



Annual Comprehensive Financial Report

CITY OF SCOTTSDALE, ARIZONA

For the Fiscal Year Ended June 30, 2023

City of Scottsdale, Arizona



Annual Comprehensive Financial Report
for the fiscal year ended June 30, 2023

Prepared by:

City Treasurer's Office
Sonia Andrews, CPA
City Treasurer/Chief Financial Officer
Anna Marie Henthorn, CPA
Accounting Director



CITY OF SCOTTSDALE, ARIZONA

Annual Comprehensive Financial Report For the Fiscal Year ended June 30, 2023

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Letter of Transmittal
For the Fiscal Year Ended June 30, 2023



October 26, 2023

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

The Annual Comprehensive Financial Report of the City of Scottsdale, Arizona, (the City) for the fiscal year ended June 30, 2023, is submitted in accordance with City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity, and to have the report audited by certified public accountants independent of City government. This report was prepared by the City's Accounting Department in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City, including its blended component units. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework designed for this purpose. Because the cost of internal control should not exceed anticipated benefits the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. To the best of management's knowledge and belief, the enclosed data is accurate, in all material aspects, and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

Heinfeld, Meech & Co., P.C., a firm of licensed certified public accountants, performed the annual independent audit. The goal of the audit was to provide reasonable assurance that the basic financial statements of the City are free of material misstatement. The independent auditor concluded that the City's financial statements for the fiscal year ended June 30, 2023, are fairly stated in conformity with GAAP. This is the most favorable conclusion and is commonly known as an unmodified or "clean" opinion. The independent auditor's report is located on the first page of the Financial Section of this report.

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

This letter of transmittal provides a non-technical summary of the City's profile, economic prospects, and achievements. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the City's basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF SCOTTSDALE PROFILE

History

Scottsdale was founded in 1888 when retired Army Chaplain Major Winfield Scott homesteaded what is now the center of the City. The City incorporated in 1951 and the City Charter, under which it is presently governed, was adopted in 1961. Portions of the City's charter have been modified several times by vote of the citizens.

Current Profile

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing 184.5 square miles, stretching 31 miles from north to south, and 11.4 miles at its widest point. The City is bordered on the west by Phoenix, the state capital, by Tempe on the south, the Tonto National Forest to the north, and the McDowell Mountains and the Salt River-Pima Maricopa Indian Community on the east. Scottsdale and its neighboring cities form the Phoenix Metro area which is the economic, political, and population center of the state. The City has experienced significant increases in population over the years, with the 1950 census reporting 2,021 residents, the 2020 census reporting 241,361 residents, and a current estimate of 243,100 residents. The City is the seventh largest municipality by population in Arizona, and the 92nd largest city in the United States.

Government and Organization

Scottsdale operates under a council-manager form of government as provided by its Charter. The Mayor and six City Council members are elected at large on a non-partisan ballot and serve overlapping four-year terms. The City Council directly appoints six officers (City Attorney, City Auditor, City Clerk, City Manager, City Treasurer, and Presiding Judge) who have full responsibility for carrying out City Council policies and administering day-to-day operations. The City provides a full range of municipal services including police and fire protection, sanitation service, water and sewer services, construction and maintenance of streets, and recreational activities including libraries and cultural events.

Budgetary Controls

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption to obtain taxpayer comments. Each year in June, the budget is legally enacted through passage of an ordinance. The ordinance sets the maximum legal expenditure limit for the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year 2023, there were no such supplemental budgetary appropriations authorized.

The expenditure appropriations in the adopted budget are by division and fund level; however, divisional appropriations may be amended during the year. On the recommendation of the City Manager and with the approval of the City Council: 1) transfers may be made from the appropriations for contingencies to divisions; and 2) unexpended appropriations may be transferred from one division to another. For example, if the Public Safety Division is over budget and there are savings in the Community Services Division, City Council can authorize a budget transfer between these divisions.

LOCAL ECONOMY

Business

Scottsdale is one of the state's leading job centers with a robust economy anchored by biomedical science companies, high-tech innovation, tourism, financial services, and corporate headquarters. The Scottsdale Airpark is one of the largest employment centers in the State of Arizona with more than 3,200 businesses employing over 59,000 employees in 2 million square feet of commercial space. The high-tech innovation center SkySong, located a few miles from downtown Scottsdale, is designed to help companies grow through a unique partnership with Arizona State University. Scottsdale's downtown, Old Town Scottsdale, is an emerging center for high-tech businesses, and home to one of the most successful shopping centers in the southwest United States, Scottsdale Fashion Square. To the north, the Scottsdale Cure Corridor is a partnership of premier healthcare providers and biomedical companies seeking to advance medicine and patient care through cutting-edge research.

Prior to the pandemic, the average unemployment rate in Scottsdale was 3.4 percent in fiscal year 2020. In June 2020, Scottsdale's unemployment rate increased to 8.9 percent, compared to the state's rate of 10.3 percent, and the national rate of 11.2 percent. As the economy continued to rebound, the average unemployment for Scottsdale in fiscal year 2023 was 2.8 percent down from 3.0 percent as reported in 2022.

Tourism

Tourism is one of Scottsdale's largest and most vibrant industries and is a significant contributor to the City's economy. With great weather, breathtaking scenery, and a calendar full of special events, Scottsdale is a popular tourist destination in Arizona that welcomes millions of visitors annually. The City boasts many hotels, including several world-class resorts, along with spectacular spas, trend-setting dining, and one of a kind Sonoran Desert golf courses. The City experienced significant tourism revenues resulting from the busiest special event season in Scottsdale's history and from Arizona hosting the Super Bowl. The City projects a reduction in local tax revenues in anticipation of an economic downturn and slowdown in consumer spending.

Transaction Privilege (Sales) Tax

Scottsdale's largest revenue source is sales tax generated from a variety of business categories including automotive, construction, food stores, hotels, department stores, retail stores, restaurants, utilities, and rentals. Sales tax is generated directly from the City's own applied tax rate and indirectly as the City receives its share of sales tax generated from the State of Arizona's applied tax rate. Sales tax is remitted to the City by the state on a weekly basis.

Sales tax revenue represented 48.9 percent of General Fund revenues for fiscal year 2023, totaling \$199.4 million. The year-over-year increase of 9.7 percent in the General Fund sales tax revenue for fiscal year 2023 was partially due to record-breaking attendance at City-hosted events, including Super Bowl related activities in the City. These activities led to strong consumer spending on travel, entertainment, and dining. Categories with the highest reported tax revenues were miscellaneous retail stores, rentals, and automotive. The City expects a decrease in General Fund sales tax revenue across most categories through fiscal year 2024, when compared to fiscal year 2023 levels, due to the projected downturn in the economy and not having the influx of revenues from specialized events such as the Super Bowl.

Property Values

Scottsdale is a safe, family-friendly community and benefits from a robust assessed valuation of the properties contained within its boundaries. These strong assessed valuations contribute to Scottsdale residents experiencing lower property tax rates and higher median housing values than many of the surrounding municipalities in the Phoenix metropolitan area. Scottsdale property owners will see an increase in the City's combined property tax rate in the coming year of \$0.0743 over the prior year. This increase in the combined rate is primarily attributed to the secondary tax rate which pays for the City's expected debt service payments.

LONG-TERM FINANCIAL PLANNING

Scottsdale's Five-Year Financial Plan is based on sound financial reserves, low debt burden, and conservative revenue growth forecasts. As a result of the continued recovery from the pandemic's impact to the local economy, the City anticipates a moderate increase in overall revenues for the five-year financial forecast with anticipated revenues returning to normal historical growth trends. The City will continue to focus on efficient spending to maintain essential City services to the community such as police, fire, transportation, and social services. Achieving and maintaining fiscal stability requires many elements all working in concert with each other. The following identifies key elements of our financial plan.

Adopted Comprehensive Financial Policies

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has adopted 14 comprehensive financial policies governing revenue management, expenditure management, fiscal planning and budgeting, capital assets, cash and investments, debt, grants, risk management, reserves and fund balance, pension funding, tourism development, economic development, enterprise funds, and accounting, auditing, and financial reporting. Regular review and refinement of these policies is done in conjunction with financial plan development and policies that are adopted annually by the City Council.

The City Council has also adopted a *Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy* as required by state law. This policy outlines how the City will maintain stability of required contributions, how and when the City's funding requirements will be met and defines the City's funded ratio target under the PSPRS and when it will be met. In June 2023, the City adopted the annual budget which included funding an additional one-time contribution of \$10 million toward the PSPRS pension plans in fiscal year 2024.

Financial Resources Planning

Scottsdale's strategic financial planning begins with a determination of the City's fiscal capacity based on long-term financial forecasts of available revenues. Conservative financial forecasts, coupled with financial trend analysis techniques and reserve analysis, help preserve the fiscal well-being of Scottsdale. Strategic financial planning is a critical element to maintain long-term financial stability.

Multi-Year Operating Budget Planning

Multi-year budgeting encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to community expectations and broad goals of the City Council. While the City is required to adopt a one-year budget to meet state statutory requirements, Scottsdale builds a five-year financial plan to help anticipate future impacts and ensure achievement of the City's long-term objectives.

Strategic Capital Improvement Project Planning

Scottsdale Capital Improvement Projects are planned for five or more years and analyzed using City-specific prioritization criteria. The operating cost impacts of projects are also planned and considered in developing future operating budgets. Projects with significant operating impacts are carefully timed to avoid contingent liabilities that future operating resources cannot meet. All capital funding sources are conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used, capital project plans are sized to conform to existing debt management policies.

Debt Management

Scottsdale has a financial policy that prohibits the issuance of debt for operating expenses. With that as a governing framework, all debt issuances are for the purpose of financing infrastructure or long-lived assets. Each debt issuance is evaluated against policies addressing debt service as a percent of operating expenditures; tax and revenue bases for the repayment of debt; overall debt burden on the community; and statutory limitations and market factors affecting interest costs. In all cases, a long-term analysis is made considering the debt capacity that fits the financial wherewithal (and willingness) of the community to pay for the capital projects. Sizing of the City's Capital Improvement Plan based on debt capacity in conjunction with conservatively estimated revenues helps stabilize per capita debt and lower annual debt service costs to the City over the long-term.

In recent years the City has issued two types of debt: voter-approved General Obligation bonds and non-voter-approved Municipal Property Corporation bonds (see Section IV.I. of the Notes to the Financial Statements for additional information).

The City retained credit ratings of "Aaa," "AAA," and "AAA" from the three major credit rating agencies (Moody's Investors Service, S&P Global, and Fitch Ratings, respectively) on the City's outstanding General Obligation bonds where debt service is supported by property taxes. Scottsdale is one of a select number of cities in the nation to earn this distinction. Ratings for the City's revenue bonds, where debt service is supported by enterprise revenues or excise taxes, are also highly rated by the three major credit rating agencies. A summary of the City's bond ratings follows:

City of Scottsdale Bonded Debt Ratings
As of June 30, 2023

	Moody's Investors		
	Service	S&P Global	Fitch Ratings
General Obligation (GO)	Aaa	AAA	AAA
Water and Sewer Revenue (W&S)	Aaa	AAA	AAA
Municipal Property Corp (MPC)	Aa1	AAA	AA+

MAJOR INITIATIVES

The City’s adopted fiscal year 2024 budget reflects decreased revenue projections in the local economy resulting from an anticipation of a downturn in the economy and a slowdown of consumer spending. This budget reflects a net increase in the overall General Fund uses of \$43.7 million when compared to the fiscal year 2023 adopted budget to provide core services and the priorities/policy direction of the City Council which include:

- \$68.5 million transfers to the capital improvement project program in accordance with the City’s financial policies
- \$10.0 million to pay down unfunded police pension liability
- \$6.8 million for the costs anticipated in implementing a comprehensive classification and compensation study
- \$4.6 million for the citywide pay for performance program
- \$4.5 million for the 2 percent market adjustment
- \$3.7 million for retirement cost increases
- \$1.1 million for the vacation buyback program for eligible employees
- \$0.8 million to for increases in health and dental costs

Additionally, \$368.2 million is included in the capital project adopted budget for the upcoming fiscal year. Many of the projects are part of the 2019 bond package approved by voters, which address critical infrastructure needs. Projects also include City Council and citizen priorities throughout the City. Significant projects include:

- \$40.9 million for Pima Road, Pinnacle Peak Road to Happy Valley Road street project
- \$33.7 million for repairing lakes and irrigation at Vista Del Camino park in the Indian Bend Wash
- \$32.0 million to build a new fire department training facility
- \$34.4 million in the deep well recharge/recovery project

AWARDS AND ACKNOWLEDGMENTS

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, marking the fiftieth consecutive year the City has achieved this prestigious recognition. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for another certificate.

As well, the City received the *Distinguished Budget Presentation Award* for the fiscal year beginning July 1, 2022, from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements, and we expect to receive this award again for the fiscal year beginning July 1, 2023.

Acknowledgments

The preparation of this report would not have been possible without the skill, effort, and dedication of the Accounting Department and the many members of other departments who responded so positively to the requests for detailed information that accompanies each annual audit. I also wish to express my sincere appreciation to the City Council and the City Manager for their support in maintaining the highest standards of professionalism in planning and conducting the financial affairs of the City of Scottsdale.

Respectfully submitted,



Sonia Andrews, CPA

City Treasurer/Chief Financial Officer

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Scottsdale
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

City of Scottsdale, Arizona

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



City of Scottsdale, Arizona

List of Elected and Appointed Officials

City Council

David D. Ortega, Mayor

Tammy Caputi

Tom Durham

Barry Graham

Betty Janik

Kathy Littlefield

Solange Whitehead

Charter Officers

Jim Thompson, City Manager

Sherry R. Scott, City Attorney

Lai Cluff, Acting City Auditor

Ben Lane, City Clerk

Sonia Andrews, City Treasurer/Chief Financial Officer

Marianne T. Bayardi, Presiding Judge

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People of Scottsdale

Mayor & City Council

Citizen Advisory Groups

COMMISSIONS

- Airport Advisory
- Scottsdale Environmental Advisory
- Historic Preservation
- Human Relations
- Human Services
- McDowell Sonoran Preserve
- Neighborhood Advisory
- Parks and Recreation
- Planning
- Tourism Development
- Transportation
- Veterans Advisory

BOARDS

- Adjustment
- Building Appeals
- Development Review
- Judicial Appointments
- Library
- Loss Trust Fund
- Personnel
- Public Safety Personnel Retirement - Fire Local
- Public Safety Personnel Retirement - Police Local

City Court

Presiding Judge

City Attorney

- Civil
- Prosecution
- Risk Management
- Victim Services

City Treasurer

- Accounting
- Budget
- Business Services
- Finance
- Purchasing

Charter Officers

City Auditor

City Manager

City Clerk

CITY MANAGER'S OFFICE

- Communications
- Citizen Service
- Diversity & Inclusion
- Government Relations

ADMINISTRATIVE SERVICES

- Human Resources
- Information Technology

COMMUNITY & ECONOMIC DEVELOPMENT

- Aviation
- Planning & Development Services
- Economic Development
- Tourism & Events

Assistant City Manager

Executive Leadership

Police Chief

POLICE

- Office of the Police Chief
- Uniformed Services
- Professional Standards & Investigative Services
- Operational Services

COMMUNITY SERVICES

- Human Services
- Libraries
- Parks & Recreation
- Planning & Administration
- Preserve
- WestWorld

PUBLIC WORKS

- Capital Project Management
- Facilities Management
- Fleet Management
- Solid Waste Management
- Transportation & Streets

WATER

- Water Quality
- Reclamation Services
- Planning & Engineering
- Technology & Administration
- Water Services
- Pipeline & Treatment Agreements

Assistant City Manager

Fire Chief

FIRE

- Office of the Fire Chief
- Emergency Services
- Professional Services



Independent Auditor's Report

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Scottsdale, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 99, *Omnibus 2022*, and Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules of Changes in Long-Term Debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules of Changes in Long-Term Debt information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, on our consideration of City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scottsdale, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 26, 2023

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

This section of the City of Scottsdale, Arizona's (the City) Annual Comprehensive Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2023, and 2022. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal and other portions of this Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- The City's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of fiscal years 2023 and 2022 by \$6.4 billion and \$6.1 billion (*net position*), respectively. Of these amounts, \$518.7 million and \$416.8 million, respectively, represent unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased in fiscal year 2023 by \$276.2 million compared to an increase in net position of \$277.5 million during fiscal year 2022. Revenues increased by \$33.2 million from the prior year while expenses increased by \$34.5 million from the prior year.
- As of June 30, 2023, and 2022, the City's governmental funds reported combined ending fund balances of \$699.1 million and \$512.2 million, respectively. Approximately 28.5 percent of the current year amount (\$199.4 million) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$226.5 million or approximately 69.5 percent of total General Fund expenditures of \$326.1 million.
- The City's total long-term liabilities increased by \$26.5 million to \$1.35 billion during the current fiscal year. This increase was primarily due to the issuance of General Obligation Bonds partially offset by scheduled bond principal payments being made.

OVERVIEW OF THE FINANCIAL STATEMENTS

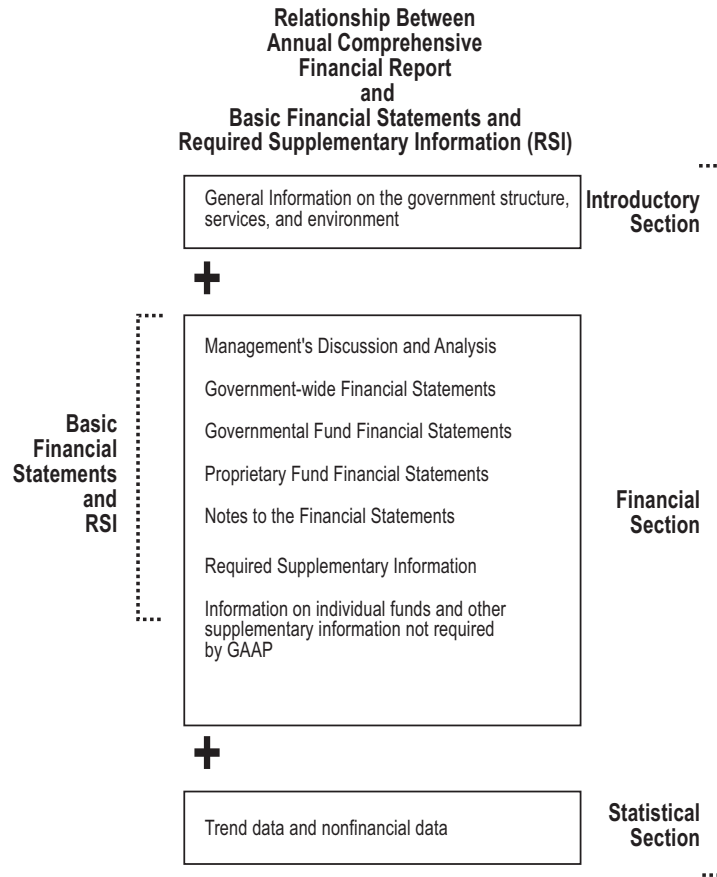
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include three components:

- (1) Government-wide Financial Statements
- (2) Fund Financial Statements
- (3) Notes to the Financial Statements

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023



Government-wide Financial Statements. The **government-wide** financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements provide information about the City as a whole, presenting both an aggregate current view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **statement of net position** presents financial information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public works, community and economic development, public safety, community services, administrative services, and Scottsdale AZ CARES. The business-type activities of the City include water and sewer utilities, solid waste management, and airport operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the operations of the City of Scottsdale Municipal Property Corporation (MPC) and the Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, Via Linda Road, and Waterfront Commercial Community Facilities Districts. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. Separate financial statements of the MPC, and the Scottsdale Mountain, McDowell Mountain Ranch, DC Ranch, Via Linda Road, and Waterfront Commercial Community Facilities Districts may be obtained at the Scottsdale City Treasurer's Office, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251.

The government-wide financial statements can be found on pages 35-37 of this report.

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

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

The City maintains several individual governmental funds organized according to their purpose (general, special revenue, debt service, capital projects, and permanent). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Debt Service Fund, General Capital Improvement Plan (CIP) Construction Capital Projects Fund, Transportation Privilege Tax Capital Projects Fund, and the External Sources Capital Projects Fund which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the combining and individual funds statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 38-46 of this report.

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste, and aviation services. All enterprise funds are considered major funds of the City.

Internal service funds are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, personal computer replacement, and health and general liability insurance activities. Because these services predominantly benefit internal units or divisions of the City rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in a separate section of this report.

The basic proprietary fund financial statements can be found on pages 47-53 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-137 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's proportionate share of the cost-sharing multiple-employer pension plan's net pension liability, the changes in the City's net pension liabilities regarding the agent multiple-employer pension plans, schedules of contributions to the pension plans, and changes in the City's total other post-employment benefits (OPEB) liability. Required supplementary information can be found on pages 138-145 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Combining Statements. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds can be found on pages 146-176 of this report.

Other Supplementary Information. The supplemental schedule of changes in long-term debt provides a comprehensive overview of the City's total debt and can be found on pages 177-181 of this report.

Statistical Information. The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the City's overall financial health. This section can be found on pages 183-212 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the City to provide services to its citizens, the statement of net position and the statement of activities serve to provide an answer to the question of how the City, as a whole, performed financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting considers all the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and change in net position. The change in net position reflects whether the financial position of the City, as a whole, has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

Analysis of Net Position. As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$6.37 billion, and \$6.10 billion at the close of the fiscal years 2023 and 2022, respectively.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

The following table is a condensed summary of the City's net position for governmental and business-type activities:

Net Position

June 30, 2023 and 2022 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$ 1,039,511	\$ 906,608	\$ 477,198	\$ 499,312	\$ 1,516,709	\$ 1,405,920
Capital assets	4,866,602	4,754,768	1,504,128	1,452,376	6,370,730	6,207,144
Total assets	5,906,113	5,661,376	1,981,326	1,951,688	7,887,439	7,613,064
Total deferred outflows of resources	130,218	148,918	17,386	19,810	147,604	168,728
Total assets and deferred outflows of resources	6,036,331	5,810,294	1,998,712	1,971,498	8,035,043	7,781,792
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Long-term liabilities outstanding	1,018,128	968,252	327,562	350,909	1,345,690	1,319,161
Other liabilities	157,570	161,193	58,209	53,063	215,779	214,256
Total liabilities	1,175,698	1,129,445	385,771	403,972	1,561,469	1,533,417
Total deferred inflows of resources	48,498	118,516	53,350	33,758	101,848	152,274
Total liabilities and deferred inflows of resources	1,224,196	1,247,961	439,121	437,730	1,663,317	1,685,691
NET POSITION						
Net investment in capital assets	4,247,801	4,162,863	1,221,022	1,195,005	5,468,823	5,357,868
Restricted	330,043	266,758	54,119	54,717	384,162	321,475
Unrestricted	234,291	132,712	284,450	284,046	518,741	416,758
Total net position	\$ 4,812,135	\$ 4,562,333	\$ 1,559,591	\$ 1,533,768	\$ 6,371,726	\$ 6,096,101

The largest portion, 85.8 percent, of the City's net position reflects its net investment in capital assets (e.g., land, buildings, water and sewer system, and streets and storm drains) less any related outstanding debt used to acquire those assets. These amounted to \$5.47 billion and \$5.36 billion as of June 30, 2023, and 2022, respectively. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these assets to provide services to citizens and therefore cannot liquidate them.

An additional portion, 6.0 percent, of the City's net position, \$384.2 million at June 30, 2023, and 5.3 percent or \$321.5 million at June 30, 2022, represents resources that are subject to external restrictions on how they may be used. Unrestricted net position, 8.2 percent of the City's total net position at June 30, 2023, and 6.8 percent at June 30, 2022, \$518.7 million and \$416.8 million, respectively, may be used to meet the government's ongoing obligations to its citizens and creditors.

Analysis of Changes in Net Position. Total revenues exceeded total expenses in the current year, resulting in an increase in the City's total net position of \$276.2 million in fiscal year 2023 compared to an increase in net position of \$277.5 million during fiscal year 2022. The reasons for this overall increase are explained in the governmental and business-type activities discussion herein and depicted in the table that follows.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Changes in Net Position

For the fiscal years ended June 30, 2023 and 2022 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	\$ 74,217	\$ 76,905	\$ 221,657	\$ 210,849	\$ 295,874	\$ 287,754
Operating grants and contributions	55,318	53,960	-	-	55,318	53,960
Capital grants and contributions	52,556	87,927	31,597	38,822	84,153	126,749
General revenues						
Property taxes	67,994	73,136	-	-	67,994	73,136
Business taxes	356,628	335,445	261	232	356,889	335,677
Intergovernmental - taxes	83,737	67,965	-	-	83,737	67,965
Intergovernmental - other	19,391	18,316	-	-	19,391	18,316
Interest and investment income	10,879	(13,201)	3,319	(7,590)	14,198	(20,791)
Other	14,493	16,088	-	-	14,493	16,088
Total revenues	<u>735,213</u>	<u>716,541</u>	<u>256,834</u>	<u>242,313</u>	<u>992,047</u>	<u>958,854</u>
EXPENSES						
General Government						
Mayor and City Council	898	894	-	-	898	894
City Clerk	1,090	1,211	-	-	1,090	1,211
City Attorney	7,679	7,389	-	-	7,679	7,389
City Auditor	1,117	1,103	-	-	1,117	1,103
City Court	6,475	6,558	-	-	6,475	6,558
City Manager	5,639	5,083	-	-	5,639	5,083
City Treasurer	10,327	9,593	-	-	10,327	9,593
Public Works	110,284	109,623	-	-	110,284	109,623
Community and Economic Development	49,554	46,396	-	-	49,554	46,396
Public Safety	182,910	175,466	-	-	182,910	175,466
Community Services	80,219	72,628	-	-	80,219	72,628
Administrative Services	21,486	24,705	-	-	21,486	24,705
Scottsdale AZ CARES	321	2,555	-	-	321	2,555
Streetlight and Services Districts	529	535	-	-	529	535
Interest on Long-Term Debt	15,619	16,857	-	-	15,619	16,857
Water Utility	-	-	117,079	109,606	117,079	109,606
Sewer Utility	-	-	66,634	55,167	66,634	55,167
Airport	-	-	9,257	9,150	9,257	9,150
Solid Waste	-	-	28,755	26,850	28,755	26,850
Total expenses	<u>494,147</u>	<u>480,596</u>	<u>221,725</u>	<u>200,773</u>	<u>715,872</u>	<u>681,369</u>
Increase in net position before transfers	241,066	235,945	35,109	41,540	276,175	277,485
Transfers	8,660	7,762	(8,660)	(7,762)	-	-
Change in net position	<u>249,726</u>	<u>243,707</u>	<u>26,449</u>	<u>33,778</u>	<u>276,175</u>	<u>277,485</u>
Net position - beginning	4,562,333	4,318,626	1,533,768	1,499,990	6,096,101	5,818,616
Net effect of prior period adjustment	76	-	(626)	-	(550)	-
Net position - beginning restated	<u>4,562,409</u>	<u>4,318,626</u>	<u>1,533,142</u>	<u>1,499,990</u>	<u>6,095,551</u>	<u>5,818,616</u>
Net position - ending	<u>\$ 4,812,135</u>	<u>\$ 4,562,333</u>	<u>\$ 1,559,591</u>	<u>\$ 1,533,768</u>	<u>\$ 6,371,726</u>	<u>\$ 6,096,101</u>

Governmental Activities. Net position for governmental activities increased \$249.7 million after transfers during fiscal year 2023 compared to an increase of \$243.7 million after transfers in fiscal year 2022. Total revenues increased \$18.7 million or 2.6 percent from the prior fiscal year and expenses increased \$13.6 million or 2.8 percent. Overall, revenues exceeded expenses resulting in an increase in net position.

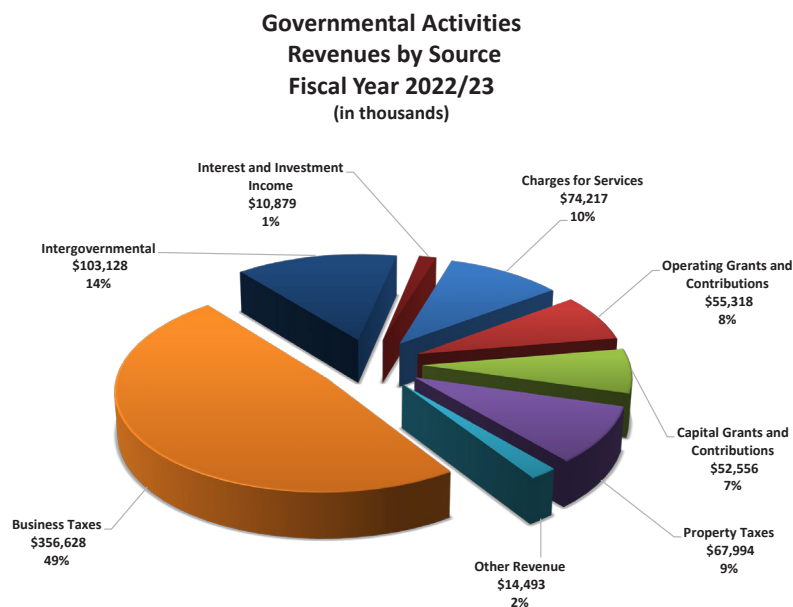
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

The City experienced an increase in total revenues from governmental activities over the prior year due primarily to a net increase of interest and investment income of \$24.1 million and an increase of business taxes of \$21.2 million. The increase in interest and investment income was due to the City increasing the investment balances by approximately \$169.5 million, including business type activities, from year to year coupled with the interest rate more than doubling in the portfolio. The increase in business taxes from the prior year was attributed to sales tax increases in all categories, the highest category, with an increase of \$3.0 million, was construction attributed to specialty contractors and new projects.

General revenues such as property, franchise, and privilege taxes are not shown by program, but are used to support program activities citywide. Total general revenues for governmental activities were \$553.1 million in fiscal year 2023 compared to \$497.7 million in fiscal year 2022. Business taxes, which include privilege and franchise taxes, increased \$21.2 million or 6.3 percent from the previous year due to an overall increase in consumer spending and from tourism-related events. The charges for services revenue category decreased \$2.7 million or 3.5 percent over fiscal year 2022, primarily in the Community and Economic Development Division due to a reduction in building and related permit activity. The City experienced higher than normal development activity in the prior year, fiscal year 2023; is more in line with the prior year trends. The capital grants and contributions decreased by \$35.4 million or 40 percent from the previous year, primarily due to only one mile of streets being accepted by the City in fiscal year 2023, and three and half miles being accepted by the City in fiscal year 2022. Additionally, property taxes decreased by \$5.1 million or 7 percent over the prior year due to a decrease in the secondary property tax levy by \$0.0941 per \$100 assessed valuation. The secondary property tax is limited solely to support debt service payments of voter-approved general obligation bonds.

For governmental activities overall, without regard to program, business taxes was the largest single source of funds, followed by intergovernmental; charges for services; property taxes; operating grants and contributions; and capital grants and contributions. The other revenue and interest and investment income were the least significant sources of revenue.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Another component of the change in net position is expense. The Public Safety Division, which is comprised of the Police and Fire Departments, is the largest expense function (37.0 percent), followed by the Public Works Division (22.3 percent), and the Community Services Division (16.2 percent).

