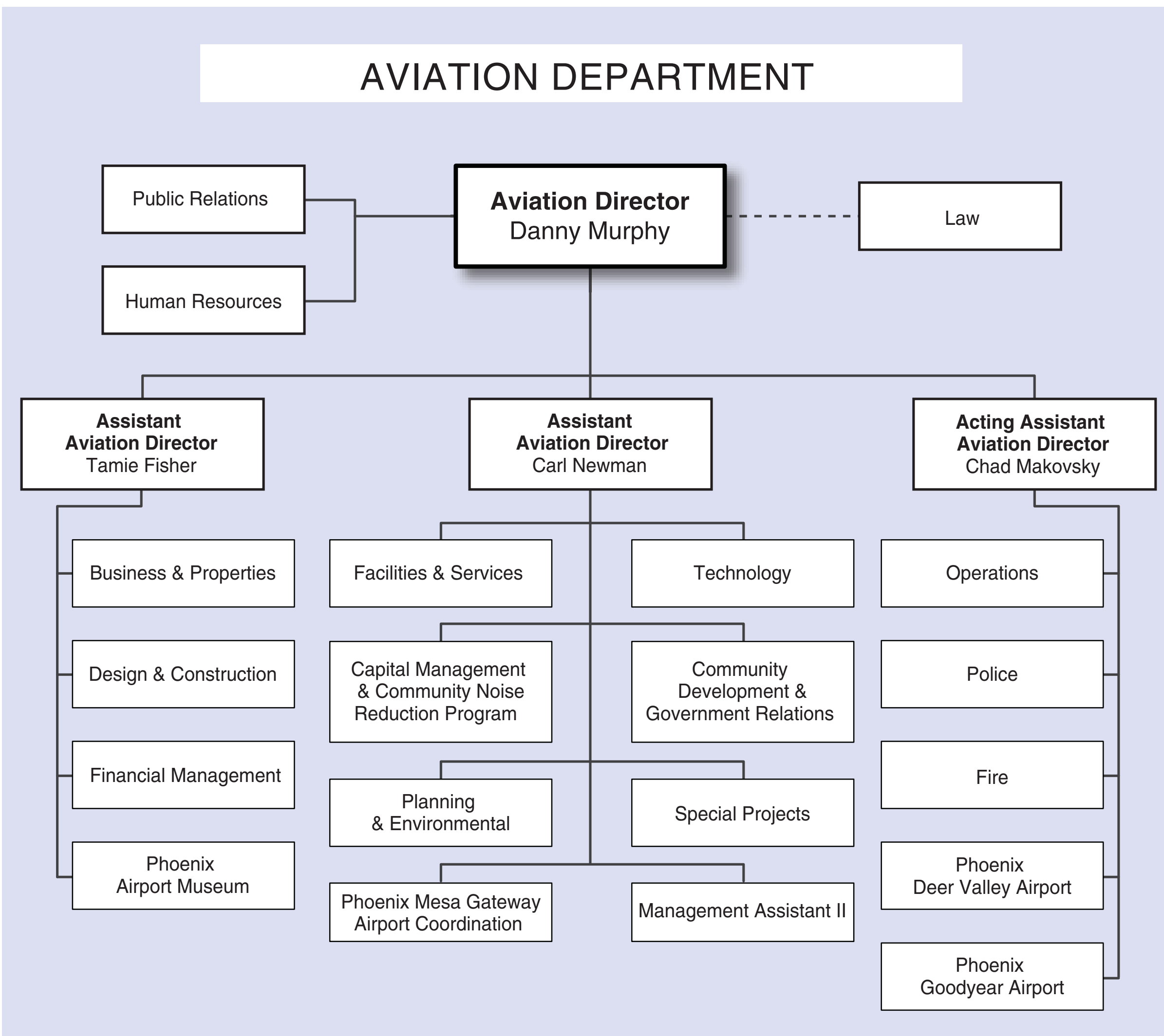
The Customer Experience

The Airport has also implemented an airport-wide "Friendly Let me help You" or FLY program which recognizes employees for going above and beyond expectations to assist a passenger. The use of human interaction plus technology has allowed the Airport to achieve strong customer satisfaction while focusing on revenue generating opportunities. For example, smartphone users can scan Quick Response (QR) codes to link directly to taxi, limousine, inter-terminal bus and other electronic feedback forms. Also, an on-line coupon offering a discount on terminal garage parking during holiday travel periods is available through the Airport's website and promoted using the Airport's social media channels. Since its inception in July 2009, the coupon promotion has generated an estimated $1.4 million in new revenue by incentivizing customers that would have otherwise parked elsewhere.

Organization and Management

Phoenix was founded in 1870 as an agricultural community, and in 1881 was incorporated as a city. Phoenix operates under a City Council-Manager form of government as provided by its Charter, which was adopted in 1913. Under this organizational structure, the Mayor and City Council appoint a city manager to act as the chief operating officer. The Mayor and City Council set policy direction and the City Manager implements those policies in an efficient and effective manner. In 1982, an initiative was passed by the Phoenix voters creating a district system for electing city council members and the number of City Council seats was increased from six to eight. The Mayor is elected at-large, while City Council members are elected by voters in each of eight separate districts they represent. The Mayor and each City Council member have equal voting power.

Through the Department, the City owns and operates the Phoenix Sky Harbor International Airport, Phoenix Goodyear Airport and Phoenix Deer Valley Airport (collectively, the Airport System). The City accounts for the Airport System financial operations as a separate Aviation Enterprise Fund according to generally accepted accounting principles for governmental entities. The City has operated the Airport System through the Department as a self-supporting enterprise since 1967.



The City Council establishes the major policies attendant to the development and operation of the Airport. The City Council appoints the City Manager who administers the policies relative to the Airport. The City Manager appoints the Aviation Director. The City Council adopts ordinances establishing fee structures for use of the Airport facilities, including airline rates and charges.

The Phoenix Aviation Advisory Board (PAAB) is made up of nine members approved by the City Council to 4-year terms and meets on a monthly basis. The PAAB provides non-binding advisory recommendations regarding the Airport, including airline rates and charges, concession agreements, leases, master plans, noise studies and development plans.

The Department is headed by an Aviation Director who reports to a Deputy City Manager. The Aviation Director is responsible for executing the aviation policies of the City Council and administering the operations of the Airport. Reporting to the Aviation Director are three Assistant Aviation Directors. The Aviation Director and Assistant Aviation Directors head the Department staff. Certain accounting, bond financing, treasury, and related financial functions are performed by the City's Finance Department.

Phoenix Economy

Phoenix has grown steadily, with especially strong growth since 1950. In 1950, Phoenix occupied 17 square miles with a population of almost 107,000, ranking 99th among American cities. The 1990 census recorded Phoenix's population at 983,403 and the 2010 census recorded population at 1,497,641. As of June 30, 2011, Phoenix encompassed 519.10 square miles, with the City of Phoenix Planning and Development Department estimating population at 1,502,757 making Phoenix the 6th most populous city in the United States.

The Phoenix metropolitan area includes the cities of Mesa, Glendale, Tempe, Scottsdale, Chandler, Peoria, Goodyear, Tolleson, El Mirage, Surprise, Litchfield Park and Avondale; the towns of Buckeye, Gilbert and Paradise Valley; and all unincorporated areas of Maricopa County. The area is widely known for its mild winters, warm summers, and low annual rainfall averaging 8.3 inches per year.

Major employers of the metropolitan area include the State of Arizona, Wal-Mart Stores, Inc., Banner Health Systems, City of Phoenix, Wells Fargo and Company, Apollo Group Inc., Maricopa County, Arizona State University, Bank of America and Intel Corporation.

Phoenix is a popular tourist destination with attractions including resorts, spas, professional sports, shopping, golf, restaurants and nightlife, all set amidst the Sonoran Desert. The area also offers museums and galleries, a variety of sporting events, Old West and Native American history and outdoor recreation facilitated by more

than 300 days of sunshine each year. In addition to the attractions within the Phoenix area, the northern part of Arizona is home to Grand Canyon National Park, Red Rock Country of Sedona, the Painted Desert, the Petrified Forest, Meteor Crater, ancient Native American ruins, and the Navajo and Hopi reservations.

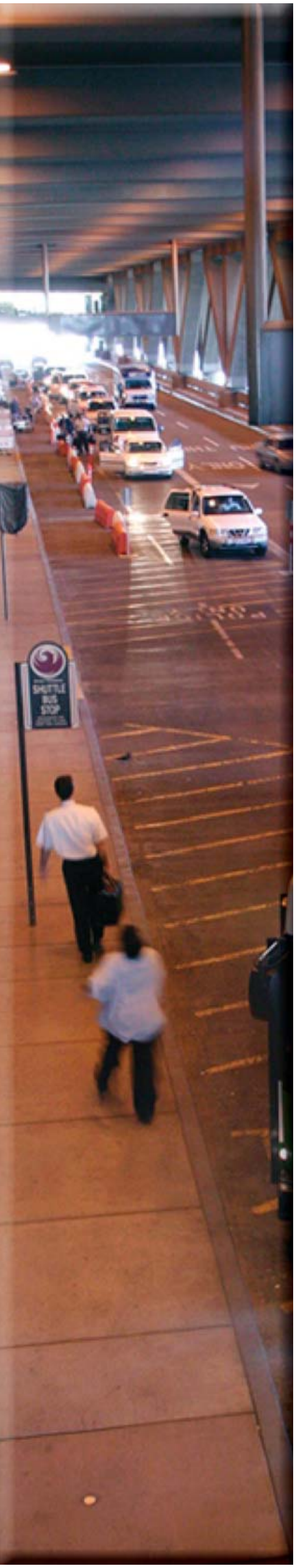
Major sporting events also draw tourists. In 2008, the Phoenix area hosted Super Bowl XLII, the National Football League's championship game. It will host the championship game again in 2015 (Super Bowl XLIX). The Phoenix area is also the location of the annual Fiesta Bowl and Insight Bowl college football bowl games and the annual Waste Management Phoenix Open PGA golf tournament.

Phoenix is home to five major league professional sports teams: Arizona Diamondbacks Major League Baseball team, Arizona Cardinals National Football League team, Phoenix Suns National Basketball Association team, Phoenix Coyotes National Hockey League team and Phoenix Mercury Women's National Basketball Association team. At the college level, the Arizona State Sun Devils compete within the Pacific-12 Conference in a number of sports, including baseball, basketball, and football.

The favorable Arizona climate brings 15 Major League Baseball teams, known as the Cactus League, to the Phoenix area each February and March for spring training and preseason play. The teams include the Arizona Diamondbacks, Chicago Cubs, Chicago White Sox, Cincinnati Reds, Cleveland Indians, Colorado Rockies, Kansas City Royals, Los Angeles Angels of Anaheim, Los Angeles Dodgers, Milwaukee Brewers, Oakland Athletics, San Diego Padres, San Francisco Giants, Seattle Mariners and Texas Rangers.

The Phoenix International Raceway is a major venue for NASCAR auto racing events. The Raceway hosts five NASCAR events annually, two of which involve distances of 500 kilometers or more: the Subway Fresh Fit 500, held in April, and the Checker O'Reilly Auto Parts 500 presented by Pennzoil, held in November.

Convention visitors are another important component of tourism. The fully expanded Phoenix Convention Center, which welcomed its first convention in January 2009, now offers approximately 900,000 square feet of rentable convention space and is one of the top 20 facilities in the country in terms of size. In 2010, the convention center hosted a total of 62 conventions with an estimated 237,974 delegates equating to approximately $345 million in direct spending.



Airport Facilities

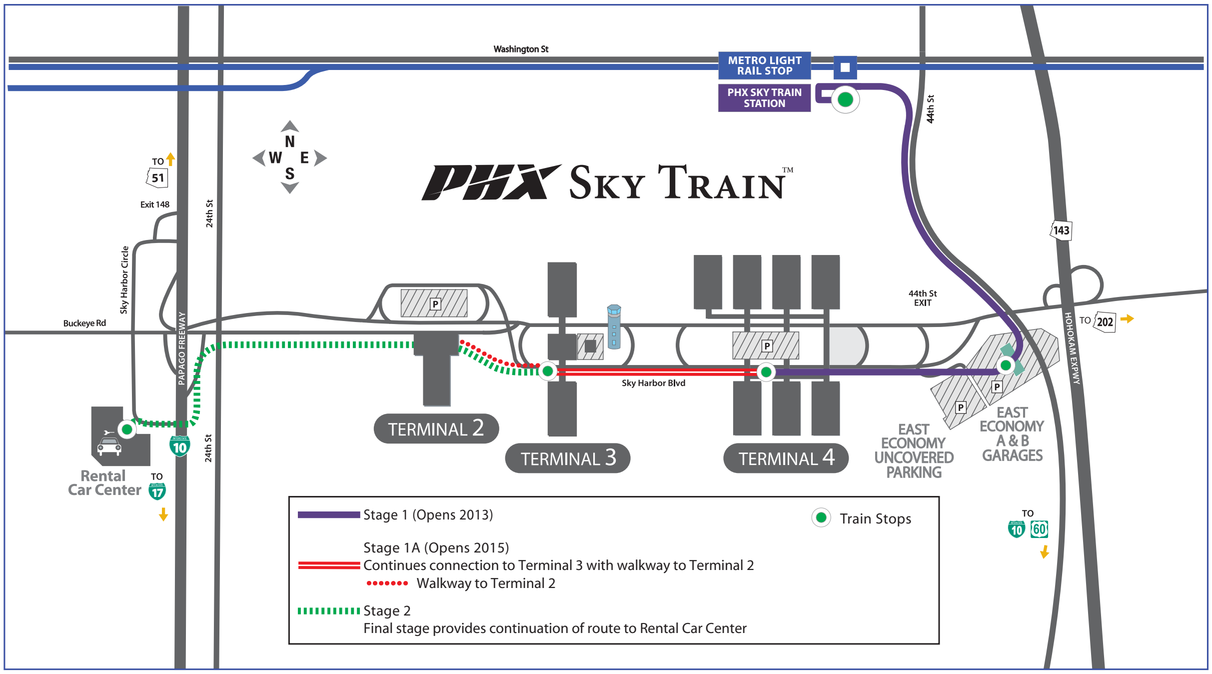
The Airport, located approximately four miles east of the downtown Phoenix area, was established in 1935. The Airport occupies approximately 3,000 acres of land located entirely within the City and is accessible within minutes from the central business district. It is the only Arizona airport designated as a large hub by the Federal Aviation Administration (FAA) and is the principal commercial service airport serving metropolitan Phoenix and most of the State's population. There are no other U.S. large-hub commercial service airports within a 5-hour drive from Phoenix, with the closest being Las Vegas' McCarran International Airport (approximately 290 miles to the northwest).

The Airport has three passenger terminal buildings, Terminals 2, 3, and 4. Collectively, the three terminals provide 102 passenger hold rooms and 115 associated aircraft parking positions (gates). Terminal 2 contains approximately 330,000 square feet and 15 gates. Terminal 3 contains approximately 880,000 square feet and 16 gates. Terminal 4 contains approximately 2.3 million square feet and 84 gates. US Airways and Southwest Airlines[1], the two largest carriers at the Airport, and all international carriers operate exclusively from Terminal 4. A consolidated rental car facility is located west of the terminals on a 141-acre site, with 5,651 ready/return garage spaces and an 113,000 square foot commercial service building.

[1] In May 2011, Southwest acquired AirTran Holdings, Inc. (the parent of AirTran Airways). Southwest plans to integrate AirTran Airways into the Southwest brand, and expects to eventually operate Southwest and AirTran Airways under a single FAA operating certificate by early 2012. Since the airlines operated as separate entities at Sky Harbor in Fiscal Year 2011, all references to Southwest Airlines exclude AirTran Airways unless otherwise noted.

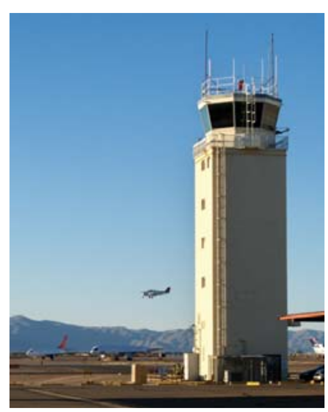
The Airport has three parallel air carrier runways (8/26 is 11,490 feet in length, 7L/25R is 10,300 feet in length, and 7R/25L is 7,800 feet in length) and a network of supporting taxiways, aprons and hold areas. Together with the terminals, the Airport facilities are capable of accommodating the operations of all commercial jet aircraft currently in use.

Currently under construction, PHX Sky Train™ will enhance the Airport access and the regional surface transportation system by relieving severe roadway congestion on and around the Airport. The PHX Sky Train™ will serve as an intermodal connector within the Airport and will virtually eliminate the Airport's busing operations. A map depicting the PHX Sky Train™ and the Airport passenger facilities is presented below.



The City also serves the area's general aviation traffic activity through two reliever airports that it owns and operates. Phoenix Deer Valley Airport is located in the northern part of the City and Phoenix Goodyear Airport is located to the west. Together these two facilities handled 483,316 general aviation operations in Fiscal Year 2011.

The City is also a member government in the Phoenix-Mesa Gateway Airport Authority, which owns and operates Phoenix-Mesa Gateway Airport, located approximately 30 miles east of the Airport, which offers commercial flights around the United States on two airlines, Allegiant Air and Spirit Airlines.



Airport Passengers

U.S. Department of Transportation (DOT) statistics show that, in Fiscal Year 2011, the Airport was the 9th largest airport in the United States in terms of enplaned passengers.

The total number of enplaned passengers at the Airport increased through the recent economic downturn. Between Fiscal Year 2009 and Fiscal Year 2011, enplaned passengers increased at an average of 2.0% per year. The composition of enplaned passengers by segment has not materially changed over the period, as the Airport remained primarily a domestic origin and destination (O&D) market.

Between Fiscal Year 2009 and Fiscal Year 2011, O&D passengers remained relatively steady while connecting passengers grew at an average 5.2% per year. For more detailed information on enplaned passengers, please refer to Schedules 12 and 13 on pages 86 and 87 in the Airport Statistics section of the Supplementary Information section.

HISTORICAL PASSENGER ENPLANEMENTS
Phoenix Sky Harbor International Airport
(Fiscal Years)

	BY FLIGHT DESTINATION		BY TYPE OF PASSENGER				
			Origin-Destination (O&D)				
	Domestic	International	Resident	Visitor	Total O&D	Connecting	**TOTAL**
FISCAL YEAR							
2011	18,592,674	1,088,559	5,126,952	6,160,876	11,287,828	8,393,405	**19,681,233**
2010	18,095,390	1,001,139	5,045,044	6,162,090	11,207,134	7,889,395	**19,096,529**
2009	17,980,137	931,983	5,143,399	6,179,321	11,322,720	7,589,400	**18,912,120**
COMPOUND ANNUAL GROWTH RATE							
2009-2011	1.7%	8.1%	-0.2%	-0.1%	-0.2%	5.2%	**2.0%**
2010-2011	2.7%	8.7%	1.6%	0.0%	0.7%	6.4%	**3.1%**
2009-2010	0.6%	7.4%	-1.9%	-0.3%	-1.0%	4.0%	**1.0%**

Sources: City of Phoenix Aviation Department; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.

PHX644-0001

The 10 largest U.S. passenger airlines provide regular service at the Airport, providing nonstop passenger service to over 100 airports. The table below lists the passenger and cargo airlines that provided service at the Airport in Fiscal Year 2011.