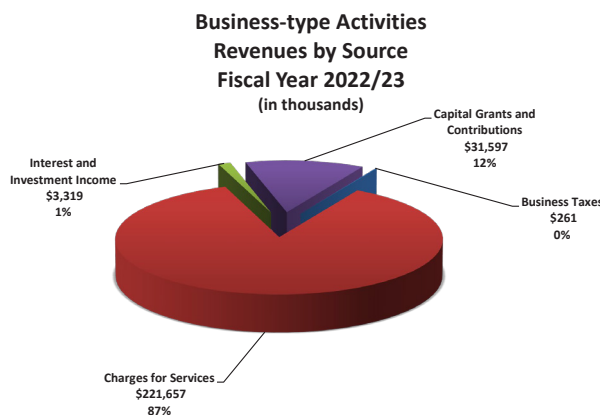
The Public Safety Division provides police and fire/emergency services throughout the City. Expenses increased by \$7.4 million, or 4.2 percent, during fiscal year 2023 due to increases in the internal service fees for fleet related costs for maintenance; fuel related charges; property liability, and workers compensation rates.

The Public Works Division consists of five departments: Capital Project Management, Facilities Management, Fleet Management, Solid Waste Management, and Transportation and Streets. Expenses were \$0.7 million, or 0.6 percent, higher than the prior fiscal year due primarily from increases in personnel expenditures resulting from the 5 percent market adjustment the City provided effective this fiscal year.

The City's Community Services Division is responsible for improving and maintaining facilities, and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, and promoting healthy lifestyles. The division consists of: Human Services, Libraries, Parks and Recreation, Planning and Administration, Preserve, and WestWorld. Expenses were \$7.6 million, or 10.5 percent, higher than the prior fiscal year due primarily from increases in personnel expenditures resulting from the 5 percent market adjustment the City provided effective this fiscal year and additional payments made for the housing assistance program.

Business-type Activities. Net position for business-type activities increased by \$26.4 million after transfers during fiscal year 2023 compared to \$33.8 million after transfers in fiscal year 2022. Total revenues increased by \$14.5 million, or 6.0 percent, due primarily to increases in the interest and investment income revenue category. The increase of interest and investment income was due to the City increasing the investment balances by approximately \$169.5 million, including governmental activities, from year to year coupled with the interest rate more than doubling in the portfolio. Overall, total revenues exceeded expenses resulting in an increase in net position for the fiscal year.

As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues, followed by capital grants and contributions. The interest and investment income and business taxes were the least significant sources of revenue.

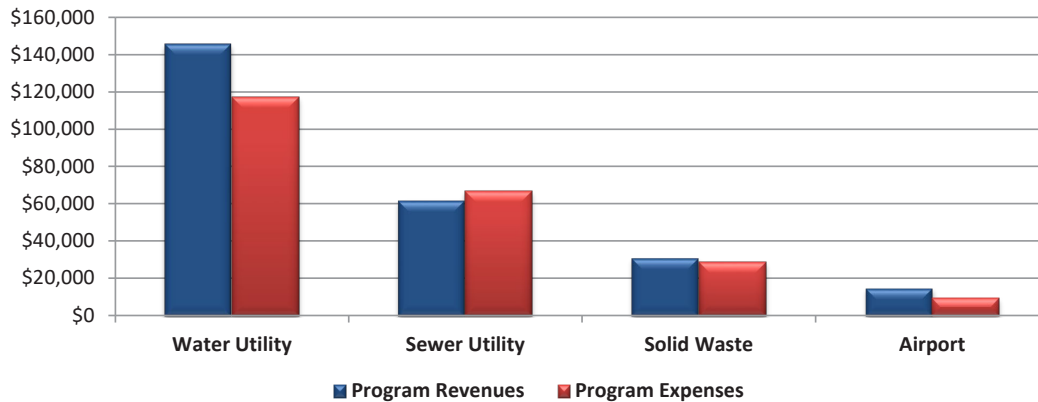


Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

As shown below in the *Business-type Activities Program Revenues and Expenses* chart, the largest of the City's business-type activities, water utility and sewer utility, had expenses of \$117.1 million and \$66.6 million, respectively, in fiscal year 2023, followed by solid waste with \$28.8 million and airport with \$9.3 million.

**Business-type Activities
Program Revenues and Expenses
Fiscal Year 2022/23
(in thousands)**



The City's Water Resources Department manages and operates a safe, reliable water supply and wastewater reclamation system, and in fiscal year 2023 they provided 93,402 water connections to Scottsdale citizens. The water and sewer utility's combined expenses increased by 11.5 percent or \$18.9 million in fiscal year 2023 compared to fiscal year 2022. This was caused primarily by an increase in capital related activity to add waterline and reservoir improvements to the City's water distribution system.

The Solid Waste Department provided delivery of safe, efficient, and environmentally sound refuse collection services to 84,905 residential customers in fiscal year 2023. Total program expenses increased 7.1 percent or \$1.9 million in fiscal year 2023 compared to fiscal year 2022 due to increases in the internal service fees for fleet related costs for maintenance and fuel related charges.

The Aviation Department operates the City's general aviation reliever facility and is home to many local corporate aircraft. More than 167,641 take-offs and landings occurred in fiscal year 2023 at Scottsdale Airport, an increase of 8.1 percent from the prior year. Total program expenses increased by 1.2 percent or \$0.1 million in fiscal year 2023 compared to fiscal year 2022. The custom inspection fees were the primary factor for the increase driven by the additional airport take-offs and landings this fiscal year from Arizona hosting the Super Bowl and other city events.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Funds are created and segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund. Governmental funds are used to account for tax-supported activities.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and non-spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City Council, or the City Treasurer who has been delegated authority to assign resources for a particular purpose by the City Council. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$699.1 million, an increase of \$186.9 million from the prior year total of \$512.2 million. Approximately 28.5 percent, or \$199.4 million, of the current year amount constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, or committed to indicate that it is not available for new spending.

Revenues for governmental functions totaled \$703.8 million in fiscal year 2023, an increase of 14.3 percent, or \$87.8 million, from the previous year total of \$616.0 million. In fiscal year 2023, expenditures for governmental functions totaled \$650.6 million, an increase of 11.5 percent, or \$67.4 million, from the fiscal year 2022 total of \$583.2 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$53.3 million. This was mainly due to increases of \$32.6 million in privilege and transient occupancy taxes, \$14.1 million in state revenue sharing, and intergovernmental revenues of \$19.1 million received in this fiscal year. The additional revenues were offset by additional capital outlay expenditures being spent for the City's Bond 2019 Program.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2023, the unassigned fund balance of the General Fund was \$226.5 million, while the total fund balance was \$227.0 million; the unassigned and total fund balances for the General Fund at the end of fiscal year 2022 were \$191.5 million and \$191.9 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 69.5 percent of the total General Fund expenditures of \$326.1 million in fiscal year 2023 and represented 57.5 percent of the total General Fund expenditures of \$333.0 million in fiscal year 2022. Total fund balance represented 69.6 percent and 57.6 percent of total fund expenditures for fiscal years 2023 and 2022, respectively.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Overall, the General Fund's performance resulted in revenue and other financing sources exceeding expenditures and other financing uses in the fiscal year ended June 30, 2023, by \$35.1 million. Total revenues increased \$53.8 million, or 15.2 percent compared to the prior year while expenditures decreased \$6.8 million or 2.1 percent. The most significant reason for the increase in revenues was due to the additional transaction privilege tax over the prior year and the change in fair market value of investments.

Key General Fund revenues showing an increase over the prior year included \$17.6 million for transaction privilege tax, \$13.9 million in state revenue sharing, and \$3.7 million for interest earnings. The significant increase for the transaction privilege tax is a result of increased consumer spending from stimulus funds in the economy and increased tax receipts resulting from the higher cost of goods. The City experienced flat or increases in all sales tax categories with the highest in the construction category. The City experienced revenue reductions as well. Most significant was \$2.7 million in building and related permits due to an abnormally higher amount of projects in fiscal year 2022, with fiscal year 2023 following the more normal trend. The City also experienced less of a reduction in the fair value of investments from \$19.5 million in fiscal year 2022 to a reduction of only \$3.6 million in fiscal year 2023 as the investment market stabilized.

The Community Services Division experienced the largest increase in General Fund expenditures, 12.4 percent, or \$5.2 million, primarily due from increases in personnel expenditures resulting from the 5 percent market adjustment the City provided effective this fiscal year and additional payments made for the housing assistance program. The Public Safety Division experienced the largest decrease of \$13.9 million due to the City making \$40.9 million in one-time retirement payments toward the unfunded liability in the prior fiscal year offset by additional increases in personnel-related costs from the 5 percent market adjustment. As a result of an increase in revenues and other financing sources exceeding expenditures and other financing uses, the fund balance for the City's General Fund increased in fiscal year 2023 by \$50.4 million.

The General Obligation Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt principal, interest, and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$7.3 million, a decrease of \$1.4 million from the \$8.7 million balance from the prior year. The decrease in fund balance was due to an decrease in the secondary property tax levied to offset the estimated debt payments.

The General CIP Construction Capital Projects Fund is used to account for the resources used to acquire, construct, and improve major capital facilities from amounts transferred from the City's General Fund. This fund also represents other City Council approved capital programs including transfers for tourism-related capital projects, in-lieu parking, and in-lieu stormwater. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$146.7 million, an increase of \$74.6 million from the \$72.1 million from the prior fiscal year, caused by an additional \$47.6 million in cash transfers from the General Fund resulting from increases in construction sales tax, interest income, and sales tax on food as required by the City's comprehensive financial policies.

The Transportation Privilege Tax Capital Projects Fund is used to account for the portion of the transportation privilege (sales) tax dedicated to transportation capital improvements. At the end of the current fiscal year, the fund balance was \$95.4 million, an increase of \$7.2 million from the \$88.2 million balance from the prior year. The increase in fund balance was primarily due to developer contributions received this fiscal year.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

The External Sources Capital Projects Fund is used to account for funds received from a variety of external sources including federal and state grants, as well as contributions restricted or committed for capital projects. At the end of the current fiscal year, the fund balance was a deficit of \$16.2 million, a decrease of \$8.9 million from the deficit balance of \$7.3 million from the prior year. The decrease in fund balance was due to timing differences for grant and intergovernmental reimbursements that are expected to be received in the next fiscal year.

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

At the end of the fiscal years 2023 and 2022, the unrestricted net position for the Water and Sewer Utility Fund was \$256.6 million and \$272.7 million, respectively; the Airport Fund was \$18.5 million and \$4.9 million, respectively; and the Solid Waste Fund was \$3.3 million and \$3.0 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, had an unrestricted net position of \$45.1 million and \$30.1 million, respectively.

The total growth in net position for the enterprise funds was \$23.9 million and \$34.8 million for fiscal years 2023 and 2022, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 44 of this report.

General Fund revenues on a budgetary basis were \$39.0 million more than projected for fiscal year 2023. The increase in revenues was primarily due to the City receiving more in transaction privilege tax, interest earnings, and light and power franchise fees than budgeted. The privilege tax was the most significant increase, consisting of \$29.3 million more revenues received than projected as the City continued to see increases in consumer spending, partially from tourism-related events. Expenditures of \$322.4 million were \$6.6 million less than budgeted expenditures of \$329.0 million. The largest positive expenditure variances occurred in the Public Safety and Community and Economic Development Divisions. The Public Safety Division experienced saving in retirement contributions and the Community and Economic Development had savings in the overtime category that were budgeted for special events.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2023 and 2022 were \$6.37 billion and \$6.23 billion, respectively (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, streets and storm drains, water and sewer systems, water rights, vehicles, machinery and equipment, subscription-based information technology arrangements, furniture and fixtures, public-public partnerships, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation/amortization) between fiscal years 2023 and 2022 was \$140.5 million or 2.3 percent.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Capital Assets, Net of Depreciation/Amortization

June 30, 2023 and 2022 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	*2022	2023	*2022	2023	*2022
Land	\$ 3,451,209	\$ 3,461,153	\$ 52,781	\$ 52,061	\$ 3,503,990	\$ 3,513,214
Buildings and Land Improvements	452,951	430,154	100,282	93,246	553,233	523,400
Streets and Storm Drains	681,142	710,390	-	-	681,142	710,390
Machinery and Equipment	34,454	33,597	4,391	3,978	38,845	37,575
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	799,331	792,118	799,331	792,118
Sewer System	-	-	390,120	391,131	390,120	391,131
Motor Vehicles	43,021	45,365	257	309	43,278	45,674
Furniture, Fixtures, and Office Equipment	-	-	746	962	746	962
Construction in Progress	142,756	72,341	68,889	51,837	211,645	124,178
Subscription-Based Information Technology Arrangements	5,377	4,358	160	18	5,537	4,376
Public-Public Partnership Assets	55,692	-	-	-	55,692	-
Total	\$ 4,866,602	\$ 4,757,358	\$ 1,504,128	\$ 1,472,831	\$ 6,370,730	\$ 6,230,189

* Restated for the implementation of GASB No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Significant capital asset events during fiscal year 2023 included the following:

- Land: \$7.8 million for land donated by developers that coincides with public street improvements for finalized permits.
- Buildings and Land Improvements:
 - o \$31.2 million for the renovation of the Civic Center Plaza
 - o \$4.3 million for the construction of a parking structure at the North Corporation Yard
 - o \$4.0 million for the installation of street level lighting, festoon lighting, bollards, and safety cameras in the Downtown Entertainment District
 - o \$1.2 million for the construction of a DNA evidence storage facility
- Streets: \$14.4 million related to streets, traffic control, and sidewalks; \$7.3 million for improvements to Osborn Road from Hayden Road to Scottsdale Road; \$3.6 million for new road improvements donated by developers; and \$1.4 million for pedestrian improvements along Camelback Road from Scottsdale Road to Miller Road.
- Vehicles: \$4.2 million for public safety vehicles, \$1.8 million for public works vehicles, and \$0.8 million for water and other city vehicles.

As of June 30, 2023, the city has construction commitments of \$189.4 million for current projects. Additional information on the city's capital assets can be found in Note IV.D. on page 91-94 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Long-term Debt. At the end of the fiscal years 2023 and 2022, the City had total long-term liabilities of \$1.35 billion and \$1.32 billion, respectively. Of these amounts, \$419.6 million and \$398.9 million, for fiscal years 2023 and 2022 respectively, are general obligation bonds backed by the full faith and credit of the City. The remainder includes Municipal Property Corporation bonds, net pension liabilities, and other obligations of \$926.1 million and \$920.3 million for fiscal years 2023 and 2022, respectively.

The State Constitution imposes debt limitations on the City equal to 6 percent and 20 percent of the assessed valuation of properties within the City. The City's available debt margin at June 30, 2023 and 2022 was \$542.9 million and \$518.5 million, respectively, in the 6 percent capacity and \$1.41 billion and \$1.34 billion, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.I. of the Notes to the Financial Statements and in Tables XVIa and XVIIb in the Statistical Section of this report.

Long-term Liabilities

June 30, 2023 and 2022 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 419,615	\$ 398,885	\$ -	\$ -	\$ 419,615	\$ 398,885
Water and Sewer Revenue Bonds	-	-	-	4,375	-	4,375
Municipal Property Corporation Bonds	167,450	180,705	226,540	247,455	393,990	428,160
Community Facilities Districts						
General Obligation Bonds - Direct Placements	6,583	8,059	-	-	6,583	8,059
Issuance Premiums	28,683	29,297	15,891	18,288	44,574	47,585
Total Bonds Payable	<u>622,331</u>	<u>616,946</u>	<u>242,431</u>	<u>270,118</u>	<u>864,762</u>	<u>887,064</u>
Contracts Payable	1,083	1,314	-	-	1,083	1,314
Leases	2,947	2,568	96	-	3,043	2,568
Public-Public Partnerships	4,620	1,760	-	-	4,620	1,760
Subscriptions	4,363	3,417	144	24	4,507	3,441
Risk Management Claims	21,145	26,029	-	-	21,145	26,029
Compensated Absences	33,145	33,141	4,563	4,563	37,708	37,704
Total Other Postemployment Benefit Liability	699	831	-	-	699	831
Net Pension Liabilities	327,796	282,246	34,729	27,400	362,525	309,646
Pollution Remediation Obligation	-	-	45,599	48,804	45,599	48,804
Total Long-term Liabilities	<u>\$ 1,018,129</u>	<u>\$ 968,252</u>	<u>\$ 327,562</u>	<u>\$ 350,909</u>	<u>\$ 1,345,691</u>	<u>\$ 1,319,161</u>

* Due to the implementation of GASB No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, the Service Concession Arrangements have been changed to Public-Public Partnerships.

During fiscal year 2023, the City's total long-term liabilities increased overall by \$26.5 million due primarily to increases in the City's net pension liabilities.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the City's proportionate share of its unfunded pension liabilities for pension plans in which it participates is included in its outstanding long-term liabilities. The City's net pension liabilities at the end of fiscal years 2023 and 2022 were \$362.5 million and \$309.6 million, respectively. The increase was due to actuarial losses from investments income experienced in the Arizona State Retirement System and (PSPRS) plans. Additional information on the City's pensions can be found starting on page 115.

Additional information on the City's long-term liabilities can be found in Section IV.I. of the Notes to the Financial Statements on pages 101-111 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The strength of the City's economy has persisted through the pandemic and current fiscal year, which was driven by increases in consumer spending and tourism-related activity. Despite this continued growth, the proposed budget is forecasting a decline in local tax revenues in anticipation of an economic downturn and slowdown in consumer spending. In June 2023, the City Council approved a \$2.53 billion budget, which is a \$0.42 billion increase from the prior year budget of \$2.11 billion. The adopted fiscal year 2024 budget includes \$1.11 billion for general operations, grants, operating contingencies/reserves, and \$1.42 billion for capital improvements/capital contingencies.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Scottsdale City Treasurer's Office, 7447 East Indian School Road, Suite 210, Scottsdale, AZ 85251, or visit our website at: <https://www.scottsdaleaz.gov/finance>.

Basic Financial Statements

Statement of Net Position

June 30, 2023 (in thousands)

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 787,734	\$ 212,039	\$ 999,773
Receivables (net of allowance for uncollectibles)			
Property and Other Local Taxes	44,019	24	44,043
Charges for Services	-	23,256	23,256
Fines	9,924	-	9,924
Intergovernmental and Grants	51,041	2,698	53,739
Interest	3,665	1,635	5,300
Leases	33,110	16,732	49,842
Public-Private Partnerships	-	9,693	9,693
Other	8,554	2,252	10,806
Internal Balances	(6,051)	6,051	-
Supplies Inventory	1,951	-	1,951
Prepaid Items	1	1,448	1,449
Prepayments	24,974	-	24,974
Pollution Remediation Recoveries	-	45,599	45,599
Restricted Assets			
Cash with Fiscal Agent	77,384	30,005	107,389
Customer Advances and Deposits	-	1,791	1,791
Joint Venture Construction Deposits	-	7,362	7,362
Advanced Construction Payments	-	2,786	2,786
Advanced Lease Payments	-	867	867
Water and Sewer System Replacement	-	46,757	46,757
Equity in Joint Ventures	3,205	66,203	69,408
Capital Assets Not Being Depreciated/Amortized			
Land, Water Rights, and Construction in Progress	3,593,965	208,841	3,802,806
Capital Assets, Net of Accumulated Depreciation/Amortization			
Facilities, Infrastructure, and Equipment	1,272,637	1,295,287	2,567,924
Total Assets	<u>5,906,113</u>	<u>1,981,326</u>	<u>7,887,439</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refundings	16,069	11,530	27,599
Pension-Related Amounts	113,860	5,856	119,716
OPEB-Related Amounts	289	-	289
Total Deferred Outflows of Resources	<u>\$ 130,218</u>	<u>\$ 17,386</u>	<u>\$ 147,604</u>

(continued)

Statement of Net Position

June 30, 2023 (in thousands)

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts Payable	\$ 45,634	\$ 21,420	\$ 67,054
Accrued Payroll and Benefits	10,008	1,339	11,347
Accrued Compensated Absences	90	1	91
Interest Payable	9,514	4,715	14,229
Matured Bonds, Loans, and Other Payables	67,706	25,290	92,996
Due to Other Governments	4,341	-	4,341
Unearned Revenue	12,621	-	12,621
Liabilities Payable from Restricted Assets			
Advanced Construction Payments	-	2,786	2,786
Advanced Lease Payments	-	867	867
Customer Advances & Deposits	4,745	1,791	6,536
Other Liabilities	2,911	-	2,911
Noncurrent Liabilities			
Due Within One Year			
Accrued Compensated Absences	15,385	2,111	17,496
Bonds, Loans, and Other Payables	88,377	22,106	110,483
Due in More Than One Year			
Accrued Compensated Absences	17,760	2,452	20,212
Total Other Postemployment Benefit Liability	699	-	699
Net Pension Liabilities	327,796	34,729	362,525
Bonds, Loans, and Other Payables	568,111	220,565	788,676
Pollution Remediation Obligation	-	45,599	45,599
Total Noncurrent Liabilities	<u>1,018,128</u>	<u>327,562</u>	<u>1,345,690</u>
Total Liabilities	<u>1,175,698</u>	<u>385,771</u>	<u>1,561,469</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	32,383	15,834	48,217
Pension-Related Amounts	11,510	1,317	12,827
Public-Private Partnerships	2,503	36,199	38,702
OPEB-Related Amounts	2,102	-	2,102
Total Deferred Inflows of Resources	<u>48,498</u>	<u>53,350</u>	<u>101,848</u>
NET POSITION			
Net Investment in Capital Assets	4,247,801	1,221,022	5,468,823
Restricted			
Debt Service	10,437	-	10,437
Transportation and Preserve Privilege Tax Activities	158,375	-	158,375
Capital Projects	135,975	-	135,975
Grants	2,996	-	2,996
Special Programs	8,371	-	8,371
Streetlight and Services Districts	42	-	42
Community Facilities Districts	208	-	208
Stadium Facility	5,102	-	5,102
Tourism Development	7,901	-	7,901
Endowments			
Expendable	27	-	27
Nonexpendable	609	-	609
Repair and Replacement	-	46,757	46,757
Joint Venture Construction Deposits	-	7,362	7,362
Unrestricted	<u>234,291</u>	<u>284,450</u>	<u>518,741</u>
Total Net Position	<u>\$ 4,812,135</u>	<u>\$ 1,559,591</u>	<u>\$ 6,371,726</u>

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

Statement of Activities

For the Fiscal Year Ended June 30, 2023 (in thousands)

FUNCTIONS/PROGRAMS	Program Revenues						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
General Government							
Mayor and City Council	\$ 898	\$ 175	\$ 21	\$ -	\$ (702)	\$ -	\$ (702)
City Clerk	1,090	154	-	-	(936)	-	(936)
City Attorney	7,679	702	30	-	(6,947)	-	(6,947)
City Auditor	1,117	222	66	-	(829)	-	(829)
City Court	6,475	-	7	-	(6,468)	-	(6,468)
City Manager	5,639	539	889	-	(4,211)	-	(4,211)
City Treasurer	10,327	4,612	-	-	(5,715)	-	(5,715)
Public Works	110,284	223	20,912	47,416	(41,733)	-	(41,733)
Community and Economic Development	49,554	17,655	5	4,701	(27,193)	-	(27,193)
Public Safety	182,910	11,104	21,969	-	(149,837)	-	(149,837)
Community Services	80,219	35,335	11,058	439	(33,387)	-	(33,387)
Administrative Services	21,486	2,971	361	-	(18,154)	-	(18,154)
Scottsdale AZ CARES	321	-	-	-	(321)	-	(321)
Streetlight and Services Districts	529	525	-	-	(4)	-	(4)
Interest on Long-Term Debt	15,619	-	-	-	(15,619)	-	(15,619)
Total Governmental Activities	494,147	74,217	55,318	52,556	(312,056)	-	(312,056)
Business-type Activities							
Water Utility	117,079	129,022	-	16,536	-	28,479	28,479
Sewer Utility	66,634	51,066	-	10,693	-	(4,875)	(4,875)
Airport	9,257	10,489	-	4,368	-	5,600	5,600
Solid Waste	28,755	31,080	-	-	-	2,325	2,325
Total Business-type Activities	221,725	221,657	-	31,597	-	31,529	31,529
Total Government	\$ 715,872	\$ 295,874	\$ 55,318	\$ 84,153	(312,056)	31,529	(280,527)
General Revenues							
Taxes							
Property Taxes					67,994	-	67,994
Sales and Use Taxes					342,848	261	343,109
Franchise Taxes					13,780	-	13,780
Intergovernmental - Unrestricted							
State Shared Sales					35,884	-	35,884
State Revenue Sharing					47,853	-	47,853
Other					19,391	-	19,391
Interest and Investment Income					10,879	3,319	14,198
Other Revenue					14,493	-	14,493
Transfers					8,660	(8,660)	-
Total General Revenues and Transfers					561,782	(5,080)	556,702
Change in Net Position					249,726	26,449	276,175
Net Position - Beginning, Restated*					4,562,409	1,533,142	6,095,551
Net Position - Ending					\$ 4,812,135	\$ 1,559,591	\$ 6,371,726

*Restated the Governmental and Business-Type Activities Net Position due to implementation of GASB Statement 94: *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

Balance Sheet

Governmental Funds

June 30, 2023 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 200,846	\$ 6,856	\$ 152,426	\$ 113,227	\$ -	\$ 242,226	\$ 715,581
Cash with Fiscal Agent	-	59,681	-	-	-	17,703	77,384
Receivable (net of allowance for uncollectibles)							
Interest	2,093	-	-	227	1	1,344	3,665
Privilege Tax	21,683	-	-	1,945	-	10,582	34,210
Transient Occupancy Tax	-	-	-	-	-	2,320	2,320
Property Tax	1,173	1,013	-	-	-	51	2,237
State Shared Sales Tax	1,411	-	-	-	-	-	1,411
Franchise Fee	3,222	-	-	-	-	91	3,313
Court	9,693	-	-	-	-	231	9,924
Highway User Tax	-	-	-	-	-	1,850	1,850
Auto Lieu Tax	528	-	-	-	-	-	528
Intergovernmental	-	-	4,795	16,991	17,899	4,765	44,450
Grants	-	-	-	-	801	3,940	4,741
Leases	33,055	-	-	-	-	55	33,110
Miscellaneous	3,932	-	368	-	319	3,277	7,896
Due from Other Funds	17,499	-	-	-	-	-	17,499
Supplies Inventory	486	-	-	-	-	-	486
Total Assets	<u>\$ 295,621</u>	<u>\$ 67,550</u>	<u>\$ 157,589</u>	<u>\$ 132,390</u>	<u>\$ 19,020</u>	<u>\$ 288,435</u>	<u>\$ 960,605</u>

(continued)

Balance Sheet

Governmental Funds

June 30, 2023 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)							
Liabilities							
Accounts Payable	\$ 7,428	\$ -	\$ 5,956	\$ 19,789	\$ 1,624	\$ 7,531	\$ 42,328
Accrued Payroll and Benefits	9,289	-	8	31	1	521	9,850
Due to Other Funds	-	-	-	-	14,624	2,875	17,499
Matured Bond Interest Payable	-	6,706	-	-	-	2,808	9,514
Matured Bonds Payable	-	52,975	-	-	-	14,731	67,706
Unearned Revenue							
Intergovernmental	-	-	-	-	-	9,955	9,955
Other	1,926	-	43	-	-	683	2,652
Due to Other Governments	4,323	-	-	-	-	18	4,341
Guaranty and Other Deposits	4,740	-	-	-	-	5	4,745
Other	2,869	-	-	-	-	38	2,907
Total Liabilities	30,575	59,681	6,007	19,820	16,249	39,165	171,497
Deferred Inflows of Resources							
Unavailable Revenues	7,916	578	4,842	17,219	18,978	8,064	57,597
Leases	30,135	-	-	-	-	2,248	32,383
Total Deferred Inflows of Resources	38,051	578	4,842	17,219	18,978	10,312	89,980
Total Liabilities and Deferred Inflows of Resources	68,626	60,259	10,849	37,039	35,227	49,477	261,477
Fund Balances (Deficits)							
Nonspendable	486	-	-	-	-	609	1,095
Restricted	-	7,291	17,884	95,429	4,234	218,057	342,895
Committed	-	-	128,856	-	40	26,863	155,759
Unassigned	226,509	-	-	(78)	(20,481)	(6,571)	199,379
Total Fund Balances (Deficits)	226,995	7,291	146,740	95,351	(16,207)	238,958	699,128
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 295,621	\$ 67,550	\$ 157,589	\$ 132,390	\$ 19,020	\$ 288,435	\$ 960,605

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023 (in thousands)

Fund Balances - Total Governmental Funds	\$ 699,128
Amounts reported for governmental activities in the statement of net position are different because (see Note II. A. for the detailed reconciliation):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	4,742,251
Equity in joint venture are not financial resources; therefore, are not reported in the funds.	3,200
Prepayments, public-public partnerships, leases, and subscription-based information technology arrangements are not financial resources; therefore, are not reported in the funds.	88,582
Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.	129,279
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(990,726)
Deferred inflows relating to pensions, other postemployment benefits, and public-private partnerships represent a future acquisition of net assets that is not reported in the funds. Also, because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds.	41,691
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and vehicles to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position.	<u>98,730</u>
Net Position of Governmental Activities	<u><u>\$ 4,812,135</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

REVENUES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Taxes - Local							
Property	\$ 35,769	\$ 30,062	\$ -	\$ -	\$ -	\$ 1,803	\$ 67,634
Transaction Privilege	199,425	-	-	17,768	-	97,155	314,348
Transient Occupancy	-	-	-	-	-	36,492	36,492
Light and Power Franchise	9,864	-	-	-	-	291	10,155
Cable TV Franchise	3,625	-	-	-	-	-	3,625
Salt River Project In-Lieu	200	-	-	-	-	-	200
Other Taxes	962	-	-	-	-	5,526	6,488
Taxes - Intergovernmental							
State Shared Sales	35,884	-	-	-	-	-	35,884
State Revenue Sharing	46,051	-	-	-	-	1,802	47,853
Auto Lieu Tax	12,042	-	-	-	-	-	12,042
Highway User Tax	-	-	-	-	-	18,111	18,111
Local Transportation Assistance Fund	-	-	-	-	-	610	610
Business and Liquor Licenses	2,815	-	-	-	-	47	2,862
Charges for Current Services							
Building and Related Permits	17,561	-	36	-	-	89	17,686
Recreation Fees	5,207	-	-	-	-	3,397	8,604
WestWorld Equestrian Facility Fees	5,733	-	-	-	-	1,133	6,866
Fire Fees	2,804	-	-	-	-	-	2,804
Fines, Fees, and Forfeitures							
Court	2,627	-	-	-	-	129	2,756
Parking	211	-	-	-	-	-	211
Photo Radar	3,170	-	-	-	-	-	3,170
Court Enhancement	-	-	-	-	-	1,703	1,703
Library	53	-	-	-	-	98	151
Police	-	-	-	-	-	83	83
Property Rental	5,240	-	-	-	-	4,805	10,045
Interest Earnings	8,063	-	570	766	2	4,628	14,029
Net Increase/(Decrease) in the Fair Value of Investments	(3,566)	-	-	-	-	416	(3,150)
Intergovernmental							
Federal Grants	-	-	-	-	2,713	27,403	30,116
State Grants	6	-	-	-	-	362	368
Miscellaneous	4,205	-	-	-	21,076	3,502	28,783
Developer Contributions	-	-	858	4,509	2,312	-	7,679
Streetlight and Services Districts	-	-	-	-	-	525	525
Contributions and Donations	-	-	-	-	1,300	2,340	3,640
Reimbursements from Outside Sources	1,176	-	-	-	-	813	1,989
Indirect Costs	7,191	-	-	-	-	-	7,191
Other	1,874	-	-	300	-	90	2,264
Total Revenues	\$ 408,192	\$ 30,062	\$ 1,464	\$ 23,343	\$ 27,403	\$ 213,353	\$ 703,817

(continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

EXPENDITURES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Current							
General Government							
Mayor and City Council	\$ 909	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 930
City Clerk	1,082	-	-	-	-	-	1,082
City Attorney	7,535	-	-	-	-	30	7,565
City Auditor	1,197	-	-	-	-	-	1,197
City Court	4,893	-	-	-	-	1,803	6,696
City Manager	4,988	-	-	-	-	889	5,877
City Treasurer	10,423	-	11	-	-	198	10,632
Public Works	23,791	-	441	511	290	23,238	48,271
Community and Economic Development	23,258	-	-	-	-	22,283	45,541
Public Safety	177,956	-	212	-	-	19,899	198,067
Community Services	46,962	-	1,787	-	1,428	17,262	67,439
Administrative Services	17,244	-	842	1	2	303	18,392
Streetlight and Services Districts	-	-	-	-	-	529	529
Debt Service							
Principal	2,242	52,975	-	-	-	15,701	70,918
Interest and Fiscal Charges	254	11,959	-	-	-	5,705	17,918
Bond Issuance Costs	-	845	-	-	-	-	845
Capital Outlay	3,390	-	29,530	35,873	34,646	45,213	148,652
Total Expenditures	326,124	65,779	32,823	36,385	36,366	153,074	650,551
Excess (Deficiency) of Revenues over (under) Expenditures	82,068	(35,717)	(31,359)	(13,042)	(8,963)	60,279	53,266
OTHER FINANCING SOURCES (USES)							
Transfers In	19,428	33,439	85,072	20,236	40	19,939	178,154
Transfers Out	(89,889)	-	(540)	-	-	(79,113)	(169,542)
Financing of Leases	916	-	-	-	-	-	916
Financing of Subscription-Based Information Technology Arrangements	1,194	-	-	-	-	1,292	2,486
Financing of Contracts Payable	-	-	-	-	-	265	265
Sale of General Capital Assets	21,384	-	21,507	-	-	(47)	42,844
Issuance of Long-Term Capital-Related Debt	-	115	-	-	-	73,590	73,705
Premium on Long-Term Debt Issued	-	740	-	-	-	4,110	4,850
Total Other Financing Sources (Uses)	(46,967)	34,294	106,039	20,236	40	20,036	133,678
Net Change in Fund Balances	35,101	(1,423)	74,680	7,194	(8,923)	80,315	186,944
Fund Balances (Deficits) - Beginning	191,894	8,714	72,060	88,157	(7,284)	158,643	512,184
Fund Balances (Deficits) - Ending	\$ 226,995	\$ 7,291	\$ 146,740	\$ 95,351	\$ (16,207)	\$ 238,958	\$ 699,128

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

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

For the Fiscal Year Ended June 30, 2023 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 186,944
Amounts reported for governmental activities in the statement of activities are different because (see Note II. B.) for the detailed reconciliation:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	40,786
Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.	11,754
Amortization of deferred inflows of resources related to capital assets acquired by the City as a result of public-private partnerships are not shown in the governmental fund statements. On the statement of activities it is recorded as revenue.	87
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(50,637)
Current-year pension and other postemployment benefit contributions are reclassified from expenditures in the governmental funds to deferred outflows of resources in the government-wide statements.	52,269
Current-year joint venture contributions are reclassified from expenditures in the governmental funds to an increase in the investment in the joint venture in the government-wide statements.	245
When leases (in which the City is the lessee), public-public partnerships (PPPs) (in which the City is the operator) and subscription-based information technology arrangements (SBITAs) are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP)/Present Value of the Future Installment Payments (PVFIP)/Present Value of the Future Subscription Payments (PVFSP), respectively; however, in the statement of activities, the PVFLP, PVFIP, and PVFSP are recognized as intangible assets and amortized over the lease/PPP/subscription term.	7,893
The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System that is used to offset the contribution required to be made by the City. The fund financial statements recognize the current year contribution; however, the government-wide statements recognize the prior year contribution.	(282)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(934)
Prepayments are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position. This amount represents the current period amortization expense that exceeds prepayments.	(676)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period.	(11,304)
Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refundings.	2,299
When lease assets, subscription-based information technology arrangement assets (SBITAs), and public-public partnerships (PPPs) assets are retired, a loss is recognized on the statement of activities.	(11)
When lease liabilities and subscription-based information technology arrangement (SBITA) liabilities are retired, a gain is recognized on the statement of activities.	10
The change in net position of the Internal Service Funds is attributed to governmental activities.	11,283
Change in Net Position of Governmental Activities	<u>\$ 249,726</u>

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

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Property	\$ 35,885	\$ 35,885	\$ 35,769	\$ -	\$ 35,769	\$ (116)
Transaction Privilege	170,112	170,112	199,425	-	199,425	29,313
Light and Power Franchise	8,455	8,455	9,864	-	9,864	1,409
Cable TV Franchise	3,800	3,800	3,625	-	3,625	(175)
Salt River Project In-Lieu	220	220	200	-	200	(20)
Other Taxes	947	947	962	-	962	15
Taxes - Intergovernmental						
State Shared Sales	35,088	35,088	35,884	-	35,884	796
State Revenue Sharing	46,440	46,440	46,051	-	46,051	(389)
Auto Lieu Tax	12,283	12,283	12,042	-	12,042	(241)
Business and Liquor Licenses	1,789	1,789	2,815	-	2,815	1,026
Charges for Current Services						
Building and Related Permits	18,090	18,090	17,561	-	17,561	(529)
Recreation Fees	4,721	4,721	5,207	-	5,207	486
WestWorld Equestrian Facility Fees	4,789	4,789	5,733	-	5,733	944
Fire Fees	2,266	2,266	2,804	-	2,804	538
Fines, Fees, and Forfeitures						
Court	3,587	3,587	2,627	-	2,627	(960)
Parking	287	287	211	-	211	(76)
Photo Radar	2,590	2,590	3,170	-	3,170	580
Library	19	19	53	-	53	34
Property Rental	4,578	4,578	5,210	30	5,240	632
Interest Earnings	1,953	1,953	6,953	1,110	8,063	5,000
Net Decrease in the Fair Value of Investments	-	-	-	(3,566)	(3,566)	-
Intergovernmental						
State Grants	-	-	6	-	6	6
Miscellaneous	4,327	4,327	4,205	-	4,205	(122)
Reimbursements from Outside Sources	1,233	1,233	1,176	-	1,176	(57)
Indirect Costs	7,202	7,202	7,191	-	7,191	(11)
Other	432	432	1,385	489	1,874	953
Total Revenues	\$ 371,093	\$ 371,093	\$ 410,129	\$ (1,937)	\$ 408,192	\$ 39,036

(continued)

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
EXPENDITURES						
Current						
General Government						
Mayor and City Council	\$ 958	\$ 935	\$ 906	\$ 3	\$ 909	\$ 29
City Clerk	1,288	1,289	1,070	12	1,082	219
City Attorney	8,301	8,298	7,516	19	7,535	782
City Auditor	1,290	1,435	1,193	4	1,197	242
City Court	5,350	5,001	4,838	55	4,893	163
City Manager	5,181	4,975	4,977	11	4,988	(2)
City Treasurer	11,345	10,535	10,134	289	10,423	401
Public Works	24,355	24,686	24,157	(366)	23,791	529
Community and Economic Development	26,080	24,960	23,216	42	23,258	1,744
Public Safety	183,473	180,413	177,557	399	177,956	2,856
Community Services	47,473	46,989	47,315	(353)	46,962	(326)
Administrative Services	15,812	19,060	19,094	(1,850)	17,244	(34)
Debt Service						
Principal	168	168	416	1,826	2,242	(248)
Interest and Fiscal Charges	264	264	-	254	254	264
Capital Outlay	-	-	-	3,390	3,390	-
Total Expenditures	<u>331,338</u>	<u>329,008</u>	<u>322,389</u>	<u>3,735</u>	<u>326,124</u>	<u>6,619</u>
Excess of Revenues over Expenditures	<u>39,755</u>	<u>42,085</u>	<u>87,740</u>	<u>(5,672)</u>	<u>82,068</u>	<u>45,655</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	16,050	16,050	19,428	-	19,428	3,378
Transfers Out	(81,433)	(81,433)	(89,889)	-	(89,889)	(8,456)
Financing of Leases	388	388	-	916	916	(388)
Financing of SBITAs	-	-	-	1,194	1,194	-
Sale of General Capital Assets	150	150	21,363	21	21,384	21,213
Total Other Financing Sources (Uses)	<u>(64,845)</u>	<u>(64,845)</u>	<u>(49,098)</u>	<u>2,131</u>	<u>(46,967)</u>	<u>15,747</u>
Net Change in Fund Balances	<u>\$ (25,090)</u>	<u>\$ (22,760)</u>	<u>\$ 38,642</u>	<u>\$ (3,541)</u>	<u>\$ 35,101</u>	<u>\$ 61,402</u>

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

General Fund

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

Explanation of Differences:

Items recorded as revenues/other financing sources for GAAP purposes that are not recorded for budget purposes:

Amortized Lease Revenue	\$	30
Lease Interest Revenue		1,110
Net Decrease in the Fair Value of Investments		(3,566)
In-Kind Revenue		489
Financing of Leases		916
Financing of SBITAs		1,194
Gain on Lease Termination		21
Total Revenue/Other Financing Source Adjustments		<u>194</u>

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

Payroll Accrual and Compensated Absences	927
Non-Cash Operating Expenditures	648
Non-Cash Debt Service Expenditures	50
Non-Cash Capital Expenditures	<u>2,110</u>
Total Expenditure Adjustments	<u>3,735</u>

Net Decrease in Fund Balance - Budget to GAAP \$ (3,541)

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to the subscription-based information technology arrangements, contracts payable, and lease activity on a GAAP basis; however, for budget purposes, they are included in the associated division's expenditures. Additionally, the City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes, they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

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

Statement of Fund Net Position

Proprietary Funds

June 30, 2023 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Cash and Investments	\$ 193,846	\$ 8,801	\$ 9,392	\$ 212,039	\$ 72,153
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	24	-	24	-
Charges for Services	19,702	362	3,192	23,256	-
Intergovernmental	555	578	-	1,133	-
Leases	-	2,313	-	2,313	-
Public-Private Partnerships	-	249	-	249	-
Interest	1,551	35	49	1,635	-
Miscellaneous	2,247	-	5	2,252	658
Supplies Inventory	-	-	-	-	1,465
Restricted Cash, Cash Equivalents, and Investments					
Cash with Fiscal Agent	28,676	1,329	-	30,005	-
Customer Advances and Deposits	1,396	395	-	1,791	-
Prepaid Items	1,447	-	1	1,448	1
Other Restricted Items					
Joint Venture Construction Deposits	7,362	-	-	7,362	-
Total Current Assets	256,782	14,086	12,639	283,507	74,277
Noncurrent Assets					
Lease Receivables	14	14,405	-	14,419	-
Intergovernmental Receivables	1,565	-	-	1,565	-
Public-Private Partnership Receivables	-	9,444	-	9,444	-
Equity in Joint Ventures	66,084	10	109	66,203	5
Pollution Remediation Recoveries	45,599	-	-	45,599	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	2,786	-	-	2,786	-
Advanced Lease Payments	-	867	-	867	-
Water and Sewer System Replacement	46,757	-	-	46,757	-
Capital Assets					
Land	42,106	9,564	1,111	52,781	-
Water Rights	87,171	-	-	87,171	-
Water System	1,480,437	-	-	1,480,437	-
Sewer System	717,460	-	-	717,460	-
Buildings and Improvements	-	134,207	7,735	141,942	18,891
Motor Vehicles	-	1,151	-	1,151	103,093
Machinery and Equipment	9,157	813	560	10,530	6,676
Furniture and Fixtures	1,523	222	209	1,954	-
Construction in Progress	68,576	202	111	68,889	52
Leases	91	16	9	116	16
Subscription-Based Information Technology Arrangements	191	118	9	318	526
Less Accumulated Depreciation/Amortization	(1,014,944)	(39,217)	(4,460)	(1,058,621)	(68,511)
Total Capital Assets (net of accumulated depreciation/amortization)	1,391,768	107,076	5,284	1,504,128	60,743
Total Noncurrent Assets	1,554,573	131,802	5,393	1,691,768	60,748
Total Assets	1,811,355	145,888	18,032	1,975,275	135,025
Deferred Outflows of Resources					
Deferred Amounts on Refundings	11,530	-	-	11,530	-
Pension-Related Amounts	4,093	274	1,489	5,856	939
Total Deferred Outflows of Resources	\$ 15,623	\$ 274	\$ 1,489	\$ 17,386	\$ 939

(continued)

Statement of Fund Net Position

Proprietary Funds

June 30, 2023 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Current Liabilities					
Accounts Payable	\$ 20,636	\$ 63	\$ 721	\$ 21,420	\$ 3,306
Accrued Payroll and Benefits	912	61	366	1,339	248
Accrued Compensated Absences - Current	1	-	-	1	-
Accrued Compensated Absences - Due within one year	1,482	156	473	2,111	304
Unearned Revenue	-	-	-	-	14
Customer Advances and Deposits	1,396	395	-	1,791	-
Interest Payable	4,326	389	-	4,715	-
Matured Bonds and Other Payables	24,350	940	-	25,290	-
Bonds Payable and Other Payables - Due within one year	21,010	990	-	22,000	9,581
Leases - Due within one year	18	3	2	23	2
Subscription - Due within one year	54	29	-	83	110
Other Liabilities	-	-	-	-	4
Total Current Liabilities	74,185	3,026	1,562	78,773	13,569
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,700	250	502	2,452	207
Advanced Construction Payments	2,786	-	-	2,786	-
Advanced Lease Payments	-	867	-	867	-
Net Pension Liabilities	24,538	1,646	8,545	34,729	5,508
Bonds, Loans, and Other Payables - Due in more than one year	201,660	18,771	-	220,431	11,564
Pollution Remediation Obligation	45,599	-	-	45,599	-
Leases - Due in more than one year	55	12	6	73	11
Subscription - Due in more than one year	61	-	-	61	115
Total Noncurrent Liabilities	276,399	21,546	9,053	306,998	17,405
Total Liabilities	350,584	24,572	10,615	385,771	30,974
Deferred Inflows of Resources					
Pension-Related Amounts	931	62	324	1,317	209
Leases	11	15,823	-	15,834	-
Public-Private Partnerships	-	36,199	-	36,199	-
Total Deferred Inflows of Resources	942	52,084	324	53,350	209
NET POSITION					
Net Investment in Capital Assets	1,164,730	51,046	5,246	1,221,022	59,671
Restricted for Water and Sewer System Replacement	46,757	-	-	46,757	-
Restricted for Joint Venture Construction Deposits	7,362	-	-	7,362	-
Unrestricted	256,603	18,460	3,336	278,399	45,110
Total Net Position	\$ 1,475,452	\$ 69,506	\$ 8,582	\$ 1,553,540	\$ 104,781

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

Reconciliation of the Proprietary Funds Statement of Fund Net Position to the Statement of Net Position

June 30, 2023 (in thousands)

Total Enterprise Fund Net Position	\$ 1,553,540
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Amounts reported for business-type activities in the government-wide statement of net position are different because:

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and motor vehicles to individual funds. A look-back adjustment applies to business-type activities and creates an internal balance.

6,051

Net Position of Business-type Activities
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\$ 1,559,591

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

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Charges for Sales and Services					
Water Service Fees	\$ 113,013	\$ -	\$ -	\$ 113,013	\$ -
Sewer Service Fees	48,120	-	-	48,120	-
Proprietary - Non-potable water fees	14,068	-	-	14,068	-
Solid Waste Fees	-	-	31,079	31,079	-
Airport Fees	-	10,487	-	10,487	-
Other Services	-	-	-	-	81,482
Other	4,887	2	1	4,890	1,962
Total Operating Revenues	180,088	10,489	31,080	221,657	83,444
OPERATING EXPENSES					
Costs for Sales and Services					
Water Operations	66,983	-	-	66,983	-
Sewer Operations	44,030	-	-	44,030	-
Solid Waste Operations	-	-	28,716	28,716	-
Airport Operations	-	3,092	-	3,092	-
Other Services	-	-	-	-	61,419
Indirect Costs	5,253	538	1,400	7,191	-
Depreciation/Amortization	60,642	4,964	303	65,909	11,305
Total Operating Expenses	176,908	8,594	30,419	215,921	72,724
Operating Income	3,180	1,895	661	5,736	10,720
NON-OPERATING REVENUES (EXPENSES)					
Transaction Privilege Tax	-	261	-	261	-
Property Tax	-	-	-	-	536
Investment Income	3,140	82	97	3,319	-
Interest Expense	(7,589)	(696)	-	(8,285)	-
Gain (Loss) on Sale of Capital Assets	(48)	-	-	(48)	129
Net Non-Operating Revenue (Expenses)	(4,497)	(353)	97	(4,753)	665
Income (Loss) Before Contributions and Transfers	(1,317)	1,542	758	983	11,385
Capital Contributions	27,229	4,368	-	31,597	2,379
Transfers In	-	-	-	-	55
Transfers Out	(8,660)	-	-	(8,660)	(7)
Change in Net Position	17,252	5,910	758	23,920	13,812
Total Net Position - Beginning Restated	1,458,200	63,596	7,824	1,529,620	90,969
Total Net Position - Ending	\$ 1,475,452	\$ 69,506	\$ 8,582	\$ 1,553,540	\$ 104,781

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

Reconciliation of the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position to the Statement of Activities

For the Fiscal Year Ended June 30, 2023 (in thousands)

Net Change in Total Enterprise Fund Net Position	\$ 23,920
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Amounts reported for business-type activities in the government-wide statement of net position are different because:

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and motor vehicles to individual funds. A look-back adjustment applies to business-type activities and creates an internal balance, which reduced the expenses.

<u>2,529</u>

Change in Net Position of Business-type Activities	<u><u>\$ 26,449</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	<u>Water and Sewer Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 175,321	\$ 10,111	\$ 30,727	\$ 216,159	\$ 81,264
Cash Payments to Suppliers for Goods/Services	(72,219)	(1,959)	(18,716)	(92,894)	(57,172)
Cash Payments to Employees for Services	(26,501)	(1,535)	(10,388)	(38,424)	(6,600)
Other Cash Receipts	4,675	2	1	4,678	1,962
Net Cash Provided by (Used for) Operating Activities	<u>81,276</u>	<u>6,619</u>	<u>1,624</u>	<u>89,519</u>	<u>19,454</u>
Cash Flows from NonCapital Financing Activities					
Property Tax	-	-	-	-	536
Transaction Privilege Tax	-	261	-	261	-
Transfers In	-	-	-	-	55
Transfers Out	(8,660)	-	-	(8,660)	(7)
Net Cash Provided by (Used for) NonCapital Financing Activities	<u>(8,660)</u>	<u>261</u>	<u>-</u>	<u>(8,399)</u>	<u>584</u>
Cash Flows from Capital and Related Financing Activities					
Capital Contributions from:					
Water and Sewer Development Fees	4,624	-	-	4,624	-
Water and Sewer Development Fee Credit Agreements	(1,346)	-	-	(1,346)	-
Capital Grants	649	3,995	-	4,644	-
Acquisition and Construction of Property and Equipment	(56,752)	(5,184)	(1,014)	(62,950)	(12,561)
Principal Payments on Capital Debt and Other Payables	(21,303)	(888)	-	(22,191)	-
Interest Paid on Capital Debt	(9,169)	(802)	-	(9,971)	-
Investment in Joint Venture	(6,522)	(1)	(15)	(6,538)	-
Sale of Capital Assets	-	-	-	-	712
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(89,819)</u>	<u>(2,880)</u>	<u>(1,029)</u>	<u>(93,728)</u>	<u>(11,849)</u>
Cash Flows from Investing Activities					
Income from Investments	2,300	57	70	2,427	-
Net Cash Provided by (Used for) Investing Activities	<u>2,300</u>	<u>57</u>	<u>70</u>	<u>2,427</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,903)	4,057	665	(10,181)	8,189
Cash and Cash Equivalents at Beginning of Year	<u>288,364</u>	<u>7,335</u>	<u>8,727</u>	<u>304,426</u>	<u>63,964</u>
Cash and Cash Equivalents at End of Year	<u>\$ 273,461</u>	<u>\$ 11,392</u>	<u>\$ 9,392</u>	<u>\$ 294,245</u>	<u>\$ 72,153</u>

(continued)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash and Cash Equivalents at End of Year includes:					
Cash and Investments	\$ 193,846	\$ 8,801	\$ 9,392	\$ 212,039	\$ 72,153
Cash with Fiscal Agent	28,676	1,329	-	30,005	-
Restricted Cash and Investments	50,939	1,262	-	52,201	-
Total Cash and Cash Equivalents	<u>\$ 273,461</u>	<u>\$ 11,392</u>	<u>\$ 9,392</u>	<u>\$ 294,245</u>	<u>\$ 72,153</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities					
Cash Flows from Operating Activities					
Operating Income	\$ 3,180	\$ 1,895	\$ 661	\$ 5,736	\$ 10,720
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for)					
Operating Activities:					
Depreciation/Amortization	60,642	4,964	303	65,909	11,305
Current Year Pension Contributions	(2,122)	(148)	(838)	(3,108)	(518)
Change in Equity in Joint Ventures	20,636	1	19	20,656	1
Change in Accounts Receivable	98	36	(352)	(218)	(204)
Change in Lease/PPP Receivable	-	(1,508)	-	(1,508)	-
Change in Miscellaneous Receivable	(54)	-	-	(54)	-
Change in Intergovernmental Receivable	(172)	-	-	(172)	-
Change in Inventories	-	-	-	-	(78)
Change in Prepaid Expense	(257)	-	-	(257)	1,921
Change in Customer Deposits	263	22	-	285	-
Change in Accounts Payable	(2,459)	20	304	(2,135)	576
Change in Unearned Revenue	-	-	-	-	(12)
Change in Accrued Payroll and Compensated Absences	61	66	(86)	41	14
Change in Claims Payable	-	-	-	-	(4,885)
Change in Advanced Payments	(212)	(100)	-	(312)	-
Change in Net Pension Liability	4,526	373	2,429	7,328	1,212
Change in Deferred Inflows of Resources Leases/PPPs	15	1,174	-	1,189	-
Change in Deferred Outflows of Resources Related to Pensions	3,167	205	989	4,361	689
Change in Deferred Inflows of Resources Related to Pensions	(6,036)	(381)	(1,805)	(8,222)	(1,287)
Total Adjustments	<u>78,096</u>	<u>4,724</u>	<u>963</u>	<u>83,783</u>	<u>8,734</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 81,276</u>	<u>\$ 6,619</u>	<u>\$ 1,624</u>	<u>\$ 89,519</u>	<u>\$ 19,454</u>
Supplemental Disclosure of Non-Cash Investing, Capital, and Financing Activities					
Contributions of Capital Assets from Developers	\$ 23,302	\$ -	\$ -	\$ 23,302	\$ -
Change in Equity in Joint Venture	(14,114)	1	5	(14,108)	-
Contributions of Capital Assets from Other Funds	-	-	-	-	2,379
Amortization of Bond Premium	2,313	84	-	2,397	-
Deferred Amount on Refundings	(1,241)	-	-	(1,241)	-
Retirement of Assets	(48)	-	-	(48)	(443)
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 10,212</u>	<u>\$ 85</u>	<u>\$ 5</u>	<u>\$ 10,302</u>	<u>\$ 1,936</u>

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Scottsdale, Arizona (the City) was incorporated in 1951. The current City Charter was adopted in 1961, which established the Council/Manager form of government. The City provides basic government services to its citizens including roads, water, sewer, solid waste management, public transit, parks and recreation facilities, and public safety.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The financial reporting entity presented in these financial statements consists of the City of Scottsdale, Arizona (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City has operational responsibility for the component units.

Component Unit	Description and Criteria for Inclusion	Reporting Method	For Separate Financial Statements
City of Scottsdale Municipal Property Corporation (MPC)	<ul style="list-style-type: none"> • Non-profit corporation created in 1967 • Sole purpose is to construct, acquire, and equip buildings, structures, or land improvements for the City • Governed by Board of Directors approved by City Council • For financial reporting purposes, transactions are included as a governmental and proprietary fund type as if part of the City's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Scottsdale Preserve Authority (SPA)	<ul style="list-style-type: none"> • Non-profit corporation created in 1997 • Sole purpose is to finance land acquisitions for McDowell Sonoran Preserve • Governed by a Board of Directors approved by City Council • For financial reporting purposes, transactions are included as a governmental fund type as if part of the City's operation • Approved for dissolution by City Council June 13, 2023. 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Scottsdale Mountain Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 1992 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the City • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The City has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the City's operation • Approved for dissolution by City Council June 13, 2023 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Component Unit	Description and Criteria for Inclusion	Reporting Method	For Separate Financial Statements
McDowell Mountain Ranch Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 1994 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the City • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The City has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the City's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
DC Ranch Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 1997 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the City • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The City has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the City's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Via Linda Road Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 1998 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the City • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The City has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the City's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Waterfront Commercial Community Facilities District (CFD)	<ul style="list-style-type: none"> • Formed in 2005 by petition to City Council • Created to acquire and improve public infrastructure in specified land area • Able to levy taxes and issue bonds independent of the City • Property owners within the designated area are assessed for District taxes and costs of operation • City Council serves as the Board of Directors • The City has no liability for District debt • For financial reporting purposes, transactions are included as a governmental fund type as if part of the City's operation 	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

B. Government-wide and Fund Financial Statements

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are earned and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to vacation, sick leave, claims, and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under leases, subscription-based information technology arrangements, public-public partnerships and contracts payables are reported as other financing sources.

Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund balance sheets, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the statement of net position.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Property taxes, other local taxes, and licenses available within the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Interest is accrued in the same fiscal period in which the revenue is earned. All other revenue items are considered to be measurable and available only when the City receives cash.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund and is used to account for and report all financial resources not accounted for and reported in another fund.

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

The *General CIP Construction Capital Projects Fund* is used to account for and report financial resources that are committed or restricted to expenditures for capital outlays including the acquisition, construction, and improvements to major capital facilities or capital equipment from amounts transferred from the City's General Fund in accordance with the City's comprehensive financial policies adopted by the City Council annually. This fund also represents other City Council approved capital programs including committing funds for tourism-related capital projects as well as activity for the capital in-lieu parking and in-lieu stormwater.

The *Transportation Privilege Tax Capital Projects Fund* is used to account for the portion of Transportation Privilege (Sales) Tax dedicated to transportation capital improvements. Resources are provided by the 0.2 percent 1989 and 0.1 percent 2018 voter-approved privilege tax.

The *External Sources Capital Projects Fund* is used to account for the activity related to monies received from a variety of external sources including federal and state grants and contributions. The revenues are restricted for specific types of capital improvements.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

The *Internal Service Funds* account for fleet management, computer replacements, and self-insurance services provided to other departments or units of the City on a cost-reimbursement basis.

The *Permanent Funds* account for resources that are legally restricted to the extent that only earnings, not principal, support the City's programs.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are indirect costs, in-lieu franchise fees, and other charges between the City's governmental activities and the Water and Sewer Utility Fund, Airport Fund, and Solid Waste Fund, because elimination of these charges would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including water, sewer, airport, solid waste, vehicle purchase/maintenance, computer replacement, and self-insurance charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

The City considers all highly liquid investments (including restricted assets) in money market mutual funds, demand deposits, certificates of deposit, repurchase agreements, commercial paper, and U.S. Treasury bills with an original maturity of three months or less to be cash equivalents. For the purposes of the statements of cash flows, all pooled cash and investments are considered to be cash equivalents. Maturities in excess of three months when purchased may be deposited or withdrawn by the proprietary funds at any time without prior notice or penalty, therefore having the characteristics of demand deposits.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The City has elected to report all investments at fair value. The City's policy permits it to invest in certificates of deposit; repurchase agreements; prime quality commercial paper; money market mutual funds; highly rated corporate bonds, debentures, notes, or other evidence of indebtedness; obligations issued or guaranteed by the United States Government, or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities; obligations issued by this state or any political subdivision thereof; and the pooled investment funds established by the Office of the Arizona State Treasurer.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

2. Receivables and Payables

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

All accounts receivables are shown net of an allowance for uncollectible amounts.

The City’s property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Maricopa County Assessor. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent after November 1 and after May 1, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16 percent. Public auctions of properties which have delinquent real estate taxes are held in February. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes.

Property taxes levied for current operation and maintenance expenses on residential property are limited to one percent of the limited property value of such property. In addition, taxes levied for current operation and maintenance expenses on all types of property are limited to a maximum increase of two percent over the prior-year’s levy, adjusted for new construction and annexations. Property taxes levied to pay principal and interest on bonded indebtedness are not limited.

3. Inventories, Prepayments, and Prepaid Items

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

Prepayments of the governmental funds, which are prepared using the modified accrual basis of accounting, are recorded under the purchase method, and are therefore recorded as expenditures when purchased. Within the government-wide statements, which are prepared using the accrual basis of accounting, prepayments are recorded as assets and amortized over the life of the related agreement.

Prepaid items contain payments made to vendors applicable to future accounting periods in both the government-wide and proprietary fund financial statements. The cost of a prepaid item is recorded as an expense when consumed rather than purchased.

4. Restricted Assets

Certain proceeds of the City’s bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The water and sewer replacement accounts are used to report resources set aside to meet unexpected contingencies or to fund asset replacements. The joint venture construction deposits with the City of Phoenix are used for capital expansion, rehabilitation, and expansion of the jointly used facilities.

Assets are also restricted in enterprise funds for deposits received from water, sewer, and airport customers, as well as unearned revenues related to cash received in advance of services provided.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Assets contributed (donated) are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City has elected to exclude the values of the library and art collections held in perpetuity from capitalization as the worth of the collections may change over time and because these collections are maintained in perpetuity to be used for purposes other than financial gain.

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

Water System.....	10 to 75 Years
Sewer System.....	25 to 50 Years
Buildings and Improvements.....	25 to 50 Years
Streets and Storm Drains.....	30 Years
Land Improvements.....	25 Years
Machinery and Equipment.....	5 to 20 Years
Motor Vehicles.....	3 to 15 Years
Furniture, Fixtures, and Office Equipment.....	5 to 10 Years

Lease, public-public partnership, and subscription-based information technology arrangements assets are amortized over the life of the associated contract. The excess purchase price over fair value of assets acquired in the Water and Sewer Utility Enterprise Fund is amortized on the straight-line method over 20 to 60 years.

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, and additions to/deductions from the plans' fiduciary net position, have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported within the fair value hierarchy established by generally accepted accounting principles.

7. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of medical leave earned by employees based on services already rendered. Employees may accumulate up to a maximum number of hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount unused at the calendar year end are forfeited. The City's policy is to pay employees for unused accumulated vacation hours at termination or retirement. The City's medical leave policy; however, is that only those employees hired full-time before July 1, 1982, receive cash for a portion of unused medical leave at death or retirement. For employees hired after July 1, 1982, the City funds the value of medical leave balances converted to a retiree health savings account for the participant immediately upon retirement. To be eligible for the medical leave conversion, the employee must retire and have accumulated 300 or more hours of medical leave (420 or more hours for shift fire employees) and will be funded at 100 percent for any medical leave hours accrued prior to July 1, 2011. If an employee has not accrued 1,200 hours before July 1, 2011, the employee will be funded the unused medical leave accrued after July 1, 2011, at 50 percent of the employee's hourly base rate at the time of retirement, up to and including 1,200 hours accrued both before and after July 1, 2011. Shift fire employees will have the same rules apply, except their cap is 1,680 medical leave hours.

Vacation pay is calculated based on vacation used and the medical leave conversion is based on an actuarial valuation dated January 1, 2023. The medical leave conversion and vacation pay amounts are accrued in the government-wide and proprietary fund financial statements. A liability for the current amount of compensated absences is recorded as a current liability as of June 30, 2023, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2023, that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll-related amounts in the accrued payroll and benefits line item. There is no long-term liability for compensated absences in the governmental funds.

8. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities or business-type activities section, as appropriate, in the statement of net position of the government-wide financial statements, or in the proprietary fund statement of net position in the proprietary fund financial statements. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and bond issuance costs are expensed when incurred.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the government-wide financial statements and the proprietary fund financial statements include a section for deferred outflows of resources. This represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for this category: deferred amounts on refundings, pension-related amounts, and other postemployment benefits (OPEB)-related amounts.

Deferred amounts on refundings result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The pension and OPEB-related amounts include differences between expected and actual experience, changes of assumptions or other inputs, and contributions made to the pension/OPEB plan by the employer subsequent to the measurement date of the net pension liability/total OPEB liability and before the end of the reporting period. Additionally, the pension-related amounts include the difference between projected and actual investment earnings and changes in proportion and differences between employer contributions and proportionate share of contributions. With the exception of the difference between projected and actual investment earnings and contributions made to the pension/OPEB plan by the employer subsequent to the measurement date of the net pension liability/total OPEB liability and before the end of the reporting period, the pension-and OPEB-related deferred outflows of resources should be recognized in pension/OPEB expense, respectively, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions/OPEB through the pension/OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period. The deferred outflows of resources relating to the difference between projected and actual investment earnings should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The deferred outflows of resources relating to contributions made to the pension/OPEB plan by the employer subsequent to the measurement date of the net pension liability/total OPEB liability and before the end of the reporting period will reduce the beginning net pension liability/total OPEB liability in the following fiscal year.

In addition to liabilities, the government-wide and fund financial statements include a section for deferred inflows of resources. This represents an acquisition of fund balance or net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for this category: unavailable revenue, pension-related amounts, OPEB-related amounts, lease-related amounts, and public-private partnership amounts.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Unavailable revenue, which arises only under the modified accrual basis of accounting, is recognized as an inflow of resources in the period that the related amounts become available.

The pension-and OPEB-related amounts include differences between expected and actual experience and changes of assumptions or other inputs. Additionally, the pension-related amounts include the difference between projected and actual investment earnings and changes in proportion and differences between employer contributions and proportionate share of contributions. With the exception of the difference between projected and actual investment earnings, the pension-and OPEB-related deferred inflows of resources should be recognized in pension/OPEB expense, respectively, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions/OPEB through the pension/OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period. The deferred inflows of resources relating to the difference between projected and actual investment earnings should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Public-private partnership (PPP) amounts are recognized upon the contribution of improvements to the underlying PPP asset made by the operator in the PPP to the City. The deferred inflow of resources is recorded in an amount equal to the value of the contributed improvements at the time of the contribution. The inflow of resources is recognized in a systematic and rational manner over the term of the PPP.

10. Development Impact Fee Revenue

The City has entered into several agreements whereby it will provide a development fee credit to developers for construction of certain public infrastructure improvements. The funding source for the reimbursements will come from Water and Sewer development fees, which are paid when units of the development are connected to the utility system. The City does not become liable under the agreements until the City has accepted the cost, a development fee has been paid, and a water meter has been set.

11. Fund Balance Policies

In the fund financial statements, governmental funds report the fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact.

Restricted fund balances are the portion of a fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantors, laws and regulations of other governments, or enabling legislation.

Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely City Council, prior to the end of the reporting period. City Council approval is required to commit resources or to rescind the commitment through a City Council resolution.

Assigned fund balances are limitations imposed internally by management based on the intended use of the funds. In June 2011, through City Council Resolution No. 8751, the City Council authorized the City Treasurer to assign fund balances for specific purposes.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed would be considered spent first (if available), followed by assigned (if available), and then unassigned amounts.

12. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure and capital-related deferred outflows of resources, into one component of net position. Accumulated depreciation/amortization, the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets, and the capital-related deferred inflows of resources reduce the balance in this category.

Restricted Net Position – This category represents net position that has external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the City not restricted for a specific purpose.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

13. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

E. Implementation of New Accounting Principles

1. Governmental Accounting Standards Board Statement No. 94

The City adopted the provisions of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve the financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provide guidance for accounting and financial reporting for availability payment arrangements (APAs).

2. Governmental Accounting Standards Board Statement No. 99

The City adopted the provisions of GASB Statement No. 99, *Omnibus 2022*. This Statement establishes accounting and financial reporting requirements for specific issues related to derivative instruments, leases, public-private and public-public partnerships, subscription-based information technology arrangements (SBITAs), LIBOR usage extension, disclosures for nonmonetary transactions, pledging of revenues, government-wide financial statement focus. This pronouncement did not impact the preparation of these financial statements.

3. Governmental Accounting Standards Board Statement No. 100

The City adopted the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections* -an amendment of GASB Statement No. 62. The objective of this Statement is to provide more understandable, reliable, relevant, consistent, and comparable information within accounting and financial reporting as it relates to accounting changes and error corrections.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

F. Prior Period Adjustment

1. Change in Accounting Principle

The City's net position as of July 1, 2022, has been restated as follows for the implementation of GASB No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The table below reflects the restatement amounts on the government-wide statement and proprietary fund statements of net position (in thousands):

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balance		
	Government-wide		Funds
	Governmental Activities	Business-type Activities	Enterprise Fund Airport
Net position at June 30, 2022, as previously reported	\$ 4,562,333	\$ 1,533,768	\$ 64,222
Prior period adjustment - implementation of GASB 94	76	(626)	(626)
Net position at June 30, 2022, as restated	\$ 4,562,409	\$ 1,533,142	\$ 63,596

The new accounting standard established standards of accounting and financial reporting for public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) for governments. The City previously reported service concession arrangements (SCAs) which are now classified as PPPs. The implementation of this standard modified the City's financial statements by including PPP related receivables, deferred inflows of resources, capital assets, intangible assets, and liabilities.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

The City's total governmental fund balances, \$699,128,000 differ from the net position of governmental activities, \$4,812,135,000 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Position

(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows⁽¹⁾	Internal Service Funds⁽²⁾	Reclassifications and Eliminations⁽³⁾	Statement of Net Position Total
Assets					
Cash and Investments	\$ 715,581	\$ -	\$ 72,153	\$ -	\$ 787,734
Cash with Fiscal Agent	77,384	-	-	-	77,384
Receivables (net of allowance for uncollectibles)					
Interest	3,665	-	-	-	3,665
Privilege Tax	34,210	-	-	-	34,210
Transient Occupancy Tax	2,320	-	-	-	2,320
Property Tax	2,237	-	-	-	2,237
State Shared Sales Tax	1,411	-	-	-	1,411
Franchise Fee	3,313	-	-	-	3,313
Court	9,924	-	-	-	9,924
Highway User Tax	1,850	-	-	-	1,850
Auto Lieu Tax	528	-	-	-	528
Intergovernmental	44,450	-	-	-	44,450
Grants	4,741	-	-	-	4,741
Leases	33,110	-	-	-	33,110
Miscellaneous	7,896	-	658	-	8,554
Due from Other Funds	17,499	-	-	(17,499)	-
Supplies Inventory	486	-	1,465	-	1,951
Prepaid Items	-	-	1	-	1
Capital Assets (net of accumulated depreciation)	-	4,742,251	60,499	-	4,802,750
Equity in Joint Venture	-	3,200	5	-	3,205
Lease Assets (net of accumulated amortization)	-	2,769	14	-	2,783
Subscription-Based Information Technology Arrangements (net of accumulated amortization)	-	5,147	230	-	5,377
Prepayments	-	24,974	-	-	24,974
Public-Public Partnerships (net of accumulated amortization)	-	55,692	-	-	55,692
Total Assets	<u>960,605</u>	<u>4,834,033</u>	<u>135,025</u>	<u>(17,499)</u>	<u>5,912,164</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	-	16,069	-	-	16,069
Pension-Related Amounts	-	112,921	939	-	113,860
OPEB-Related Amounts	-	289	-	-	289
Total Deferred Outflows of Resources	<u>-</u>	<u>129,279</u>	<u>939</u>	<u>-</u>	<u>130,218</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 960,605</u>	<u>\$ 4,963,312</u>	<u>\$ 135,964</u>	<u>\$ (17,499)</u>	<u>\$ 6,042,382</u>

(continued)

Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Position

(in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassifications and Eliminations ⁽³⁾	Statement of Net Position Total
Liabilities					
Accounts Payable	\$ 42,328	\$ -	\$ 3,306	\$ -	\$ 45,634
Accrued Payroll and Benefits	9,850	(90)	248	-	10,008
Due to Other Funds	17,499	-	6,051	(17,499)	6,051
Accrued Compensated Absences - Current	-	90	-	-	90
Accrued Compensated Absences - Due within one year	-	15,081	304	-	15,385
Accrued Compensated Absences - Due in more than one year	-	17,553	207	-	17,760
Leases - Due within one year	-	618	2	-	620
Subscriptions - Due within one year	-	1,553	110	-	1,663
Matured Bond Interest Payable	9,514	-	-	-	9,514
Matured Bonds Payable	67,706	-	-	-	67,706
Unearned Revenue					
Intergovernmental	9,955	-	-	-	9,955
Other	2,652	-	14	-	2,666
Due to Other Governments	4,341	-	-	-	4,341
Guaranty and Other Deposits	4,745	-	-	-	4,745
Other	2,907	-	4	-	2,911
Bonds, Loans, Capital Leases, and Other Payables	-	955,921	26,779	-	982,700
Total Liabilities	<u>171,497</u>	<u>990,726</u>	<u>37,025</u>	<u>(17,499)</u>	<u>1,181,749</u>
Deferred Inflows of Resources					
Unavailable Revenue	57,597	(57,597)	-	-	-
Leases	32,383	-	-	-	32,383
Pension-Related Amounts	-	11,301	209	-	11,510
Public-Private Partnerships	-	2,503	-	-	2,503
OPEB-Related Amounts	-	2,102	-	-	2,102
Total Deferred Inflows of Resources	<u>89,980</u>	<u>(41,691)</u>	<u>209</u>	<u>-</u>	<u>48,498</u>
Total Liabilities and Deferred Inflows of Resources	<u>261,477</u>	<u>949,035</u>	<u>37,234</u>	<u>(17,499)</u>	<u>1,230,247</u>
Fund Balances/Net Position					
Total Fund Balances/Net Position	<u>699,128</u>	<u>4,014,277</u>	<u>98,730</u>	<u>-</u>	<u>4,812,135</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	<u>\$ 960,605</u>	<u>\$ 4,963,312</u>	<u>\$ 135,964</u>	<u>\$ (17,499)</u>	<u>\$ 6,042,382</u>

(continued)

Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Position

(in thousands)

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

Cost of capital assets	\$ 6,571,923
Accumulated depreciation	<u>(1,829,672)</u>
	<u>\$ 4,742,251</u>

Equity in joint ventures that are to be used in governmental activities are reported in the governmental funds as expenditures. These assets are included in the statement of net position for the City as a whole.

	<u>\$ 3,200</u>
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Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid, such as long-term prepayments, while others arise from the incurrence of long-term liabilities or the receipt of capital assets from elsewhere within the City, such as public-public partnerships (PPPs) (formerly service concession arrangement (SCAs)), leases, and subscription-based information technology arrangements (SBITAs). These assets are capitalized and amortized over the life of the corresponding agreement.

Prepayments at 7/1/22	\$ 25,364
Prepayments for fiscal year 2023	1,022
Prepayments reclassified to SBITA asset	(445)
Amortization of prepayments	<u>(967)</u>
	<u>\$ 24,974</u>

PPPs at 7/1/22	\$ 53,925
Retirement of PPPs (formerly SCAs)	(53,925)
Revaluation of PPPs	57,277
Land improvements net additions for PPPs	3,929
Amortization of PPPs	<u>(5,514)</u>
	<u>\$ 55,692</u>

Leases at 7/1/22	\$ 2,390
Leases for fiscal year 2023	1,003
Amortization of leases	<u>(624)</u>
	<u>\$ 2,769</u>

SBITAs at 7/1/22	\$ 4,352
SBITAs for fiscal year 2023	2,961
Prepayments reclassified to SBITA asset	445
Loss on retirement	(11)
Amortization of SBITAs	<u>(2,600)</u>
	<u>\$ 5,147</u>

Deferred outflows of resources consist of items that will consume net assets in a future reporting period(s) and do not meet the definition of an asset. Deferred amounts on refundings result from the difference between the carrying value of refunded debt and its reacquisition price. The pension and OPEB-related amounts result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, changes in the proportion and differences between City contributions and proportionate share of contributions, and contributions made to the pension/OPEB plan by the employer subsequent to the measurement date of the net pension liability/total OPEB liability and before the end of the reporting period.

Deferred amounts on refundings	\$ 16,069
Pension-related amounts	112,921
OPEB-related amounts	289
	<u>\$ 129,279</u>

(continued)

Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Position

(in thousands)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2023, were:

Leases	\$ (2,933)
Bonds	(593,648)
Public-public partnerships	(4,620)
Subscription-based information technology arrangements	(4,138)
Contracts Payable	(1,083)
Issuance premium	(28,683)
Accrued vacation and sick leave pay	(32,634)
Total OPEB liability	(699)
Net pension liabilities	(322,288)
	<u>\$ (990,726)</u>

Because the focus of governmental funds is on a short-term basis, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance. Certain tax and other revenues that are considered unavailable under modified accrual accounting for governmental fund statements are recognized as revenue under accrual accounting for the government-wide statements.

Unavailable court revenue	\$ 3,733
Unavailable property tax revenue	1,248
Unavailable privilege tax revenue	4,022
Unavailable transient occupancy tax revenue	183
Unavailable intergovernmental revenue	46,571
Unavailable other revenue	1,840
	<u>\$ 57,597</u>

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources related to pensions and OPEB may result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions. Deferred inflows of resources related to public-private partnerships are recorded in an amount equal to the value of the contributed operator improvements at the time of the contribution.

Pension-related amounts	\$ (11,301)
OPEB-related amounts	(2,102)
Public-private partnerships	(2,503)
	<u>\$ (15,906)</u>

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

\$ 98,730

(3) When governmental funds have cash timing differences, due to and from balances are established at the fund level. This adjustment eliminates the governmental interfund activity.

Reduction of amount due from other governmental fund	<u>\$ (17,499)</u>
Reduction of amount due to other governmental fund	<u>\$ 17,499</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, \$186,944,000 differs from the change in net position for the governmental activities, \$249,726,000 reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated in the next table.

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

(in thousands)

REVENUES	Total Governmental Funds	Long-Term Revenue/ Expenses ⁽⁴⁾	Capital Related Items ⁽⁵⁾	Internal Service Funds ⁽⁶⁾	Reclassifications and Eliminations ⁽⁷⁾	Long-Term Debt Transactions ⁽⁸⁾	Statement of Activities
Taxes - Local							
Property	\$ 67,634	\$ (176)	\$ -	\$ 536	\$ -	\$ -	\$ 67,994
Transaction Privilege	314,348	(7,304)	-	-	-	-	307,044
Transient Occupancy	36,492	(688)	-	-	-	-	35,804
Light and Power Franchise	10,155	-	-	-	-	-	10,155
Cable TV Franchise	3,625	-	-	-	-	-	3,625
Salt River Project In-Lieu	200	-	-	-	-	-	200
Other Taxes	6,488	51	-	-	-	-	6,539
Taxes - Intergovernmental							
State Shared Sales	35,884	-	-	-	-	-	35,884
State Revenue Sharing	47,853	-	-	-	-	-	47,853
Auto Lieu Tax	12,042	-	-	-	-	-	12,042
Highway User Tax	18,111	-	-	-	-	-	18,111
Local Transportation Assistance Fund	610	-	-	-	-	-	610
Business and Liquor Licenses	2,862	10	-	-	-	-	2,872
Charges for Current Services							
Building and Related Permits	17,686	26	-	-	(57)	-	17,655
Recreation Fees	8,604	(4)	-	-	-	-	8,600
WestWorld Equestrian Facility Fees	6,866	(12)	-	-	-	-	6,854
Fire Fees	2,804	(128)	-	-	-	-	2,676
Fines, Fees, and Forfeitures							
Court	2,756	17	-	-	-	-	2,773
Parking	211	1	-	-	-	-	212
Photo Radar	3,170	1	-	-	-	-	3,171
Court Enhancement	1,703	-	-	-	-	-	1,703
Library	151	(2)	-	-	-	-	149
Police	83	-	-	-	-	-	83
Property Rental	10,045	8	-	-	-	-	10,053
Interest Earnings	14,029	-	-	-	-	-	14,029
Net Decrease in Fair Value of Investments	(3,150)	-	-	-	-	-	(3,150)
Public-Private Partnerships	-	-	87	-	-	-	87
Intergovernmental							
Federal Grants	30,116	(90)	-	-	-	-	30,026
State Grants	368	137	-	-	-	-	505
Miscellaneous	28,783	10,437	-	-	-	-	39,220
Developer Contributions	7,679	(3,617)	-	-	-	-	4,062
Streetlight and Services Districts	525	-	-	-	-	-	525
Contributions and Donations	3,640	-	-	-	-	-	3,640
Reimbursements from Outside Sources	1,989	30	-	-	-	-	2,019
Indirect Costs	7,191	-	-	-	-	-	7,191
Other	2,264	87	-	-	(17)	-	2,334
Total Revenues	<u>\$ 703,817</u>	<u>\$ (1,216)</u>	<u>\$ 87</u>	<u>\$ 536</u>	<u>\$ (74)</u>	<u>\$ -</u>	<u>\$ 703,150</u>

(continued)

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

(in thousands)

EXPENDITURES/EXPENSES	Total Governmental Funds	Long-Term Revenue/ Expenses ⁽⁴⁾	Capital Related Items ⁽⁵⁾	Internal Service Funds ⁽⁶⁾	Reclassifications and Eliminations ⁽⁷⁾	Long-Term Debt Transactions ⁽⁸⁾	Statement of Activities
Current							
General Government							
Mayor and City Council	\$ 930	\$ (9)	\$ -	\$ (23)	\$ -	\$ -	\$ 898
City Clerk	1,082	22	-	(14)	-	-	1,090
City Attorney	7,565	232	15	(131)	(2)	-	7,679
City Auditor	1,197	(65)	-	(15)	-	-	1,117
City Court	6,696	(153)	45	(112)	(1)	-	6,475
City Manager	5,877	(213)	36	(60)	(1)	-	5,639
City Treasurer	10,632	(92)	14	(208)	(19)	-	10,327
Public Works	48,271	537	62,702	(979)	(622)	375	110,284
Community and Economic Development	45,541	1,311	3,113	(350)	(61)	-	49,554
Public Safety	198,067	(14,309)	5,110	(4,999)	(1,061)	102	182,910
Community Services	67,439	2,228	11,373	(1,053)	(127)	359	80,219
Administrative Services	18,392	1,107	2,228	(247)	(3)	9	21,486
Scottsdale AZ CARES	-	321	-	-	-	-	321
Streetlight and Services Districts	529	-	-	-	-	-	529
Debt Service							
Principal	70,918	-	-	-	-	(70,918)	-
Interest and Fiscal Charges	17,918	-	-	-	-	(2,299)	15,619
Bond Issuance Costs	845	-	-	-	-	(845)	-
Capital Outlay	148,652	-	(148,652)	-	-	-	-
Total Expenditures/Expenses	<u>\$ 650,551</u>	<u>\$ (9,083)</u>	<u>\$ (64,016)</u>	<u>\$ (8,191)</u>	<u>\$ (1,897)</u>	<u>\$ (73,217)</u>	<u>\$ 494,147</u>
OTHER FINANCING SOURCES (USES) / CHANGES IN NET POSITION							
Net Transfers from Other Funds	\$ 8,612	\$ -	\$ -	\$ 48	\$ -	\$ -	\$ 8,660
Capital Contributions	-	-	11,754	2,379	(1,823)	-	12,310
Financing of Leases	916	-	-	-	-	(916)	-
Financing of Subscription-Based Information Technology Arrangements	2,486	-	-	-	-	(2,486)	-
Financing of Contracts Payable	265	-	-	-	-	(265)	-
Sale of General Capital Assets	42,844	-	(23,230)	129	-	-	19,743
Issuance of Long-Term Capital-Related Debt	73,705	-	-	-	-	(73,705)	-
Premium on Long-Term Debt Issued	4,850	-	-	-	-	(4,850)	-
Gain on Retirement of Subscription-Based Information Technology Arrangements Liability	-	-	-	-	-	10	10
Total	<u>133,678</u>	<u>-</u>	<u>(11,476)</u>	<u>2,556</u>	<u>(1,823)</u>	<u>(82,212)</u>	<u>40,723</u>
Net Change for the Year	<u>\$ 186,944</u>	<u>\$ 7,867</u>	<u>\$ 52,627</u>	<u>\$ 11,283</u>	<u>\$ -</u>	<u>\$ (8,995)</u>	<u>\$ 249,726</u>

(continued)

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

(in thousands)

(4) Because some property taxes will not be collected for several months after the City's fiscal year-end, they are not considered as "available" revenues in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.

Taxes-Local	\$	(8,117)
Charges for Services/Licenses		(108)
Fines, Fees, and Forfeitures		17
Intergovernmental		10,766
Other		(3,492)
	\$	<u>(934)</u>

Some expenditures reported in the governmental funds are related to benefits that are allocable to periods beyond the end of the City's current fiscal year.

Long-term subscription prepayment	\$	291
Amortization of long-term prepaid leases		(967)
	\$	<u>(676)</u>

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

Accrual for long-term compensated absences	\$	(37)
OPEB expense		110
Pension expense		(41,421)
Change in equity interest for joint venture		(551)
Amortization of public-public partnerships		(5,514)
Amortization of leased assets		(624)
Amortization of subscription-based information technology arrangements		(2,600)
	\$	<u>(50,637)</u>

Current-year pension and OPEB contributions are reclassified to deferred outflows of resources and prepayments on the statement of net position, and are therefore not a reduction of net position.

Current-year pension contributions	\$	52,198
Current-year OPEB contributions		71
	\$	<u>52,269</u>

Current-year joint venture contributions are reclassified to an increase in the joint venture asset on the statement of net position, and are therefore not a reduction of net position.

	\$	<u>245</u>
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(continued)

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

(in thousands)

When leases (in which the City is the lessee), public-public partnerships (PPPs) (in which the City is the operator) and subscription-based information technology arrangements (SBITAs) are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP)/Present Value of the Future Installment Payments (PVFIP)/Present Value of the Future Subscription Payments (PVFSP), respectively; however, in the statement of activities, the PVFLP, PVFIP, and PVFSP are recognized as intangible assets and amortized over the lease term/PPP/subscription term.

Capitalized leases	\$ 1,003
Capitalized SBITAs	2,961
Capitalized PPPs	3,929
	\$ 7,893

When subscription-based information technology arrangement assets (SBITAs) are retired, a loss is recognized on the statement of activities.

SBITA retirements	\$ (11)
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The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System (PSPRS) that is used to offset the contributions required to be made by the City to the PSPRS. This amount is recognized as revenue by the City although no cash is received directly from the State Treasurer.

	\$ (282)
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(5) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the sale of capital assets.

Capital expenditures	\$ 148,652
Depreciation expense	(84,636)
Sale of capital assets	(23,230)
	\$ 40,786

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

Capital contributions	\$ 11,754
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Amortization of deferred inflows of resources related to capital assets acquired by the City as a result of public-private partnerships are not shown in the governmental fund statements. On the statement of activities it is recorded as revenue.

	\$ 87
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(continued)

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

(in thousands)

(6) Internal service funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and fleet management to the individual funds. The adjustments for internal service funds adjust those funds by charging/crediting additional amounts to participating governmental activities and recording an amount due to/from the enterprise funds.

Change in net position	\$ 13,812
Internal payable to Enterprise Fund	<u>(2,529)</u>
	<u>\$ 11,283</u>

(7) Interfund transactions between governmental activities are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of revenues and expenditures to eliminate the doubling up effect of these transactions within the governmental activities.

Reduction in revenues/capital contributions - Governmental Funds	\$ (1,897)
Reduction in expenditures/expenses - Governmental Funds	<u>(1,897)</u>

(8) Repayment of principal and defeasance of bond principal via refunding bonds are reported as an expenditure or other financing use, respectively, in governmental funds. These payments have the effect of reducing fund balance because current financial resources have been used. For the government-wide statements; however, these payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Transferred to the paying agent	
Principal payments made	<u>\$ 70,918</u>

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for the amortization of deferred amounts on refundings, and accreted interest related to leases and reductions of interest expense were recognized due to the amortization of bond premiums.

Amortization of deferred charges on refundings	\$ (3,165)
Amortization of bond premiums and discounts	<u>5,464</u>
	<u>\$ 2,299</u>

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

Lease acquisitions	\$ (916)
Subscription-based information technology arrangements	(2,486)
Contracts payable	(265)
Long-Term capital-related debt	(73,705)
Premium on bonds	<u>(4,850)</u>
	<u>\$ (82,222)</u>

When subscription-based information technology arrangement (SBITA) liabilities are retired, a gain is recognized on the statement of activities.

Retirement of SBITA liabilities	<u>\$ 10</u>
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Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The City prepared an annual budget that covered fiscal year 2023. The fiscal year 2023 budget appropriation is established and reflected in the financial statements as follows:

The City prepares its budget on a basis generally consistent with GAAP, with such exceptions as eliminating the adjustments for fair value of investments, payroll accruals, in-kind revenue and expenditure recognition activity, interest associated with leases, amortized lease revenue, accrued compensated absences, and GAAP entries associated with the financing or termination of leases, subscription-based information technology arrangements, public-private partnerships, and long-term contracts payable.

A budgetary comparison statement for the General Fund is presented in the basic financial statements. This statement displays original budget, amended budget, and actual results. Budgetary comparison schedules are also included as supplementary schedules for certain other governmental funds.

The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, certain Special Revenue Funds (Transportation, Community Development Block Grant, HOME, Grants, Housing Choice Voucher Program, Preserve Privilege Tax, Streetlight Districts, Special Programs, Tourism Development, and Stadium Facility) and Debt Service Funds (except for the Community Facilities Districts and the Debt Service Stabilization Funds); therefore, these funds have appropriated budgets, and budget to actual information is presented.

Community Facilities Districts Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, and Permanent Funds have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds. Budgets for the Community Development Block Grant, HOME, Grants, and Housing Choice Voucher Program Funds are established pursuant to the terms of the related grant awards. Budgets for the Community Facilities Districts are established in accordance with Arizona Revised Statutes, which do not require their inclusion in the City budget or adoption by the City Council. Budgets for Capital Projects Funds are established for individual projects and unexpended funds are re-appropriated each year until the project is completed and capitalized. Budgets for Enterprise Funds and Internal Service Funds are established to help departments control operational costs. Budgets for Permanent Funds are established in accordance with endowment requirements.

On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption to obtain taxpayer comments.

In June, the budget is legally enacted through the passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized beyond the limit for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2023, there were no supplemental budgetary appropriations to the original budget.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

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

Upon the recommendation of the City Manager and with the approval of the City Council: 1) transfers may be made from the appropriations for contingencies to divisions and 2) unexpended appropriations may be transferred from one division to another. Management control of budgets is further maintained at a line-item level within the division.

B. Excess of Expenditures over Appropriations

The Housing Choice Voucher Program Special Revenue Fund, Tourism Development Special Revenue Fund, and the Stadium Facility Special Revenue Fund exceeded their expenditure appropriation by \$302,000, \$168,000, and \$287,000 respectively. The additional expenditures incurred were funded by available fund balances within the respective funds.

C. Deficit Fund Equity

The Community Development Block Grant Special Revenue Fund, Grants Special Revenue Fund, and the External Sources Capital Project Fund had deficit ending fund balances of \$20,000, \$3,277,000, and \$16,207,000, respectively. These deficits were caused by pending grant reimbursements and reimbursements from intergovernmental agreements related to capital projects the City is required to fund. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These pending reimbursements will be recognized as revenue when received or available.

The Preserve Privilege Tax Capital Projects Fund had deficit ending fund balances of \$1,000 primarily due to timing differences of cash transfers for accruals.