AIRLINES REPORTING ENPLANED PASSENGERS AND AIR CARGO
Phoenix Sky Harbor International Airport
(Fiscal Year 2011)

MAJOR/NATIONAL	REGIONAL/COMMUTER	FOREIGN-FLAG
AirTran *(a)*	American Eagle	Aeromexico
Alaska	ExpressJet (Continental Express)	Air Canada
American	Great Lakes	British Airways
Delta	Mesa (US Airways Express)	WestJet
Frontier	Mesaba (Delta Connection)	
Hawaiian	Skywest (Delta Connection and United Express)	**ALL-CARGO AIRLINES**
JetBlue		ABX Air
Southwest		Air Transport International
Sun Country		AirNet Systems
United *(b)*		Ameriflight
US Airways		Empire
		Federal Express
		UPS

(a) In September 2010, AirTran became a subsidiary of Southwest.

(b) Effective October 1, 2010, Continental became a subsidiary of United Continental Holdings (formerly known as UAL Corporation). The two airlines are being integrated under the United brand and received a single FAA operating certificate in November 2011.

PHX644-0002

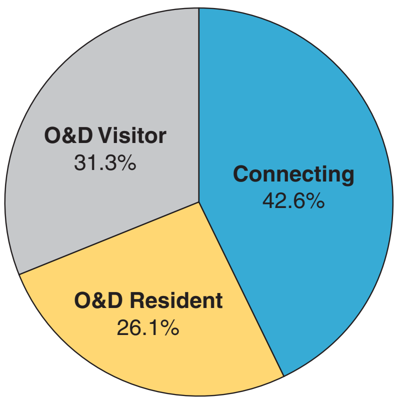
In Fiscal Year 2011, 94.5% of enplaned passengers traveled domestically, while the remainder (5.5%) traveled internationally. Between Fiscal Year 2009 and Fiscal Year 2011 domestic passengers grew at an average 1.7% per year while international passengers grew at an average of 8.1% per year.

In Fiscal Year 2011, 57.4% of enplaned passengers traveled directly from or to the Airport as O&D passengers. Of the total O&D passengers, 45.4% were residents initiating their trip at the Airport and 54.6% were visitors initiating their trip at another airport and traveling to the Airport.

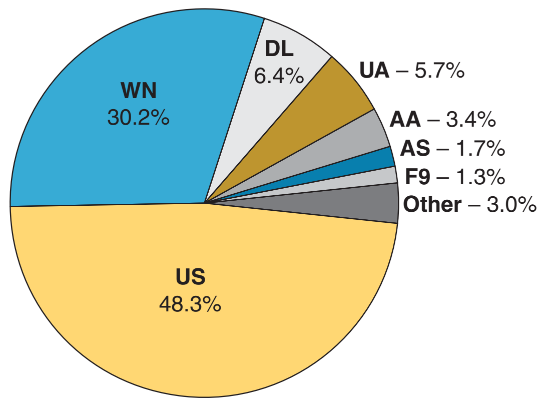
In Fiscal Year 2011, 42.6% of enplaned passengers connected through the Airport. The Airport's location allows connecting trip routings between the southwestern United States and points eastward. The Airport is one of three major connecting hub airports in the route network of US Airways and is one of the largest "focus city" airports in the route network of Southwest Airlines. Therefore, the two airlines accounted for 96% of the Airport's connecting passengers in Fiscal Year 2011.

The composition of enplaned passengers at the Airport has remained relatively steady between Fiscal Year 2009 and Fiscal Year 2011. US Airways, the Airport's largest carrier, enplaned passenger share modestly decreased to 48.3% in Fiscal Year 2011 from 48.8% in Fiscal Year 2009. Over the same period Southwest Airlines modestly increased its enplaned passenger share to 30.2% in Fiscal Year 2011 from 28.7% in Fiscal Year 2009. Southwest Airlines' recent acquisition of AirTran is not expected to materially change market share, as AirTran comprised roughly 0.5% of the market in Fiscal Year 2011.

ENPLANED PASSENGERS
(by Destination – Fiscal Year 2011)



ENPLANED PASSENGERS
(by Airline – Fiscal Year 2011)



US US Airways **DL** Delta **AA** American **F9** Frontier
WN Southwest **UA** United/Continental **AS** Alaska **Other** All Other

Includes regional code-sharing affiliates.

US Airways

US Airways is the surviving brand of a September 2005 merger with America West Airlines, which began commercial service in 1983, built its corporate headquarters in Tempe, Arizona and established a major hub at the Airport. In Fiscal Year 2011, the Airport was the third largest US Airways hub in terms of departing seats behind Charlotte and Philadelphia. US Airways and its regional code-sharing affiliates accounted for 48.3% of enplaned passengers at the Airport in Fiscal Year 2011—the largest share of any airline at the Airport.

SCHEDULED DEPARTING SEATS ON US AIRWAYS
Top U.S. Airports in the US Airways System
(Fiscal Years)

		2011		2010		2009	
Rank	Airport	Seats	% of Total	Seats	% of Total	Seats	% of Total
1	Charlotte	22,249,804	21.4%	20,121,790	19.9%	19,880,027	19.1%
2	Philadelphia	13,898,346	13.4	13,660,608	13.5	13,293,232	12.8
3	**Phoenix**	**11,809,794**	**11.4**	**11,523,832**	**11.4**	**11,406,332**	**10.9**
4	Washington-Reagan	5,588,070	5.4	5,462,387	5.4	5,580,432	5.4
5	New York-LaGuardia	3,611,105	3.5	3,770,020	3.7	3,998,566	3.8
6	Boston	2,775,102	2.7	2,932,732	2.9	3,202,542	3.1
7	Las Vegas	1,678,987	1.6	2,344,805	2.3	3,826,379	3.7
8	Orlando	1,433,850	1.4	1,424,498	1.4	1,474,568	1.4
9	Pittsburgh	1,418,791	1.4	1,362,018	1.3	1,748,148	1.7
10	Los Angeles	1,145,175	1.1	1,136,158	1.1	1,299,542	1.2
	All other	38,434,119	36.7	37,315,017	37.1	38,545,086	36.9
	TOTAL	**104,043,143**	100.0%	**101,053,865**	100.0%	**104,254,854**	100.0%

Note: Represents seats on scheduled domestic and international flights and includes regional code-sharing affiliates.
Source: Official Airline Guide.

PHX644-0006

Southwest Airlines

Southwest Airlines started commercial service in 1971 and began serving the Airport in 1982. In Fiscal Year 2011, Southwest offered more seats at the Airport than at all but two airports in its system—Las Vegas and Chicago-Midway. As noted, Southwest accounted for 30.2% of enplaned passengers at the Airport in Fiscal Year 2011, ranking second to US Airways.

SCHEDULED DEPARTING SEATS ON SOUTHWEST AIRLINES
Top U.S. Airports in the Southwest System
(Fiscal Years)

		2011		2010		2009	
Rank	Airport	Seats	% of Total	Seats	% of Total	Seats	% of Total
1	Las Vegas	10,605,088	6.8%	10,623,371	7.0%	11,333,679	7.1%
2	Chicago-Midway	10,369,071	6.6	10,100,213	6.6	10,079,661	6.3
3	**Phoenix**	**8,540,219**	**5.5**	**8,263,098**	**5.4**	**8,947,928**	**5.6**
4	Baltimore	8,298,300	5.3	7,717,677	5.1	7,609,931	4.8
5	Denver	6,826,815	4.4	5,510,592	3.6	5,079,665	3.2
6	Houston-Hobby	6,072,639	3.9	6,110,780	4.0	6,368,305	4.0
7	Dallas-Love Field	5,819,473	3.7	5,908,520	3.9	6,154,346	3.9
8	Los Angeles	5,342,775	3.4	5,368,995	3.5	5,749,733	3.6
9	Oakland	4,998,888	3.2	5,286,729	3.5	5,890,940	3.7
10	Orlando	4,848,136	3.1	4,797,917	3.2	5,409,067	3.4
	All other	84,314,978	54.1	82,356,431	54.2	86,974,994	54.4
	TOTAL	**156,036,382**	100.0%	**152,044,323**	100.0%	**159,598,249**	100.0%

Note: Excludes AirTran which operates as a subsidiary of Southwest.
Source: Official Airline Guide.

PHX644-0007

Airline Rates & Charges

In 1981, the Mayor and City Council formally adopted a compensatory (cost of services) rate-setting policy which provides (1) that charges to aviation users be established on the basis of the costs to provide, maintain and operate the Airport facilities and services, and (2) that these costs be recovered from aviation users on a basis not to exceed their proportional use thereof. Under this compensatory rate-setting methodology, the City bears the risk of any revenue shortfall and retains any surplus revenue for its own discretionary expenditures. Rates and charges are typically adjusted at the beginning of each Fiscal Year after the City has reviewed proposed rate changes and capital expenditures with airline representatives. However, the City retains its proprietary right to adjust fees and to determine its capital expenditures without airline approval. The City also has the unilateral right to adjust terminal rental rates and landing fees at any time to reflect changes in cost. Any such adjustment is subject to federal law and regulations.

The City uses short-term (month-to-month) Letters of Authorization (each, a LOA) for airline space within its terminal facilities. Such LOA can be terminated by either party upon 30-days' notice, providing the City with the flexibility to maximize the use of its terminal facilities.

Cash Management

As noted, the Department operates as a separate enterprise fund of the City, however cash resources are pooled with other City departments and invested by the City Treasurer. Interest earned by the pool is distributed monthly to individual enterprise funds based on daily equity in the pool.

Cash and cash equivalents are considered to be cash in bank accounts, cash on hand and short term investments with original maturities of 90 days or less from the date of acquisition. The City's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

Aviation Department Financial Policies

Management is focused on maintaining sound financial performance, which is evident from the strong financial metrics achieved and high bond ratings. The Department has adopted specific financial and debt management policies to ensure the Airport's continued solid financial performance. These financial policies include:

- **Debt Service Coverage:** Management seeks to maintain Senior Lien Bond debt service coverage of at least 1.75x-2.00x. Prior to Fiscal Year 2011, coverage was slightly below target as a result of the economic downturn (coverage was 1.71x in Fiscal Year 2009 and 1.62x in Fiscal Year 2010). Coverage increased above target to 2.04x in Fiscal Year 2011, illustrating management's dedication to bondholders and intent to achieve targets through proactive measures. Management also seeks to maintain aggregate debt service coverage (coverage of Senior Lien Bond debt service and Junior Lien Bond debt service) of at least 1.50x. The City's first issuance of Junior Lien Revenue Bonds occurred in Fiscal Year 2011 and resulted in aggregate coverage of 1.99x.
- **Passenger Facility Charge (PFC) Leveraging:** Management has established a PFC leverage target of no greater than 65%-75% of annual collections to preserve adequate PFC pay-as-you-go capacity and provide bondholder protection should unexpected volatility occur in operations and revenue.
- **Cash & Liquidity:** Management has established a target of at least 475 Days Cash On Hand[2]. In Fiscal Year 2011, Fiscal Year 2010, and Fiscal Year 2009 management exceeded the target achieving 554 days, 576 days, and 578 days, respectively. Furthermore, management has an active Commercial Paper program supported by two Letters of Credit to provide liquidity and support short-term capital needs.
- **Cost Per Enplanement (CPE):** the Airport maintains one of the industry's most competitive (lowest) CPE figures for similarly sized U.S. airports. Management has the flexibility to increase CPE to maintain financial metrics and develop facilities. The CPE was $5.15 in Fiscal Year 2011, $4.88 in Fiscal Year 2010 and $5.03 in Fiscal Year 2009.

FINANCIAL TARGETS & MANAGEMENT POLICIES Phoenix Sky Harbor International Airport
Debt Service Coverage Targets Senior Lien: at least 1.75-2.00x Aggregate (PFC Offset): at least 1.50x
PFC Leveraging no greater than 65-75% of Annual Collections Debt Service Coverage (Revenue Method): at least 1.40x Utilize Junior Lien for PFC Leveraging
Days Cash on Hand: at least 475 Days
Maintain Competitive CPE, with Increases Targeted to Maintain Metrics and Develop Facilities

PHX644-0009

[2] "Days Cash On Hand" is defined as unrestricted cash available for operations divided by annual operating expenses times 365 days.

Accounting and Budgetary Controls of the City

Independent Audits

The City Charter requires an annual audit by independent certified public accountants. The City's Audit Committee has selected the independent audit firm of Clifton Gunderson LLP to perform the audit of the City's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2011. Included in the financial section of the CAFR is the Independent Auditor's Report on the financial statements of the governmental activities, business-type activities, discretely presented component units, each major fund and aggregate remaining funds.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. CliftonLarsonAllen LLP was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Single Audit Act of 1996 and related OMB Circular A-133. Due to the size and complexity of the City's financial systems, the single audit report is issued separately from the CAFR.

CliftonLarsonAllen LLP also conducted an independent audit of the Department's financial statements for Fiscal Year 2011 (see Financial Section).

Budgeting Systems and Controls

The City maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual budget adopted by the City Council. An operating budget is legally adopted by ordinance each fiscal year for the General, several special revenue, Secondary Property Tax Debt Service, City Improvement Debt Service and enterprise funds on a modified accrual basis plus encumbrances. Legal budget control is maintained at the fund level, except the General Fund for which the control is by program.

After tentative adoption of the budget, the City Council may make changes, but may not increase the budget totals except in those areas exempted by State budget law. The exemptions apply to Federal funds, Arizona Highway User funds, debt service and bond funds. After final adoption, transfers between budget appropriations for non-exempt areas may be made by the City Council. Throughout the budget year, the City Council may also appropriate additional general purpose funds by use of a contingency appropriation reserved to cover emergencies or other necessary expenditures as determined by the City Council. Supplemental appropriations may be adopted for expenditures exempt from the State expenditure limitation, such as federally funded programs, provided funds are available. State law requires the City to re-budget (re-appropriate) funds for the completion of contracts which were originally budgeted for and encumbered in a previous fiscal year. This law necessitates an additional appropriation ordinance to re-budget funds for contracts not completed by June 30.

Awards and Accomplishments

Management's focus on the customer experience and the financial bottom line, as well as a dynamic regional population base, positions the Airport well for accolades. In October 2010, Danny Murphy was named Airport Revenue News (ARN) ***2010 Director of the Year for the Large/Medium Airport Category***. In March 2011, ARN magazine named the Airport's Terminal 4 the "***Terminal with the Best Customer Service***" during its annual Conference and Exhibition. Furthermore, the City of Phoenix Aviation Department and Gannett Fleming were honored by the Metropolitan Phoenix Chapter of the Women's Transportation Seminar (Advancing Women in Transportation) with the ***Innovative Transportation Solutions Award*** for the planning and design of the PHX Sky Train™.

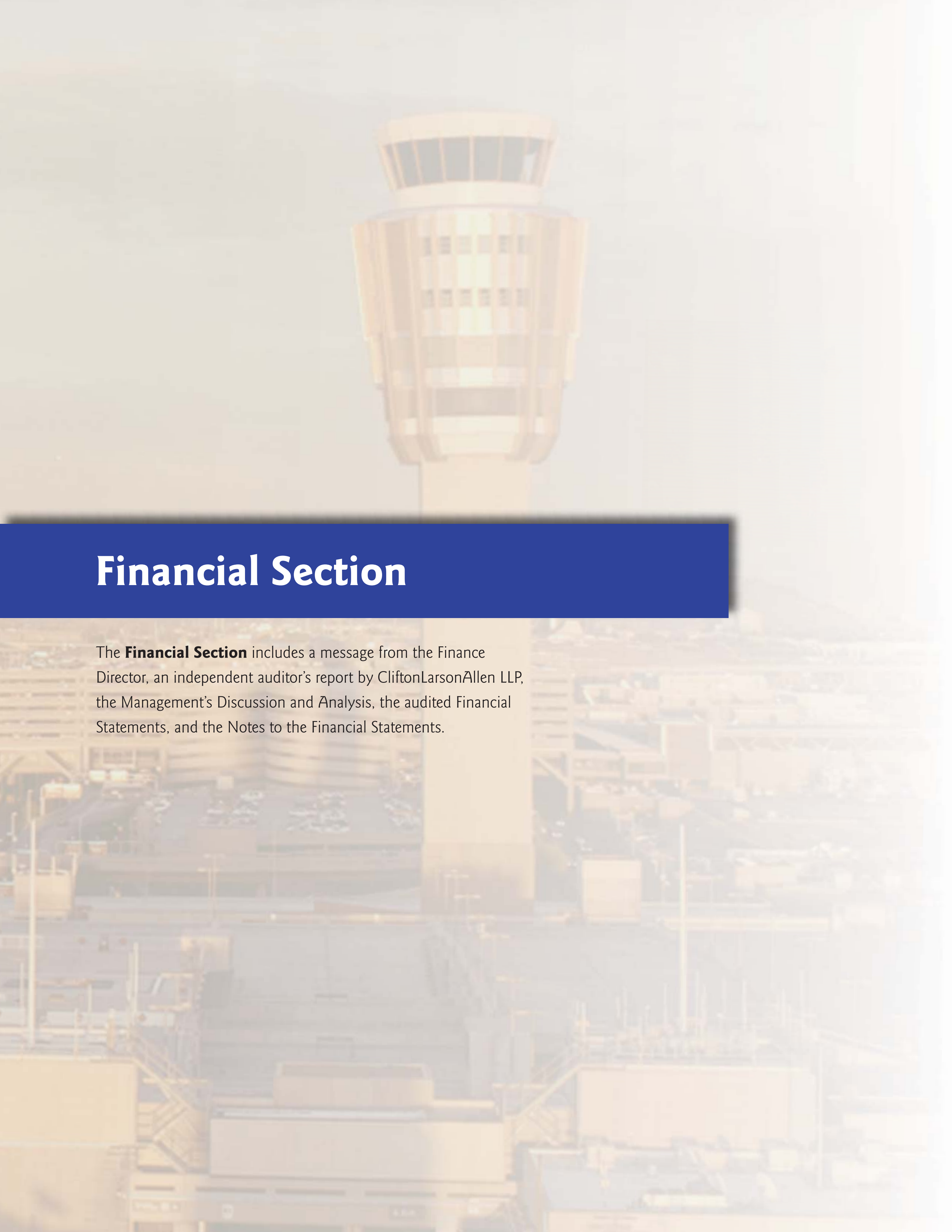
Management strives to excel in compliance and as a result, in June 2011, the Airport was honored with the ***FAA Western-Pacific Region Airport Safety Award*** for commitment to safety and for ongoing efforts to work in collaboration with the FAA. Also, the Airport received its sixth consecutive perfect FAA Part 139 Certification Safety Inspection.

The Airport's Voluntary Acquisition and Relocation Services (VARS) Program received the International Right of Way Association's (IRWA) ***2011 Project of the Year Award*** in October 2011.

In November 2010, the Airport was ***ranked first in the nation for travel experience*** by The Newsweek Daily Beast, a news-reporting and opinion website. The Airport's volunteer Navigator program received the ***Spirit of Service*** award at the annual Governor's Tourism Awards presented by the Arizona Office of Tourism in July 2010.

City of Phoenix

City of Phoenix



Financial Section

The **Financial Section** includes a message from the Finance Director, an independent auditor's report by CliftonLarsonAllen LLP, the Management's Discussion and Analysis, the audited Financial Statements, and the Notes to the Financial Statements.

City of Phoenix

MESSAGE FROM THE FINANCE DIRECTOR

FINANCE DEPARTMENT MISSION

Stewardship, Integrity, Innovation in service to our customers

In an effort to provide transparency, I am pleased to submit, with the Aviation Department, the City of Phoenix Aviation Department Annual Financial Report for the fiscal year ended June 30, 2011.