D. Fund Balance Classifications

The following table details the fund balance categories and classifications for Governmental Funds:

(in thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES							
Nonspendable							
Inventory	\$ 486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486
Endowment Funds	-	-	-	-	-	609	609
Total Nonspendable	486	-	-	-	-	609	1,095
Restricted							
Property Tax for Debt Service	-	7,291	-	-	-	-	7,291
Restricted Land Sale Proceeds for Capital Improvements	-	-	17,884	-	-	-	17,884
Transaction Privilege and Highway User Tax for Transportation Capital Improvements	-	-	-	95,429	-	-	95,429
External Contributions for Capital Improvements	-	-	-	-	4,234	-	4,234
GO Bond Proceeds for Capital Improvements	-	-	-	-	-	36,330	36,330
Transaction Privilege and Highway User Tax for Transportation Improvements	-	-	-	-	-	47,210	47,210
Federal Grants for the Community Development Block Grant Program	-	-	-	-	-	196	196
Federal Grants for Housing Choice Voucher Program	-	-	-	-	-	688	688
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	-	-	109,936	109,936
Property Tax for Community Facility Districts	-	-	-	-	-	382	382
Property Tax Levy for the Streetlight Improvement Districts	-	-	-	-	-	42	42
Contributions for Mayor/City Council Special Events and Programs	-	-	-	-	-	11	11
Court Fees for City Court Improvements to Facilities and Operations	-	-	-	-	-	2,238	2,238
Contributions for City Court Jury Program Refreshments	-	-	-	-	-	10	10
Franchise Capital Recovery Fees to Offset Relocation Expenses	-	-	-	-	-	219	219
APS Improvement District Fees for Underground Utility Upgrades	-	-	-	-	-	35	35
Contribution for the Stormwater Drainage System	-	-	-	-	-	408	408
Contributions for Community and Economic Development	-	-	-	-	-	7	7
Disbursements from AZ State Crime Laboratory Assessment Fund for Crime Lab Services	-	-	-	-	-	126	126
Annual Payment from IGA with the SRP-MIC for Forensic Lab Services	-	-	-	-	-	508	508
Contributions for the Fire Department	-	-	-	-	-	11	11
Contributions for the Police Department	-	-	-	-	-	110	110
Fees for Police Department 30-Day Tow Program	-	-	-	-	-	191	191
Fees for Police Officer Safety Equipment	-	-	-	-	-	164	164
Contributions for the School Resource Officers Crisis Canine Program	-	-	-	-	-	43	43
Other Forfeitures for Police Department	-	-	-	-	-	10	10
Contributions for the Scottsdale Cares Program	-	-	-	-	-	212	212
Contributions for Human Services	-	-	-	-	-	6	6
Facility/Recreation Fees for Senior Center Special Programs	-	-	-	-	-	2	2
Lease Revenue Restricted for Princess Wall & Sign Lease	-	-	-	-	-	47	47
Lease Revenue Restricted for McDowell Mountain Arcis LLC Lease	-	-	-	-	-	53	53
Contributions for Parks and Recreation	-	-	-	-	-	120	120
Contributions for the Libraries	-	-	-	-	-	29	29
Disbursements from Endowments for the Librarians	-	-	-	-	-	5	5
Disbursements from AZ Supreme Court for Smart and Safe Expungements	-	-	-	-	-	1	1
Disbursements from the Smart and Safe AZ Fund for the Fire Department	-	-	-	-	-	766	766
Disbursements from the Smart and Safe AZ Fund for the Police Department	-	-	-	-	-	1,932	1,932
Disbursements from the One AZ Distribution of Opioid Settlement Funds for Human Services	-	-	-	-	-	700	700
Transient Occupancy Tax for Destination Marketing	-	-	-	-	-	7,809	7,809
Contributions for Stadium Operations	-	-	-	-	-	5,101	5,101
Stadium Surcharge for Debt Service	-	-	-	-	-	2,372	2,372
Endowment Funds	-	-	-	-	-	27	27
Total Restricted	\$ -	\$ 7,291	\$ 17,884	\$ 95,429	\$ 4,234	\$ 218,057	\$ 342,895

(continued)

(in thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	External Sources Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES							
Committed							
General Fund Contribution for Capital Improvements	\$ -	\$ -	\$ 108,690	\$ -	\$ -	\$ -	\$ 108,690
McCormick Railroad Park Improvements	-	-	224	-	-	-	224
In-Lieu Parking Fees for Parking Projects	-	-	460	-	-	-	460
In-Lieu Stormwater Fees for Drainage Improvements	-	-	49	-	-	-	49
Tourism Development Capital Projects	-	-	3,525	-	-	-	3,525
Court Capital Improvement Enhancement Projects	-	-	1,571	-	-	-	1,571
Forensic Science Intergovernmental Agreement Contribution	-	-	-	-	40	-	40
Risk Management Capital Improvement Contribution	-	-	17	-	-	-	17
Stormwater Utility Fee for Capital Improvements	-	-	8,266	-	-	-	8,266
Downtown Fees for Capital Improvements	-	-	435	-	-	-	435
Downtown Special Capital Improvements	-	-	3,047	-	-	-	3,047
Greater Airpark Special Capital Improvements	-	-	1,692	-	-	-	1,692
Airpark Cultural Trust Capital Improvements	-	-	74	-	-	-	74
Scottsdale AZ CARES Capital Improvements	-	-	309	-	-	-	309
Special Event Parking for Capital Improvements	-	-	497	-	-	-	497
Court Enhancement Fees for Upgrades to Court Operations	-	-	-	-	-	4,645	4,645
Rent Fees for Loloma School Maintenance and Capital Improvements	-	-	-	-	-	99	99
In-Lieu Stormwater Fees for Area Drainage Master Studies	-	-	-	-	-	35	35
Downtown Cultural Program for Public Works of Art	-	-	-	-	-	2,861	2,861
Rent Fees for the Community Arts Trust to Support the Loloma School	-	-	-	-	-	141	141
Historic Preservation Program for Rehabilitation of Buildings	-	-	-	-	-	379	379
License Fees for the Regulation of the Public Safety Pawn Shop Ordinance	-	-	-	-	-	280	280
Cadet Competition Fees for the Scottsdale Police Department Cadet Program	-	-	-	-	-	18	18
Sponsorship Fees for Events at the Senior Centers	-	-	-	-	-	68	68
Sponsorship Fees for Parks and Recreation Programming	-	-	-	-	-	1	1
Golf Course Surcharge for Silverado Golf Course Improvements	-	-	-	-	-	1,088	1,088
Retail Sale Revenue for McCormick Stillman Railroad Park Operations	-	-	-	-	-	858	858
Contribution for Habitat Improvements in the Preserve	-	-	-	-	-	477	477
Allocation of Youth Sports Fee for Maintenance/Improvements of Athletic Fields	-	-	-	-	-	488	488
Allocation of Aquatic Fee for Maintenance/Improvements of Aquatic Facilities	-	-	-	-	-	54	54
Retail Sale Revenue for Library Collection Materials	-	-	-	-	-	29	29
Attendee Fees for Westworld User Area Improvements	-	-	-	-	-	1,374	1,374
Transient Occupancy Tax for Tourism Development	-	-	-	-	-	11,285	11,285
Excise Tax for Debt Reserve	-	-	-	-	-	2,683	2,683
Total Committed	-	-	128,856	-	40	26,863	155,759
Unassigned	226,509	-	-	(78)	(20,481)	(6,571)	199,379
Total Fund Balances	\$ 226,995	\$ 7,291	\$ 146,740	\$ 95,351	\$ (16,207)	\$ 238,958	\$ 699,128

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The City Council has adopted a financial policy to maintain an operating reserve for the following funds:

- General Fund equal to 20 percent of operating uses, excluding transfers out, to provide stability and flexibility to respond to unexpected events.
- Transportation, Non-major Special Revenue Fund equal to 10 percent of operating uses, excluding transfers out, to provide funding to address fluctuations in economic cycles and unexpected one-time operating requirements.
- Water and Sewer Utility Enterprise Fund equal to 25 percent of operating uses, excluding transfers out and debt service for emergencies, unexpected decline in revenues, and other unanticipated events or opportunities.
- Airport Enterprise Fund equal to 25 percent of operating uses, excluding transfers out and debt service for emergencies, unexpected decline in revenues, and other unanticipated events or opportunities.
- Solid Waste Enterprise Fund equal to 15 percent of operating uses, excluding transfers out and debt service for emergencies, unexpected decline in revenues, and other unanticipated events or opportunities.

The City Council has adopted a financial policy to maintain the following additional reserves:

- General Fund Emergency Reserve of 5 percent of operating uses, excluding transfers out. The reserve is intended for unexpected emergencies and events where immediate action must be taken in the best interest of the city's residents and business owners.
- Water and Sewer Utility Enterprise Fund Asset Replacement Reserve equal to 2 percent of undepreciated book value of tangible fixed assets for repair and maintenance of critical infrastructure.
- General Obligation Bond Debt Service Fund Reserve of no more than 10 percent of the amount of annual principal and interest needed to service the outstanding debt.
- Debt Service Reserve for governmental debt supported by excise taxes, dedicated taxes, or revenues, at a minimum of 25 percent of the next fiscal year's debt service.
- Self-Insurance Reserve at a level that will adequately fund the City's financial obligations for the payment of property, workers' compensation, liability and health benefit losses equal to the actuary's 85 percent confidence level of projected total outstanding claims liability.

E. Net Position Restrictions

Only restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the Business-type Activities as of June 30, 2023:

Net Position Restrictions (in thousands)

Water and Sewer

Restricted for System Replacement	\$	46,757
Restricted for Joint Venture Construction Deposits		7,362
	\$	<u>54,119</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains a cash and investment pool for use by most funds. The City holds unexpended General Obligation Bond construction proceeds received at issuance in separate investment accounts. Certain activities of the City's grant funds are also held in separate bank accounts, as well as the Community Facilities Districts and Municipal Property Corporation. The City's endowment funds have investments held separately by a trustee.

The City's investment policy, which is authorized by City Charter, ordinance, and trust agreements permits the City to invest in certain instruments. These instruments include certificates of deposit; repurchase agreements; highly rated commercial paper issued by corporations organized and doing business in the United States; money market mutual funds; highly rated corporate bonds/notes/asset-backed securities denominated in U.S. dollars; obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts, or special taxing districts; and the pooled investment funds established by the Office of the Arizona State Treasurer.

Deposits

As of June 30, 2023, the carrying amount of the City's deposits was \$123,759,006 and the bank balance was \$131,333,074. The \$7,574,068 difference represents outstanding checks, deposits in transit, and other reconciling items.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits are required to be fully collateralized per the City's investment policy. As of June 30, 2023, \$71,921,030 of the City's deposits was exposed to custodial credit risk and was uninsured and collateralized by securities held by the pledging bank's trust department not in the City's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third-party custodian.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of five years or less and the weighted average maturity of the overall investment portfolio to three years or less.

The following table summarizes the City's interest rate risk, based on maturity dates of various investments (in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 2	2 - 3	3+
U.S. Government Securities	\$ 623,313	\$ 97,602	\$ 201,685	\$ 160,950	\$ 163,076
U.S. Government Agencies	161,759	76,128	26,961	58,670	-
U.S. Government Instrumentalities	15,691	7,419	8,272	-	-
Corporate Notes	144,040	20,575	57,391	60,291	5,783
Asset-Backed Securities	8,319	27	608	5,816	1,868
Commercial Paper	2,257	2,257	-	-	-
Negotiable Certificates of Deposit	14,808	14,808	-	-	-
Total Investments	\$ 970,187	\$ 218,816	\$ 294,917	\$ 285,727	\$ 170,727

Credit Risk

Generally, credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). The City's investment policy limits its investments in:

- Obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities with a maximum maturity of five years
- Bonds, notes, or other evidence of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts, which carry a minimum "AA-" or "Aa3" or equivalent rating by at least one NRSRO at the time of purchase with a maximum maturity of five years
- Fully insured or collateralized certificates of deposit and other evidence of deposit at banks and savings institutions placed in accordance with the procedures prescribed in Arizona Revised Statutes § 35-323.01 with a maximum maturity of 18 months from the time of purchase
- Negotiable or brokered certificates of deposit within the top two ratings by at least two NRSROs, at the time of purchase, and a maximum maturity of three years
- Commercial paper within the top two ratings of a NRSRO at the time of purchase, issued by corporations organized and doing business in the United States, and a maximum maturity of nine months

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

- Bonds, debentures, notes, or other evidence of indebtedness with a minimum “A” or better rating, at the time of purchase, from at least two NRSROs, and a maximum maturity of five years
- Money market funds whose underlying investments are securities which are allowed by state law and registered under the Investment Company Act of 1940

The City’s investments in the investment types referenced above as of June 30, 2023, meet the aforementioned criteria. Presented below are the ratings, as determined by S&P unless otherwise noted, as of June 30, 2023, for each investment type (in thousands):

Investment Type	Total	A-1	A-1+	A-	A	A+	AA-	AA	AA+	Aaa	AAAm	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 623,313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 623,313
U.S. Government Agencies	161,759	-	9,783	-	-	-	-	-	151,976	-	-	-	-
U.S. Government Instrumentalities	15,691	-	-	-	-	-	-	-	-	-	-	15,691	-
Corporate Notes	144,040	-	-	31,748	20,567	37,470	24,048	9,607	8,005	-	-	-	12,595
Asset-Backed Securities	8,319	-	-	-	-	-	-	-	-	635	-	7,684	-
Commercial Paper	2,257	2,257	-	-	-	-	-	-	-	-	-	-	-
Negotiable Certificates of Deposit	14,808	2,323	12,485	-	-	-	-	-	-	-	-	-	-
Money Market Mutual Funds	64,764	-	-	-	-	-	-	-	-	-	64,764	-	-
Total Investments	\$ 1,034,951	\$ 4,580	\$ 22,268	\$ 31,748	\$ 20,567	\$ 37,470	\$ 24,048	\$ 9,607	\$ 159,981	\$ 635	\$ 64,764	\$ 35,970	\$ 623,313

Note: A-1 and A-1+ are S&P Global Ratings short-term credit ratings. AAAm is a S&P Global Ratings principal stability fund (i.e. money market fund) credit rating. Aaa is a Moody's rating.

Concentration of Credit Risk

The City’s investment guidelines place the following limits on the amount that the City may invest in various security types:

Security Type	Maximum Percent of Portfolio
U.S. Treasury Obligations	80%
Federal Agency Obligations	80%
With One Agency	40%
Instrumentalities (Supranational Debt)	15%
With One Issuer	5%
Certificates of Deposit	20%
With One Financial Institution	5%
Negotiable Certificates of Deposit	20%
With One Issuer	5%
Commercial Paper	35%
With One Issuer	5%
Corporate Indebtedness	35%
With One Issuer	5%
Repurchase Agreements	75%
With One Counterparty	20%
Money Market Funds	35%
Arizona Investment Pool	35%
Municipal Obligations of State of AZ or Political Subdivisions	25%
With One Issuer	5%

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The following is a listing by issuer of the City's investments as of June 30, 2023:

(dollars in thousands)

Issuer	Investment Type	Fair Value	Percent of Holdings
United States Treasury	U.S. Govt. Securities	\$ 623,313	64.25%
Federal National Mortgage Association (FNMA)	U.S. Govt. Agencies	58,794	6.05%
Federal Farm Credit Bank (FFCB)	U.S. Govt. Agencies	3,221	0.33%
Federal Home Loan Bank (FHLB)	U.S. Govt. Agencies	30,664	3.16%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Govt. Agencies	69,080	7.12%
Asian Development Bank	U.S. Govt Instrumentalities	2,498	0.26%
Inter-American Development Bank	U.S. Govt Instrumentalities	8,272	0.85%
International Bank of Reconstruction and Development	U.S. Govt Instrumentalities	4,921	0.51%
3M Company	Corporate Notes	8,946	0.91%
Adobe Inc.	Corporate Notes	7,916	0.82%
Amazon.com Inc.	Corporate Notes	8,558	0.88%
Apple Inc.	Corporate Notes	8,005	0.83%
Bank of America Co.	Corporate Notes	10,121	1.04%
Bristol-Myers Squibb Co.	Corporate Notes	4,311	0.44%
Cisco Systems Inc	Corporate Notes	8,249	0.85%
Deere & Company	Corporate Notes	5,264	0.54%
Exxon Mobil Corp.	Corporate Notes	4,354	0.45%
Home Depot Inc	Corporate Notes	542	0.06%
Intel Corporation	Corporate Notes	7,984	0.82%
JP Morgan Chase & Co.	Corporate Notes	8,942	0.92%
Merck & Co Inc	Corporate Notes	4,910	0.51%
Microsoft Corp.	Corporate Notes	12,595	1.30%
Morgan Stanley	Corporate Notes	3,739	0.39%
Novartis AG	Corporate Notes	11,445	1.18%
Pepsico Inc.	Corporate Notes	8,361	0.86%
Pfizer Inc.	Corporate Notes	1,906	0.20%
State Street Corp.	Corporate Notes	993	0.10%
Target Corp.	Corporate Notes	861	0.09%
Texas Instruments Inc	Corporate Notes	4,479	0.46%
The Bank Of New York Mellon Corp.	Corporate Notes	4,923	0.51%
Toyota Motor Corp.	Corporate Notes	5,587	0.58%
Wal-Mart Stores Inc.	Corporate Notes	1,049	0.11%
Carmax Auto Owner Trust	Asset-Backed Securities	1,705	0.17%
Discover Financial Services	Asset-Backed Securities	1,868	0.19%
Honda Auto Receivables	Asset-Backed Securities	635	0.07%
Hyundai Auto Receivables	Asset-Backed Securities	1,913	0.20%
Toyota Motor Corp.	Asset-Backed Securities	2,198	0.23%
Mitsubishi UFJ Financial Group Inc	Commercial Paper	1,518	0.16%
Natixis NY Branch	Commercial Paper	739	0.08%
Commonwealth Bank Of Australia	Negotiable Certificates of Deposit	2,323	0.24%
Credit Agricole SA	Negotiable Certificates of Deposit	2,323	0.24%
Toronto-Dominion Bank	Negotiable Certificates of Deposit	10,162	1.04%
	Total Investments	<u>\$ 970,187</u>	<u>100.00%</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Investments

Total City cash and investments at fair value are as follows (in thousands):

Cash on Hand	\$	17
Carrying Amount of City Deposits		123,759
Investments		1,034,951
Endowments		636
Total Cash and Investments		\$ 1,159,363

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2023:

Investments Measured at Fair Value

(in thousands)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ -	\$ 623,313	\$ -
U.S. Government Agencies	-	161,759	-
U.S. Government Instrumentalities	-	15,691	-
Corporate Notes	-	144,040	-
Asset-Backed Securities	-	8,319	-
Commercial Paper	-	2,257	-
Negotiable Certificates of Deposit	-	14,808	-
	\$ -	\$ 970,187	\$ -

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The following pricing methodologies are utilized to value the City's investments:

U.S. Government Securities	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
U.S. Government Agencies	A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years; an Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features; and final spreads are added to a U.S Treasury curve. A special cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.
U.S. Government Agency Discounts	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
U.S. Government Instrumentalities	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
Corporate Notes	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
Asset-Backed Securities	A single cash flow stream model is utilized.
Commercial Paper	Matrix pricing based upon yields and effective maturity.
Negotiable Certificates of Deposit	Multi-dimensional relational model and/or OAS.

Total City cash and investments as of June 30, 2023 are reported as follows (in thousands):

Primary Government	
Cash and Investments	\$ 999,773
Cash with Fiscal Agent	107,389
Other Restricted Cash	<u>52,201</u>
Total Cash and Investments	<u><u>\$ 1,159,363</u></u>

Investment income is comprised of the following for the fiscal year ended June 30, 2023 (in thousands):

Net Interest	\$ 19,065
Net Decrease in the Fair Value of Investments	<u>(4,867)</u>
Total Net Investment Income	<u><u>\$ 14,198</u></u>

The net decrease in the fair value of investments for the fiscal year was \$4,866,987. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the fiscal year.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

B. Endowments

The City is the sole beneficiary of four permanent endowment funds, held and managed by the Arizona Community Foundation (Foundation). The endowment funds are managed in accordance with Arizona Revised Statute §10-11803, which governs the appropriation for expenditure or accumulation of endowment funds. The spending policy of the Foundation is communicated to the City annually. Distribution pursuant to the spending policy shall be based upon recommendation of the City, made by and through the City Council. As of June 30, 2023, the amount of donor-restricted endowment funds available for authorization and expenditure is \$27,300.

C. Receivables

Receivables as of June 30, 2023, for the government's individual major governmental funds, nonmajor governmental funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

Governmental Activities and Internal Service Funds

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Transportation Privilege Tax Capital Projects	External Sources Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
Receivables							
Property Taxes and Penalties							
Property	\$ 1,173	\$ 1,013	-	-	-	51	\$ 2,237
Court	64,329	-	-	-	-	1,535	65,864
Subtotal Property Taxes and Penalties	<u>65,502</u>	<u>1,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,586</u>	<u>68,101</u>
Other Local Taxes							
Privilege	21,683	-	-	1,945	-	10,582	34,210
Transient Occupancy	-	-	-	-	-	2,320	2,320
State Shared Sales	1,411	-	-	-	-	-	1,411
Franchise Fee	3,222	-	-	-	-	91	3,313
Auto Lieu	528	-	-	-	-	-	528
Highway User	-	-	-	-	-	1,850	1,850
Subtotal Other Local Taxes	<u>26,844</u>	<u>-</u>	<u>-</u>	<u>1,945</u>	<u>-</u>	<u>14,843</u>	<u>43,632</u>
Intergovernmental/Grants	<u>-</u>	<u>-</u>	<u>4,795</u>	<u>16,991</u>	<u>18,700</u>	<u>8,705</u>	<u>49,191</u>
Interest and Other							
Interest	2,093	-	-	227	1	1,344	3,665
Leases	33,055	-	-	-	-	55	33,110
Miscellaneous	3,994	-	368	-	319	3,936	8,617
Subtotal Interest and Other	<u>39,142</u>	<u>-</u>	<u>368</u>	<u>227</u>	<u>320</u>	<u>5,335</u>	<u>45,392</u>
Gross Receivables	131,488	1,013	5,163	19,163	19,020	30,469	206,316
Less: Allowances for Uncollectibles	<u>(54,698)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,305)</u>	<u>(56,003)</u>
Net Total Receivables	<u>\$ 76,790</u>	<u>\$ 1,013</u>	<u>\$ 5,163</u>	<u>\$ 19,163</u>	<u>\$ 19,020</u>	<u>\$ 29,164</u>	<u>\$ 150,313</u>

The following agreements include governmental fund receivables that are not expected to be collected within the next year:

- The City has a development agreement relating to biomedical research activities with the Translational Genomics Research Institute (TGen) to repay \$320,000 with interest through February 2024.
- The City has contracts with the Boys and Girls Club to pay a portion of building improvements at the City's recreation center through November 2024, the amount due as of June 30, 2023, is \$19,813.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

- The City has an improvement district for underground utilities with expected reimbursements from impacted property owners to pay \$360,685 with interest through November 2032.
- Through the use of Community Development Block Grant (CDBG) funds, the City issues Green Housing Rehabilitation Program loans to qualified Scottsdale homeowners. As of June 30, 2023, the loan balances totaled \$2,091,324, of which the majority is not expected to be collected within the next year.
- The City has an intergovernmental agreement with the Arizona State Land Department to reimburse the City for capital expenditures for street and drainage improvements of \$21,786,082 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.
- The City is a participant in the One Arizona Distribution of Opioid Settlement Funds agreement which is part of the nationwide Opioid Settlement. The City received \$872,000 through June 30, 2023, and anticipates receiving additional payments through 2038. Due to the potential of additional litigation and settlements, the City cannot reasonably estimate the total amount of payments that will be received
- The City has various long-term lease agreements and therefore the lease receivables are not expected to be collected within the next year.

Business-type Activities and Enterprise Funds

(in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
Receivables				
Privilege Tax	\$ -	\$ 24	\$ -	\$ 24
Charges for Services	19,799	362	3,213	23,374
Intergovernmental	2,120	578	-	2,698
Interest	1,551	35	49	1,635
Lease	14	16,718	-	16,732
Public-Private Partnership	-	9,693	-	9,693
Miscellaneous	2,247	-	5	2,252
Gross Receivables	25,731	27,410	3,267	56,408
Less: Allowances for Uncollectibles	(97)	-	(21)	(118)
Net Total Receivables	\$ 25,634	\$ 27,410	\$ 3,246	\$ 56,290

The following agreements include enterprise fund receivables that are not expected to be collected within the next year:

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

- The City has an intergovernmental agreement with the Arizona State Land Department to reimburse the City for capital expenditures for water and sewer improvements of \$1,565,043 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.
- Within the business-type activity the City has various long-term lease agreements and therefore the lease receivables are not expected to be collected within the next year.

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

	<u>Unavailable</u>	<u>Unearned</u>
Property Tax	\$ 1,248	\$ -
Transient Occupancy Tax	183	-
Court	3,733	-
Privilege Occupancy Tax	4,022	-
Intergovernmental	46,571	9,955
Other	<u>1,840</u>	<u>2,652</u>
Total	<u>\$ 57,597</u>	<u>\$ 12,607</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows (in thousands):

Governmental Activities	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 3,461,153	\$ 12,512	\$ (22,456)	\$ 3,451,209
Construction in Progress	72,341	151,704	(81,289)	142,756
Total Capital Assets, not being depreciated	<u>3,533,494</u>	<u>164,216</u>	<u>(103,745)</u>	<u>3,593,965</u>
Capital Assets, being depreciated				
Buildings and Land Improvements*	852,503	47,675	(3,682)	896,496
Streets and Storm Drains	2,001,912	26,737	(43)	2,028,606
Motor Vehicles	94,763	6,814	(4,435)	97,142
Machinery and Equipment	80,496	7,480	(3,550)	84,426
Total Capital Assets, being depreciated	<u>3,029,674</u>	<u>88,706</u>	<u>(11,710)</u>	<u>3,106,670</u>
Less Accumulated depreciation for				
Buildings and Land Improvements*	424,264	24,128	(3,194)	445,198
Streets and Storm Drains	1,291,522	55,959	(17)	1,347,464
Motor Vehicles	49,816	8,992	(4,028)	54,780
Machinery and Equipment	46,956	6,739	(3,252)	50,443
Total Accumulated depreciation	<u>1,812,558</u>	<u>95,818</u>	<u>(10,491)</u>	<u>1,897,885</u>
Total Capital Assets, being depreciated, net	<u>1,217,116</u>	<u>(7,112)</u>	<u>(1,219)</u>	<u>1,208,785</u>
Lease Assets				
Buildings and Land Improvements	2,733	-	-	2,733
Motor Vehicles	1,194	469	(321)	1,342
Machinery and Equipment	271	550	(206)	615
Total Lease Assets, being amortized	<u>4,198</u>	<u>1,019</u>	<u>(527)</u>	<u>4,690</u>
Less Accumulated amortization for				
Buildings and Land Improvements	818	262	-	1,080
Motor Vehicles	776	228	(321)	683
Machinery and Equipment	214	136	(206)	144
Total Accumulated amortization	<u>1,808</u>	<u>626</u>	<u>(527)</u>	<u>1,907</u>
Total Lease Assets being amortized, net	<u>2,390</u>	<u>393</u>	<u>-</u>	<u>2,783</u>
Subscription-Based Information Technology Arrangement Assets				
Subscription-Based Information Technology Arrangements	7,129	3,751	(29)	10,851
Less Accumulated amortization for				
Subscription-Based Information Technology Arrangements	2,771	2,721	(18)	5,474
Total Subscription-Based Information Technology Arrangement Assets being amortized, net	<u>4,358</u>	<u>1,030</u>	<u>(11)</u>	<u>5,377</u>
Public-Public Partnership Assets				
Buildings and Land Improvements	-	61,206	-	61,206
Less Accumulated amortization for				
Buildings and Land Improvements	-	5,514	-	5,514
Total Public-Public Partnership Assets being amortized, net	<u>-</u>	<u>55,692</u>	<u>-</u>	<u>55,692</u>
Governmental Activities Capital Assets, net	<u>\$ 4,757,358</u>	<u>\$ 214,219</u>	<u>\$ (104,975)</u>	<u>\$ 4,866,602</u>

*The Building and Land Improvements category beginning balance was increased by \$2,726 and accumulated depreciation increased by \$136 due to a prior period adjustment for the implementation of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

(in thousands):

Business-type Activities	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 52,061	\$ 720	\$ -	\$ 52,781
Water Rights	87,171	-	-	87,171
Construction in Progress	51,837	75,507	(58,455)	68,889
Total Capital Assets, not being depreciated	<u>191,069</u>	<u>76,227</u>	<u>(58,455)</u>	<u>208,841</u>
Capital Assets, being depreciated				
Water System	1,432,655	47,782	-	1,480,437
Sewer System	699,328	18,132	-	717,460
Buildings and Land Improvements*	129,885	12,057	-	141,942
Machinery and Equipment	9,633	1,137	(240)	10,530
Motor Vehicles	1,151	-	-	1,151
Furniture, Fixtures, and Office Equipment	2,039	52	(137)	1,954
Total Capital Assets, being depreciated	<u>2,274,691</u>	<u>79,160</u>	<u>(377)</u>	<u>2,353,474</u>
Less Accumulated depreciation for				
Water System	640,537	40,569	-	681,106
Sewer System	308,197	19,143	-	327,340
Buildings and Land Improvements*	36,639	5,021	-	41,660
Machinery and Equipment	5,655	775	(193)	6,237
Motor Vehicles	842	52	-	894
Furniture, Fixtures, and Office Equipment	1,077	267	(136)	1,208
Total Accumulated depreciation	<u>992,947</u>	<u>65,827</u>	<u>(329)</u>	<u>1,058,445</u>
Total Capital Assets, being depreciated, net	<u>1,281,744</u>	<u>13,333</u>	<u>(48)</u>	<u>1,295,029</u>
Lease Assets				
Machinery and Equipment	-	116	-	116
Less Accumulated amortization for				
Machinery and Equipment	-	18	-	18
Total Lease Assets, being amortized, net	<u>-</u>	<u>98</u>	<u>-</u>	<u>98</u>
Subscription-Based Information Technology Arrangement Assets				
Subscription-Based Information Technology Arrangements	167	206	(55)	318
Less Accumulated amortization for				
Subscription-Based Information Technology Arrangements	149	64	(55)	158
Total Subscription-Based Information Technology Arrangement Assets being amortized, net	<u>18</u>	<u>142</u>	<u>-</u>	<u>160</u>
Business-type Activities Capital Assets, net	<u>\$ 1,472,831</u>	<u>\$ 89,800</u>	<u>\$ (58,503)</u>	<u>\$ 1,504,128</u>

*The Building and Land Improvements category beginning balance was increased by \$37,918 and accumulated depreciation increased by \$17,463 due to a prior period adjustment for the implementation of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Depreciation/Amortization expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental Activities	
City Attorney	\$ 15
City Court	45
City Manager	36
Public Works	62,701
Community and Economic Development	3,113
Public Safety	5,111
City Treasurer	14
Community Services	11,373
Administrative Services	2,228
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>11,182</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 95,818</u>
Business-type Activities	
Water and Sewer System	\$ 60,597
Airport	4,932
Solid Waste	<u>298</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 65,827</u>
Governmental Activities	
City Clerk	\$ 1
City Attorney	23
City Court	3
City Manager	28
Public Works	40
Community and Economic Development	6
Public Safety	660
City Treasurer	218
Community Services	5,625
Administrative Services	1,824
Scottsdale AZ CARES	310
Intangible Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>123</u>
Total Amortization Expense - Governmental Activities	<u>\$ 8,861</u>
Business-type Activities	
Water and Sewer System	\$ 45
Airport	32
Solid Waste	<u>5</u>
Total Amortization Expense - Business-type Activities	<u>\$ 82</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Construction Commitments

The City has active construction projects as of June 30, 2023. At year end the government's commitments with contractors for specific projects are as follows (in thousands):

<u>Capital Project Program Classification</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aviation	\$ 4,586	\$ 908
Drainage and Flood Control	900	1,125
Fire Protection	4,346	26,884
Municipal Facilities	6,053	13,819
Neighborhood and Community	7,726	5,348
Parks	19,164	17,428
Police	2,463	11,551
Preservation	727	350
Streets	55,802	57,838
Technology	3,063	2,713
Traffic	651	649
Transit	1,193	2,825
Wastewater	14,122	13,401
Water	46,587	34,550
Total Construction Commitments	\$ 167,383	\$ 189,389
 <u>Governmental Activities</u>		
General CIP Construction Capital Projects Fund	\$ 32,420	\$ 37,860
Transportation Privilege Tax Fund	45,315	51,058
External Sources Fund	5,621	6,728
Nonmajor Governmental Funds	18,028	35,316
Internal Service Funds	20	9,274
Total Governmental Activities	101,404	140,236
 <u>Business-type Activities</u>		
Water and Sewer Utility	61,109	48,150
Airport	4,588	916
Solid Waste	282	87
Total Business-type Activities	65,979	49,153
Total Construction Commitments	\$ 167,383	\$ 189,389

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

E. Interfund Balances and Interfund Transfers

Due To and Due From Other Funds

“Due to” and “Due from” balances have been recorded to address temporary cash flow needs. The composition of interfund balances as of June 30, 2023, is as follows (in thousands):

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 14,624	External Sources Capital Project Fund	\$ 14,624
General Fund	2,875	Nonmajor Governmental Funds	2,875
Total	\$ 17,499	Total	\$ 17,499

The External Sources Capital Project Fund, HOME Special Revenue Fund, and Grant Special Revenue Fund had deficit cash balances of \$14,624,000, \$2,000, and \$2,873,000, respectively, due to pending reimbursements from bonds and grants.