The objective of this report is to provide a detailed and concentrated look at the Aviation Enterprise Fund's financial status. There are many positive financial areas of the Aviation Enterprise Fund to highlight including:

- Cash and Liquidity: In Fiscal Year 2011, the Aviation Enterprise Fund achieved 554 Days Cash on Hand. The target goal of management is at least 475 days.
- Commercial Paper Program: The Aviation Enterprise Fund has a $200 million Commercial Paper Program underway to fund the expansion of the PHX Sky Train™ to Terminals 3 and 2 backed by Letters of Credit.
- Debt Service Coverage: The Aviation Enterprise Fund continues to show strong Debt Service Coverage with an aggregate coverage of 1.99x for Fiscal Year 2011. The target aggregate coverage of management is at least 1.50x.

The Finance Department strives for financial integrity and is pleased to present the Financial Section of the report, which includes an independent auditor's report by CliftonLarsonAllen LLP, the Management's Discussion and Analysis, the audited financial statements, and the Notes to the Financial Statements.

Additional financial information can be found in the Supplementary Information section of the report. This includes more detail on the Aviation Enterprise Fund's Cash on Hand and more detail regarding debt service.

This report successfully highlights the Aviation Enterprise Fund's financial activities. The completion of this report could not have been accomplished without the dedicated service of the Finance and Aviation staff. I would like to express my appreciation to all team members who assisted and contributed to its preparation.

Sincerely,

Jeff DeWitt

Jeff DeWitt
Finance Director

City of Phoenix

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

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

We have audited the accompanying comparative statements of net assets of Aviation Enterprise Fund (a major fund of the City of Phoenix, Arizona) and the related comparative statements of revenues, expenses and changes in net assets, and comparative statements of cash flow as of and for the years ended June 30, 2011 and 2010, which collectively comprise Aviation Enterprise Fund's basic financial statements. These financial statements are the responsibility of Aviation Enterprise Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Aviation Enterprise Fund as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 27 through 37 is not a required part of the basic financial statements but are supplementary information required by accouting 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.

The introductory section and supplementary information listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Phoenix, Arizona
April 6, 2012

Financial Section

City of Phoenix

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Phoenix (the City) Aviation Enterprise Fund. It provides an introduction and discussion of the financial statements of the Phoenix Sky Harbor International Airport (the Airport) and two general aviation airports, Phoenix Goodyear Airport and Phoenix Deer Valley Airport (collectively, the Airport System) as of and for the Fiscal Years ended June 30, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow this section.

Financial Highlights

Fiscal Year 2011

- Total net assets for the Aviation Enterprise Fund at June 30, 2011 were $1,770.0 million. This is an increase of $12.1 million over total net assets at June 30, 2010.
- Increases in net assets are primarily due to completed construction projects and increased construction activity on the PHX Sky Train™.
- Operating revenues were $288.7 million for Fiscal Year 2011, an increase of $21.9 million.
- The increase in revenues is due to higher airline operating revenues as well as increases in concessions, parking and ground transportation revenues reflecting the higher passenger activity at the Airport.
- Total operating expenses, exclusive of depreciation and amortization, increased by $24.3 million to $240.6 million in Fiscal Year 2011.
- The increase in expenses, exclusive of depreciation and amortization, is attributable to higher airfield and terminal maintenance and repair expenses, increased expenses related to technical support around the Airport, increased expenses associated with noise mitigation and environmental remediation, and expenses due to the issuance of new debt.

Fiscal Year 2010

- Total net assets for the Aviation Enterprise Fund at June 30, 2010 were $1,757.9 million. This is an increase of $30.0 million over total net assets at June 30, 2009.
- Operating revenues were $266.8 million for Fiscal Year 2010, a decrease of $6.3 million.
- Revenues decreased due to decreases in airline terminal fees, terminal concessions, parking and commercial revenues.
- Total operating expenses, exclusive of depreciation and amortization, decreased by $20.0 million to $216.3 million in Fiscal Year 2010.
- The decrease in expenses, exclusive of depreciation and amortization, is related to decreases in transportation services, machinery and equipment repairs, noise compatibility and environmental remediation expenses.

Overview of the Financial Statements

The Aviation Enterprise Fund is an enterprise fund of the City. This fund is used to account for the Airport System's ongoing operations and activities, which are similar to those often found in the private sector and where recovery cost and the determination of net income is useful or necessary for sound fiscal management.

It uses the accrual basis of accounting; revenues are recognized when earned and expenses are recognized as incurred. Following the MD&A are the financial statements, notes to the financial statements, and supplemental schedules of the Aviation Enterprise Fund. These statements, notes and schedules, together with the MD&A, are designed to provide an understanding of the Aviation Enterprise Fund's financial position, results of operations, and cash flows.

The Comparative Statements of Net Assets presents information on all of the Aviation Enterprise Fund's assets and liabilities as of June 30, 2011 and 2010. The Comparative Statements of Revenues, Expenses, and Changes in Net Assets presents financial information showing how the Aviation Enterprise Fund's net assets changed during the fiscal years ended June 30, 2011 and 2010. The Comparative Statements of Cash Flows relates to the cash and cash equivalent in-flows and out-flows as a result of financial transactions during the two fiscal years and also includes a reconciliation of operating loss to the net cash provided by operating activities.

Summary of Net Assets

The following is a summary of assets, liabilities, and net assets as of June 30, 2011, 2010, and 2009:

SUMMARY OF ASSETS, LIABILITIES, AND NET ASSETS
Aviation Enterprise Fund
(Fiscal Years; in thousands)

	2011	2010	2009
Assets			
Unrestricted Current Assets	$ 291,759	$ 217,613	$ 224,201
Restricted Current Assets	544,998	296,937	320,992
Capital Assets, net	2,668,637	2,508,150	2,336,551
OPEB Asset	68	158	1,303
Total Assets	$ 3,505,462	$ 3,022,858	$ 2,883,047
Liabilities			
Current Liabilities Payable from Current Assets	$ 26,978	$ 21,331	$ 24,888
Current Liabilities Payable from Restricted Assets	135,744	331,331	178,287
Bonds Payable, non current	1,555,830	893,565	929,835
Pollution Remediation	11,555	13,817	17,318
Accrued Compensated Absences	5,354	4,950	4,881
Total Liabilities	$ 1,735,461	$ 1,264,994	$ 1,155,209
Net Assets			
Invested in Capital Assets, Net of Related Debt	$ 1,312,605	$ 1,465,741	$ 1,493,939
Restricted	106,350	51,730	52,019
Unrestricted	351,046	240,393	181,880
Total Net Assets	$ 1,770,001	$ 1,757,864	$ 1,727,838

The analysis below explains the changes in net assets.

Fiscal Year 2011 Compared to Fiscal Year 2010

Total assets increased by $482.6 million, or 16.0%, in Fiscal Year 2011, compared to Fiscal Year 2010. This was primarily due to an increase in cash, cash equivalents and investments associated with the new Junior Lien Airport Revenue bond series. Capital assets also increased due to continuing construction of the new PHX Sky Train™.

Total liabilities increased by $470.5 million, or 37.2%, in Fiscal Year 2011, compared to Fiscal Year 2010. This is due to an increase in Municipal Corporation Obligations payable associated with the Junior Lien Airport Revenue bonds issued in Fiscal Year 2011.

Total net assets increased by $12.1 million, or 0.7%, in Fiscal Year 2011. As of June 30, 2011, $1,312.6 million was invested in capital assets, net of related debt and $351.0 million was unrestricted and available for short term operations and ongoing obligations. The amount restricted for debt service reserves totaled $106.4 million for Fiscal Year 2011.

Fiscal Year 2010 Compared to Fiscal Year 2009

Total assets increased by $139.8 million, or 4.9%, in Fiscal Year 2010, compared to Fiscal Year 2009. This is due to an increase in capital assets of $171.6 million that was offset by decreases in unrestricted and restricted current assets. The increase in capital assets resulted from various construction projects around the Airport System, including the PHX Sky Train™ and expansions and improvements to security checkpoints in Terminals 3 and 4.

Total liabilities increased by $109.8 million, or 9.5%, in Fiscal Year 2010, compared to Fiscal Year 2009. This increase is primarily due to the purchase of Bond Anticipation Notes, or Commercial Paper, in Fiscal Year 2010, which increased current liabilities payable from restricted assets.

Total net assets increased by $30.0 million, or 1.7%, in Fiscal Year 2010. As of June 30, 2010, $1,465.7 million was invested in capital assets, net of related debt and $240.4 million was unrestricted and available for short term operations and ongoing obligations. The amount restricted for debt service reserves totaled $51.7 million for Fiscal Year 2010.

The following is a summary of changes in net assets as of June 30, 2011, 2010, and 2009:

CHANGES IN NET ASSETS
Aviation Enterprise Fund
(Fiscal Years; in thousands)

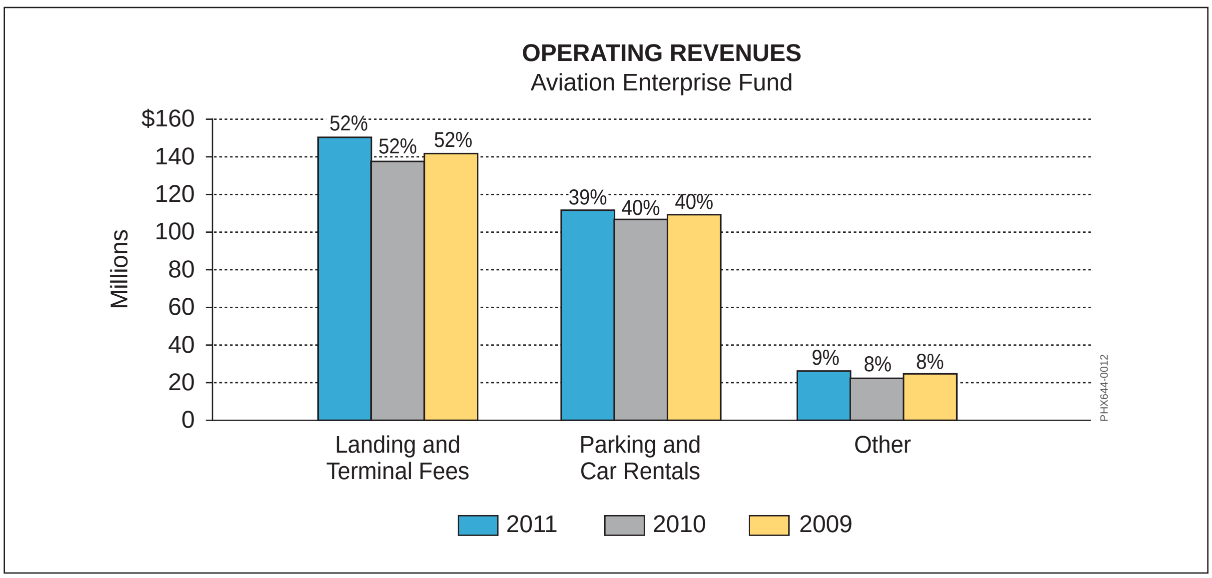
	2011	2010	2009
Operating Revenues	$ 288,660	$ 266,778	$ 273,079
Operating Expenses Before Depreciation	(240,602)	(216,263)	(236,293)
Operating Income Before Depreciation	$ 48,058	$ 50,515	$ 36,786
Depreciation	(128,697)	(129,034)	(110,067)
Operating Income (Loss)	$ (80,639)	$ (78,519)	$ (73,281)
Non-Operating Revenues	$ 14,666	$ 6,455	$ 8,958
Non-Operating Expenses	(74,866)	(51,125)	(43,100)
Capital Contributions	152,976	153,215	132,712
Increase (Decrease) in Net Assets	**$ 12,137**	**$ 30,026**	**$ 25,289**
Net Assets, July 1	1,757,864	1,727,838	1,702,549
Net Assets, June 30	$ 1,770,001	$ 1,757,864	$ 1,727,838

Financial Section

The following is a summary of operating revenues for the fiscal years ending June 30, 2011, 2010, and 2009:

OPERATING REVENUES
Aviation Enterprise Fund
(Fiscal Years; in thousands)

	2011	2010	2009
Landing and Terminal Fees			
Airline Landing Fees	$ 41,200	$ 38,294	$ 37,213
Airline Terminal Fees	60,138	54,867	57,930
Terminal Concessions	47,657	42,268	44,547
Other	2,012	2,088	1,254
Subtotal	$ 151,007	$ 137,517	$ 140,944
Parking and Car Rentals			
Parking	$ 69,775	$ 66,130	$ 70,269
Car Rentals	42,687	41,788	38,716
Subtotal	$ 112,462	$ 107,918	$ 108,985
Other			
Commercial	$ 12,492	$ 13,827	$ 16,516
Ground Transportation	4,515	3,386	1,553
Other	8,184	4,130	5,081
Subtotal	$ 25,191	$ 21,343	$ 23,150
Total Operating Revenues	**$ 288,660**	**$ 266,778**	**$ 273,079**



The analysis below explains the increases and decreases in operating revenues.

Fiscal Year 2011 Compared to Fiscal Year 2010

Operating revenues increased by $21.9 million, or 8.2%, to $288.7 million in Fiscal Year 2011 from $266.8 million in Fiscal Year 2010. This increase is primarily due to increases in airline landing and terminal fees, as well as increases in terminal concessions and ground transportation. Passenger enplanements at the Airport increased to 19.7 million in Fiscal Year 2011 from 19.1 million in Fiscal Year 2010, representing a 3.1% increase, which helped generate the increased terminal concession and ground transportation revenues.

Landing and Terminals Fees increased by $13.5 million, or 9.8%. This includes an increase in airline landing fees, resulting from an increase in the landing fee rate at the Airport to $1.62 per 1,000 pounds in Fiscal Year 2011 from $1.55 in Fiscal Year 2010. Airline terminal fees also grew due to a terminal space rental rate increase. In Fiscal Year 2011, the average per square foot rate at the Airport was $81.76, up from $77.12 in Fiscal Year 2010. Terminal concession revenues also increased, primarily due to the end of the temporary Minimum Annual Guarantee (MAG) relief provided to concessionaires during the first half of Fiscal Year 2010.

Parking and Car Rentals increased by $4.5 million, or 4.2%. This increase is attributable to growth in origin and destination (O&D) traffic at the Airport of 0.7% in Fiscal Year 2011.

Other Revenues increased by $3.8 million, or 18.0%. Ground transportation revenues expanded due to increased taxicab contracts and rising numbers of taxicabs servicing the Airport. Also included in this category is reimbursement income for the construction of the environmental remediation system at the Airport.

Fiscal Year 2010 Compared to Fiscal Year 2009

Operating revenues declined by $6.3 million, or 2.3%, to $266.8 million in Fiscal Year 2010 from $273.1 million in Fiscal Year 2009, due to decreases in airline terminal fees, terminal concessions, and parking and commercial revenues. Although passenger enplanements at the Airport grew by 1.0% in Fiscal Year 2010, revenue growth lagged. Some of the revenue declines were related to management actions, including MAG relief for terminal retail concessions.

Landing and Terminals Fees decreased by $3.4 million, or 2.4%. Landing fee rates (per 1,000 pounds) at the Airport were adjusted downward in mid Fiscal Year 2010 due to the shift of certain security costs to the terminal cost centers from the airfield and partial year technology related cost saving improvements at the security check points. Landing fee revenues increased 2.9% in Fiscal Year 2010. Terminal fees declined 5.3% in Fiscal Year 2010; however, some of the revenue loss was due to a reclassification of baggage conveyor fees as Other Revenues. The Fiscal Year 2010 terminal space average rate of $77.12 per square foot at the Airport reflected an increase of 22.9% over the Fiscal Year 2009 average rate of $62.76 per square foot. Terminal concession revenues declined 5.1% in Fiscal Year 2010 because of MAG relief at the Airport. The severity of the economic downturn led management to provide retail tenants temporary financial relief.

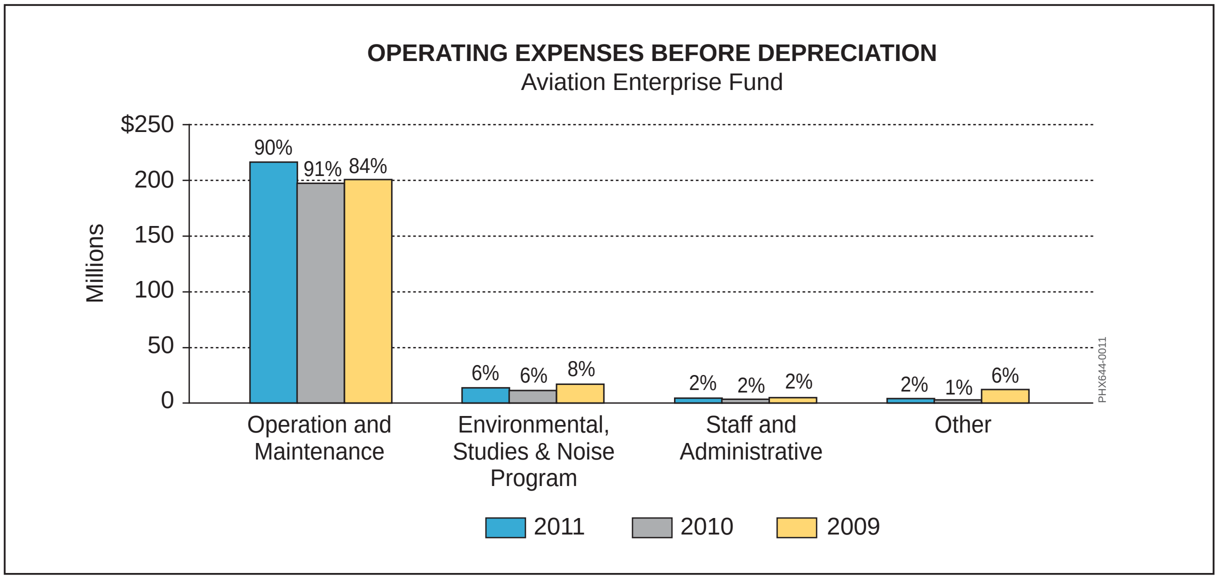
Parking and Car Rentals decreased by $1.1 million, or 1.0%. While overall enplanements stabilized in Fiscal Year 2010, O&D passenger traffic declined 1.0% at the Airport which affected parking and to some extent rental car revenues. Parking revenues declined $4.1 million, or 5.9% due to lower demand resulting from the economic downturn. However, rental car revenues increased $3.1 million, or 7.9%, which offset most of the reduction in parking revenues. Most of this increase is due to a lower annual settlement paid to the rental car operators in Fiscal Year 2010.

Other Revenues decreased by $1.8 million, or 7.8%. Commercial revenues declined 16.3% in Fiscal Year 2010, as some land rentals were reclassified. Also, other expenses subject to reimbursement declined. In contrast, the new taxicab contract, initiated in Fiscal Year 2010, resulted in revenue growth of $1.8 million.

The following is a summary of operating expenses before deprecation for the fiscal years ending June 30, 2011, 2010, and 2009:

OPERATING EXPENSES BEFORE DEPRECIATION
Aviation Enterprise Fund
(Fiscal Years; in thousands)

	2011	2010	2009
Operating Expenses Before Depreciation			
Operation and Maintenance	$ 216,366	$ 195,538	$ 198,845
Environmental, Studies & Noise Program	15,364	13,811	18,132
Staff and Administrative	4,364	5,037	5,943
Other	4,508	1,877	13,373
Total Operating Expenses Before Depreciation	**$ 240,602**	**$ 216,263**	**$ 236,293**



The analysis below explains the increases and decreases in operating expenses before depreciation.

Fiscal Year 2011 Compared to Fiscal Year 2010

Operating expenses before depreciation increased by $24.3 million, or 11.3%, from $216.3 million in Fiscal Year 2010 to $240.6 million in Fiscal Year 2011.