Interfund Transfers

Transfers are used to fund capital projects and debt service, to administer other operations, and for indirect administrative cost allocations (including in-lieu franchise fees) charged to Enterprise Funds.

Net Transfers (in thousands)

	Transfers Out	Transfers In
Governmental Funds		
General	\$ 89,889	\$ 19,428
Debt Service - General Obligation Bond	-	33,439
Capital Projects - General CIP Construction	540	85,072
Capital Projects - Transportation Privilege Tax	-	20,236
Capital Projects - External Sources	-	40
Nonmajor Governmental Funds	79,113	19,939
Total Governmental Funds	169,542	178,154
Enterprise Funds		
Water and Sewer Utility	8,660	-
Total Enterprise Funds	8,660	-
Internal Service Funds		
Self-Insurance	7	55
Total Internal Service Funds	7	55
Total Transfers	\$ 178,209	\$ 178,209

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

F. Leases

City as Lessee

The City, as a lessee, has entered into lease agreements involving a baseball facility, printing and imaging equipment, a street sweeper and accompanying transport trailer, motor vehicles, a distributed antenna system, water quality monitoring and treatment equipment, park equipment, and a data center facility space. The City subleases the baseball facility to a professional baseball team. The payments related to the park equipment are based on a percentage of revenue earned by the City and are therefore not included in the measurement of the lease liability. This amount totaled \$373,907 for the fiscal year ended June 30, 2023. The City also made \$157,648 of payments on a month-to-month basis after the conclusion of some of the motor vehicle leases; these payments were excluded from the measurement of the lease liability.

The total of the City's lease assets are recorded at a cost of \$4,806,273, less accumulated amortization of \$1,924,912.

The future lease payments under lease agreements are as follows (in thousands):

	Leases		
	Principal	Interest	Total
2024	\$ 643	\$ 146	\$ 789
2025	567	111	678
2026	516	78	594
2027	226	53	279
2028	62	43	105
2029-2033	93	199	292
2034-2038	149	176	325
2039-2043	192	143	335
2044-2048	261	99	360
2049-2053	334	41	375
Total	<u>\$ 3,043</u>	<u>\$ 1,089</u>	<u>\$ 4,132</u>

City as Lessor

The City, as a lessor, has entered into lease agreements involving land, baseball facilities, airport facilities, and building space. The baseball facility is leased from the City of Phoenix and subleased to a professional baseball team. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$9,968,845. This total includes \$6,205,966 of variable and other payments not previously included in the measurement of the lease receivable.

G. Subscription-Based Information Technology Arrangements

The City has entered into subscription-based information technology arrangements (SBITAs) involving:

- Various desktop and server software subscription
- Event registration and management software
- Electronic workflows software
- Cloud backup services software
- Document management software
- Computer-aided dispatch software
- Payroll and human resources services software
- E-mail/communication management software
- Risk management software
- Web-based job board software
- Public safety allocation and deployment software
- Airport agreement tracking software
- Electronic signature software
- Public safety detection software
- Safety data sheets software
- Learning management software
- Debt management software
- eDiscovery software
- Procurement management software
- Local business community information and resource service software
- Web content management system software
- Investigative software and storage
- Hardware and software inventory management software
- Community Services tracking software
- Drawing software
- Digital signage and program/event communications software
- Project management platform software
- Water quality monitoring and treatment software
- Audit software
- Grants management software
- Design software
- Fats, oils, and grease compliance software

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

- Policy and accreditation software
- Core and permit management software
- Automated test management software
- Business expansion and relocation software

The total of the City's subscription assets are recorded at a cost of \$11,169,587, less accumulated amortization of \$5,632,446.

The future subscription payments under SBITA agreements are as follows (in thousands):

	Subscriptions		
	Principal	Interest	Total
2024	\$ 1,746	\$ 168	\$ 1,914
2025	1,691	108	1,799
2026	1,070	40	1,110
Total	<u>\$ 4,507</u>	<u>\$ 316</u>	<u>\$ 4,823</u>

In addition to the amounts presented above, the City also had outflows of resources during the fiscal year totaling \$237,753 that were not included in the measurement of the subscription liability. This total consists of a \$30,500 variable amount that is based on the number of calls related to the public safety allocation and deployment software and \$207,253 for payments related to arrangements that either have interminable subscriptions terms or that are prepaid and otherwise meet SBITA recognition criteria, but are below the City's capitalization threshold.

The City has committed to SBITAs involving public safety records management system/computer aided dispatch software and web content management system software. These SBITAs are currently being implemented, and the City has paid a total of \$1,489,322 related to these agreements. These outflows were recorded as prepayments as of June 30, 2023.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

H. Public-Public Partnerships and Public-Private Partnerships

City as Operator

The City, as the operator, has entered into the following public-public partnerships (PPPs) with the United States Bureau of Reclamation (BOR):

Land use agreement at Westworld. Under the agreement, the City operates and develops the land where the City's WestWorld operation is located for a period of 50 years (through July 28, 2032) (with a mutual option to renew for an additional 25 years). The City entered into this agreement to develop the WestWorld facility for public recreation use and to enhance its revenue stream from rentals, concession sales, and parking fees. The City pays the BOR annually and has recognized an intangible right-to-use asset with a net book value of \$39,523,584 at fiscal year-end, which includes land improvements paid for by the City, and a related liability in the amount of \$1,963,334. A discount rate of four percent was used to calculate the liability.

Recreational land use agreement at Tournament Players Club. Under the agreement, the City operates and develops the land where the City's Tournament Players Club (TPC) operation is located for a period of 50 years (through June 17, 2035) (with a mutual option to renew for an additional 25 years). The City entered into this agreement to develop the TPC complex for public recreation use and to enhance its revenue stream from facility usage fees and rentals. The City pays the BOR annually and has recognized an intangible right-to-use asset with a net book value of \$16,168,514 at fiscal year-end, which includes land improvements paid for by the City, and a related liability in the amount of \$2,656,265. A discount rate of four percent was used to calculate the liability.

The future payments under PPP agreements are as follows (in thousands)

	PPPs		
	Principal	Interest	Total
2024	\$ 252	\$ 185	\$ 437
2025	284	175	459
2026	318	163	481
2027	355	151	506
2028	394	136	530
2029-2033	2,330	410	2,740
2034-2035	687	42	729
Total	<u>\$ 4,620</u>	<u>\$ 1,262</u>	<u>\$ 5,882</u>

City as Transferor

The City, as the transferor, has entered into public-private partnerships (PPPs) with the following operators:

Two fixed-base operators (FBOs) at Scottsdale Airport. Under the agreements, the FBOs have the right to operate the Airport facilities and provide aeronautical services such as flight instruction, aircraft charter service, and aircraft storage for periods of 30 years (through November 4, 2031) (with an option for the operator to extend for an additional 10 years) for one operator and 40 years, (through January 31, 2059) for the other.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The FBOs pay the City monthly, and the City has recognized a PPP receivable and a related deferred inflow of resources involving these agreements. Additionally, the operators have made improvements totaling \$44,918,300 that are recognized as an asset by the City. The carrying value of these improvements at fiscal year-end is \$26,236,178 and the City reports a deferred inflow of resources at year-end pursuant to the public-private partnership agreement. As of June 30, 2023, the combined PPP receivable and deferred inflow of resources were reported in the amounts of \$9,693,330 and \$36,198,536, respectively. A discount rate of four percent was used to calculate the PPP receivable.

Food services operator at Westworld. Under the agreement, the Westworld operator has the right to use City facilities, such as kitchens and certain related areas, for the preparation of food and alcohol for immediate consumption at Westworld for a period of one year (through June 30, 2024). The Westworld operator pays a percentage fee based on its sales; this fee totaled \$160,777 for the fiscal year ended June 30, 2023.

Concession services operator at Scottsdale Stadium. Under the agreement, the Scottsdale Stadium (Stadium) operator has the right to provide concession services, alcoholic beverage services, and catering services on an exclusive basis during certain Stadium events for a period of five years (through December 31, 2025) (with a mutual option to renew for up to two additional five-year periods). The Stadium operator pays a percentage fee based on its sales; this fee totaled \$260,773 for the fiscal year ended June 30, 2023.

Facility operator at the Silverado Golf Course. Under the agreement, the Silverado Golf Course (Silverado) operator has the right to use Silverado to operate the golf course, and provide related ancillary services, such as the operation of a pro-shop and clubhouse; the provision of golfing and golf course management instruction; and the operation of conference, banquet, restaurant, and meeting facilities within the clubhouse for a period of 35 years (through April 14, 2032) (with an option for the operator to extend for up to two additional 10-year periods). Additionally, the operator has made improvements totaling \$2,725,775 that are recognized as an asset by the City. The carrying value of these improvements at year-end is \$2,534,971, and the City reports a deferred inflow of resources in the amount of \$2,502,566 at year-end pursuant to the public-private partnership agreement. The Silverado operator pays a percentage fee based on its sales; this fee totaled \$339,532 for the fiscal year ended June 30, 2023.

Facility operator at The Scottsdale Center for the Performing Arts, Scottsdale Civic Center, and The Scottsdale Museum of Contemporary Art. Under the agreement, the Scottsdale Center for the Performing Arts, Scottsdale Civic Center, and Scottsdale Museum of Contemporary Art (City-Owned Facilities) operator has the right to manage, operate, and program each of the City-Owned Facilities; related tasks include scheduling, booking, promoting, administering, and creating and presenting exhibitions, events, and programs at the City-Owned Facilities for a period of five years (through June 30, 2025) (with a mutual option to renew for one additional five-year period). The City-Owned Facilities operator pays a percentage fee based on its sales; this fee totaled \$8,921 for the fiscal year ended June 30, 2023.

In total, the City had inflows of \$770,003 for variable payments not included in the measurement of the City's receivable for installment payments.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

I. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding as of June 30, 2023. The totals shown are the principal amount outstanding, net of the amount due July 1, 2023.

General Obligation Bonds

General Obligation (GO) bonds are issued, after approval by City of Scottsdale voters at an authorized bond election, to finance the construction of water and sewer systems, artificial lighting, parks and open spaces, recreational facilities, public safety, and general-purpose improvements. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as an additional 0.15 percent sales tax increase to be used to finance Preserve land acquisitions. As of June 30, 2023, the City has \$256,544,516 of unissued Preservation GO bonds from the May 2004 authorization. Preservation GO bonds are backed by the full faith and credit of the City and are repaid through the Preserve sales tax approved by voters in May 1995 and May 2004 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve. As of June 30, 2023, the City has \$186,091,600 of unissued various purpose GO bonds that were authorized in November 2019.

Municipal Property Corporation Bonds

The City of Scottsdale Municipal Property Corporation (MPC) is a non-profit corporation created by the City in 1967 to finance the construction or acquisition of certain capital improvement projects. The MPC issues its own bonds, which are repaid through the City's excise tax collections and other unrestricted revenues. The use of property taxes to repay these bonds is specifically prohibited by law. These bonds are recorded as both governmental and business-type activities long-term debt. A portion of the 2006 MPC Excise Tax Revenue Refunding Bonds, a portion of the 2015A MPC Excise Tax Revenue Bonds, the 2015 MPC Excise Tax Revenue Refunding Bonds, the 2017 MPC Excise Tax Revenue Refunding Bonds, the 2017A MPC Excise Tax Revenue Bonds, the 2021A MPC Excise Tax Revenue Refunding Bonds, and a portion of the 2021B MPC Taxable Excise Tax Revenue Refunding Bonds are recorded in and paid by the Water and Sewer Enterprise Fund. The 2017B MPC Excise Tax Revenue Bonds are recorded in and paid by the Airport Enterprise Fund.

The City has pledged to repay \$585,974,252 in MPC Excise Tax Revenue Bonds issued from 2006 through June 30, 2023, payable through 2039. Bonds issued prior to July 1, 2010, were pledged by revenues that included transient occupancy tax while bonds issued after this date exclude transient occupancy tax. The coverage ratio (revenues to debt service) for 2023 for MPC bonds is 6.45 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$472,532,861. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$48,731,673 and \$314,347,052, respectively.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The MPC bond issuances, for both governmental and business-type activities, contain the following provisions that would constitute an event of default by the City:

- Non-punctual payment of principal or interest
- Default in the performance or observance of any covenant, agreement, or condition in the indenture or in the bonds not cured within 30 days of notice of default. The City is also considered to be in default if the issue is not curable within 30 days and corrective action is not diligently pursued to the satisfaction of the trustee within 30 days
- Bankruptcy, insolvency, and/or receivership
- Default on any bonds which are on a parity basis with the bonds in question

If any of the events of default transpire, the MPC bond trustee may file a suit or suits in equity or at law and appoint a receiver to collect and properly disburse pledged MPC revenues for debt service payments. Any amounts recovered through such proceedings shall be paid first to the costs and expenses incurred by the trustee, its agents, attorneys and counsel, and of all proper expenses, liabilities and advances incurred or made by the trustee or any registered owner(s) of the bonds in question. If a residual amount were to remain, it would be applied to the then-owed or unpaid amount related to the bonds. If insufficient funds were to exist, the residual amount would be allocated on a pro-rata basis to the then-owed or unpaid amount related to the bonds.

Water and Sewer Revenue Bonds

Water and sewer revenue bonds are issued and authorized by the voters for the construction, acquisition, furnishing, and equipping of water and sewer facilities and related systems. The water and sewer revenue bonds are collateralized by revenue in excess of operating and maintenance expenses of the City's water and sewer utility system and are repaid via user charges or fees for service. Property taxes cannot be used to pay the debt service on these bonds.

Community Facilities Districts General Obligation Bonds

Community Facilities District General Obligation Bonds are issued by Community Facilities Districts (CFDs), which are special taxing districts created to provide a funding mechanism to finance construction, acquisition, operation, and maintenance of public infrastructure that benefits real property within the CFD. CFD bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. The City has no liability for CFD bonds.

CFDs are created only by petition to the City Council by property owners within the district areas. As the Board of Directors for the CFDs, the City Council has adopted a formal policy that CFD debt will be permitted only when the full cash value of the property, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the CFD and administered by the City.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Failure to pay the principal and interest when due and payable would constitute an event of default by the City in relation to any of the CFD bond issuances. If such an event of default transpires, the CFD bond trustee may pursue all remedies in law and equity. The following provisions apply only to the 2019 Waterfront Commercial CFD Refunding Bonds:

- Default in the performance or observance of any covenant, agreement, or obligation not cured within 30 days of notice of default. No event of default will be deemed to have occurred so long as a course of action has been commenced within 30 days and is diligently prosecuted to completion
- Any representation or warranty by the District that proves to have been materially incorrect when made or confirmed
- Bankruptcy, insolvency, and/or receivership
- Default and/or acceleration of payment of any other District indebtedness
- Actual or asserted invalidity or impairment of the District Documents or the Series 2019 Bonds

If any non-punctual payment of principal or interest occurs, the Waterfront CFD bond trustee may recover the costs and expenses of administration and collection related to the unpaid amounts. Additionally, the Waterfront CFD bond trustee shall be entitled to a writ of mandamus compelling performance.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Bonds payable as of June 30, 2023, consisted of the following:

Classified in Governmental Activities on the Government-wide Financial Statements:

General Obligation Bonds	Bonds Outstanding (in thousands)
2012 Refunding Bonds (issued July 11, 2012) due in annual installments of \$205,000 to \$30,045,000 through July 1, 2025; interest at 2 percent to 5 percent. On December 30, 2020, \$30,045,000 due in 2025 was refunded. Original issue amount \$83,025,000.	\$ 5,370
2013 Preservation Bonds (issued February 13, 2013) due in annual installments of \$1,000,000 to \$8,665,000 through July 1, 2034; interest at 2 percent to 4 percent. On December 30, 2020, \$63,000,000 due 2025 through 2034 was refunded. Original issue amount \$75,000,000.	2,500
2014 Preservation Bonds (issued May 7, 2014) due in annual installments of \$465,000 to \$945,000 through July 1, 2034; interest at 1.75 percent to 4 percent. On December 30, 2020, \$6,690,000 due 2027 through 2034 was defeased. Original issue amount \$14,000,000.	2,105
2015 Refunding Bonds (issued April 2, 2015) due in annual installments of \$500,000 to \$30,565,000 through July 1, 2034; interest at 3 percent to 4 percent. On December 30, 2020, \$3,290,000 due 2029 through 2034 was refunded. Original issue amount \$160,415,000.	69,070
2017A Preservation Bonds (issued March 8, 2017) due in annual installments of \$1,825,000 to \$2,545,000 through July 1, 2034; interest at 4 percent to 5 percent. Original issue amount \$17,410,000.	17,410
2017B Preserve Acquisition Refinancing Bonds (issued May 17, 2017) due in annual installments of \$3,510,000 to \$5,790,000 through July 1, 2024; interest at 5 percent. Original issue amount \$18,495,000.	5,790
2017 Refunding Bonds (issued May 17, 2017) due in annual installments of \$1,055,000 to \$5,525,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$39,985,000.	34,000
2017C Various Purpose Bonds (issued December 6, 2017) due in annual installments of \$1,690,000 to \$6,800,000 through July 1, 2027; interest at 5 percent. Original issue amount \$25,500,000.	9,140
2020 Taxable Refunding Bonds (issued December 30, 2020) due in annual installments of \$2,155,000 to \$33,150,000 through July 1, 2034; interest at 0.15 percent to 1.64 percent. Original issue amount \$168,220,000.	155,100
2021 Various Purpose Bonds (issued February 10, 2021) due in annual installments of \$1,135,000 to \$1,965,000 through July 1, 2040; interest at 2 percent to 4 percent. Original issue amount \$31,390,000.	27,675
2021 Various Purpose Taxable Bonds (issued February 10, 2021) due in annual installments of \$325,000 to \$1,195,000 through July 1, 2040; interest at 1.35 percent to 3 percent. Original issue amount \$19,770,000.	17,750
2023 Various Purpose Bonds (issued February 1, 2023) due in annual installments of \$1,475,000 to \$1,975,000 through July 1, 2042; interest at 4 percent to 5 percent. Original issue amount \$34,175,000.	34,175
2023 Various Purpose Taxable Bonds (issued February 1, 2023) due in annual installments of \$1,975,000 to \$2,525,000 through July 1, 2042; interest at 4.30 percent to 5 percent. Original issue amount \$39,530,000.	<u>39,530</u>
Total General Obligation Bonds Outstanding	<u>\$ 419,615</u>

Some of the above General Obligation Bonds are paid from the 0.2 percent and 0.15 percent Preservation Sales Taxes.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

	Bonds Outstanding (in thousands)
Municipal Property Corporation Bonds	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	\$ 38,510
2014 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued May 29, 2014) due in annual installments of \$1,730,000 to \$3,040,000 through July 1, 2027; interest at 1.75 percent to 5 percent. Original issue amount \$22,735,000.	9,275
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$685,000 due in 2027 was refunded. Original issue amount \$12,200,000.	7,390
2015A Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$275,000 to \$1,025,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$14,615,000.	9,395
2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.	8,095
2019B Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$940,000 to \$2,125,000 through July 1, 2039; interest at 1.85 percent to 2.9 percent. Original issue amount \$33,275,000.	28,105
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$330,000 to \$9,410,000 through July 1, 2035; interest at 0.14 percent to 1.91 percent. Original issue amount \$71,325,000.	<u>66,680</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 167,450</u>

	Bonds Outstanding (in thousands)
Community Facilities Districts General Obligation Bonds - Direct Placements	
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$555,000 to \$1,245,000 through July 15, 2027; interest at 3.41 percent. Original issue amount \$14,670,000.	\$ 4,740
2019 Waterfront Commercial Community Facilities District General Obligation Refunding Bonds (issued November 14, 2019) due in annual installments of \$172,000 to \$225,000 through July 15, 2032; interest at 2.47. Original issue amount \$2,563,000.	<u>1,843</u>
Total Community Facilities Districts General Obligation Bonds - Direct Placements	<u>\$ 6,583</u>
Total Bonds Payable Recorded in Governmental Activities	<u>\$ 593,648</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Classified in Business-type Activities on the Government-wide Financial Statements:

	Bonds Outstanding (in thousands)
Municipal Property Corporation Bonds	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.	\$ 43,135
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$310,000 to \$1,305,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$1,040,000 due in 2027 was refunded. Original issue amount \$18,485,000.	11,195
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$3,788,459 to \$5,822,479 through July 1, 2028; interest at 5 percent. On February 17, 2021, \$11,257,479 due 2027 through 2028 was refunded. Original issue amount \$46,811,731.	14,865
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. On February 17, 2021, \$38,350,000 due 2031 through 2033 and 2035 through 2036 was defeased. Original issue amount \$79,970,000.	39,605
2017A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$1,080,000 to \$2,730,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$39,065,000.	30,810
2017B Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$645,000 to \$1,655,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$23,520,000.	18,590
2021A Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in a single installment of \$7,920,000 on July 1, 2030; interest at 5 percent. Original issue amount \$7,920,000.	7,920
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$145,000 to \$12,750,000 through July 1, 2036; interest at 0.14 percent to 1.96 percent. Original issue amount \$63,860,000.	<u>60,420</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 226,540</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 226,540</u>
Total Long-Term Bonds Payable	<u>\$ 820,188</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Statutory Debt Limitation

Under the provisions of Article 9, section 8 of the Arizona Constitution, outstanding General Obligation (GO) bonded debt (including outstanding “excess premium,” as defined in Arizona Revised Statutes Title 35, Chapter 3, Articles 3 and 4) issued for water, sewers, artificial light, parks, playgrounds and recreational facilities, open space preserves, public safety facilities, and streets and transportation facilities may not exceed 20 percent of a city’s assessed valuation. Outstanding GO bonded debt for all other purposes may not exceed 6 percent of a city’s assessed valuation. GO bonds of community facilities districts are not subject to or included in this calculation. The following summarizes the City’s legal GO bonded debt borrowing capacity as of June 30, 2023:

General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety Facilities, and Streets and Transportation Facilities		General Obligation Bonds Issued for All Other Purposes	
20% Constitutional Limit	\$ 1,839,737,004	6% Constitutional Limit	\$ 551,921,101
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	(411,487,000)	6% Bonds Outstanding	(8,128,000)
Excess Premium	<u>(13,996,067)</u>	Excess Premium	<u>(929,360)</u>
Available 20% Limitation Borrowing Capacity	\$ <u>1,414,253,937</u>	Available 6% Limitation Borrowing Capacity	\$ <u>542,863,741</u>

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City’s outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2023.

Advance Refundings and Defeasances

In prior years, the City refinanced other bond issues through the issuance of refunding bonds. The proceeds from the refunding bonds have been deposited in irrevocable trusts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the financial statements.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The following table reflects refunded debt outstanding as of June 30, 2023, net of any amounts to be paid or retired by the trustee on July 1, 2023 (in thousands):

Refunded Debt Outstanding

2014 Preservation GO Bonds	\$	6,690
2015 GO Refunding Bonds		3,290
2015A MPC Excise Tax Revenue Bonds		1,725
2015 MPC Excise Tax Revenue Refunding Bonds		36,435
2017 MPC Excise Tax Revenue Refunding Bonds		38,350
	\$	<u>86,490</u>

Contracts Payable

The City has entered into contracts related to the financing of an underground utility facilities improvement district, investigative equipment, protective equipment, field maintenance equipment, and I.T. hardware equipment. The following is a summary of debt service to maturity for the long-term contracts as of June 30, 2023:

Classified in Governmental Activities on the Government-wide Financial Statements:

	<u>Contracts Payable</u> <u>(in thousands)</u>
Contract payable to PNC Bank for the financing of an underground utility facilities improvement district; due in annual installments through 2033; interest at 5.72 percent.	\$ 360
Contract payable to Jacobs Technology, Inc. for the financing of investigative equipment; due in annual installments through 2024; interest at 7.50 percent.	285
Contract payable to Axon Enterprise, Inc. for the financing of protective equipment; due in annual installments through 2025; interest at 4.00 percent.	149
Contract payable to John Deere Financial for the financing of field maintenance equipment; due in annual installments through 2027; interest at 2.99 percent.	114
Contract payable to Axon Enterprise, Inc. for the financing of I.T. hardware equipment; due in annual installments through 2025; interest at 4.00 percent.	<u>175</u>
	<u>\$ 1,083</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the fiscal year ended June 30, 2023 (in thousands):

Governmental Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 398,885	\$ 73,705	\$ (52,975)	\$ 419,615	\$ 60,505
Municipal Property Corporation Bonds	180,705	-	(13,255)	167,450	13,935
Community Facilities Districts General Obligation Bonds - Direct Placements	8,059	-	(1,476)	6,583	1,310
Add Issuance Premiums	29,297	4,850	(5,464)	28,683	-
Total Bonds Payable	616,946	78,555	(73,170)	622,331	75,750
Contracts Payable	1,314	265	(496)	1,083	511
Leases	2,568	932	(553)	2,947	620
Public-Public Partnerships	1,760	5,035	(2,175)	4,620	252
Subscriptions	3,417	2,830	(1,884)	4,363	1,663
Risk Management Claims	26,029	36,284	(41,168)	21,145	9,581
Compensated Absences	33,141	14,121	(14,117)	33,145	15,385
Total Other Postemployment Benefit Liability	831	-	(132)	699	-
Net Pension Liabilities	282,246	45,550	-	327,796	-
Governmental Activities Long-Term Liabilities	\$ 968,252	\$ 183,572	\$ (133,695)	\$ 1,018,129	\$ 103,762

Internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities. For the fiscal year ended June 30, 2023, \$511,000 of accrued compensated absences is included in the above amount for internal service funds. For the governmental activities, the General Fund, special revenue funds, and internal service funds generally liquidate accrued compensated absences, the total OPEB liability, and the net pension liabilities. The compensated absences presented in this note are net of the current liability of \$90,000 in the governmental funds.

Business-type Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 4,375	\$ -	\$ (4,375)	\$ -	\$ -
Municipal Property Corporation Bonds	247,455	-	(20,915)	226,540	22,000
Add Issuance Premiums	18,288	-	(2,397)	15,891	-
Total Bonds Payable	270,118	-	(27,687)	242,431	22,000
Leases	-	117	(21)	96	23
Subscriptions	24	205	(85)	144	83
Compensated Absences	4,563	2,287	(2,287)	4,563	2,111
Net Pension Liabilities	27,400	7,329	-	34,729	-
Pollution Remediation Obligation	48,804	-	(3,205)	45,599	-
Business-type Activities Long-Term Liabilities	\$ 350,909	\$ 9,938	\$ (33,285)	\$ 327,562	\$ 24,217

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities as of June 30, 2023:

Governmental Activities
(in thousands)

Fiscal Year	General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety Facilities, and Streets and Transportation Facilities			General Obligation Bonds Issued For All Other Purposes			Total General Obligation Bonds		
	20% Limitation			6% Limitation					
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 60,083	\$ 11,884	\$ 71,967	\$ 422	\$ 316	\$ 738	\$ 60,505	\$ 12,200	\$ 72,705
2025	55,177	9,717	64,894	418	296	714	55,595	10,013	65,608
2026	41,876	8,673	50,549	424	277	701	42,300	8,950	51,250
2027	36,979	7,528	44,507	431	258	689	37,410	7,786	45,196
2028	35,701	6,325	42,026	439	238	677	36,140	6,563	42,703
2029-2033	113,775	19,619	133,394	2,295	887	3,182	116,070	20,506	136,576
2034-2038	47,756	7,352	55,108	2,399	440	2,839	50,155	7,792	57,947
2039-2043	20,140	1,760	21,900	1,300	95	1,395	21,440	1,855	23,295
2044-2048	-	-	-	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-	-	-	-
Total	\$ 411,487	\$ 72,858	\$ 484,345	\$ 8,128	\$ 2,807	\$ 10,935	\$ 419,615	\$ 75,665	\$ 495,280

Fiscal Year	Municipal Property Corporation Bonds			Leases			Community Facilities Districts General Obligation Bonds - Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2024	\$ 13,935	\$ 4,804	\$ 18,739	\$ 620	\$ 139	\$ 759	\$ 1,310	\$ 207
2025	14,445	4,398	18,843	542	106	648	1,355	164	1,519
2026	15,020	3,958	18,978	490	75	565	1,400	120	1,520
2027	15,680	3,532	19,212	209	52	261	1,445	74	1,519
2028	16,450	3,091	19,541	57	43	100	204	27	231
2029-2033	66,690	9,102	75,792	93	199	292	869	54	923
2034-2038	22,460	1,883	24,343	149	176	325	-	-	-
2039-2043	2,770	81	2,851	192	143	335	-	-	-
2044-2048	-	-	-	261	99	360	-	-	-
2049-2053	-	-	-	334	41	375	-	-	-
Total	\$ 167,450	\$ 30,849	\$ 198,299	\$ 2,947	\$ 1,073	\$ 4,020	\$ 6,583	\$ 646	\$ 7,229

Fiscal Year	Public-Public Partnerships			Subscriptions			Contracts Payable		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2024	\$ 252	\$ 185	\$ 437	\$ 1,663	\$ 164	\$ 1,827	\$ 511	\$ 57
2025	284	175	459	1,661	105	1,766	234	26	260
2026	318	163	481	1,039	39	1,078	70	16	86
2027	355	151	506	-	-	-	60	13	73
2028	394	136	530	-	-	-	38	11	49
2029-2033	2,330	410	2,740	-	-	-	170	22	192
2034-2038	687	42	729	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-	-	-	-
Total	\$ 4,620	\$ 1,262	\$ 5,882	\$ 4,363	\$ 308	\$ 4,671	\$ 1,083	\$ 145	\$ 1,228

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Governmental Activities (in thousands)

Fiscal Year	Total Governmental Activities		
	Principal	Interest	Total
2024	\$ 78,796	\$ 17,756	\$ 96,552
2025	74,116	14,987	89,103
2026	60,637	13,321	73,958
2027	55,159	11,608	66,767
2028	53,283	9,871	63,154
2029-2033	186,222	30,293	216,515
2034-2038	73,451	9,893	83,344
2039-2043	24,402	2,079	26,481
2044-2048	261	99	360
2049-2053	334	41	375
Total	\$ 606,661	\$ 109,948	\$ 716,609

Business-type Activities (in thousands)

Fiscal Year	Municipal Property Corporation Bonds			Subscriptions			Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 22,000	\$ 8,257	\$ 30,257	\$ 83	\$ 4	\$ 87	\$ 23	\$ 7	\$ 30
2025	17,450	7,240	24,690	30	3	33	25	5	30
2026	18,440	6,427	24,867	31	1	32	26	3	29
2027	19,465	5,561	25,026	-	-	-	17	1	18
2028	20,445	4,894	25,339	-	-	-	5	-	5
2029-2033	90,515	12,922	103,437	-	-	-	-	-	-
2034-2038	38,225	2,392	40,617	-	-	-	-	-	-
Total	\$ 226,540	\$ 47,693	\$ 274,233	\$ 144	\$ 8	\$ 152	\$ 96	\$ 16	\$ 112

Fiscal Year	Total Business-type Activities		
	Principal	Interest	Total
2024	\$ 22,106	\$ 8,268	\$ 30,374
2025	17,505	7,248	24,753
2026	18,497	6,431	24,928
2027	19,482	5,562	25,044
2028	20,450	4,894	25,344
2029-2033	90,515	12,922	103,437
2034-2038	38,225	2,392	40,617
Total	\$ 226,780	\$ 47,717	\$ 274,497

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to public and aviation liability, self-insured benefits, workers' compensation, and property and casualty claims. Public liability includes public officials' errors and omissions, law enforcement liability, premises liability, and automobile and general liability. The City is self-insured for the first \$2,000,000 of public liability, the first \$100,000 of property coverage, the first \$325,000 of health benefits claims for an individual in a fiscal year, and the first \$1,000,000 of workers' compensation claims. Coverage in excess of these respective amounts is provided through the purchase of commercial insurance. As for claim expenditures, settlements for each of the past three fiscal years have not exceeded the City's excess insurance coverage amounts for any claims.

The City reports its self-insurance activity in the Self-Insurance Internal Service Fund. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. As of June 30, 2023, the general liability claims payable totaled \$18,382,000 and the self-insured benefits claims payable totaled \$2,762,000.

	Fiscal Year Ended June 30 (in thousands)	
	2023	2022
Claims Payable, July 1	\$ 26,029	\$ 22,981
Current Year Claims Incurred	36,284	44,635
Current Year Claim Payments	<u>(41,168)</u>	<u>(41,587)</u>
Claims Payable, June 30	<u>\$ 21,145</u>	<u>\$ 26,029</u>

B. Contingent Liabilities

The City is subject to a number of lawsuits, investigations, and other claims that are incidental to its normal operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of City management, based on advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City. The City is self-insured for the first \$2,000,000 of public liability, coverage in excess of this amount is provided through the purchase of commercial insurance. For more information on the City's self-insurance, refer to Note V.A. above.

The City has entered into several agreements whereby it will reimburse developers a portion of development costs, interest, or sales tax generated on their site for a period of time and up to a maximum dollar amount. The funding source for the reimbursements will come from sales tax collected on the site over the life of the agreements. Depending on the terms of the agreement, the City does not become liable for payment until certain milestones are met. The City's estimated contingent liability related to these agreements as of June 30, 2023, is \$22.3 million.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

C. Joint Ventures

Sub-Regional Operating Group (SROG)

The City participates in the multi-city Subregional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) to govern the construction, operation, and maintenance of jointly used sewage treatment and transportation facilities. The facilities include the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor, and related transportation facilities. The City of Phoenix acts as lead agency and is responsible for the planning, budgeting, construction, operation, and maintenance of the facilities. In addition, the City of Phoenix provides all management, personnel, financing arrangements, and accepts federal grants on behalf of the participants. The JEPA requires each city to pay for its share of the actual cash costs of operating and maintaining the facilities based on relative sewage flows and strengths.

The City records its share of SROG's cash deposits, operating revenues, operating expenses, and its equity in the joint venture in the City's Water and Sewer Fund. For the fiscal year ended June 30, 2022, the latest audited information available from SROG, the City's net investment in SROG was \$79,213,000 or 13.38 percent of the equity balance. For the fiscal year ended June 30, 2023, the City paid \$4,573,400 for SROG capital contributions, shared in estimated revenues of \$3,780,639, estimated shared expenditures of \$14,308,463, resulting in a total estimated equity balance as of June 30, 2023, of \$65,896,899 and cash deposits of \$7,361,677.

The Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, for SROG (the latest SROG Annual Comprehensive Financial Report available) may be obtained from the Finance Department, City of Phoenix, Calvin C. Goode Building, Ninth Floor, 251 West Washington Street, Phoenix, AZ 85003.

Regional Wireless Cooperative (RWC)

The City participates in the Regional Wireless Cooperative (RWC), an association of municipalities formed in 2008 to oversee the administration, operation, management, and maintenance of an expanding regional communications network. The RWC was formed through an intergovernmental governance structure founded on the principles of cooperation for the mutual benefit of all members and has expanded to serve a still-growing list of cities, towns, and fire districts, along with many other area entities who serve public safety needs. A regional radio communications network was built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around the Greater Phoenix Metropolitan Region. Financial responsibilities are shared by all members based on their relative size as measured by the number of subscriber units (radios) on the network. The City of Phoenix is responsible for the day-to-day operations and maintenance of the network, as well as the management of the RWC's organization and finances.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The City records its share of contributions to the RWC, third party contributions paid to the RWC for the benefit of the City, and equity in the joint venture in the City's proprietary funds and government-wide financial statements. The equity balance as of June 30, 2022, the latest audited information available from RWC, was \$3,829,551 or 6.58 percent of the RWC's total net position. The City contributed \$279,319 for the fiscal year ended June 30, 2023, and shared in estimated depreciation expenses of \$599,224, resulting in an estimated equity balance as of June 30, 2023, of \$3,509,646. The RWC Annual Comprehensive Financial Statement is available from the Regional Wireless Cooperative, 200 West Washington Street, 14th Floor, Phoenix, Arizona, 85003-1611.

D. Pollution Remediation

In the proprietary funds financial statements, a long-term pollution remediation obligation is recognized for the remaining remediation period. In 1981, groundwater contamination was discovered when elevated levels of trichloroethylene (TCE) and other volatile organic chemicals were detected in two active City wells and three future wells. The City immediately shut down the affected wells. Following an investigation by the Environmental Protection Agency (EPA), the North Indian Bend Wash (NIBW) site which includes the five wells above was placed on the federal Superfund list in 1983.

The Superfund law was enacted to provide funding and regulatory authority for the study and cleanup of contaminated sites. The EPA, in conjunction with the State of Arizona, directs the cleanup of the NIBW site that encompasses a groundwater contamination plume in Scottsdale.

Following its investigation, the EPA identified three companies, Motorola Solutions Inc. (MSI), SMI Holdings, LLC, formerly Siemens Corporation, and GlaxoSmithKline Corporation, as the primary parties potentially responsible for causing the contamination and directed the companies to pay the costs associated with the cleanup. In 1991, the City, EPA, State of Arizona, Salt River Project (SRP), and the above-referenced participating companies entered a Consent Decree in order to begin the containment and remediation of the contaminated groundwater plume and provide Scottsdale citizens with a potable water source. The companies agreed to pay for the construction and operation of the Central Groundwater Treatment Facility (CGTF), an air stripping plant that removes contaminants from the affected wells. As the CGTF operator and drinking water provider, the City ensures the water produced by the plant meets all federal and state water quality standards before water is delivered into the City's distribution system. An Amended Consent Decree was signed by all parties in 2003 to capture additional voluntary and required work at the NIBW Site. No additional obligations were identified for the City.

To facilitate groundwater sustainability and plume management, in 2012 the City voluntarily entered into an agreement with MSI to operate an additional groundwater treatment facility that would be designed and constructed to deliver treated water to the Chaparral Water Treatment Plant (CWTP). The North Indian Bend Wash Granular Activated Carbon Treatment Facility (NGTF) was completed in late 2013 and began delivery of water to the CWTP in August 2014. The facility is a granular activated carbon plant that is owned by MSI but operated and maintained by the City to treat a well owned by SRP. The type of treatment chosen was due to the lower concentration of contaminants in the well. All costs are reimbursed to the City by MSI.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The measurement of the City's pollution remediation obligation liability includes all remediation work that the City expects to perform, including work expected to be performed for the participating companies. To estimate the CGTF liability, 16 projected cash flows, based on the prior 16 years of historical costs and weighted equally, were used to calculate an average annual cost. To estimate the NGTF liability, ten projected cash flows, based on the prior ten years of historical costs and weighted equally, were used to calculate an average annual cost. These average costs were then projected over the remaining remediation period of 51 years for the CGTF and the NGTF. The EPA estimated in its September 2011 review that future remediation will be required for approximately 50-70 years at each site. The most recent five-year EPA review, released in November 2022, did not quantify the remedial time needed to achieve aquifer restoration.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. The fiscal year 2023 reimbursable outlays for operating and monitoring the CGTF were \$679,345 and for the NGTF were \$214,753. The City has a reimbursement agreement with the responsible parties and the total liability is expected to be fully recovered by the participating companies and therefore a corresponding pollution remediation recoveries receivable has been accrued.

E. Related Organization

The Industrial Development Authority (IDA) is a non-profit corporation established by the City and granted incorporation by the Arizona Corporation Commission in 1984. The primary function of the IDA is to promote the retention, expansion, and attraction of businesses and commercial enterprises in Scottsdale. The City Council appoints the Board of Directors of the IDA and is also involved in granting and denying IDA bond applications.

F. Pension, Retirement, and Other Postemployment Benefit Plans

All eligible employees of the City, including the Mayor and the City Council, are covered by one of four pension plans. All full-time City employees, except public safety personnel (police officers and firefighters) and the Mayor and City Council, participate in the Arizona State Retirement System, a cost-sharing multiple-employer defined benefit pension plan. All public safety personnel participate in the Public Safety Personnel Retirement System, which consists of both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The Mayor and City Council participate in either the Elected Officials' Retirement Plan (a cost-sharing multiple-employer defined benefit pension plan) or the Elected Officials' Defined Contribution Retirement System (a defined contribution plan). The City contributes to the Elected Officials' Retirement Plan; however, the plan is not described below because of its relative insignificance to the financial statements. All plans are component units of the State of Arizona.

In addition to pension benefits, the City provides other postemployment benefits (OPEB) to Public Safety Personnel Retirement System accidental disability retirees through the City's self-insured health plan. The benefit terms are the same as those afforded to active employees; however, retirees participating in the Plan are required to pay 100 percent of the blended actuarial rate.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

A summary of pension and other postemployment benefit related items as of and for the year-ended June 30, 2023 is presented below (in thousands):

<u>Plan Description</u>	<u>Net Pension and OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension and OPEB Expense</u>	<u>Pension, Retirement, and OPEB Contributions</u>
Governmental Activities					
PSPRS- Police	\$ 163,708	\$ 23,532	\$ 3,196	\$ 23,799	\$ 33,501
PSPRS- Fire	29,066	30,330	3,194	3,432	3,871
EODCRS- Elected	-	-	-	13	-
ASRS	135,022	10,296	5,120	15,156	12,330
OPEB-City	699	218	2,102	(110)	71
Business-Type Activities					
ASRS	34,729	2,648	1,317	3,498	3,208
Total	<u>\$ 363,224</u>	<u>\$ 67,024</u>	<u>\$ 14,929</u>	<u>\$ 45,788</u>	<u>\$ 52,981</u>

Arizona State Retirement System

General Information about the Pension Plan

Plan Description

All eligible City employees, except public safety personnel and the Mayor and City Council, participate in the Arizona State Retirement System (ASRS). ASRS administers a cost-sharing multiple-employer defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the State and participating political subdivisions and school districts. ASRS is administered in accordance with Title 38, Chapter 5, Articles 2 and 2.1 of the Arizona Revised Statutes (ARS) and is a component unit of the State of Arizona. ASRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ASRS Financial Services Division, 3300 North Central Avenue, Phoenix, AZ 85012, or by visiting <https://www.azasrs.gov/content/annual-reports>. The ASRS other postemployment benefit plans are not further disclosed due to their relative insignificance to the financial statements.

Benefits Provided

ASRS provides retirement and survivor benefits. State statute establishes benefits terms. A member may retire upon meeting the following age and service requirements:

<u>Initial Membership Date</u>			
<u>Pre-July 1, 2011</u>		<u>July 1, 2011 and after</u>	
<u>Age</u>	<u>Years of Service</u>	<u>Age</u>	<u>Years of Service</u>
65	N/A	65	N/A
62	10	62	10
Age plus years of service total 80		60	25
		55	30

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The retirement benefit is based on a percentage of average monthly compensation (benefit multiplier) multiplied by the years of credited service. The compensation generally does not include lump sum payments on termination of employment for accumulated vacation leave, sick leave, compensation time pay, termination incentive pay, or any other form of termination pay (see discussion of pre-January 1, 1984, members below). The benefit multiplier percentage and average monthly compensation are defined in the following schedules:

<u>Years of Service</u>	<u>Multiplier</u>
0.00-19.99 years	2.10%
20.00-24.99 years	2.15%
25.00-29.99 years	2.20%
30.00 or more years	2.30%

<u>Membership Date</u>	<u>Average Monthly Compensation</u>
Pre-July 1, 2011	36 consecutive months of highest compensation within final 120 months of service
July 1, 2011 and after	60 consecutive months of highest compensation within final 120 months of service

Members who began participation in the Plan prior to January 1, 1984, may choose to have average monthly compensation determined based upon the period of 60 consecutive months during which the member receives the highest compensation within the last 120 months of service, including lump sum payments as described above. Members who attain age 50 with at least five years of total credited service may take an early retirement; however, the amount of their retirement benefit is actuarially reduced.

Survivor benefits are applicable if death occurs prior to retirement, and are payable, at the option of the beneficiary, by either of the following methods:

1. A lump sum equal to the sum of (a) and (b):
 - a. the sum of the member's combined (member and employer) accumulated contribution balance with compound interest at a rate determined by the board through the day of the payment of the benefit, and
 - b. the amount of the member's combined (member and employer) accumulated account, along with any supplemental credits transferred from the System (closed portion of ASRS) to the Plan with compound interest at a rate determined by the board through the day of the payment of the benefit.
2. The beneficiary may elect to receive a monthly income, in the single life form, which is actuarially equivalent to the lump sum above.

Retirees who have been retired one year are eligible for a permanent benefit increase (PBI) up to a maximum of 4 percent. The PBI is paid from a reserve of "Excess Investment Earnings." If there are no "Excess Investment Earnings" in reserve, then no PBI is paid. Further, PBI enhancements (EPBI) provide retired members with at least ten years of service who have been retired five or more years an additional benefit. For each complete 5-year period the member has been retired, an incremental benefit is paid if monies to pay the benefit are available. This benefit is funded by an interest credit of 8 percent of the reserve for future PBIs. Due to legislation enacted in the 2013 legislative session, PBIs and EPBIs will not be awarded to members hired on or after September 13, 2013.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Contributions

The ARS provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of the City's covered payroll. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is authorized to approve a contribution rate other than the actuarially determined rate. Employees were required to contribute 12.03 percent of their annual pay for the fiscal year ended June 30, 2023, and the City's required contribution rate was 11.92 percent during the same period. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.62 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The required contribution rate for the fiscal year ended June 30, 2023, was actuarially determined to yield contribution amounts sufficient to finance costs earned by employees during the year and to amortize the Plan's unfunded actuarially accrued liability over the period specified in the statutes. Contributions to the pension plan from the City were \$15,538,000 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the City reported a liability of \$169,751,098 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2021. Update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the collective net pension liability was based on the City's proportionate share of accrued contributions to the pension plan relative to the contributions of all participating entities for the fiscal year ended June 30, 2022. As of June 30, 2022, the City's proportion was 1.04000 percent, which was an increase of 0.03061 percent over its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the City recognized a collective pension expense of \$18,654,399. As of June 30, 2023, the City reported a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,445	\$ -
Changes in assumptions	8,425	-
Net difference between projected and actual earnings on pension plan investments	-	4,471
Changes in proportion and differences between City contributions and proportionate share of contributions	3,074	1,966
City contributions subsequent to the measurement date	15,538	-
Total	\$ 28,482	\$ 6,437

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The \$15,538,000 reported as a collective deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal year ending June 30:

2024	\$	7,693
2025		(578)
2026		(7,763)
2027		7,157
2028		-
Thereafter		-

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Amortization method	
Plan amendments	Immediate
Investment gain/loss	Five years
Assumption gain/loss	Average remaining service lives
Experience gain/loss	Average remaining service lives
Proportion/proportionate share gain/loss	Average remaining service lives
Asset valuation	Fair value
Discount rate	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The ASRS Board adopted the experience study recommended changes which were first applied to the June 30, 2021, actuarial valuation.

The expected long-term rate of return on ASRS pension plan investments was determined to be 4.19 percent (excluding investment expense and inflation) using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Asset Class	Target Asset Allocation	Real Return Geometric Basis	Long-Term Contribution to Expected Real Return
Equity	50%	3.90%	1.95%
Fixed Income - Credit	20%	5.30%	1.06%
Fixed Income - Interest Rate Sensitive	10%	-0.20%	-0.02%
Real estate	20%	6.00%	1.20%
Total	<u>100%</u>		<u>4.19%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made on the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.0 percent, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate (in thousands):

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the collective net pension liability	\$ 250,463	\$ 169,751	\$ 102,450

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. The financial statements of ASRS are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America that apply to government accounting of fiduciary funds issued by the Governmental Accounting Standards Board. Benefits and refunds are recognized when due and payable.

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Cash and short-term investments generally include cash, foreign currencies, short-term investment funds, and U.S. Treasury bills that mature within one year. These investments are reported at cost. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System

General Information about the Pension Plan

Plan Description

All the City's sworn public safety personnel participate in the Public Safety Personnel Retirement System (PSPRS). PSPRS administers both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The defined contribution plan is only available to police department members who became a member on or after July 1, 2017, and fire department members who became a member on or after January 1, 2012. The defined benefit and defined contribution pension plans are administered in accordance with Title 38, Chapter 5, Articles 4 and 4.1, respectively, of the Arizona Revised Statutes (ARS). PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees (the Board) and 230 local boards. PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <https://www.psprs.com/investments--financials/annual-reports>. The PSPRS other postemployment benefit plan is not further disclosed due to its relative insignificance to the financial statements.

Benefits Provided

PSPRS provides retirement, disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits for employees who became a member on or before December 31, 2011 (Tier 1 members) commence the first day of the month following termination of employment and are calculated based upon the following age and service requirements:

1. Age 62 with 15 years of service, or 20 years of service with less than 20 years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service. The pension is reduced by 4 percent per year for each year of credited service under 20 years.
2. 20 to 24.99 years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service plus 2 percent of the average monthly benefit compensation for each year of credited service between 20 and 24.99.
3. 25 or more years of credited service: 50 percent of the average monthly benefit compensation for the first 20 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year of credited service above 20 years - up to a maximum of 80 percent of the average monthly benefit compensation.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Retirement benefits for employees who became a member on or after January 1, 2012, and on or before June 30, 2017, (Tier 2 members) commence the first day of the month following termination of employment and are calculated based upon the following age and service requirements:

1. Age 52.5 with 15 years of credited service but less than 25 years: average monthly benefit compensation multiplied by a multiplier that varies by years of service, from 1.5 percent to 2.5 percent per year of service, multiplied by the number of years of service.
2. Age 52.5 with 25 years of service: 62.5 percent of the average monthly benefit compensation. Benefits will be reduced by 4 percent for each year of credited service under 25 years.
3. 25 or more years of service: 62.5 percent of the average monthly benefit compensation for the first 25 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80 percent of the average monthly benefit compensation. The pension is reduced by 4 percent per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years.

Retirement benefits for employees who became a member on or after July 1, 2017, (Tier 3 members) are contingent upon which retirement plan is chosen by a member. This group of members has an irrevocable choice of enrolling in either the defined benefit plan (police employees) or a hybrid plan, which has elements of both a defined benefit and defined contribution plan (fire employees), or a defined contribution plan in lieu of the respective choices listed above (both police and fire employees). If enrolling in the defined benefit plan or hybrid plan, benefits (defined benefit portion only for the hybrid plan) commence the first day of the month following termination of employment and are based upon the following age and service requirements:

1. Age 55 with 15 or more years of credited service: average monthly benefit compensation times a multiplier that varies by years of service, from 1.5 percent to 2.5 percent per year of service, times the number of years of service - up to a maximum of 80 percent of the average monthly benefit compensation.
2. An individual who became a member on or after July 1, 2017, and reaches age 52.5 with at least 15 years of credited service may take an early retirement; however, the amount of his or her retirement benefit is actuarially reduced.

The phrase “average monthly benefit compensation,” as it is used in the above discussion, is defined in the following schedule:

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

<u>Membership Tier</u>	<u>Average Monthly Compensation</u>
Tier 1	36 consecutive months of highest covered payroll within the last 20 years of service
Tier 2	60 consecutive months of highest covered payroll within the last 20 years of service
Tier 3	60 consecutive months of highest compensation within the last 15 years of service

Disability benefits are calculated as follows:

Accidental Disability Retirement:	50% of average monthly compensation, or the monthly Normal Retirement pension that the member is entitled to receive if he or she retired immediately, whichever is greater.
Catastrophic Disability Retirement:	90% of Average Monthly Benefit Compensation for the first 60 months. Thereafter, the benefit is the greater of 62.5% of Average Monthly Benefit Compensation and the member's accrued normal pension.
Ordinary Disability Retirement:	Normal Retirement pension that the member is entitled to receive, prorated based on Credited Service earned over the required Credited Service for Normal Retirement (maximum ratio of 1).

Survivor benefits are paid on behalf of an active member in the amount of 80 percent of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the benefit is 100 percent of the member's Average Monthly Benefit Compensation. The benefit amount is allocated to the surviving spouse and, if applicable, eligible children. If there is no surviving spouse, and there is at least one eligible child, the guardian of the eligible child(ren) and the eligible child(ren) are the recipients of the benefit. If there is no surviving spouse or eligible child(ren), the member's named refund beneficiary on file will receive the member's accumulated contributions. Benefits are paid on behalf of an inactive, non-retired member to the member's named beneficiary in the amount of the member's accumulated contributions. Death benefits are paid on behalf of a retired member in a manner similar to an active member. The surviving spouse will receive 80 percent of the member's pension benefit for life.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

A retired member, or survivor of a retired member, may be eligible for a cost-of-living adjustment (COLA) from the System if monies are available. COLA eligibility and calculation is contingent upon the member's hire date.

Members, or survivors of retired members, who were hired before July 1, 2017, are eligible to receive a compounding COLA on the base benefit of up to 2 percent per year. The COLA will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics.

Members, or survivors of retired members, who were hired on or after July 1, 2017, are eligible to receive a compounding COLA on the base benefit, beginning at the earlier of the first calendar year after the seventh anniversary of the retired member's retirement or when the retired member is or would have been sixty years of age. The COLA will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. COLA adjustments will be received for this cohort if the following conditions are met:

Ratio of Actuarial Value of Assets to Liabilities	Maximum increase
70-80%	1.00%
80-90%	1.50%
>90%	2.00%

Employees Covered by Benefit Terms

As of June 30, 2023, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	365
Inactive plan members entitled to but not yet receiving benefits	155
Active plan members	<u>577</u>
Total	<u><u>1,097</u></u>

Contributions

ARS Title 38, Chapter 5, Article 4, Section 38-843 provides the authority for determining the City and active employee contribution requirements to the PSPRS pension plan. The contribution rates for employers are based on an actuarially determined rate recommended by an independent actuary contracted by the Board. The contribution rates for employees are prescribed by the ARS Section referenced above. For Tier 1 and Tier 2 employees, the actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned during the year by these employees, with an additional amount to finance any unfunded accrued liability. The unfunded accrued liability portion of the rate is paid by the City as a percentage of the pay of all the City's active PSPRS members, regardless of start date.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

For Tier 3 employees, each employer shall make contributions sufficient to pay fifty percent of both the normal cost plus the actuarially determined amount required to amortize the total unfunded accrued liability attributable only to those members hired on or after July 1, 2017. As noted above, the City will also pay an amount to finance any unfunded accrued liability relating to employees hired before July 1, 2017.

The City's contribution rates for fiscal year ended June 30, 2023 were:

Police	Tier 1		Tier 2		Tier 3	
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later	7/1/2017 or later		
Plan type	Defined benefit	Defined benefit	Defined benefit	Defined benefit	Defined contribution	
Employee contribution rate	7.65%	11.65%	11.65%	9.73%	9.00%	
Employer contribution rate	63.27%	63.27%	63.27%	59.19%	58.46%	

Fire	Tier 1		Tier 2		Tier 3		
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later		7/1/2017 or later		
Plan type	Defined benefit	Defined benefit	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined contribution
Employee contribution rate	7.65%	11.07%	11.07%	3.00%	10.33%	3.00%	9.00%
Employer contribution rate	23.17%	23.17%	23.17%	4.00%	19.93%	3.00%	18.60%

Participants' defined contributions and the earnings on those contributions are immediately vested. A participant is fully vested in employer contributions after ten years of service; the vesting occurs at a rate of ten percent per year. If a participant dies or is determined to be eligible for an accidental or catastrophic disability pension before completing ten years of service, the employer contributions are immediately fully vested. In addition, the City was required by statute to contribute an actuarially determined rate (49.46 percent for police employees and 9.60 percent for fire employees) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to PSPRS. The City's contributions to the pension plan for the fiscal year ended June 30, 2023, were \$37,372,013.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

ARS Title 9, Chapter 8, Article 3, Section 9-952 requires the state treasurer to distribute a fire insurance premium tax to the respective incorporated cities and towns and legally organized fire districts in proportion to the full cash value of the real property and improvements in each incorporated city and town and legally organized fire district that procures the services of a private fire company and in each area served by a fire department or legally organized fire district. The annual tax provided by law is based on a portion of the premiums received on policies and contracts of fire insurance covering property within the state. The warrant issued by the state treasurer is deposited on the City's behalf into the pension plan. PSPRS received \$2,284,183 of fire insurance premium tax for the City's fire pension plan for the fiscal year ended June 30, 2023. PSPRS accounts for the fire insurance premium tax collected for the City as employer contributions.

Net Pension Liability

The City's net pension liability of \$192,774,130 was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the June 30, 2022, measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	0.75%-12.50%
Tier 1/2 Investment Rate of Return	7.20% (decreased from 7.3% from prior year)
Tier 3 Investment Rate of Return	7.00%
Mortality rates	<p>Active Lives: PubS-2010 Employee mortality, adjusted by a factor of 1.03 for male members and 1.08 for female members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021). 100% of active deaths are assumed to be in the line of duty.</p> <p>Inactive Lives: PubS-2010 Healthy Retiree mortality, adjusted by a factor of 1.03 for male retirees and 1.11 for female retirees, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).</p> <p>Beneficiaries: PubS-2010 Survivor mortality, adjusted by a factor of 0.98 for male beneficiaries and adjusted by a factor of 1.06 for female beneficiaries, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).</p> <p>Disabled Lives: PubS-2010 Disabled mortality, adjusted by a factor of 1.08 for male disabled members and 1.01 for female disabled members, with generational improvements using 85% of the most recent projection scale (currently Scale MP-2021).</p>

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

The long-term expected rate of return on pension plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation adopted as of June 30, 2022, as provided by PSPRS, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash - Mellon	1%	-0.35%
Core Bonds	2%	0.45%
Other Assets (Capital Appreciation)	7%	4.83%
Diversifying Strategies	10%	2.68%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Private Credit	20%	5.10%
U.S. Public Equity	24%	3.49%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for Tier 1/2 members and 7.00 percent for Tier 3 members. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the PSPRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Changes in the Net Pension Liability

Public Safety Personnel Retirement System (Police)
Changes in the Net Pension Liability
(in thousands)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 6/30/22	\$ 419,763	\$ 253,961	\$ 165,802
Changes for the year:			
Service cost	7,411	-	7,411
Interest	30,359	-	30,359
Changes of benefit terms	-	-	-
Differences between expected and actual experience	3,688	-	3,688
Changes of assumptions	4,494	-	4,494
Contributions-employer	-	56,142	(56,142)
Contributions-employee	-	3,216	(3,216)
Net investment income	-	(11,123)	11,123
Benefit payments, including refunds of employee contributions	(22,603)	(22,603)	-
Administrative expense	-	(200)	200
Other changes	-	11	(11)
Net changes	23,349	25,443	(2,094)
Balances at 6/30/23	\$ 443,112	\$ 279,404	\$ 163,708

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Public Safety Personnel Retirement System (Fire)
Changes in the Net Pension Liability
(in thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/22	\$ 151,232	\$ 140,018	\$ 11,214
Changes for the year:			
Service cost	5,760	-	5,760
Interest	11,338	-	11,338
Changes of benefit terms	-	-	-
Differences between expected and actual experience	12,155	-	12,155
Changes of assumptions	347	-	347
Contributions-employer	-	10,807	(10,807)
Contributions-employee	-	6,882	(6,882)
Net investment income	-	(5,847)	5,847
Benefit payments, including refunds of employee contributions	(3,348)	(3,348)	-
Administrative expense	-	(105)	105
Other changes	-	11	(11)
Net changes	26,252	8,400	17,852
Balances at 6/30/23	\$ 177,484	\$ 148,418	\$ 29,066

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent for Tier 1/2 members and 7.00 percent for Tier 3 members, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20/6.00 percent) or 1-percentage-point higher (8.20/8.00 percent) than the current rate (in thousands):

	1% Decrease (6.20%/6.00%)	Discount Rate (7.20%/7.00%)	1% Increase (8.20%/8.00%)
Police net pension liability	\$ 224,304	\$ 163,708	\$ 114,314
Fire net pension liability	56,697	29,066	6,513

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. PSPRS financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of PSPRS. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

PSPRS investments are reported at fair value. Short-term investments are reported at cost plus accrued interest. Derivative instruments' fair values are determined by the custodial agent. The fair value of limited partnership investments is based on estimated current value and accepted industry practice.

Fair value measurements are categorized within the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Fair values are determined as follows:

- Level 1 - Unadjusted quoted prices for identical instruments in active markets
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable

The fair value of alternative investments is based on the investments' NAV per share. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner of each fund or by the investment manager responsible for that sector.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2023, the City recognized pension expense of \$26,878,452 related to the defined benefit plan and the defined benefit portion of the hybrid plan and \$352,481 related to the defined contribution plan and the defined contribution portion of the hybrid plan. As of June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,332	\$ 6,390
Changes of assumptions	11,185	-
Net difference between projected and actual earnings on pension plan investments	8,345	-
City contributions subsequent to the measurement date	37,372	-
Total	<u>\$ 91,234</u>	<u>\$ 6,390</u>

City contributions, subsequent to the measurement date, of \$37,372,013 were reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal year ending June 30:

2024	\$ 10,666
2025	8,682
2026	2,962
2027	13,328
2028	2,684
Thereafter	9,150

Elected Officials' Defined Contribution Retirement System

The City contributes to the Elected Officials' Defined Contribution Retirement System (EODCRS), which includes a defined contribution pension plan for elected officials and judges of certain state, county, and local governments. Participants in this plan include only those elected officials who began service subsequent to December 31, 2013 and had no relationship to ASRS or EORP at the inception of service. The Board of Trustees of the PSPRS is also the administrator for the EODCRS.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Benefit terms, including contribution requirements, for EODCRS are established by Title 38, Chapter 5, Article 3.1 of the Arizona Revised Statutes (ARS) and may be amended by the State of Arizona. For each member of EODCRS, the City is required to contribute 6 percent of gross compensation to an individual member retirement account. Members are required to contribute 8 percent of gross compensation to their retirement account. Members are immediately vested in both their and the City's contributions and earnings on those contributions. For the fiscal year ended June 30, 2023, the City recognized pension expense of \$13,200.