Operation and Maintenance expenses increased by $20.8 million, or 10.7%. This increase is due to several factors, including the continuing restoration and maintenance of airfield, airside and roadway pavement around the Airport, which increased by $8.4 million in Fiscal Year 2011. Another factor in the Operation and Maintenance expense increase was the issuance of new Junior Lien Airport Revenue Bonds in Fiscal Year 2011. The expenses associated with this debt issuance were $4.3 million. Expenditures for technical support and technological services around the Airport, such as the Common Use Terminal Equipment (CUTE) System and Closed Circuit Television (CCTV) increased by $3.9 million in Fiscal Year 2011. Utilities, supplies, and various maintenance contracts around the Airport System increased by $2.3 million in Fiscal Year 2011 and terminal rehabilitation, which included repairs to moving walkways, elevators and the roof in Terminal 4 increased by $1.2 million. Miscellaneous expenses relating to professional service contracts, ground transportation and security increased by $0.7 million in Fiscal Year 2011.

Environmental, Studies & Noise Program expenses increased by $1.6 million, or 11.2%, in Fiscal Year 2011. This increase is due to continuing work on noise compatibility in the areas surrounding the Airport, as well as environmental remediation expenses.

Staff and Administrative expenses decreased by $0.7 million, or 13.4%, in Fiscal Year 2011. This is due to a decrease in the Aviation Enterprise Fund's share of the City-wide overhead. Overhead has been decreased because of staffing cuts and vacancies in general funded the City departments.

Other expenses increased by $2.6 million, or 140.2%, in Fiscal Year 2011. This is due to construction projects expensed in Fiscal Year 2011.

Fiscal Year 2010 Compared to Fiscal Year 2009

Operating expenses before depreciation decreased by $20.0 million, or 8.5%, from $236.3 million in Fiscal Year 2009 to $216.3 million in Fiscal Year 2010.

Operation and Maintenance expenses decreased by $3.3 million, or 1.7%. This is due to decreases in transportation services of $4.1 million, machinery and equipment repairs of $2.2 million, computer services and maintenance of $1.5 million, professional services of $1.3 million, and security services of $1.0 million. These decreases were offset by an increase in Aviation Enterprise Fund salaries and benefits of $6.8 million in Fiscal Year 2010.

Environmental, Studies & Noise Program expenses decreased by $4.3 million, or 23.8%, in Fiscal Year 2010. This is due to a decrease in expenses for work on noise compatibility in the areas surrounding the Airport, as well as environmental remediation expenses for Fiscal Year 2010.

Staff and Administrative expenses decreased by $0.9 million, or 15.2%, in Fiscal Year 2010. This is due to a decrease in the Aviation Enterprise Fund's share of the City-wide overhead. Overhead has been decreased because of staffing cuts and vacancies in general funded the City departments.

Other expenses decreased by $11.5 million, or 86.0% in Fiscal Year 2010. This is due to a decrease in construction projects expensed in Fiscal Year 2010 as compared to Fiscal Year 2009.

Short-Term Debt

During Fiscal Year 2011, $200.0 million of the Series 2010A Junior Lien Airport Revenue Bonds were used to refund the Series 2008A and 2008B Bond Anticipation Notes. Although no Bond Anticipation Notes were outstanding as of June 30, 2011, the Aviation Enterprise Fund, through the City, maintains an active commercial paper program for ongoing capital needs and liquidity for the benefit of airport improvements. In October 2011, new letters of credit were issued with Bank of America, N.A. and Barclays Bank PLC.

Long-Term Debt

City of Phoenix Civic Improvement Corporation Senior Lien Airport Revenue Bonds

The Aviation Enterprise Fund, through the City, has entered into certain agreements with the City of Phoenix Civic Improvement Corporation (the CIC) for the purchase of certain improvements and expansion projects at the City's airports. The CIC issued bonds for the improvements and expansion projects, and the Aviation Enterprise Fund made a senior lien pledge of Net Airport Revenues to make payments sufficient to pay principal of and interest on the bonds. The debt service requirements on senior lien airport revenue bonds are secured by a first lien pledge of Net Airport Revenues. The term Net Airport Revenues is defined in the Airport Revenue Bond Ordinance to mean Airport Revenues, after provisions for payment of the Cost of Maintenance and Operation.

As of June 30, 2011 and 2010, there was $625.3 million and $679.5 million, respectively, principal amount outstanding in Senior Lien Airport Revenue Bonds (issued by the CIC).

The debt service reserve requirement for the Senior Lien Airport Revenue Bonds as of June 30, 2011 and June 30, 2010 was $50.4 million, which has been fully funded with cash.

For more information regarding Senior Lien debt, please refer to Note 6 in the Notes to the Financial Statements, and Schedules 4 and 5 on pages 76 and 77 in the Debt Section of the Supplementary Information.

City of Phoenix Civic Improvement Corporation Junior Lien Airport Revenue Bonds

The Aviation Enterprise Fund, through the City, has entered into certain purchase agreements with the CIC for the purchase of certain improvements and expansion projects at the City's airports. The CIC issued bonds for the improvements and expansion projects, and the Aviation Enterprise Fund made a junior lien pledge of Net Airport Revenues to make payments sufficient to pay principal of and interest on the bonds. The debt service requirements on junior lien airport revenue bonds are junior to the senior lien airport revenue bonds and are secured by a pledge of the Designated Revenues. The term Designated Revenues is defined in the Airport Revenue Bond Ordinance to mean Net Airport Revenues, after payments required on any senior lien airport revenue bonds.

As of June 30, 2011 there was $696.1 million principal amount outstanding in Junior Lien Airport Revenue Bonds (issued by the CIC). There were no Junior Lien Airport Revenue Bonds outstanding as of June 30, 2010.

The debt service reserve requirement for the Junior Lien Airport Revenue Bonds as of June 30, 2011 was $56.6 million, which has been fully funded with cash.

For more information regarding Junior Lien debt, please refer to Note 6 in the Notes to the Financial Statements, and Schedules 6 and 7 on pages 78 and 79 in the Debt Section of the Supplementary Information.

City of Phoenix Civic Improvement Corporation Rental Car Facility Charge Revenue Bonds, Taxable Series 2004

The Rental Car Facility Charge Revenue Bonds are special revenue obligations of the CIC, payable solely from certain payments required to be made by the Aviation Enterprise Fund, through the City, to the CIC pursuant to the City Purchase Agreement dated June 1, 2004. Pledged revenues consist primarily of Customer Facility

Charge (CFC) revenues and amounts on deposit in various reserve funds. Pledged revenues do not include amounts required to be paid by the rental car companies as ground rents or concession fees, amounts on deposit or required to be deposited to the Administrative Costs Fund, amounts on deposit in the Transportation Operations and Maintenance (O&M) fund or the Transportation reserve fund, the Aviation Enterprise Fund transportation O&M fund, or CFC's that exceed the pledged rate.

The CFC was imposed June 1, 2002 at a rate of $3.50 per transaction day and was increased to $4.50 per transaction day on September 1, 2003. The CFC rate per transaction day increased to $6.00 on January 1, 2009; however, only $4.50 of the $6.00 CFC per transaction day is included as pledged revenues. If the Aviation Enterprise Fund deposits the additional $1.50 of the CFC rate into the Trustee-held Revenue Fund, then the additional monies become pledged revenues for the benefit of bondholders. In Fiscal Year 2011 and Fiscal Year 2010, the Aviation Enterprise Fund deposited the entire $6.00 CFC rate per transaction day into the Trustee-held Revenue Fund for the benefit of bondholders.

As of June 30, 2011 and 2010, there was $227.6 million and $234.7 million, respectively, principal amount outstanding in Rental Car Facility Charge Revenue Bonds (issued by the CIC).

For more information regarding the Rental Car Facility Charge Revenue Bonds, please refer to Note 6 in the Notes to the Financial Statements, and Schedules 8 and 9 on pages 80 and 81 in the Debt Section of the Supplementary Information.

Airport General Obligation Bonds

As of June 30, 2011 and June 30, 2010, the Aviation Enterprise Fund had $10.5 million and $11.4 million, respectively, principal amount of Airport General Obligation Bonds outstanding. The debt service requirements of Airport General Obligation Bonds have been paid from Net Airport Revenues remaining after payment of senior lien and junior lien airport revenue bonded debt service requirements. In the event such Net Airport Revenues should prove insufficient to pay airport general obligation debt service requirements or should the Aviation Enterprise Fund, through the City, decide not to pay the debt service from Net Airport Revenues, this indebtedness would then be paid from ad valorem taxes or other available sources.

For more information regarding Airport General Obligation Bonds, please refer to Note 6 in the Notes to the Financial Statements, and Schedules 10 and 11 on pages 82 and 83 in the Debt Section of the Supplementary Information.

Airport Excise Tax Revenue Bonds

The Aviation Enterprise Fund, through the City, entered into a lease agreement with the CIC in order to finance various improvements at the City's airports with airport excise tax revenue bonds issued by the CIC. There were no airport excise tax revenue bonds outstanding as of June 30, 2011. As of June 30, 2010, there was $0.6 million in principal amount outstanding of airport excise tax revenue bonds. The Aviation Enterprise Fund, through the City, had agreed to make lease payments to the CIC in amounts sufficient to pay principal and interest on the excise tax bonds. These payments were made from Net Airport Revenues after the payment of senior lien and junior lien airport revenue bonded debt service.

For more information regarding airport excise tax revenue bonds, please refer to Note 6 in the Notes to the Financial Statements.

Capital Assets

The Aviation Enterprise Fund's investment in capital assets for the fiscal years ended June 30, 2011 and June 30, 2010, was $2.7 billion and $2.5 billion, respectively, net of accumulated depreciation. This represents increases of $160.5 million and $171.6 million in Fiscal Year 2011 and Fiscal Year 2010, respectively.

CAPITAL ASSETS
Aviation Enterprise Fund
(Fiscal Years; in thousands)

	2011	2010	2009
Land	$ 569,150	$ 553,520	$ 537,801
Buildings	1,183,963	1,147,518	1,021,630
Improvements Other Than Buildings	1,189,631	1,145,057	1,136,783
Equipment	352,052	292,843	223,376
Intangibles	21,595	7,812	5,707
Construction in Progress	578,883	462,317	401,660
Less: Accumulated Depreciation	(1,226,637)	(1,100,917)	(990,406)
Net Capital Assets	**$ 2,668,637**	**$ 2,508,150**	**$ 2,336,551**

Major additions to capital assets during Fiscal Year 2011 included the following:

- Design and construction related to the PHX Sky Train™ valued at $227.5 million.
- Construction and improvements of the Airport runways, taxiways and aprons valued at $26.3 million.
- Land acquisition valued at $17.1 million.

For Fiscal Year 2010 major additions to capital assets included the following:

- Design and construction related to the PHX Sky Train™ valued at $154.5 million.
- Construction of an In-Line Baggage Explosive Detection System for the Airport valued at $37.3 million.
- Land acquisition valued at $26.4 million.
- Construction and improvements of the Airport runways, taxiways and aprons valued at $19.2 million.

Additional information on the Aviation Enterprise Fund's capital assets can be found in Note 5 in the Notes to the Financial Statements.

Economic Factors Affecting the Aviation Enterprise Fund

Despite the economic recession in Fiscal Year 2011 and Fiscal Year 2010, the Aviation Enterprise Fund continued to post strong net revenues, debt service coverage and cash balances. The Airport System was impacted, both positively and negatively, by the below listed events during this period:

- The economic downturn resulted in lower regional discretionary income levels which negatively impacted O&D passenger levels and concession and parking revenues.
- US Airways' connecting passengers increased in both Fiscal Year 2011 and 2010, due in some part to declines in passenger throughput at Las Vegas McCarran International Airport.
- Southwest Airlines increased its connecting passenger throughput levels at the Airport during the period. Additionally, in May 2011, Southwest acquired AirTran Holdings (the parent of AirTran Airways). During Fiscal Year 2011, the Airport experienced no measurable service changes as a result of this merger.
- The weak economic climate benefited the ongoing PHX Sky Train™ construction because of competitive contract bids and attractive tax-exempt bond interest rates.

Requests for Financial Information

This financial report is designed to provide a general overview of the Aviation Enterprise Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Phoenix Finance Department, 251 West Washington Street, 9th Floor, Phoenix, Arizona 85003.

Financial Section

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Net Assets
June 30, 2011 and 2010
(in thousands)

	2011	2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 22,722	$ 27,840
Investments	258,406	180,724
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts (2011, $2,097 and 2010, $962)	8,879	6,970
Deposits in Escrow	334	457
Prepaid Items	-	170
Inventories, at Average Cost	1,418	1,452
Total Unrestricted Current Assets	291,759	217,613
Restricted Assets		
Debt Service		
Cash with Fiscal Agent/Trustee	198,135	104,192
Accrued Interest Receivable	383	502
Customer Facility Charge		
Cash and Cash Equivalents	482	2,035
Cash with Fiscal Agent/Trustee	24,166	21,210
Investments	23,761	32,622
Accounts Receivable	2,810	2,630
Capital Projects		
Cash and Cash Equivalents	17,415	37,820
Investments	262,298	74,612
Receivables		
Intergovernmental	7,438	12,395
Passenger Facility Charge	8,110	8,919
Total Restricted Current Assets	544,998	296,937
Total Current Assets	836,757	514,550
Noncurrent Assets		
Capital Assets		
Land	569,150	553,520
Buildings	1,183,963	1,147,518
Improvements Other Than Buildings	1,189,631	1,145,057
Equipment	352,052	292,843
Intangibles	21,595	7,812
Construction in Progress	578,883	462,317
Less: Accumulated Depreciation	(1,226,637)	(1,100,917)
Total Capital Assets, Net of Accumulated Depreciation	2,668,637	2,508,150
OPEB Asset	68	158
Total Noncurrent Assets	2,668,705	2,508,308
Total Assets	3,505,462	3,022,858

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

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Net Assets (continued)
June 30, 2011 and 2010
(in thousands)

	2011	2010
LIABILITIES		
Current Liabilities Payable from Current Assets		
Accounts Payable	11,440	9,758
Trust Liabilities and Deposits	681	486
Deferred Revenue	11,097	7,115
Current Portion of Pollution Remediation	2,882	3,123
Current Portion of Accrued Compensated Absences	878	849
Total Current Liabilities Payable from Current Assets	26,978	21,331
Current Liabilities Payable from Restricted Assets		
Debt Service		
Bond Anticipation Notes Payable	-	200,000
Matured Bonds Payable	28,525	26,735
Interest Payable	41,284	25,415
Current Portion of General Obligation Bonds	885	850
Current Portion of Rental Car Facility Revenue Bonds	7,435	7,065
Current Portion of Municipal Corporation Obligations	25,655	27,675
Capital Projects		
Accounts Payable	31,960	43,591
Total Current Liabilities Payable from Restricted Assets	135,744	331,331
Total Current Liabilities	162,722	352,662
Noncurrent Liabilities		
General Obligation Bonds, Net of Deferred Interest Expense Adjustment (2011, $509 and 2010, $716)	9,106	9,784
Rental Car Facility Revenue Bonds, Net of Deferred Interest Expense Adjustment (2011, $0 and 2010, $0)	220,185	227,620
Municipal Corporation Obligations, Net of Deferred Interest Expense Adjustment (2011, $1,134 and 2010, $1,361)	1,294,586	651,129
Unamortized Premium (Discount)	31,953	5,032
Pollution Remediation	11,555	13,817
Accrued Compensated Absences	5,354	4,950
Total Noncurrent Liabilities	1,572,739	912,332
Total Liabilities	1,735,461	1,264,994
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,312,605	1,465,741
Restricted for Bond Reserve	87,432	30,787
Restricted for CFC Transportation O&M / Improvement Reserves	18,918	20,943
Unrestricted	351,046	240,393
Total Net Assets	$ 1,770,001	$ 1,757,864

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

Financial Section

Financial Section

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Operating Revenues		
Landing and Terminals Fees	$ 151,007	$ 137,517
Parking and Car Rentals	112,462	107,918
Other	25,191	21,343
Total Operating Revenues	288,660	266,778
Operating Expenses		
Operation and Maintenance	216,366	195,538
Environmental, Studies & Noise Program	15,364	13,811
Depreciation	128,697	129,034
Staff and Administrative	4,364	5,037
Other	4,508	1,877
Total Operating Expenses	369,299	345,297
Operating Loss	(80,639)	(78,519)
Non-Operating Revenues (Expenses)		
Investment Income		
Net Increase (Decrease) in Fair Value of Investments	(4,254)	(2,937)
Interest	6,863	6,455
Interest on Capital Debt	(70,612)	(46,768)
Gain (Loss) on Disposal of Capital Assets	7,803	(1,420)
Total Non-Operating Revenues (Expenses)	(60,200)	(44,670)
Net Loss Before Contributions	(140,839)	(123,189)
Capital Contributions	152,976	153,215
Change in Net Assets	12,137	30,026
Net Assets, July 1	1,757,864	1,727,838
Net Assets, June 30	$ 1,770,001	$ 1,757,864

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

City of Phoenix, Arizona
Aviation Enterprise Fund
Comparative Statements of Cash Flows
For the Fiscal Years Ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Cash Flows from Operating Activities		
Receipts from Customers	$ 290,928	$ 264,356
Payments to Suppliers	(166,428)	(145,576)
Payments to Employees	(69,904)	(69,859)
Payment of Staff and Administrative Expenses	(4,364)	(5,037)
Net Cash Provided by Operating Activities	50,232	43,884
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Debt	491,056	120,000
Principal Paid on Capital Debt	(26,735)	(26,815)
Interest Paid on Capital Debt	(61,371)	(51,959)
Acquisition and Construction of Capital Assets	(296,741)	(273,304)
Proceeds from Sales of Capital Assets	8,479	133
Capital Contributions	158,558	153,786
Net Cash Provided (Used) by Capital and Related Financing Activities	273,246	(78,159)
Cash Flows from Investing Activities		
Purchases of Investment Securities	(2,526,597)	(640,333)
Proceeds from Sale and Maturities of Investment Securities	2,359,739	702,285
Net Activity for Short-Term Investments	(89,649)	(90,698)
Interest on Investments	2,729	3,580
Net Cash Used by Investing Activities	(253,778)	(25,166)
Net Increase (Decrease) in Cash and Cash Equivalents	69,700	(59,441)
Cash and Cash Equivalents, July 1	193,554	252,995
Cash and Cash Equivalents, June 30	$ 263,254	$ 193,554
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	$ (80,639)	$ (78,519)
Adjustments		
Depreciation	128,697	129,034
(Increase) Decrease in Assets		
Receivables	(3,044)	(1,199)
Allowance for Doubtful Accounts	1,135	365
Prepaid Items	170	170
Inventories	34	(123)
OPEB Asset	90	1,145
Increase (Decrease) in Liabilities		
Accounts Payable	1,682	(1,572)
Trust Liabilities and Deposits	195	-
Deferred Revenue	3,982	(1,587)
Pollution Remediation	(2,503)	(3,937)
Accrued Compensated Absences	433	107
Net Cash Provided by Operating Activities	$ 50,232	$ 43,884
Noncash Transactions Affecting Financial Position		
Refunding Issuance in Excess of Bond Retirement	$ 433	$ 433
Contributions of Capital Assets	5	531
Increase (Decrease) in Fair Value of Investments	(560)	416
Total Noncash Transactions Affecting Financial Position	$ (122)	$ 1,380

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

City of Phoenix

Notes to the Financial Statements

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

City of Phoenix

The City of Phoenix (the City) owns and operates Phoenix Sky Harbor International Airport (the Airport) and two general aviation airports, Phoenix Goodyear Airport and Phoenix Deer Valley Airport (collectively, the Aviation Enterprise Fund). The City has operated the Aviation Enterprise Fund as a self-supporting enterprise since 1967, according to Part II, Chapter 4 of the City of Phoenix Code of Ordinances.

1. Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

a) Reporting Entity

The accompanying financial statements present fairly in accordance with GAAP only the Aviation Enterprise Fund and are not intended to present fairly the financial position of the City, and the changes in its financial position and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

b) Jointly Governed Organizations—Phoenix-Mesa Gateway Airport Authority

The Phoenix-Mesa Gateway Airport Authority is a nonprofit corporation established and funded by the City of Phoenix, City of Mesa, Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September 1993 to become the Phoenix-Mesa Gateway Airport Authority. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. The Aviation Enterprise Fund contributed $1.3 million in both fiscal years 2011 and 2010 (life to date $10.3 million) to the Phoenix-Mesa Gateway Airport Authority operating and capital budget.

c) Basis of Accounting

The Aviation Enterprise Fund is an enterprise of the City and the cost of providing services is recovered through their fees and charges. The Aviation Enterprise Fund, through the City, has established activity rates and fees to recover the cost of providing services, including capital costs and has issued debt backed by these revenues.

Since the Aviation Enterprise Fund is an enterprise fund of the City, the accrual basis of accounting is followed, whereby revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized when incurred. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

d) Pooled Cash and Investments

The Aviation Enterprise Fund's cash resources are combined through the City to form a cash and investment pool managed by the City Treasurer. Excluded from this pool are the investments of the City of Phoenix Employee Retirement System and certain other legally restricted funds. Interest earned by the pool is distributed monthly to individual funds based on daily equity in the pool.

The Aviation Enterprise Fund's cash and cash equivalents are considered to be cash in bank, cash on hand, and short-term investments with original maturities of 90 days or less from the date of acquisition.

The Aviation Enterprise Fund's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

e) Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the potential for losses, taking into account historical experience and currently available information.

f) Deposits in Escrow

Deposits in escrow are performance bonds and security deposits made by airport tenants.

g) Inventories

Inventories consist of materials and supplies which have been valued at the lower of cost (weighted average cost method) or market and are primarily accounted for on the consumption method.

h) Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life greater than two years. All artwork, land and non-depreciable infrastructure is capitalized. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	10 to 40 years
Improvements other than Buildings	10 to 50 years
Runways and Taxiways	18 to 25 years
Roadways	20 to 25 years
Equipment	5 to 30 years
Intangible Assets	5 to 40 years

A gain or loss on disposal of capital assets is recognized when assets are retired from service or are sold or otherwise disposed of.

i) Compensated Absences

Vacation and compensatory time benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the Aviation Enterprise Fund's obligation through the City is attributable to employees' services already rendered; and 2) it is probable that the Aviation Enterprise Fund, through the City, will compensate the employees for the benefits through paid time off or some other means, such as cash payments.

Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the Aviation Enterprise Fund, through the City, will compensate the employees through cash payments conditioned on the employees' termination or retirement. All of the outstanding compensated absences are recorded as a liability.

j) Long-Term Obligations

In the 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. Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method.

k) Interfund Transactions

Interfund transactions, consisting of services performed for other funds or costs billed to other funds are treated as expenses in the fund receiving the services and as a reimbursement reducing expenses in the fund performing the services.

l) Statements of Cash Flows

For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with original maturities of 90 days or less when purchased are considered to be cash equivalents.

m) Rates and Charges

The Aviation Enterprise Fund annually establishes airline facility rentals, landing fees and other charges sufficient to recover the costs of operations, maintenance and debt service related to the airfield and space rented by the airlines. Any differences between amounts collected from the actual costs allocated to the airlines' leased space are credited or billed to the airlines.

n) 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, liabilities, and net assets, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Cash and cash equivalents at June 30, 2011, and June 30, 2010, was comprised of the following (in thousands):

	June 30,	
	2011	2010
Cash in Bank	$ 284	$ 155
Cash on Hand	3	4
Short-Term Pooled Investments	25,788	33,927
Short-Term Non-Pooled Investments	14,544	33,609
Total Cash and Cash Equivalents	$ 40,619	$ 67,695

A summary of Aviation Enterprise Fund cash and cash equivalents at June 30, 2011, and June 30, 2010 (in thousands):

	June 30, 2011	June 30, 2010
Unrestricted	$ 22,722	$ 27,840
Restricted	17,897	39,855
Total Cash and Cash Equivalents	$ 40,619	$ 67,695

Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the Aviation Enterprise Fund's deposits through the City may not be returned. The Aviation Enterprise Fund's deposits through the City during the year and at fiscal year end were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name. The carrying amount of the Aviation Enterprise Fund's deposits at June 30, 2011 and June 30, 2010 was $283,524 and $14,853, respectively, and the bank ledger balance was $292,210 and $8,688, respectively.

Cash with fiscal agents and trustees are subject to custodial risk. The Aviation Enterprise Fund's contracts through the City with the fiscal agents and trustees call for these deposits to be fully covered by collateral held in the fiscal agents' and trustees' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds. The carrying amount of the Aviation Enterprise Fund's cash with fiscal agents and trustees and the bank ledger balance at June 30, 2011 and June 30, 2010 was $55,639,403 and $38,120,828, respectively. Securities with fiscal agents and trustees are not subject to custodial risk. The carrying amount of the Aviation Enterprise Fund's securities with fiscal agents and trustees at June 30, 2011 and June 30, 2010 was $166,661,565 and $87,281,901, respectively, and the bank ledger balance was $166,896,928 and $87,478,450, respectively.

Investments

Aviation Enterprise Fund investments are included in the City's pooled investments. The City Charter and ordinances authorize the City to invest in U.S. Treasury securities, securities guaranteed, insured or backed by the full faith and credit of the U.S. Government, U.S. Government agency securities, repurchase agreements, commercial paper, money market accounts, certificates of deposit, the State Treasurer's Local Government Investment Pool (LGIP), highly rated securities 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 carried at fair value. It is the City's policy generally to hold investments until maturity.

Total investments for the Aviation Enterprise Fund at June 30, 2011 and June 30, 2010 stated at fair value, were $544,464,653 and $287,957,533, respectively. The following summarizes those amounts reported in "Investments" in the accompanying financial statements (in thousands):

	June 30, 2011	June 30, 2010
Unrestricted	$ 258,406	$ 180,724
Restricted	286,059	107,234
Total Investments	$ 544,465	$ 287,958

Interest Rate Risk

The Aviation Enterprise Fund follows the City's policies for interest rate risk. In order to limit interest rate risk, the City's investment policy limits maturities as follows:

U.S. Treasury Securities	5 year final maturity
Securities guaranteed, insured, or backed by the full faith and credit of the U.S. Government	5 year final maturity
U.S. Government Agency Securities	5 year final maturity
Repurchase Agreements	60 days
Municipal Obligations	5 years for long-term issues
Money Market Mutual Funds	90 days
Commercial Paper	270 days

For Mortgage Backed Securities (MBS) and Collateralized Mortgage Obligations (CMO), the maximum weighted average life using current Public Securities Association (PSA) prepayment assumptions shall be 12 years at the time of purchase for MBS and 5 years at the time of purchase for CMO.

Credit Risk

The Aviation Enterprise Fund follows the City's policies regarding credit risk. The City's investment policy limits its purchase of investments to 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. Subsequent to June 30, 2011, citing deficits, rating agency S&P downgraded U.S. Treasuries and U.S. Government Agency Securities from AAA to AA+. Repurchase agreements are generally collateralized by U.S. Treasuries and U.S. Government Agency Securities at 102%. 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. Money market mutual funds must have a current minimum money market rating of AAA by S&P and AAA by Moody's. For commercial paper, an Issuer's program must have a minimum rating of A1 by S&P and P1 by Moody's. The issuing corporation must be organized and operating in the United States and have a minimum long-term debt rating of A+ by S&P and A1 by Moody's. Programs rated by only one of the agencies are ineligible.

The City has invested in commercial paper and corporate notes issued by various financial institutions. These investments are insured by the Federal Deposit Insurance Corporation (FDIC) via the Temporary Liquidity Guarantee Program (TLGP). The FDIC created this program to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies, and by providing full coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount.

Concentration of Credit Risk

Aviation Enterprise Fund investments are included in the City's pooled investments. Investments in any one issuer that represent 5% or more of total City investments are as follows (in thousands):

Issuer	Fair Value 2011	Fair Value 2010
FNMA	$ 190,363	$ 234,081
FHLMC	271,720	205,399
FHLB	403,734	452,790

3. Receivables

Receivables at June 30, 2011 and June 30, 2010 are stated net of the allowance for doubtful accounts, and are summarized as follows (in thousands):

	June 30, 2011			
	Accounts	Interest	Intergov-ernmental (1)	Total
Unrestricted	$ 8,879	$ -	$ -	$ 8,879
Restricted	10,920	383	7,438	18,741
Total Receivables	$ 19,799	$ 383	$ 7,438	$ 27,620

	June 30, 2010			
	Accounts	Interest	Intergov-ernmental (1)	Total
Unrestricted	$ 6,970	$ -	$ -	$ 6,970
Restricted	11,549	502	12,395	24,446
Total Receivables	$ 18,519	$ 502	$ 12,395	$ 31,416

(1) Intergovernmental Receivables include monies due from other governmental entities for grants.

An allowance for doubtful accounts of $2,096,557 as of June 30, 2011 and $962,195 as of June 30, 2010 had been established for the Aviation Enterprise Fund. Aviation Enterprise Fund Accounts Receivable included unbilled charges of $5,283,087 at June 30, 2011 and $4,858,419 at June 30, 2010.

4. Restricted Assets and Liabilities Payable from Restricted Assets

Restricted assets and liabilities payable from restricted assets recorded in the Aviation Enterprise Fund at June 30, 2011 and June 30, 2010 are summarized as follows (in thousands):

	June 30, 2011	June 30, 2010
Restricted Assets		
Cash and Cash Equivalents	$ 17,897	$ 39,855
Cash and Securities with Fiscal Agents/Trustees	222,301	125,402
Investments	286,059	107,234
Receivables, Net of Allowances	18,741	24,446
Total Restricted Assets	$ 544,998	$ 296,937
Liabilities Payable from Restricted Assets		
Accounts Payable	$ 31,960	$ 43,591
Bond Anticipation Notes Payable	-	200,000
Matured Bonds and Certificates Payable	28,525	26,735
Interest Payable	41,284	25,415
Current Portion of General Obligation Bonds	885	850
Current Portion of Municipal Corporation Obligations	33,090	34,740
Total Liabilities Payable from Restricted Assets	$ 135,744	$ 331,331

5. Capital Assets

Capital asset activity for the Aviation Enterprise Fund at June 30, 2011 and June 30, 2010 was as follows (in thousands):

	Balances July 1, 2010	Additions	Deletions	Balances June 30, 2011
Non-depreciable assets:				
Land	$ 553,520	$ 16,221	$ (591)	$ 569,150
Artwork	4,729	26	(179)	4,576
Construction-in-Progress	462,317	302,340	(185,774)	578,883
Total non-depreciable assets	$ 1,020,566	$ 318,587	$ (186,544)	$ 1,152,609
Depreciable assets:				
Buildings	$ 1,147,518	$ 37,261	$ (816)	$ 1,183,963
Improvements	1,145,057	45,330	(756)	1,189,631
Equipment	288,114	61,674	(2,312)	347,476
Intangible Assets	7,812	13,791	(8)	21,595
Total depreciable assets	$ 2,588,501	$ 158,056	$ (3,892)	$ 2,742,665
Less accumulated depreciation for:				
Buildings	$ (458,258)	$ (44,132)	$ 512	$ (501,878)
Improvements	(560,763)	(55,865)	350	(616,278)
Equipment	(77,065)	(28,174)	2,107	(103,132)
Intangible Assets	(4,831)	(526)	8	(5,349)
Total accumulated depreciation	$ (1,100,917)	$ (128,697)	$ 2,977	$ (1,226,637)
Total depreciable assets, net	$ 1,487,584	$ 29,359	$ (915)	$ 1,516,028
Total capital assets, net	$ 2,508,150	$ 347,946	$ (187,459)	$ 2,668,637

	Balances July 1, 2009	Additions	Deletions	Balances June 30, 2010
Non-depreciable assets:				
Land	$ 537,801	$ 15,819	$ (100)	$ 553,520
Artwork	4,712	18	(1)	4,729
Construction-in-Progress	401,660	227,929	(167,272)	462,317
Total non-depreciable assets	$ 944,173	$ 243,766	$ (167,373)	$ 1,020,566
Depreciable assets:				
Buildings	$ 1,021,630	$ 133,629	$ (7,741)	$ 1,147,518
Improvements	1,136,783	20,000	(11,726)	1,145,057
Equipment	218,664	70,695	(1,245)	288,114
Intangible Assets	5,707	2,404	(299)	7,812
Total depreciable assets	$ 2,382,784	$ 226,728	$ (21,011)	$ 2,588,501
Less accumulated depreciation for:				
Buildings	$ (417,021)	$ (48,364)	$ 7,127	$ (458,258)
Improvements	(512,047)	(58,817)	10,101	(560,763)
Equipment	(57,135)	(21,030)	1,100	(77,065)
Intangible Assets	(4,203)	(823)	195	(4,831)
Total accumulated depreciation	$ (990,406)	$ (129,034)	$ 18,523	$ (1,100,917)
Total depreciable assets, net	$ 1,392,378	$ 97,694	$ (2,488)	$ 1,487,584
Total capital assets, net	$ 2,336,551	$ 341,460	$ (169,861)	$ 2,508,150

The amount of interest cost capitalized for the Aviation Enterprise Fund at June 30, 2011 and June 30, 2010 was $4,745,587 and $3,962,472, respectively.

6. Long-Term Obligations

Changes in long-term obligations at June 30, 2011 and June 30, 2010 are summarized as follows (in thousands):

	Balances July 1, 2010	Additions	Reductions	Balances June 30, 2011	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	$ 11,350	$ -	$ (850)	$ 10,500	$ 885
Municipal Corporation Obligations	914,850	696,105	(61,960)	1,548,995	33,090
	$ 926,200	$ 696,105	$ (62,810)	$ 1,559,495	$ 33,975
Discounts/Premiums	5,032	29,348	(2,427)	31,953	2,466
Deferred Loss on Refunding	(2,077)	-	434	(1,643)	(451)
Total Bonds and Notes Payable	$ 929,155	$ 725,453	$ (64,803)	$ 1,589,805	$ 35,990
Other Liabilities:					
Accrued Compensated Absences	$ 5,799	$ 6,232	$ (5,799)	$ 6,232	$ 878
Pollution Remediation	16,940	-	(2,503)	14,437	2,882
Total Other Liabilities	$ 22,739	$ 6,232	$ (8,302)	$ 20,669	$ 3,760
Total Changes in Long-Term Obligations	$ 951,894	$ 731,685	$ (73,105)	$ 1,610,474	$ 39,750

	Balances July 1, 2009	Additions	Reductions	Balances June 30, 2010	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	$ 12,195	$ -	$ (845)	$ 11,350	$ 850
Municipal Corporation Obligations	940,740	-	(25,890)	914,850	27,675
	$ 952,935	$ -	$ (26,735)	$ 926,200	$ 28,525
Discounts/Premiums	6,146	-	(1,114)	5,032	1,010
Deferred Loss on Refunding	(2,511)	-	434	(2,077)	(433)
Total Bonds and Notes Payable	$ 956,570	$ -	$ (27,415)	$ 929,155	$ 29,102
Other Liabilities:					
Accrued Compensated Absences	$ 5,692	$ 5,799	$ (5,692)	$ 5,799	$ 849
Pollution Remediation	20,877	-	(3,937)	16,940	3,123
Total Other Liabilities	$ 26,569	$ 5,799	$ (9,629)	$ 22,739	$ 3,972
Total Changes in Long-Term Obligations	$ 983,139	$ 5,799	$ (37,044)	$ 951,894	$ 33,074

Financial Section

City of Phoenix, Arizona
Aviation Enterprise Fund
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2011 and 2010

Issues of long-term debt were as follows at June 30, 2011 and June 30, 2010 (dollars in thousands):

June 30, 2011

Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations								
05/01/02	Airport Sr. Lien Refunding (1)(2a)	7/1/08-13	4.82	9.5	$ 23,225	$ 11,615	$ 1,005	$ (123)
05/01/02	Airport Sr. Lien Revenue (1)(2a)	7/1/14-32	5.53	22.7	231,390	231,390	166,058	1,487
06/18/08	Airport Revenue (2a)	7/1/20-38	5.02	22.5	206,840	206,840	201,034	(579)
06/18/08	Airport Revenue (Taxable) (2a)	7/1/12-19	4.68	7.8	43,160	43,160	10,720	(1,004)
06/18/08	Airport Revenue Refunding (2a)	7/1/09-22	4.26	8.0	109,850	89,125	27,157	(2,336)
06/18/08	Airport Revenue Refunding (Taxable) (2a)	7/1/09-20	4.58	5.6	68,520	43,140	10,464	(1,256)
	Total Sr. Lien Obligations				$ 682,985	$ 625,270	$ 416,438	$ (3,811)
09/01/10	Airport Revenue (2b)(3)	7/1/13-40	4.69	19.0	$ 642,680	$ 642,680	$ 584,562	$ (25,636)
09/01/10	Airport Revenue (Taxable) (2b)(3)(4)	7/1/2040	3.67	29.8	21,345	21,345	40,854	-
09/01/10	Airport Revenue Refunding (2b)	7/1/23-25	4.33	13.9	32,080	32,080	20,904	(2,294)
	Total Jr. Lien Obligations				$ 696,105	$ 696,105	$ 646,320	$ (27,930)
06/02/04	Rental Car Facility (Taxable) (1)(5)	7/1/07-29	6.20	16.5	$ 260,000	$ 227,620	$ 155,338	$ -
	Total Municipal Corporation Obligations				**$ 1,639,090**	**$ 1,548,995**	**$ 1,218,096**	**$ (31,741)**
General Obligation Bonds								
06/01/02	Refunding	7/1/03-14	4.37	8.4	$ 9,625	$ 5	$ 1	$ -
06/01/03	Refunding	7/1/05-16	3.25	11.9	9,735	8,830	1,602	(206)
06/13/07	Refunding	7/1/09-14	4.22	4.6	3,205	1,665	118	(6)
	Total General Obligation Bonds				**$ 22,565**	**$ 10,500**	**$ 1,721**	**$ (212)**
	Total Aviation Enterprise Fund Bonds				**$ 1,661,655**	**$ 1,559,495**	**$ 1,219,817**	**$ (31,953)**

(1) Insured by a municipal bond insurance policy.
(2) The City has pledged net airport revenues as security for these bonds. The net revenues pledged are as follows:
 (a) Senior lien pledge on all outstanding airport obligations.
 (b) Junior lien pledge on all outstanding airport obligations.
(3) The City has further pledged an irrevocable commitment of net proceeds of a passenger facility charge for these bonds. The Passenger Facility Charge (PFC) is currently imposed at the rate of $4.50 per qualifying enplaned passenger.
(4) The City currently intends to irrevocably elect to treat these bonds as "Recovery Zone Economic Development Bonds" (RZEDB) for purposes of the Recovery Act and the Code. In addition to the senior lien pledge and the irrevocable commitment of the PFC revenues, the junior lien interest requirement of these bonds will be further secured by an irrevocable commitment of the 2010 RZEDB subsidy payments. The subsidy payments rebate 45% of the interest requirement for these bonds.
(5) The City has made a first priority pledge of a $4.50 per day car rental usage fee to be paid by rental car customers arriving at Phoenix Sky Harbor International Airport as security for the bonds.

June 30, 2010

Issue Date	Purpose	Maturity Dates	Effective Interest Rate	Average Life (Years)	Original Amount	Principal Outstanding	Interest Outstanding	Unamortized Discount (Premium)
Municipal Corporation Obligations								
08/01/98	Airport Revenue (1)	7/1/06-25	5.08	18.1	$ 150,000	$ 34,285	$ 24,055	$ (1)
05/01/02	Airport Sr. Lien Refunding (1) (2)	7/1/08-13	4.82	9.5	23,225	16,575	1,932	(236)
05/01/02	Airport Sr. Lien Revenue (1) (2)	7/1/14-32	5.53	22.7	231,390	231,390	178,468	1,598
06/18/08	Airport Revenue (1)	7/1/20-38	5.02	22.5	206,840	206,840	211,374	(609)
06/18/08	Airport Revenue (Taxable) (1)	7/1/12-19	4.68	7.8	43,160	43,160	12,951	(1,213)
06/18/08	Airport Revenue Refunding (1)	7/1/09-22	4.26	8.0	109,850	94,985	31,580	(2,716)
06/18/08	Airport Revenue Refunding (Taxable) (1)	7/1/09-20	4.58	5.6	68,520	52,310	13,242	(1,589)
	Total Sr. Lien Obligations				$ 832,985	$ 679,545	$ 473,602	$ (4,766)
06/02/04	Rental Car Facility (Taxable) (2)(3)	7/1/07-29	6.20	16.5	$ 260,000	$ 234,685	$ 169,547	$ -
06/01/07	Excise Tax Revenue Refunding (4)	7/1/09-10	4.51	3.4	$ 1,160	$ 620	$ 25	$ (1)
	Total Municipal Corporation Obligations				**$ 1,094,145**	**$ 914,850**	**$ 643,174**	**$ (4,767)**
General Obligation Bonds								
06/01/02	Refunding	7/1/03-14	4.37	8.4	$ 9,625	$ 5	$ 1	$ -
06/01/03	Refunding	7/1/05-16	3.25	11.9	9,735	8,970	1,971	(206)
06/13/07	Refunding	7/1/09-14	4.22	4.6	3,205	2,375	213	(6)
	Total General Obligation Bonds				**$ 22,565**	**$ 11,350**	**$ 2,185**	**$ (212)**
	Total Aviation Enterprise Fund Bonds				**$ 1,116,710**	**$ 926,200**	**$ 645,359**	**$ (4,979)**

(1) The City has pledged net airport revenues on a senior lien basis as security for these bonds.
(2) Insured by a municipal bond insurance policy.
(3) The City has made a first priority pledge of a $4.50 per day car rental usage fee to be paid by rental car customers arriving at Phoenix Sky Harbor International Airport as security for the bonds.
(4) The City has pledged excise taxes as security, however, these obligations are paid by airport revenues.

The Aviation Enterprise Fund, through the City, has complied with all significant financial covenants of its bonded indebtedness. A brief description of the Aviation Enterprise Fund's long-term obligations follows.

Municipal Corporation Obligations

The Aviation Enterprise Fund, through the City, has entered into certain agreements with the City of Phoenix Civic Improvement Corporation (the CIC) an affiliated nonprofit corporation, for the construction and acquisition of certain facilities and equipment. Under the terms of these agreements, the CIC issued bonds or certificates of participation to finance the facilities and equipment, and the Aviation Enterprise Fund, through the City, agreed to make lease and purchase payments sufficient to pay principal and interest on the outstanding obligations. The Aviation Enterprise Fund, through the City, also pays all expenses of operating and maintaining the facilities and equipment.

The following details the issuance of debt for Fiscal Year 2011.

- In September 2010, the CIC issued $642,680,000 of Junior Lien Airport Revenue Bonds, Series 2010A (Non-AMT). Proceeds of the bonds were used to refund $200,000,000 aggregate principal amount of the CIC's Airport Revenue Bond Anticipation Notes, Series 2008A and 2008B and to finance a portion of the PHX Sky Train™ at the Airport. The bonds have an average life of 19.0 years and were sold at a true interest cost of 4.69%.
- In September 2010, the CIC issued $21,345,000 of Junior Lien Airport Revenue Bonds, Taxable Series 2010B (Recovery Zone Economic Bonds – Direct Payment). The bonds were issued as Recovery Zone Economic Development Bonds (Direct Pay) whereby the CIC elected to receive subsidy payments in the amount of 45% of each interest payment on the Recovery Zone Economic Development Bonds, paid directly to US Bank, National Association, as trustee, from the United States Treasury. The bond proceeds will be used for vacant land acquisition and related capital costs for noise mitigation. The bonds have an average life of 29.8 years and were sold at a true interest cost of 3.67%.
- In September 2010, the CIC issued $32,080,000 of Junior Lien Airport Revenue Refunding Bonds, Series 2010C (Non-AMT). Proceeds of the bonds refunded outstanding Senior Lien Airport Revenue Bonds, Series 1998A (Maturities July 1, 2023-2025 called September 15, 2010). The bonds have an average life of 13.9 years, were sold at a true interest cost of 4.33% and produced present value savings, net of transaction costs, of $2,242,464.

Debt Service Requirements

Debt service requirements, including principal, interest and reserve contributions are as follows (in thousands):

	Municipal Corporation Obligations					
Fiscal	Senior Lien		Junior Lien		Rental Car Facility	
Years	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 25,655	$ 32,164	$ -	$ 34,762	$ 7,435	$ 13,838
2013	21,905	30,806	11,710	34,762	7,845	13,431
2014	23,730	29,666	12,105	34,363	8,285	12,992
2015	23,670	28,427	12,705	33,764	8,750	12,527
2016	24,975	27,165	13,310	33,160	9,255	12,022
2017-21	141,565	114,816	76,710	155,643	55,165	51,203
2022-26	113,330	80,800	129,385	131,886	74,275	32,106
2027-31	132,780	50,846	123,880	100,442	56,610	7,219
2032-36	85,840	19,342	158,400	65,955	-	-
2037-40	31,820	2,406	157,900	21,583	-	-
	$ 625,270	$ 416,438	$ 696,105	$ 646,320	$ 227,620	$ 155,338

Fiscal	General Obligation	
Years	Principal	Interest
2012	$ 885	$ 430
2013	710	395
2014	505	366
2015	4,090	347
2016	4,310	183
	$ 10,500	$ 1,721

At June 30, 2011, the Aviation Enterprise Fund had no excise tax revenue bonds outstanding. At June 30, 2010, there was $620,000 in principal and $24,800 in interest outstanding in Aviation Enterprise Fund excise tax revenue bonds.

Pollution Remediation

This liability is primarily a result of leaking underground storage tanks at the Airport and Phoenix Goodyear Airport. The tanks at the Airport were discovered to be leaking in 1988 and the Aviation Enterprise Fund is implementing a corrective action plan which was approved by the Arizona Department of Environmental Quality (ADEQ) to ensure the contamination does not spread. The remediation of a fuel release at Phoenix Goodyear Airport discovered in the 1980's is being implemented as approved by the United States Environmental Protection Agency (US EPA). The total remaining liability for all remediation activities for the Aviation Enterprise Fund as of June 30, 2011 and June 30, 2010 was $14,436,857 and $16,939,979, respectively.

7. Refunded, Refinanced and Defeased Obligations

Future debt service on refunded bonds has been provided through advanced 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 and 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 the securities, will be sufficient to service the previously issued bonds.

During Fiscal Year 2011, the Aviation Enterprise Fund, through the City, issued Junior Lien Airport Revenue Refunding Bonds, Series 2010C (non-AMT) to reduce the present value of future debt service payments. These savings were available due to improved municipal bond market conditions (i.e., lower interest rates) during the year. The effect of the refunding is summarized as follows (in thousands):

	Civic Improvement Corporation Junior Lien Airport Revenue (non-AMT)
Series	2010C
Closing Date	09/01/10
Net Interest Rate	4.49%
Refunding Bonds Issued	$ 32,080
Premium (Discount)	2,274
Issuance Costs and Insurance	(70)
Net Proceeds	$ 34,284
Refunded Amount	$ 34,285
Decrease (Increase) in Debt Service	3,667
Economic Gain (Loss)	2,242
Number of Years Affected	15

The deferred and amortized amounts of accounting losses on bond refundings (which are netted against outstanding bond obligations) at June 30, 2011 and June 30, 2010 are summarized as follows (in thousands):

	June 30, 2011				
	Deferred Amount July 1	Additions (Gains) / Losses	Reductions due to Refundings	Amortization Gains / (Losses)	Deferred Amount June 31
General Obligation	$ 716	$ -	$ -	$ (207)	$ 509
Civic Improvement Corporation	1,361	(1)	-	(226)	1,134
	$ 2,077	$ (1)	$ -	$ (433)	$ 1,643

	June 30, 2010				
	Deferred Amount July 1	Additions (Gains) / Losses	Reductions due to Refundings	Amortization Gains / (Losses)	Deferred Amount June 31
General Obligation	$ 923	$ -	$ -	$ (207)	$ 716
Civic Improvement Corporation	1,588	-	-	(227)	1,361
	$ 2,511	$ -	$ -	$ (434)	$ 2,077

8. Risk Management

The Aviation Enterprise Fund maintained a combination of commercial insurance and self-insurance during the fiscal year ended June 30, 2011, as described below.

Liability – The Aviation Enterprise Fund purchased commercial airport liability insurance specifically covering the Airport premises and operations for Phoenix Sky Harbor, Deer Valley and Goodyear airports. The stand-alone insurance program provides first dollar coverage through a combination of both primary and excess liability policies. Additionally, general Aviation Enterprise Fund liabilities other than airport operations are covered under the City's self-insurance program, which has a $7,500,000 retention. Excess liability coverage was purchased for losses that exceed the self-insured retention.

Property – Aviation Enterprise Fund property is insured under the City's blanket commercial property and boiler/machinery insurance purchased for City owned buildings and structures.

Workers' Compensation – As City employees, Aviation Enterprise Fund employees enjoy the same benefits package as their City co-workers, whether purchased commercially or self-insured. The City maintained a self-insured retention of $15,000,000 for its workers' compensation exposure. Excess workers' compensation insurance was purchased for losses exceeding the self-insured retention.

Fidelity and Surety – Aviation Enterprise Fund officials and employees are covered by public official bonds and surety bonds as required by state statute or City Charter. Further, the City's blanket "Crime" policy extends to Aviation Enterprise Fund employees.

Health and Dental – Health insurance plans for Aviation Enterprise Fund employees were self-insured through the City of Phoenix Health Care Benefits Trust fiduciary fund. Dental coverage was provided through two different plans. A dental PPO was self-insured through the City of Phoenix Health Care Benefits Trust and a dental HMO was provided through commercial insurance accounted for in the City of Phoenix General Fund.

Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on an actuarial analysis of reported claims and estimates of claims incurred but not reported.

Long-term disability benefits for Aviation Enterprise Fund employees were self-insured through the City of Phoenix Long-Term Disability Trust fiduciary fund. As a partially funded other post-employment benefit, no liability is reflected. Claims that are expected to be paid with expendable available financial resources are accounted for in the City of Phoenix General Fund. All other claims are accounted for in the City's government-wide statement of net assets.

9. Operating Leases

The Aviation Enterprise Fund leases certain airport facilities to third parties. Minimum future rentals on non-cancelable operating leases at June 30, 2011 were as follows (in thousands):

Years Ending June 30		
2012	$	54,288
2013		53,444
2014		45,576
2015		43,261
2016		43,086
2017-2068		217,953
	$	457,608

The above amounts do not include contingent rentals, which also may be received under the Aviation Enterprise Fund facilities leases, primarily as a percentage of sales in excess of stipulated minimums. Contingent rentals amounted to $9,701,340 for the fiscal year ended June 30, 2011, and $12,148,918 for the fiscal year ended June 30, 2010. A summary of the assets leased to third parties under the Aviation Enterprise Fund operating lease agreements at June 30, 2011 and June 30, 2010 is as follows (in thousands):

	June 30, 2011	June 30, 2010
Buildings	$ 1,183,963	$ 1,147,518
Less: Accumulated Depreciation	(501,878)	(458,298)
	$ 682,085	$ 689,220

10. Contractual and Other Commitments

The Aviation Enterprise Fund has entered into various construction contracts and these commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements. Commitments of $243,815,000 and $452,707,000 are remaining at June 30, 2011 and June 30, 2010, respectively.

Financial Section

11. Contingent Liabilities

Pending Litigation

The Aviation Enterprise Fund, through the City, is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. As discussed in Note 8 (and in more detail in Note 13 in the Notes to the Financial Statements of the City CAFR), the Aviation Enterprise Fund, through the City, is primarily self insured, and has accrued a liability for estimated claims outstanding. As with any risk retention program, however, the Aviation Enterprise Fund, through the City, is contingently liable in respect to claims beyond those currently accrued. In the opinion of City management, based on the advice of the City Attorney, the outcome of such claims will not have a material adverse effect on the Aviation Enterprise Fund's financial position, results of operations or liquidity at June 30, 2011.

Sick Leave

Aviation Enterprise Fund employees are covered under the same sick leave benefits as City employees. Sick leave is continuously accumulated at the rate of 15 days per year but can only be taken in the event of illness. Upon retirement, for every 173 hours of unused sick leave, one month of creditable service is allowed in determining a General Employee Retirement Plan pension. A balance of over 80 hours after making the above calculation will allow an extra month of creditable service. The dollar amount of any cash payment as described below is included in the final average compensation, but the hours used are excluded from credited service.

Supervisory and Professional, Confidential Office and Clerical, Field Unit 1, Field Unit 2, and Office and Clerical employees who have accumulated 750 qualifying hours or more of unused sick leave at the time of normal service retirement are eligible to receive a payment equal to their base hourly rate for 25% of the hours in excess of 250 hours.

Middle management and Executive General City employees who have accumulated 750 qualifying hours or more of accrued or unused sick leave at the time of normal service retirement are eligible to receive a payment up to 20% of their base hourly rate. Payment percentage is increased by 1% for each full year of service in excess of 20 years to a maximum of 50%.

Sick leave is accrued as a liability as it is earned by the employees only if the leave is attributable to past service and it is probable that the employees will be compensated through cash payments conditioned on the employees' termination or retirement. In accordance with these criteria, a portion of the sick leave accumulated by general employees as described above has been accrued as a liability in the accompanying financial statements. The June 30, 2011, actuarial valuation of the sick leave liability was based on the termination method, with the liability pro-rated based on the current service of a participant. The projected sick leave benefit payment under the termination method is calculated as the maximum sick leave hours eligible for payment multiplied by the probability of an individual employee reaching retirement multiplied by the employee's projected salary at first eligibility for retirement pro-rated based on the employee's current service to date over the projected service to retirement increased by the cost of salary-related fringe benefits.

The sick leave benefit balances (both accrued and unaccrued at June 30, 2011 and June 30, 2010 were as follows (in thousands):

	June 30, 2011	June 30, 2010
Sick Leave Benefit	$ 16,326	$ 16,586
Less: Amount Accrued as a Liability	(1,967)	(1,942)
Total Sick Leave Benefit Balance	$ 14,359	$ 14,644

Liabilities Under Grants

The Aviation Enterprise Fund participates in a number of federal and state assisted grant programs. The audits of these programs for earlier years and the year ended June 30, 2011 have not been completed in all cases; accordingly, final determination of the Aviation Enterprise Fund's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although City management believes any such claims would be immaterial to the Aviation Enterprise Fund's financial position at June 30, 2011.

The Aviation Enterprise Fund has accepted grant funds from the Federal Aviation Administration (the FAA) to purchase land near the Airport for noise compatibility purposes. After the Aviation Enterprise Fund purchased the land, it was developed and leased to private corporations. The FAA gave the Aviation Enterprise Fund written approval to use the proceeds of these leases for the operation and maintenance of the Airport. On January 13, 2006, the FAA notified the Aviation Enterprise Fund that based on the Department of Transportation's Office of Inspector General's audit of eleven airports, including the Airport, the FAA determined that leasing the land the Aviation Enterprise Fund purchased for noise compatibility purposes constituted disposal of the property purchased with FAA grant funds. The FAA has contacted the Aviation Enterprise Fund claiming it is entitled to its fair share of the proceeds of the leases under Federal law. According to the FAA, the Aviation Enterprise Fund has been authorized to receive approximately $89,000,000 in grants from the FAA for noise compatibility purposes. On September 2, 2011, the Aviation Enterprise Fund received acceptance from the FAA of a plan where the Aviation Enterprise Fund would either reinvest the appraised fair market value of disposed land in Airport Improvement Program (AIP) eligible noise compatibility projects or swap the disposed land for comparable non-AIP property. Therefore, the Aviation Enterprise Fund does not have to reimburse the FAA for any costs associated with the disposed land.

12. Deferred Compensation Plan (DCP)

Aviation Enterprise Fund employees are covered under the same Deferred Compensation Plan and Defined Contribution Plan as City Employees. The City established the Deferred Compensation Plan and the Defined Contribution Plan to provide eligible employees with a means to supplement retirement income.

The Deferred Compensation Plan was created in accordance with Internal Revenue Code Section 457. It allowed eligible employees to defer up to $16,500 of their salaries during calendar years 2011 and 2010. The plan has numerous investment options and allows enrollment or changes on an ongoing basis. A 1996 federal law requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of participants and their beneficiaries. On September 23, 1998, the City Council approved Ordinance No.S-25613 that amended the Plan to comply with the 1996 federal law. The Ordinance established a trust into which all assets of the Plan were transferred December 4, 1998.

The Defined Contribution Plan was created in accordance with Internal Revenue Code Section 415(c)(1)(A) and provides employees with an additional option for tax-deferred retirement savings. Eligible employees may make personal contributions to the Plan by electing to defer a designated percentage of their salary to the Plan. Employee contribution elections are irrevocable. The 2011 and 2010 annual contribution limit was $49,000. The City also contributes to the Plan on behalf of eligible employees in an amount equal to a percentage of employee's base annual salary. The Aviation Enterprise Fund, through the City, contributed $1,491,172 for the year ended June 30, 2011, and $1,931,033 for the year ended June 30, 2010.

A governing board makes decisions about fund options available under both plans. Due to the tax-deferred nature of the Plans, generally speaking, the funds cannot be withdrawn while still employed by the City, unless a severe financial hardship exists. IRS regulations provide guidance regarding hardship withdrawals. Nationwide Investment Services Corporation is currently the administrator for both Plans.

13. Pension Plans

Plan Description

Aviation Enterprise Fund full-time employees are covered by the City of Phoenix Employees' Retirement Plan (COPERS). In addition to normal retirement benefits, COPERS also provides for disability and survivor benefits, as well as deferred pensions for former employees. Pension benefits vest after five years for general City employees.

COPERS is a single-employer defined benefit pension plan for all full-time classified civil service general City employees. Members are eligible for retirement benefits upon meeting one of the following age and service requirements:

1. Age 60 years, with ten or more years of credited service.
2. Age 62 years, with five or more years of credited service.
3. Any age, which added to years of credited service equals 80.

COPERS is authorized by and administered in accordance with Chapter XXIV of the Charter of the City of Phoenix. Authority to make amendments to the plan rests with City voters. It is administered by a nine-member Retirement Board. COPERS has been included as part of the City's reporting entity as a pension trust fund. Copies of the separately issued COPERS financial report, which includes financial statements and required supplemental information, may be obtained from COPERS, 200 West Washington Street, 10th Floor, Phoenix, Arizona 85003.

Funding Policy

The employee contribution rate is 5% of compensation. The City contributes an actuarially determined amount to COPERS to fully fund benefits for active members and to amortize any unfunded actuarial liability as a level percent of projected member payroll over an open period of 30 years from July 1, 2006. The Aviation Enterprise Fund's contributions to COPERS equaled the annual required contributions and were as follows (in actual dollars).

Fiscal Year Ended	Required Contributions	Percentage of Covered Payroll
June 30, 2011	$ 8,350,189	16.04%
June 30, 2010	7,507,548	14.35%
June 30, 2009	5,468,071	11.78%

14. Other Post Employment Benefits (OPEB)

Post-Employment Healthcare and Long-Term Disability Program

The Aviation Enterprise Fund, through the City, provides certain post-employment health care benefits for its retirees. Retirees meeting certain qualifications are eligible to participate in the City's health insurance program along with the City's active employees. As of August 1, 2007, separate rates have been established for active and retiree health insurance.

Medical Expense Reimbursement Plan

Employees eligible to retire in 15 years or less from August 1, 2007, will receive a monthly subsidy from the City's Medical Expense Reimbursement Plan (MERP) when they retire, as current retirees do. The MERP is a single-employer, defined benefit plan. Contributions by the City (plus earnings thereon) are the sole source of funding for the MERP.

The City has established the City of Phoenix MERP Trust and the City of Phoenix Long-Term Disability (LTD) Trust to fund all or a portion of the City's share of liabilities incurred in providing the benefits as reflected in the Administrative Regulation 2.42 Medical Expense Reimbursement Plan for Retirees and Eligible Surviving Spouses or Qualified Domestic Partners and in Administrative Regulation 2.323 City of Phoenix Long-Term Disability Program. A five member Board of Trustees has been delegated responsibility for fiduciary oversight of the MERP Trust and LTD Trust, subject to oversight of the City Council. The LTD Trust issues a separate report that can be obtained from the City's Finance Department, through the Financial Accounting and Reporting Division on the 9th Floor of 251 W. Washington Street, Phoenix, Arizona, 85003.

The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Post-Employment Health Plan

Employees eligible to retire in more than 15 years from August 1, 2007 who have payroll deductions for City medical insurance coverage are entitled to a $150 monthly contribution to a Post Employment Health Plan (PEHP) account in lieu of MERP subsidies. PEHP is a 100% employer-paid defined contribution. Funds accumulated in the account can be used upon termination of employment for qualified medical expenses. The current administrator of the plan is Nationwide Retirement Solutions.

Actuarial Valuations

In the July 1, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets. The actuarial value of assets was equal to fair value. The AAL, or in this case surplus, is amortized over a period such that the normal cost plus the amortization payment equals the budgeted contribution amount. The amortization will not exceed 30 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Aviation Enterprise Fund's contribution to the City of Phoenix MERP Trust was $2,137,168 and $1,946,592 for the years ended June 30, 2011 and June 30, 2010, respectively. The contribution to the City of Phoenix LTD Trust was $52,476 and $40,126 for the years ended June 30, 2011 and June 30, 2010, respectively.

15. Capital Contributions

Governmental Grants

The Aviation Enterprise Fund periodically receives grant revenues from federal agencies which are either for capital projects or operating purposes. Revenue is considered earned as the related approved capital outlays or expenses are incurred. Revenues from capital grants are reported as capital contributions on the Statements of Revenue, Expenses, and Changes in Net Assets and revenues from operating grants are reported as non-operating revenues. The Aviation Enterprise Fund has also received a grant through the American Recovery and Reinvestment Act (ARRA) of 2009.

Passenger Facility Charges (PFC)

The Passenger Facility Charge (PFC) Program allows the collection of PFC fees up to $4.50 for every enplaned passenger at commercial airports controlled by public agencies. Airports use these fees to fund FAA approved projects to enhance safety, security, or capacity. These fees may also be used to reduce noise or increase air carrier competition. For detailed PFC information, please refer to Schedules 16 and 17 on pages 91 and 92 in the Airport Statistics section of the Supplementary Information.

Customer Facility Charge (CFC)

Under the CFC Ordinance, the Rental Car Center Companies and other rental car companies who obtain customers at the Airport are currently required to charge and collect the CFC at the Initial Rate and remit such funds to a financial institution designated by the City.

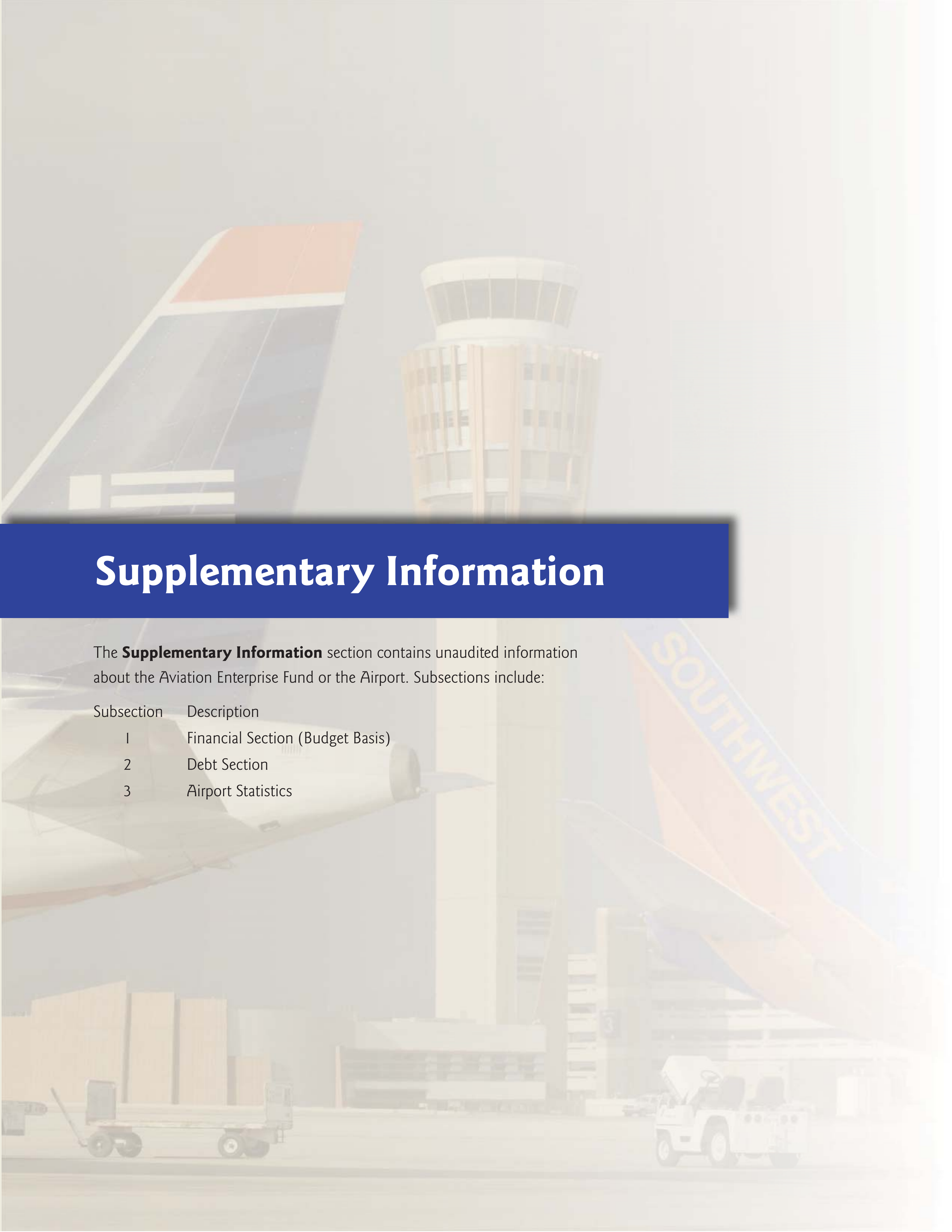
The CFC was imposed June 1, 2002 and was increased to $4.50 per Transaction Day September 1, 2003 from the initial rate of $3.50. The CFC rate per transaction day increased to $6.00 January 1, 2009; however, only $4.50 of the $6.00 CFC per transaction day is considered pledged revenues. If the Aviation Enterprise Fund deposits the additional $1.50 of the CFC rate into the Trustee-held Revenue Fund, then the additional monies become Pledged Revenues for the benefit of bondholders. In Fiscal Years 2011 and 2010, the City deposited the entire $6.00 CFC rate per transaction day into the Trustee-held Revenue Fund for the benefit of bondholders. For detailed CFC information, please refer to Schedule 18 on pages 94 and 95 in the Airport Statistics section of the Supplementary Information.

A summary of Capital Contributions at June 30, 2011 and June 30, 2010 is as follows (in thousands):

	June 30, 2011	June 30, 2010
Governmental Grants	$ 33,299	$ 39,893
Passenger Facility Charge (PFC)	80,398	77,165
Customer Facility Charge (CFC)	39,274	36,050
Other	5	107
Total	$ 152,976	$ 153,215

Financial Section

City of Phoenix



Supplementary Information

The **Supplementary Information** section contains unaudited information about the Aviation Enterprise Fund or the Airport. Subsections include:

Subsection	Description
1	Financial Section (Budget Basis)
2	Debt Section
3	Airport Statistics

City of Phoenix

Financial Section (Budget Basis)

The **Financial Section (Budget Basis)** includes:

Schedule	Description
1	City of Phoenix, Aviation Enterprise Fund - Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances (non-GAAP)
2	City of Phoenix, Aviation Enterprise Fund - Reconciliation of Airport Cash on Hand to Available Fund Balance per Budgetary Presentation
3	City of Phoenix, Aviation Enterprise Fund - Reconciliation of GAAP Operating Revenue and Expenses to Revenues and Expenditures per Budgetary Presentation

City of Phoenix

SCHEDULE 1
CITY OF PHOENIX, AVIATION ENTERPRISE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
(non-GAAP)
(In Expense Priority Established by the Airport Bond Ordinance)
(For the 12 months ended June 30; in thousands)

	2011	2010	2009
REVENUES			
Landing Area	$ 41,200	$ 38,295	$ 37,213
Terminal Area	108,612	97,825	103,320
Ground Transportation	109,760	104,949	103,225
Other	32,329	27,623	30,761
Interest	1,356	3,180	8,358
Total Revenues before Reimbursement	293,257	271,872	282,877
Transportation O&M Expense Reimbursement (1)	12,102	11,923	6,808
Total Revenues	305,359	283,795	289,685
EXPENDITURES AND ENCUMBRANCES			
Cost of Maintenance and Operation			
Personal Services	97,690	96,496	92,856
Contractual Services	84,819	87,011	85,714
Supplies	11,252	9,503	11,210
Equipment/Minor Improvements	2,499	2,144	3,722
Total Cost of Maintenance and Operation (1)	196,260	195,154	193,502
Net Airport Revenue Available for Revenue Bond Debt Service (Net Airport Revenues)	109,099	88,641	96,183
Total Senior Lien Airport Revenue Bond Debt Service	53,450	54,588	56,334
Senior Lien Revenue Bond Debt Service Coverage	2.04	1.62	1.71
Net Airport Revenue Available After Senior Lien Revenue Bond Debt Service (Designated Revenues)	55,649	34,053	39,849
Total Junior Lien Airport Revenue Bond Debt Service (2)	1,337	-	-
Junior Lien Revenue Bond Debt Service Coverage	41.62	-	-
Net Airport Revenue Available After Senior and Junior Lien Revenue Bond Debt Service	54,312	34,053	39,849
Other Expenditures			
Capital Improvements	34,603	13,607	25,129
General Obligation Bond Debt Service	1,314	1,343	1,948
Lease-Purchase Payments	645	311	26
Total Other Expenditures	36,562	15,261	27,103
Total Expenditures and Encumbrances	287,609	265,003	276,939
Excess of Revenues Over Expenditures and Encumbrances	17,750	18,792	12,746
OTHER FINANCING SOURCES (USES)			
Recovery of Prior Years Expenditures	4,212	2,649	12,082
Transfer to General Fund: Staff and Administrative - Central Service	(4,364)	(5,037)	(5,897)
Transfers (to) from Other Funds			
Transfers to Other Funds	-	-	(394)
Transfers from Other Funds	(14,333)	11,056	15,728
Net Transfers (to) from Other Funds	(14,333)	11,056	15,334
Total Other Financing Sources (Uses)	(14,485)	8,668	21,519
Net Increase in Fund Balance	3,265	27,460	34,265
FUND BALANCE, JULY 1	158,091	130,631	96,366
FUND BALANCE, JUNE 30	161,356	158,091	130,631
Airport Improvement Reserve Fund Balance, June 30	150,971	178,787	175,573
Total Available Fund Balance (Budgetary), June 30	312,327	336,878	306,204
Non-Cash Budgetary Transactions (3)	(10,056)	(28,763)	-
Total Airport Cash on Hand, June 30 (4)	$ 302,271	$ 308,115	$ 306,204

Notes

(1) Rental Car Center Transportation O&M Expenses as defined in the CFC Bond Documents are included as a Cost of Maintenance and Operation. Amounts reimbursed to the City by the CFC trustee to pay the rental car busing service expenses (included as a Cost of Maintenance and Operation) are included as Revenues.

(2) Debt service is net of the Junior Lien Passenger Facility Charge Credits and the Recovery Zone Economic Development Bonds subsidy from the United States Treasury.

(3) Fiscal Year 2011 and 2010 consists of budgetary encumbrances, revenue recoveries and other timing differences.

(4) Fiscal Year 2011 and 2010 consists of Current Cash and Cash Equivalents and Current Investments from the Comparative Statements of Net Assets (pages 38-39), adjusted by $21 million and $100 million, respectively, to reflect eligible reimbursement as of June 30 from bond proceeds reflected in Restricted Capital Projects Cash and Cash Equivalents and Investments.

SCHEDULE 2
CITY OF PHOENIX, AVIATION ENTERPRISE FUND
RECONCILIATION OF AIRPORT CASH ON HAND TO AVAILABLE FUND BALANCE PER BUDGETARY PRESENTATION
(For the 12 months ended June 30; in thousands)

		2011		2010
Comparative Statements of Net Assets				
Cash and Cash Equivalents (Unrestricted)	$	22,722	$	27,840
Investments (Unrestricted)		258,406		180,724
Eligible Reimbursement of Bond Proceeds (1)		21,143		99,551
Total Airport Cash on Hand, June 30	**$**	**302,271**	**$**	**308,115**
Adjusted For:				
Non-Cash Budgetary Transactions (2)		10,056		28,763
Available Fund Balance per Budgetary Presentation (3)	**$**	**312,327**	**$**	**336,878**

Notes
(1) Reflected in Restricted Capital Projects, Cash and Cash Equivalents and Investments.
(2) Consists of budgetary encumbrances, revenue recoveries and other timing differences.
(3) Budgetary Presentation is shown on Schedule 1 - City of Phoenix Aviation Enterprise Fund Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balances.

SCHEDULE 3
CITY OF PHOENIX, AVIATION ENTERPRISE FUND
RECONCILIATION OF GAAP OPERATING REVENUES AND EXPENSES TO REVENUES AND EXPENDITURES PER BUDGETARY PRESENTATION
(For the 12 months ended June 30; in thousands)

		2011		2010
Revenues				
Total GAAP Operating Revenues	$	288,660	$	266,778
Adjusted for:				
Interest		1,356		3,180
Transportation O&M Expense Reimbursement		12,102		11,923
All Other (1)		3,241		1,914
Revenues per Budgetary Presentation (2)	**$**	**305,359**	**$**	**283,795**
Operating Expenses/Expenditures				
Total GAAP Operating Expenses	$	369,299	$	345,297
Adjusted for:				
Environmental, Studies & Noise Program		(15,364)		(13,811)
Depreciation		(128,697)		(129,034)
Staff and Administrative		(4,364)		(5,037)
Other (1)		(6,236)		(1,594)
Expensed Capital (3)		(14,078)		(667)
Bond Issuance Expenses		(4,300)		-
Maintenance and Operation Expenditures per Budgetary Presentation (2)	**$**	**196,260**	**$**	**195,154**
Senior Lien Coverage Calculation				
Revenue	$	305,359	$	283,795
Less: Operating Expenditures		196,260		195,154
Designated Revenue for Senior Lien Debt Service	$	109,099	$	88,641
Senior Lien Debt Service		53,450		54,588
Senior Lien Debt Service Coverage (4)		**2.04**		**1.62**
Junior Lien Coverage Calculation				
Designated Revenue for Senior Lien Debt Service	$	109,099	$	88,641
Less: Senior Lien Debt Service		53,450		54,588
Designated Revenue for Junior Lien Debt Service	$	55,649	$	34,053
Junior Lien Debt Service		1,337		-
Junior Lien Debt Service Coverage (4)		**41.62**		-
Aggregate Senior & Junior Liens Coverage Calculation				
Designated Revenue for Debt Service		109,099		
Aggregate Senior & Junior Liens Debt Service		54,787		
Aggregate Senior & Junior Liens Debt Service Coverage		**1.99**		

Notes
(1) Includes various GAAP accounting entries. Also includes budgetary encumbrances and revenue recoveries.
(2) Budgetary Presentation is shown on Schedule 1 - City of Phoenix Aviation Enterprise Fund Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances.
(3) Includes repairs and studies that do not result in a major improvement to the Aviation Enterprise Fund.
(4) As defined in the City Purchase Agreement.

City of Phoenix

Debt Section

The **Debt Section** includes:

SCHEDULE 4
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
SENIOR LIEN AIRPORT REVENUE BONDS
SCHEDULE OF DEBT OUTSTANDING
(as of June 30, 2011)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
5-1-02	2002A	$ 23,225,000	7-1-08/13	5.00% - 5.75%	$ 11,615,000
5-1-02	2002B	231,390,000	7-1-14/32	5.25% - 5.75%	231,390,000
6-18-08	2008A	206,840,000	7-1-20/38	4.80% - 5.00%	206,840,000
6-18-08	2008B	43,160,000	7-1-12/19	5.00% - 5.25%	43,160,000
6-18-08	2008C (b)	109,850,000	7-1-09/22	3.00% - 5.00%	89,125,000
6-18-08	2008D (b)	68,520,000	7-1-09/20	4.00% - 5.50%	43,140,000
					$ 625,270,000

Notes
(a) Does not include bonds maturing on July 1, 2011.
(b) Series 2008C and 2008D were used for refunding purposes.

SCHEDULE 5
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
SENIOR LIEN AIRPORT REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2012	$ 25,655,000.00	$ 32,163,775.00	$ 57,818,775.00
2013	21,905,000.00	30,805,550.00	52,710,550.00
2014	23,730,000.00	29,665,675.00	53,395,675.00
2015	23,670,000.00	28,427,325.00	52,097,325.00
2016	24,975,000.00	27,164,700.00	52,139,700.00
2017	26,310,000.00	25,852,875.00	52,162,875.00
2018	27,765,000.00	24,448,950.00	52,213,950.00
2019	29,255,000.00	23,029,962.50	52,284,962.50
2020	30,960,000.00	21,533,650.00	52,493,650.00
2021	27,275,000.00	19,949,762.50	47,224,762.50
2022	28,665,000.00	18,559,475.00	47,224,475.00
2023	19,595,000.00	17,126,850.00	36,721,850.00
2024	20,610,000.00	16,117,712.50	36,727,712.50
2025	21,670,000.00	15,056,275.00	36,726,275.00
2026	22,790,000.00	13,940,212.50	36,730,212.50
2027	23,960,000.00	12,766,437.50	36,726,437.50
2028	25,195,000.00	11,532,362.50	36,727,362.50
2029	26,485,000.00	10,237,100.00	36,722,100.00
2030	27,850,000.00	8,872,900.00	36,722,900.00
2031	29,290,000.00	7,438,350.00	36,728,350.00
2032	30,795,000.00	5,929,587.50	36,724,587.50
2033	12,770,000.00	4,343,250.00	17,113,250.00
2034	13,410,000.00	3,704,750.00	17,114,750.00
2035	14,080,000.00	3,034,250.00	17,114,250.00
2036	14,785,000.00	2,330,250.00	17,115,250.00
2037	15,520,000.00	1,591,000.00	17,111,000.00
2038	16,300,000.00	815,000.00	17,115,000.00
	$ 625,270,000.00	$ 416,437,987.50	$ 1,041,707,987.50

Supplementary Information

SCHEDULE 6
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
JUNIOR LIEN AIRPORT REVENUE BONDS
SCHEDULE OF DEBT OUTSTANDING
(as of June 30, 2011)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
9-1-10	2010A	$ 642,680,000	7-1-13/40	2.00% - 5.00%	$ 642,680,000
9-1-10	2010B	21,345,000	7-1-40	6.60%	21,345,000
9-1-10	2010C (b)	32,080,000	7-1-23/25	5.00%	32,080,000
					$ 696,105,000

Notes
(a) Does not include bonds maturing on July 1, 2011.
(b) Series 2010C was used for refunding purposes.

Supplementary Information

SCHEDULE 7
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
JUNIOR LIEN AIRPORT REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2012	$ -	$ 34,761,501.25	$ 34,761,501.25
2013	11,710,000.00	34,761,501.25	46,471,501.25
2014	12,105,000.00	34,363,101.25	46,468,101.25
2015	12,705,000.00	33,763,851.25	46,468,851.25
2016	13,310,000.00	33,160,151.25	46,470,151.25
2017	13,960,000.00	32,510,601.25	46,470,601.25
2018	14,655,000.00	31,816,851.25	46,471,851.25
2019	15,285,000.00	31,186,801.25	46,471,801.25
2020	16,025,000.00	30,443,751.25	46,468,751.25
2021	16,785,000.00	29,684,276.25	46,469,276.25
2022	17,620,000.00	28,850,026.25	46,470,026.25
2023	28,675,000.00	27,969,026.25	56,644,026.25
2024	30,110,000.00	26,535,276.25	56,645,276.25
2025	31,615,000.00	25,029,776.25	56,644,776.25
2026	21,365,000.00	23,502,182.50	44,867,182.50
2027	22,430,000.00	22,433,932.50	44,863,932.50
2028	23,555,000.00	21,312,432.50	44,867,432.50
2029	24,730,000.00	20,134,682.50	44,864,682.50
2030	25,965,000.00	18,898,182.50	44,863,182.50
2031	27,200,000.00	17,663,107.50	44,863,107.50
2032	28,570,000.00	16,303,107.50	44,873,107.50
2033	30,065,000.00	14,803,182.50	44,868,182.50
2034	31,645,000.00	13,224,770.00	44,869,770.00
2035	33,230,000.00	11,642,520.00	44,872,520.00
2036	34,890,000.00	9,981,020.00	44,871,020.00
2037	36,635,000.00	8,236,520.00	44,871,520.00
2038	38,465,000.00	6,404,770.00	44,869,770.00
2039	40,390,000.00	4,481,520.00	44,871,520.00
2040	42,410,000.00	2,462,020.00	44,872,020.00
	$ 696,105,000.00	$ 646,320,442.50	$ 1,342,425,442.50

SCHEDULE 8
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
RENTAL CAR FACILITY CHARGE REVENUE BONDS
SCHEDULE OF DEBT OUTSTANDING
(as of June 30, 2011)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
6-2-04	2004	$ 260,000,000	7-1-07/29	3.69% - 6.25%	$ 227,620,000
					$ 227,620,000

Notes
(a) Does not include bonds maturing on July 1, 2011.

Supplementary Information

SCHEDULE 9
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
RENTAL CAR FACILITY CHARGE REVENUE BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2012	$ 7,435,000.00	$ 13,838,167.00	$ 21,273,167.00
2013	7,845,000.00	13,431,472.50	21,276,472.50
2014	8,285,000.00	12,992,152.50	21,277,152.50
2015	8,750,000.00	12,526,535.50	21,276,535.50
2016	9,255,000.00	12,021,660.50	21,276,660.50
2017	9,795,000.00	11,478,392.00	21,273,392.00
2018	10,370,000.00	10,903,425.50	21,273,425.50
2019	10,990,000.00	10,284,336.50	21,274,336.50
2020	11,645,000.00	9,628,233.50	21,273,233.50
2021	12,365,000.00	8,909,737.00	21,274,737.00
2022	13,130,000.00	8,146,816.50	21,276,816.50
2023	13,940,000.00	7,336,695.50	21,276,695.50
2024	14,800,000.00	6,476,597.50	21,276,597.50
2025	15,710,000.00	5,563,437.50	21,273,437.50
2026	16,695,000.00	4,581,562.50	21,276,562.50
2027	17,740,000.00	3,538,125.00	21,278,125.00
2028	18,845,000.00	2,429,375.00	21,274,375.00
2029	20,025,000.00	1,251,562.50	21,276,562.50
	$ 227,620,000.00	$ 155,338,284.50	$ 382,958,284.50

Supplementary Information

SCHEDULE 10
CITY OF PHOENIX
AIRPORT GENERAL OBLIGATION BONDS
SCHEDULE OF DEBT OUTSTANDING
(as of June 30, 2011)

Delivery Date	Series	Original Issuance	Maturity Dates	Coupons	Bonds Outstanding (a)
6-1-02	2002A	$ 9,625,000	7-1-03/14	3.00% - 5.00%	$ 5,000
6-1-03	2003	9,735,000	7-1-05/16	2.00% - 4.25%	8,830,000
6-13-07	2007B	3,205,000	7-1-09/14	4.00%	1,665,000
					$ 10,500,000

Notes
(a) Does not include bonds maturing on July 1, 2011.

Supplementary Information

SCHEDULE 11
CITY OF PHOENIX
AIRPORT GENERAL OBLIGATION BONDS
SCHEDULE OF DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2012	$ 885,000	$ 430,055	$ 1,315,055
2013	710,000	394,655	1,104,655
2014	505,000	366,255	871,255
2015	4,090,000	346,775	4,436,775
2016	4,310,000	183,175	4,493,175
	$ 10,500,000	$ 1,720,915	$ 12,220,915

Supplementary Information

City of Phoenix

Airport Statistics

The **Airport Statistics** include:

Schedule	Description
12	Phoenix Sky Harbor International Airport - Schedule of Historical Passenger Enplanements - By Type of Passenger
13	Phoenix Sky Harbor International Airport - Schedule of Historical Passenger Enplanements - By Flight Destination
14	Phoenix Sky Harbor International Airport - Schedule of Enplaned Passengers by Airline
15	Phoenix Sky Harbor International Airport - Schedule of Historical Average Cost Per Enplanement
16	Phoenix Sky Harbor International Airport - Schedule of PFC Approvals and Revenues
17	Phoenix Sky Harbor International Airport - Schedule of Historical PFC Collections
18	City of Phoenix Civic Improvement Corporation - Rental Car Facility Charge Revenue Bonds - Schedule of Annual Receipts, Net Annual CFC Revenues, and Debt Service Coverage

SCHEDULE 12
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
SCHEDULE OF HISTORICAL PASSENGER ENPLANEMENTS
BY TYPE OF PASSENGER
Last Ten Fiscal Years

Fiscal Year	By type of passenger: Origin-Destination (O&D) Resident	Visitor	Total O&D	Connecting	Total
2011	5,126,952	6,160,876	11,287,828	8,393,405	19,681,233
2010	5,045,044	6,162,090	11,207,134	7,889,395	19,096,529
2009	5,143,399	6,179,321	11,322,720	7,589,400	18,912,120
2008	5,914,064	6,893,816	12,807,880	7,859,650	20,667,530
2007	5,892,402	6,922,303	12,814,705	7,948,165	20,762,870
2006	5,776,785	6,879,403	12,656,188	7,986,075	20,642,263
2005	5,507,782	6,748,709	12,256,491	7,813,195	20,069,686
2004	5,178,604	6,367,189	11,545,793	7,410,605	18,956,398
2003	n.c.	n.c.	10,911,007	7,271,140	18,182,147
2002	n.c.	n.c.	10,072,452	6,843,515	16,915,967

Note:
n.c. Denotes not calculated.

Sources:
City of Phoenix Aviation Department; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.

Supplementary Information

SCHEDULE 13
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
SCHEDULE OF HISTORICAL PASSENGER ENPLANEMENTS
BY FLIGHT DESTINATION
Last Ten Fiscal Years

Fiscal Year	By flight destination		
	Domestic	International	Total
2011	18,592,674	1,088,559	19,681,233
2010	18,095,390	1,001,139	19,096,529
2009	17,980,137	931,983	18,912,120
2008	19,751,515	916,015	20,667,530
2007	19,891,566	871,304	20,762,870
2006	19,749,643	892,620	20,642,263
2005	19,258,385	811,301	20,069,686
2004	18,220,965	735,433	18,956,398
2003	17,530,164	651,983	18,182,147
2002	16,368,415	547,552	16,915,967

Source:
City of Phoenix Aviation Department.

SCHEDULE 14
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
SCHEDULE OF ENPLANED PASSENGERS BY AIRLINE
Last Ten Fiscal Years

	Fiscal Year				
	2011	2010	2009	2008	2007
Enplaned Passengers					
US Airways	9,501,321	9,258,060	9,221,795	9,784,717	9,660,048
Southwest	5,936,498	5,576,010	5,431,992	6,052,552	6,240,937
Delta (a)	1,256,788	1,250,333	1,180,336	1,340,302	1,180,998
United (b)	1,121,492	1,236,187	1,253,507	1,386,791	1,533,290
American	666,985	628,645	638,183	700,978	752,317
Alaska	328,390	326,624	332,754	382,930	376,946
Frontier (c)	253,391	276,521	289,627	309,091	322,157
WestJet	116,551	89,400	64,363	50,748	37,985
AirTran (d)	99,617	89,442	114,165	148,120	44,467
JetBlue	99,601	80,861	76,917	85,395	120,435
British Airways	85,600	75,619	79,479	87,041	87,104
Hawaiian	85,197	84,912	87,649	86,755	84,820
Air Canada	78,022	57,468	54,915	51,082	55,432
All Other	51,780	66,447	86,438	201,028	265,934
Total	19,681,233	19,096,529	18,912,120	20,667,530	20,762,870
Share of Total					
US Airways	48.2%	48.6%	48.8%	47.4%	46.4%
Southwest	30.2	29.2	28.7	29.3	30.1
Delta (a)	6.4	6.5	6.2	6.5	5.7
United (b)	5.7	6.5	6.6	6.7	7.4
American	3.4	3.3	3.4	3.4	3.6
Alaska	1.7	1.7	1.8	1.9	1.8
Frontier (c)	1.3	1.4	1.5	1.5	1.6
WestJet	0.6	0.5	0.3	0.2	0.2
AirTran (d)	0.5	0.5	0.6	0.7	0.2
JetBlue	0.5	0.4	0.4	0.4	0.6
British Airways	0.4	0.4	0.4	0.4	0.4
Hawaiian	0.4	0.4	0.5	0.4	0.4
Air Canada	0.4	0.3	0.3	0.2	0.3
All Other	0.3	0.3	0.5	1.0	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Notes

Passengers reported by regional affiliates have been grouped with their respective code-sharing partners.

(a) Includes Northwest Airlines, which merged with Delta in October 2008, for all years shown.
(b) Includes Continental Airlines, which merged with United in May 2010, for all years shown.
(c) Includes Midwest Airlines, which merged with Frontier in April 2010, for all years shown.
(d) AirTran was acquired by Southwest in September 2010 and operates as subsidiary.

SCHEDULE 14 (Continued)
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
SCHEDULE OF ENPLANED PASSENGERS BY AIRLINE
Last Ten Fiscal Years

	Fiscal Year				
	2006	2005	2004	2003	2002
Enplaned Passengers					
US Airways	9,915,159	9,771,239	9,191,427	8,941,737	8,021,126
Southwest	6,105,629	5,771,556	5,455,272	4,985,745	4,729,726
Delta (a)	1,184,964	1,260,505	1,202,564	1,289,997	1,290,788
United (b)	1,526,452	1,455,918	1,278,527	1,101,027	1,130,365
American	654,570	639,850	675,412	769,434	791,857
Alaska	366,229	363,364	357,912	392,364	378,919
Frontier (c)	288,527	250,017	214,635	150,420	149,543
WestJet	19,561	13,359	-	-	-
AirTran (d)	-	-	-	-	-
JetBlue	60,926	34,406	-	-	-
British Airways	92,908	91,337	79,617	76,603	68,231
Hawaiian	87,615	89,438	83,252	52,714	-
Air Canada	48,690	44,708	50,803	65,063	68,644
All Other	291,033	283,989	366,977	357,043	286,768
Total	20,642,263	20,069,686	18,956,398	18,182,147	16,915,967
Share of Total					
US Airways	48.0%	48.6%	48.6%	49.1%	47.4%
Southwest	29.6	28.8	28.8	27.4	28.0
Delta (a)	5.7	6.3	6.3	7.1	7.6
United (b)	7.4	7.3	6.7	6.1	6.7
American	3.2	3.2	3.6	4.2	4.7
Alaska	1.8	1.8	1.9	2.2	2.2
Frontier (c)	1.4	1.2	1.1	0.8	0.9
WestJet	0.1	0.1	-	-	-
AirTran (d)	-	-	-	-	-
JetBlue	0.3	0.2	-	-	-
British Airways	0.5	0.5	0.4	0.4	0.4
Hawaiian	0.4	0.4	0.4	0.3	-
Air Canada	0.2	0.2	0.3	0.4	0.4
All Other	1.4	1.4	1.9	2.0	1.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Supplementary Information

SCHEDULE 15
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
SCHEDULE OF HISTORICAL AVERAGE COST PER ENPLANEMENT
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Total Airline Revenues	Enplaned Passengers	Cost per Enplanement
2011	$ 101,337	19,681	$ 5.15
2010	93,161	19,097	4.88
2009	95,143	18,912	5.03
2008	88,874	20,668	4.30
2007	86,436	20,763	4.16
2006	84,021	20,642	4.07
2005	84,204	20,070	4.20
2004	79,075	18,957	4.17
2003	76,390	18,183	4.20
2002	75,762	16,916	4.48

SCHEDULE 16
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
SCHEDULE OF PFC APPROVALS AND REVENUES
(as of June 30, 2011)

	Approval Amount	Revenues	Remaining Authority
PFC Approvals			
Closed PFC Approvals			
PFC 1	$ 93,230,839	$ 93,230,839	$ -
PFC 2	147,875,677	147,875,677	-
PFC 3	208,085,801	208,085,801	-
Subtotal	$ 449,192,317	$ 449,192,317	$ -
Active PFC Approvals			
PFC 4	222,250,000	222,250,000	-
PFC 5	202,200,000	202,200,000	-
PFC 6	1,858,636,000	163,219,973	1,695,416,027
Subtotal	$ 2,283,086,000	$ 587,669,973	$ 1,695,416,027
Total PFC Approvals	$ 2,732,278,317	$ 1,036,862,290	$ 1,695,416,027

Sources:
Federal Aviation Administration and City of Phoenix Aviation Department

Supplementary Information

SCHEDULE 17
PHOENIX SKY HARBOR INTERNATIONAL AIRPORT
SCHEDULE OF HISTORICAL PFC COLLECTIONS
Last Ten Fiscal Years
(in thousands)

Fiscal Year	PFC Rate	Airline Admin Fee	Net PFC Rate	Enplaned Passengers Total	Enplaned Passengers PFC Eligible (a)	Total PFC Collections
2011	$ 4.50	$ 0.11	$ 4.39	19,681	94.0%	$ 81,210
2010	4.50	0.11	4.39	19,097	91.3%	76,530
2009	4.50	0.11	4.39	18,912	87.8%	72,924
2008	4.50	0.11	4.39	20,668	94.7%	85,964
2007	4.50	0.11	4.39	20,763	92.4%	84,212
2006	4.50	0.11	4.39	20,642	93.5%	84,705
2005	4.50	0.11	4.39	20,070	95.2%	83,878
2004	4.50	0.11	4.39	18,957	94.4%	78,533
2003	4.50	0.11	4.39	18,183	81.1%	64,772
2002	3.00	0.11	2.89	16,916	85.6%	41,850

Notes

(a) Imputed from enplaned passengers, net PFC rate, and total PFC collections. Timing variances exist between when PFCs are collected by airlines and when they are remitted to the airport, which can result in annual fluctuations of PFC collections and percent eligible passengers.

City of Phoenix

SCHEDULE 18
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
RENTAL CAR FACILITY CHARGE REVENUE BONDS
SCHEDULE OF ANNUAL RECEIPTS, NET ANNUAL CFC REVENUES,
AND DEBT SERVICE COVERAGE
Last Seven Fiscal Years
(in thousands)

			Annual Receipts (c)			
Fiscal Year	Transaction Days (a)	Pledged CFC Rate (b)	Pledged CFCs	Additional Deposits	Annual Receipts	Admin. Costs
2011	6,565	$ 4.50	$ 29,541	$ 9,847	$ 39,388	$ 146
2010	5,854	4.50	26,341	8,780	35,122	3
2009	6,361	4.50	28,626	8,534	37,160	50
2008	8,348	4.50	37,565	-	37,565	3
2007	7,651	4.50	34,428	-	34,428	31
2006	7,226	4.50	32,519	-	32,519	111
2005	6,807	4.50	30,632	-	30,632	-

Notes
(a) Imputed from Trustee records using Annual Receipts, reflects Transaction Days on deposits for July 1 through June 30.
(b) Effective January 1, 2009, the Customer Facility Charge (CFC) collection rate increased to $6.00 per transaction day from $4.50 per transaction day. $4.50 of the $6.00 collection rate is considered Pledged Revenues and is required to be deposited into the Trustee-held Revenue Fund. The Pledged Revenues must be used to fund various accounts established under the Bond Indenture. The City may, but is not required to, deposit the CFC receipts generated by the additional $1.50 into the Trustee-held Revenue Fund. If the additional $1.50 is deposited into the Trustee-held Revenue Fund, the monies become Pledged Revenues.
(c) Includes CFC receipts generated by the $4.50 Pledged collection rate and $1.50 additional non-pledged collection rate.

SCHEDULE 18 (continued)
CITY OF PHOENIX CIVIC IMPROVEMENT CORPORATION
RENTAL CAR FACILITY CHARGE REVENUE BONDS
SCHEDULE OF ANNUAL RECEIPTS, NET ANNUAL CFC REVENUES,
AND DEBT SERVICE COVERAGE
Last Seven Fiscal Years
(in thousands)

					Debt Service Coverage	
Fiscal Year	Net Annual CFC Revenue	Amount Available in Debt Service Coverage Fund	Net Annual CFC Receipts Available for Debt Service	2004 Bonds Debt Service	By Net Annual CFC Revenue	By Net Annual CFC Revenue and Debt Service Coverage Fund
2011	$ 39,242	$ 5,320	$ 44,562	$ 21,274	1.84	2.09
2010	35,119	5,320	40,438	21,277	1.65	1.90
2009	37,110	5,320	42,430	21,278	1.74	1.99
2008	37,562	5,320	42,881	21,278	1.77	2.02
2007	34,398	5,320	39,717	21,278	1.62	1.87
2006	32,408	5,320	37,728	15,318	2.12	2.46
2005	30,632	5,393	36,025	16,552	1.85	2.18

City of Phoenix

PHX DVT GYR

City of Phoenix Aviation Department

City of Phoenix Aviation Department

3400 East Sky Harbor Boulevard, Suite 3300
Phoenix, Arizona 85034-4405
Phone: 602-273-3300
TTY: 1-800-781-1010

www.skyharbor.com