Postemployment Benefits Other Than Pensions (OPEB)

The cost of postemployment healthcare benefits, from an accrual accounting perspective, should be associated with the periods in which the future costs are earned rather than in the future years when they will be paid (similar to the cost of pension benefits). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* requires the City to recognize the entire OPEB liability and a comprehensive measure of OPEB expense. The comprehensive measure of OPEB expense includes immediate recognition in OPEB expense of the effects of changes of benefit terms, as well as the incorporation of the amortization of deferred inflows of resources and deferred outflows of resources related to OPEB over a defined, closed period.

Plan Description

The City's defined benefit OPEB plan ("the Plan") provides OPEB for eligible retired employees through a single employer defined benefit medical plan administered by the City. The City Council, by way of resolution, grants itself the authority, on an annual basis, to reestablish and amend the benefit terms and financing requirements of the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

The Plan offers medical benefits to its eligible retirees and their dependents through the City's self-insured health plan. An eligible retiree is a Public Safety Personnel Retirement System accidental disability retired employee. Eligible retirees can enroll in a City plan up to 60 days after they retire; after that their eligibility for this benefit ceases. The benefit terms are the same as those afforded to active employees; however, retirees participating in the Plan are required to pay 100 percent of the blended actuarial rate, while employees pay less than the full amount. Upon a retiree reaching 65 years of age, the retiree and related dependents are no longer eligible for City coverage.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

As of June 30, 2023, Membership Consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	14
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>659</u>
 Total	 <u><u>673</u></u>

Total OPEB Liability

The City's total OPEB liability of \$699,000 was measured as of July 1, 2022, as determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.25% wage inflation plus merit and longevity increases ranging from 0.0% to 11.75%
Discount Rate	4.09%
Healthcare Cost Trend Rates*	6.55% for 2023, 7.00% for 2024, and then decreasing 0.5% per year to an ultimate rate of 4.50% for 2029 and later years
Retirees' Share of Benefit-Related Costs	100%

*The initial trend rate reflects the City's actual projected cost increases from fiscal year 2023 to 2024.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the following:

Healthy Police and Fire retirees:	SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021
Disabled Police and Fire retirees:	SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2021
Surviving Spouses:	SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Changes in the Total OPEB Liability

(in thousands)

	<u>Total OPEB Liability</u>
Balance at 6/30/22	\$ 831
Changes for the year:	
Service cost	101
Interest	19
Differences between expected and actual experience	(106)
Changes of assumptions/other inputs	(62)
Benefit payments	(84)
Net changes	<u>(132)</u>
Balance at 6/30/23	<u>\$ 699</u>

Changes in assumptions reflect the following:

1. Change in the discount rate from 2.19 percent as of the beginning of the year to 4.09 percent as of the end of the year.
2. The termination rates for public safety employees have been updated based on the Maricopa County rates from the Police and Fire Public Safety Personnel Retirement System actuarial valuation as of June 30, 2022.
3. The retirement rates for public safety employees have been updated based on the Maricopa County rates from the Police and Fire Public Safety Personnel Retirement System actuarial valuation as of June 30, 2022.
4. The salary scale for public safety employees have been updated based on the Maricopa County rates from the Police and Fire Public Safety Personnel Retirement System actuarial valuation as of June 30, 2022.
5. Healthcare trend rates have been updated to reflect actual premium increases from fiscal year 2023 to fiscal year 2024, followed by an annual trend of 7.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current discount rate (in thousands):

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB Liability	\$ 721	\$ 699	\$ 676

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50 percent decreasing to 3.50 percent) or 1-percentage-point higher (7.50 percent decreasing to 5.50 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (5.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Total OPEB Liability	\$ 638	\$ 699	\$ 769

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$(109,949). As of June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,125
Change of assumptions or other inputs	218	977
City benefits paid subsequent to the measurement date	71	-
Total	<u>\$ 289</u>	<u>\$ 2,102</u>

The \$70,607 reported as a deferred outflow of resources related to OPEB resulting from City benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal year ending June 30:

2024	\$ (231)
2025	(231)
2026	(230)
2027	(230)
2028	(220)
Thereafter	(742)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2023

G. Other Postemployment Benefits

In addition to pension benefits, the City provides an option for post-retirement healthcare benefits, in accordance with Chapter 14 of the City Code. Employees hired before July 1, 1982, receive cash equal to 50 percent of the first 520 hours of unused medical leave plus 25 percent of all hours in excess of 520. The conversion rate is the employee's average hourly base pay rate for the five years immediately preceding retirement. The medical leave not paid out in cash is applied to a retirement health savings account at the employee's hourly rate of pay at the time of retirement. For shift fire employees with 420 or more hours and all other retirees with 300 or more hours of accumulated medical leave hired on or after July 1, 1982, the City will apply the value of the medical leave to a retirement health savings account. Medical leave balances accumulated through June 30, 2011, will be paid at 100 percent of the employee's hourly rate at the time of retirement. Medical leave balances accumulated July 1, 2011, or after will be paid out at 50 percent of the employee's hourly rate at retirement. Additionally, the payout is limited to the value of 1,200 combined hours for all retirees, except shift fire employees, who are limited to 1,680 hours earned both before and after July 1, 2011, unless more than 1,200 or 1,680 hours, respectively, were accrued prior to July 1, 2011. Total hours accrued before July 1, 2011, will be paid without limitation.

The projected liability for active employees, as of June 30, 2023, was \$16,697,141. The projected liability was considered payable within one year or greater, and all but the current portion of \$39,267 was therefore considered noncurrent and included in both the proprietary fund and government-wide financial statements. Significant actuarial assumptions of the January 1, 2023, actuarial valuation include: a) mortality rates based on the SOA Pub-2010 General (for non-PSPRS-eligible personnel)/Public Safety (for PSPRS-eligible personnel) Headcount Weighted Mortality Table fully generational using Scale MP-2021; b) interest compounded 4.0 percent annually; c) salary increases at a rate of 3 percent to 4 percent based on years of service; and d) Traditional Unit Credit cost method based on participant data as of December 31, 2022.

Proportionate Share of Collective Net Pension Liability for Cost-Sharing Pension Plan

**Schedule of the City's Proportionate Share of the Collective Net Pension Liability
Arizona State Retirement System
Last Nine Fiscal Years (dollars in thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the collective net pension liability	1.040000%	1.009390%	1.050150%	1.049160%	1.055510%	1.056820%	1.086990%	1.099760%	1.102563%
City's proportionate share of the collective net pension liability	\$169,751	\$132,630	\$181,954	\$152,665	\$147,206	\$164,632	\$175,451	\$171,304	\$163,142
City's covered payroll	\$124,179	\$110,303	\$114,944	\$110,748	\$105,097	\$107,259	\$101,917	\$101,962	\$99,077
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	136.70%	120.24%	158.30%	137.85%	140.07%	153.49%	172.15%	168.01%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Note: The Arizona State Retirement System report may be obtained by writing to ASRS Financial Services Division, 3300 North Central Avenue, Phoenix, AZ 85012, or by visiting <https://www.azasrs.gov/content/annual-reports>.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended June 30, 2015. Information prior to fiscal year 2015 is not available.

Changes in the City's Net Pension Liability (Asset) and Related Ratios for Agent Pension Plans

Public Safety Personnel Retirement System (Police) Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Nine Fiscal Years (dollars in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 7,411	\$ 7,480	\$ 7,402	\$ 8,154	\$ 7,103	\$ 7,841	\$ 6,603	\$ 6,537	\$ 6,363
Interest	30,359	29,613	27,559	25,834	24,013	22,479	20,570	19,640	16,898
Changes of benefit terms	-	-	-	-	-	2,584	17,206	-	3,987
Differences between expected and actual experience	3,688	(4,736)	12,629	3,089	4,880	(921)	(3,203)	87	(896)
Changes of assumptions or other inputs	4,494	-	-	9,123	-	9,028	11,023	-	22,122
Benefit payments, including refunds of employee contributions	(22,603)	(21,540)	(17,538)	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Net change in total pension liability	23,349	10,817	30,052	29,688	20,521	24,772	38,140	11,429	36,063
Total pension liability-beginning	419,763	408,946	378,894	349,206	328,685	303,913	265,773	254,344	218,281
Total pension liability-ending (a)	<u>\$ 443,112</u>	<u>\$ 419,763</u>	<u>\$ 408,946</u>	<u>\$ 378,894</u>	<u>\$ 349,206</u>	<u>\$ 328,685</u>	<u>\$ 303,913</u>	<u>\$ 265,773</u>	<u>\$ 254,344</u>
Plan fiduciary net position									
Contributions-employer	\$ 56,142	\$ 19,326	\$ 18,854	\$ 17,387	\$ 15,491	\$ 11,888	\$ 11,710	\$ 8,970	\$ 7,997
Contributions-employee	3,216	3,063	3,649	3,343	3,438	3,983	4,230	3,944	3,495
Net investment income	(11,123)	55,286	2,471	9,714	11,537	17,104	842	5,113	17,047
Benefit payments, including refunds of employee contributions	(22,603)	(21,540)	(17,538)	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Administrative expense	(200)	(260)	(202)	(171)	(176)	(152)	(122)	(125)	(137)
Other changes	11	21	35	9	(34)	(134)	(36)	(243)	(50)
Net change in plan fiduciary net position	25,443	55,896	7,269	13,770	14,781	16,450	2,565	2,824	15,941
Plan fiduciary net position-beginning	253,961	198,065	190,914	177,208	162,427	145,977	143,412	140,588	124,647
Adjustment to Beginning of Year	-	-	(118)	(64)	-	-	-	-	-
Plan fiduciary net position-ending (b)	<u>\$ 279,404</u>	<u>\$ 253,961</u>	<u>\$ 198,065</u>	<u>\$ 190,914</u>	<u>\$ 177,208</u>	<u>\$ 162,427</u>	<u>\$ 145,977</u>	<u>\$ 143,412</u>	<u>\$ 140,588</u>
City's net pension liability-ending ((a) - (b))	<u>\$ 163,708</u>	<u>\$ 165,802</u>	<u>\$ 210,881</u>	<u>\$ 187,980</u>	<u>\$ 171,998</u>	<u>\$ 166,258</u>	<u>\$ 157,936</u>	<u>\$ 122,361</u>	<u>\$ 113,756</u>
Plan fiduciary net position as a percentage of the total pension liability	63.05%	60.50%	48.43%	50.39%	50.75%	49.42%	48.03%	53.96%	55.27%
Covered payroll	\$ 34,540	\$ 33,349	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
City's net pension liability as a percentage of covered payroll	473.97%	497.17%	601.33%	594.35%	493.27%	490.49%	477.54%	369.95%	361.84%

Note: The Public Safety Personnel Retirement System report may be obtained by writing to Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <http://www.psprs.com/investments--financials/annual-reports>.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended June 30, 2015. Information for the prior years is not available.

Public Safety Personnel Retirement System (Fire)
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios
Last Nine Fiscal Years (dollars in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 5,760	\$ 5,565	\$ 5,457	\$ 6,378	\$ 5,098	\$ 5,009	\$ 4,077	\$ 3,720	\$ 3,509
Interest	11,338	10,094	8,387	7,654	6,729	5,797	4,655	4,037	3,449
Changes of benefit terms	-	-	-	-	-	639	7,546	-	(448)
Differences between expected and actual experience	12,155	4,095	11,517	(2,821)	(2,004)	1,264	(877)	994	462
Changes of assumptions or other inputs	347	-	-	2,644	-	1,881	3,303	-	1,157
Benefit payments, including refunds of employee contributions	(3,348)	(2,458)	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
Net change in total pension liability	26,252	17,296	23,656	12,596	8,776	13,658	17,274	8,060	7,349
Total pension liability-beginning	151,232	133,936	110,280	97,684	88,908	75,250	57,976	49,916	42,567
Total pension liability-ending (a)	\$ 177,484	\$ 151,232	\$ 133,936	\$ 110,280	\$ 97,684	\$ 88,908	\$ 75,250	\$ 57,976	\$ 49,916
Plan fiduciary net position									
Contributions-employer	\$ 10,807	\$ 4,704	\$ 4,219	\$ 2,830	\$ 6,061	\$ 2,737	\$ 2,974	\$ 2,247	\$ 2,392
Contributions-employee	6,882	2,502	2,653	2,946	1,981	2,551	2,693	2,337	2,629
Net investment income	(5,847)	30,222	1,307	4,863	5,520	7,822	358	2,046	6,294
Benefit payments, including refunds of employee contributions	(3,348)	(2,458)	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
Administrative expense	(105)	(140)	(106)	(85)	(85)	(70)	(52)	(50)	(51)
Other changes	11	-	-	-	16	1	(53)	12	(60)
Net change in plan fiduciary net position	8,400	34,830	6,368	9,295	12,446	12,109	4,490	5,901	10,424
Plan fiduciary net position-beginning	140,018	105,188	98,906	89,627	77,181	65,072	60,582	54,681	44,257
Adjustment to Beginning of Year	-	-	(86)	(16)	-	-	-	-	-
Plan fiduciary net position-ending (b)	\$ 148,418	\$ 140,018	\$ 105,188	\$ 98,906	\$ 89,627	\$ 77,181	\$ 65,072	\$ 60,582	\$ 54,681
City's net pension liability (asset)-ending ((a) - (b))	\$ 29,066	\$ 11,214	\$ 28,748	\$ 11,374	\$ 8,057	\$ 11,727	\$ 10,178	\$ (2,606)	\$ (4,765)
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.62%	92.58%	78.54%	89.69%	91.75%	86.81%	86.47%	104.49%	109.55%
Covered payroll	\$ 27,018	\$ 25,764	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
City's net pension liability as a percentage of covered payroll	107.58%	43.53%	114.14%	46.66%	34.74%	49.90%	47.34%	0.00%	0.00%

Note: The Public Safety Personnel Retirement System report may be obtained by writing to Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <http://www.psprs.com/investments--financials/annual-reports>.

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended June 30, 2015. Information for the prior years is not available.

**Schedule of City Contributions
Arizona State Retirement System
Last Ten Fiscal Years (dollars in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 15,538	\$ 14,892	\$ 13,242	\$ 13,151	\$ 12,384	\$ 11,437	\$ 11,540	\$ 11,049	\$ 11,092	\$ 10,635
Employer contributions in relation to the statutorily required contribution	(15,538)	(14,892)	(13,242)	(13,151)	(12,384)	(11,437)	(11,540)	(11,049)	(11,092)	(10,635)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 130,436	\$ 124,179	\$ 110,303	\$ 114,944	\$ 110,748	\$ 105,097	\$ 107,259	\$ 101,917	\$ 101,962	\$ 99,077
Contributions as a percentage of covered payroll	11.91%	11.99%	12.01%	11.44%	11.18%	10.88%	10.76%	10.84%	10.88%	10.73%

**Schedule of City Contributions
Public Safety Personnel Retirement System (Police)
Last Ten Fiscal Years (dollars in thousands)**

	<u>2023⁽¹⁾</u>	<u>2022⁽¹⁾</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 22,196	\$ 20,225	\$ 19,171	\$ 18,850	\$ 17,296	\$ 15,341	\$ 12,328	\$ 11,635	\$ 8,921	\$ 7,997
Employer contributions in relation to the actuarially determined contribution	<u>(33,501)</u>	<u>(56,145)</u>	<u>(19,171)</u>	<u>(18,850)</u>	<u>(17,296)</u>	<u>(15,341)</u>	<u>(12,328)</u>	<u>(11,635)</u>	<u>(8,921)</u>	<u>(7,997)</u>
Contribution deficiency (excess)	<u>\$ (11,305)</u>	<u>\$ (35,920)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 35,260	\$ 34,540	\$ 33,349	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
Contributions as a percentage of covered payroll	95.01%	162.55%	57.49%	53.75%	54.69%	44.00%	36.37%	35.18%	26.97%	25.44%

⁽¹⁾ City made additional contributions during fiscal years 2022 and 2023 to pay down total pension liability.

**Schedule of City Contributions
Public Safety Personnel Retirement System (Fire)
Last Ten Fiscal Years (dollars in thousands)**

	2023	2022 ⁽¹⁾	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 6,155	\$ 5,533	\$ 4,731	\$ 4,167	\$ 4,577	\$ 3,924	\$ 2,840	\$ 2,626	\$ 2,276	\$ 2,392
Employer contributions in relation to the actuarially determined contribution	<u>(6,155)</u>	<u>(10,533)</u>	<u>(4,731)</u>	<u>(4,167)</u>	<u>(4,577)</u>	<u>(3,924)</u>	<u>(2,840)</u>	<u>(2,626)</u>	<u>(2,276)</u>	<u>(2,392)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 28,153	\$ 27,018	\$ 25,764	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
Contributions as a percentage of covered payroll	21.86%	38.99%	18.36%	16.54%	18.78%	16.92%	12.09%	12.22%	11.15%	12.37%

⁽¹⁾ City made additional contributions during fiscal year 2022 to pay down total pension liability.

Changes in the City's Total OPEB Liability and Related Ratios

**Total OPEB Liability and Related Ratios
Last Six Fiscal Years (dollars in thousands)**

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 101	\$ 323	\$ 274	\$ 236	\$ 241	\$ 260
Interest	19	58	83	89	85	67
Differences between expected and actual experience	(106)	(236)	(587)	(261)	(278)	(230)
Changes of assumptions/other inputs	(62)	(1,100)	121	126	(38)	125
Benefit payments	(84)	(137)	(145)	(116)	(101)	(111)
Net change in total OPEB liability	(132)	(1,092)	(254)	74	(91)	111
Total OPEB liability-beginning	831	1,923	2,177	2,103	2,194	2,083
Total OPEB liability-ending	<u>\$ 699</u>	<u>\$ 831</u>	<u>\$ 1,923</u>	<u>\$ 2,177</u>	<u>\$ 2,103</u>	<u>\$ 2,194</u>
Covered-employee payroll	\$ 53,352	\$ 50,459	\$ 53,874	\$ 55,023	\$ 52,970	\$ 51,137
Total OPEB liability as a percentage of covered-employee payroll	1.31%	1.65%	3.57%	3.96%	3.97%	4.29%

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018. Information for the prior years is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2023

I. ACTUARIALLY DETERMINED CONTRIBUTION RATES

The actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial assumptions used are disclosed in the notes to the financial statements.

II. FACTORS THAT AFFECT TRENDS

Arizona State Retirement System (ASRS)

The actuarial assumptions related to funding used in the June 30, 2021, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The major changes in assumptions involved the investment return, the inflation rate, general wage inflation, and future permanent benefit increases. The ASRS Board adopted the recommended changes from the experience study, which were first applied to the June 30, 2021, actuarial valuation.

Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2022, valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022 actuarial valuation. The total liabilities as of June 30, 2022, reflect changes in actuarial assumptions based on the results of an actuarial experience study, including decreasing the discount rate from 7.3 percent to 7.2 percent, changing the wage inflation rate from 3.5 percent to a range of 3.25-15.0 percent, and increasing the cost-of-living adjustment rate from 1.75 percent to 1.85 percent.

Arizona courts have ruled those provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds have either legal restrictions stipulated by an external party or are committed to a specific purpose through formal action from the City Council to be used for a specified purpose.

Transportation Fund. This fund receives and expends the City's allocation of the Arizona Highway User Revenue tax, 0.2 percent of privilege tax for transportation improvements, and 0.1 percent of privilege tax dedicated to the Arterial Life Cycle Program. The amount of Arizona Highway User Revenue available to each city is allocated on a population basis, which is determined by the latest federal census and must be used for street construction, reconstruction, maintenance, or transit.

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

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

Grants Fund. This fund receives and expends the City's grant revenues not accounted for in other funds. The amount of grants received is generally based on applications to granting agencies by the City and on availability of funding by the grantors. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines.

Housing Choice Voucher Program Fund. This fund receives and expends the City's Housing Choice Voucher Program revenues. Funding is awarded by the U.S. Department of Housing and Urban Development (HUD) to provide rental housing assistance. Budgets are approved annually by HUD. Housing Choice Voucher Program revenues may be used only for assistance approved by HUD and are subject to agency expenditure guidelines.

Preserve Privilege Tax Fund. This fund receives voter-approved Preservation Privilege (Sales) Tax of 0.35 percent (0.2 percent 1995 and 0.15 percent 2004). Revenues are transferred to the Preserve Privilege Tax Capital Projects Fund for land purchases and improvements in the McDowell Sonoran Preserve or are transferred to the General Obligation Bond Debt Service Fund to be used for related debt service payments for prior preserve land acquisitions.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Community Facilities Districts (CFD) Funds. These funds account for the non-debt or non-capital related expenditures incurred by community facilities districts.

McDowell Mountain Ranch CFD

Scottsdale Mountain CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

Streetlight Districts Fund. This fund accounts for the property tax revenues received from the streetlight districts generated through the annual streetlight district levy. These funds are restricted for electricity expenditures of each streetlight district.

Special Programs Fund. This fund receives monies from a variety of sources. The monies are either restricted by an outside source or committed by City Council and are required to be expended for specific purposes related to the intention of the source of the revenue.

Tourism Development Fund. This fund receives revenues generated through transient occupancy taxes and certain lease agreements. The use of these funds has been restricted or committed by the City Council for tourism-related purposes.

Stadium Facility Fund. This fund accounts for certain revenue received for Scottsdale Stadium and contributions from the San Francisco Giants and the Scottsdale Charros. The contributions are restricted by an outside agreement to be used to support the operations, maintenance, and capital improvements for Scottsdale Stadium.

Debt Service Funds

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

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

Debt Service Stabilization Fund. This fund consists of amounts committed by the City Council to be used for the repayment of debt, as well as stadium surcharge amounts restricted for the payment of debt service.

Community Facilities Districts (CFD) Funds. These funds account for the principal and interest of general obligation bonds issued by community facilities districts. Although these bonds are not obligations of the City, generally accepted accounting principles require that the bonds should be disclosed herein.

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Capital Projects Funds

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

General Obligation Bonds Fund. This fund accounts for the proceeds and interest of the sale of voter-approved general obligation bonds that are used for authorized capital improvements.

Preserve Privilege Tax Fund. This fund accounts for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Resources are provided by the 0.2 percent 1995 and 0.15 percent 2004 voter-approved Preserve Privilege Tax.

Municipal Property Corporation Bonds Fund. This fund accounts for the activity related to the Municipal Property Corporation bond proceeds that are used for authorized capital improvements.

Permanent Funds

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used to support City programs.

Rassner Memorial Scottsdale Library Endowment. This fund requires the interest to be used exclusively to support library and literacy programs benefiting the citizens of Scottsdale.

Scottsdale Community Endowment. This fund requires the interest to be used exclusively for community projects and programs for the public good within the City.

Scottsdale Employee Endowment. This fund requires the interest to be used exclusively to support 501(c)(3) tax-exempt organizations serving the Scottsdale area and City programs.

Herbert R. Drinkwater Youth Services Endowment. This fund requires the interest to be used exclusively to support City youth programs.

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023 (in thousands)

ASSETS	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Cash and Investments	\$ 198,175	\$ 5,055	\$ 38,360	\$ 636	\$ 242,226
Cash with Fiscal Agent	9	17,694	-	-	17,703
Receivables (net of allowance for uncollectibles)					
Interest	1,111	-	233	-	1,344
Privilege Tax	10,582	-	-	-	10,582
Transient Occupancy Tax	2,320	-	-	-	2,320
Property Tax	10	41	-	-	51
Franchise Fee	91	-	-	-	91
Court	231	-	-	-	231
Highway User Tax	1,850	-	-	-	1,850
Intergovernmental	4,765	-	-	-	4,765
Grants	3,940	-	-	-	3,940
Leases	55	-	-	-	55
Miscellaneous	3,277	-	-	-	3,277
Total Assets	\$ 226,416	\$ 22,790	\$ 38,593	\$ 636	\$ 288,435
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts Payable	\$ 2,666	\$ -	\$ 4,865	\$ -	\$ 7,531
Accrued Payroll and Benefits	511	-	10	-	521
Due to Other Funds	2,875	-	-	-	2,875
Matured Bond Interest Payable	-	2,808	-	-	2,808
Matured Bonds Payable	-	14,731	-	-	14,731
Unearned Revenue					
Intergovernmental	9,955	-	-	-	9,955
Other	683	-	-	-	683
Due to Other Governments	18	-	-	-	18
Guaranty and Other Deposits	5	-	-	-	5
Other	38	-	-	-	38
Total Liabilities	16,751	17,539	4,875	-	39,165
Deferred Inflows of Resources					
Unavailable Revenues	8,047	17	-	-	8,064
Leases	2,248	-	-	-	2,248
Total Deferred Inflows of Resources	10,295	17	-	-	10,312
Total Liabilities and Deferred Inflows of Resources	27,046	17,556	4,875	-	49,477
Fund Balances (Deficits)					
Nonspendable	-	-	-	609	609
Restricted	179,149	2,551	36,330	27	218,057
Committed	24,180	2,683	-	-	26,863
Unassigned	(3,959)	-	(2,612)	-	(6,571)
Total Fund Balances	199,370	5,234	33,718	636	238,958
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 226,416	\$ 22,790	\$ 38,593	\$ 636	\$ 288,435

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

REVENUES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Taxes - Local					
Property	\$ 164	\$ 1,639	\$ -	\$ -	\$ 1,803
Transaction Privilege	97,155	-	-	-	97,155
Transient Occupancy	36,492	-	-	-	36,492
Light and Power Franchise	291	-	-	-	291
Other Taxes	5,526	-	-	-	5,526
Taxes - Intergovernmental					
State Revenue Sharing	1,802	-	-	-	1,802
Highway User Tax	18,111	-	-	-	18,111
Local Transportation Assistance Fund	610	-	-	-	610
Business and Liquor Licenses	47	-	-	-	47
Charges for Current Services					
Building and Related Permits	89	-	-	-	89
Recreation Fees	3,397	-	-	-	3,397
WestWorld Equestrian Facility Fees	1,133	-	-	-	1,133
Fines, Fees, and Forfeitures					
Court	129	-	-	-	129
Court Enhancement	1,703	-	-	-	1,703
Library	98	-	-	-	98
Police	83	-	-	-	83
Property Rental	4,805	-	-	-	4,805
Interest Earnings	3,731	3	894	-	4,628
Net Increase in the Fair Value of Investments	-	-	370	46	416
Intergovernmental					
Federal Grants	27,403	-	-	-	27,403
State Grants	362	-	-	-	362
Miscellaneous	3,502	-	-	-	3,502
Streetlight and Services Districts	525	-	-	-	525
Contributions and Donations	2,340	-	-	-	2,340
Reimbursements from Outside Sources	813	-	-	-	813
Other	90	-	-	-	90
Total Revenues	<u>210,401</u>	<u>1,642</u>	<u>1,264</u>	<u>46</u>	<u>213,353</u>
EXPENDITURES					
Current					
General Government					
Mayor and City Council	21	-	-	-	21
City Attorney	30	-	-	-	30
City Court	1,803	-	-	-	1,803
City Manager	889	-	-	-	889
City Treasurer	198	-	-	-	198
Public Works	23,238	-	-	-	23,238
Community and Economic Development	22,283	-	-	-	22,283
Public Safety	19,899	-	-	-	19,899
Community Services	16,818	-	408	36	17,262
Administrative Services	9	-	294	-	303
Streetlight and Services Districts	529	-	-	-	529
Debt Service					
Principal	970	14,731	-	-	15,701
Interest and Fiscal Charges	78	5,627	-	-	5,705
Capital Outlay	2,036	-	43,177	-	45,213
Total Expenditures	<u>88,801</u>	<u>20,358</u>	<u>43,879</u>	<u>36</u>	<u>153,074</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>121,600</u>	<u>(18,716)</u>	<u>(42,615)</u>	<u>10</u>	<u>60,279</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	574	18,623	742	-	19,939
Transfers Out	(78,912)	(23)	(178)	-	(79,113)
Financing of Subscription-Based Information Technology Arrangements	1,292	-	-	-	1,292
Financing of Contracts Payable	265	-	-	-	265
Sale of General Capital Assets	(47)	-	-	-	(47)
Issuance of Long-Term Capital-Related Debt	-	-	73,590	-	73,590
Premium on Long-Term Debt Issued	-	-	4,110	-	4,110
Total Other Financing Sources (Uses)	<u>(76,828)</u>	<u>18,600</u>	<u>78,264</u>	<u>-</u>	<u>20,036</u>
Net Change in Fund Balances (Deficits)	44,772	(116)	35,649	10	80,315
Fund Balances (Deficits) - Beginning	154,598	5,350	(1,931)	626	158,643
Fund Balances (Deficits)- Ending	<u>\$ 199,370</u>	<u>\$ 5,234</u>	<u>\$ 33,718</u>	<u>\$ 636</u>	<u>\$ 238,958</u>

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2023 (in thousands)

ASSETS	Transportation	Community Development Block Grant	HOME	Grants	Housing Choice Voucher Program	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
Cash and Investments	\$ 43,086	\$ 739	\$ -	\$ -	\$ 754	\$ 103,416	\$ -	\$ 81
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)								
Interest	440	-	-	-	-	508	-	-
Privilege Tax	3,768	-	-	-	-	6,814	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	-	1
Franchise Fee	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	-	-
Highway User Tax	1,850	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	216	2	3,722	-	-	-	-
Leases	-	55	-	-	-	-	-	-
Miscellaneous	122	2,092	-	3	22	-	-	-
Total Assets	\$ 49,266	\$ 3,102	\$ 2	\$ 3,725	\$ 776	\$ 110,738	\$ -	\$ 82
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts Payable	\$ 1,316	\$ 45	\$ -	\$ 77	\$ 7	\$ 8	\$ -	\$ -
Accrued Payroll and Benefits	305	12	-	15	18	-	-	-
Due to Other Funds	-	-	2	2,873	-	-	-	-
Unearned Revenue								
Intergovernmental	-	694	-	144	-	-	-	-
Other	-	5	-	616	-	-	-	-
Due to Other Governments	-	2	-	-	7	-	-	-
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Other	-	-	-	-	35	-	-	-
Total Liabilities	1,621	763	2	3,725	67	8	-	-
Deferred Inflows of Resources								
Unavailable Revenues	435	2,307	-	3,277	21	794	-	1
Leases	-	52	-	-	-	-	-	-
Total Deferred Inflows of Resources	435	2,359	-	3,277	21	794	-	1
Total Liabilities and Deferred Inflows of Resources	2,056	3,122	2	7,002	88	802	-	1
Fund Balances (Deficits)								
Restricted	47,210	196	-	-	688	109,936	-	81
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(216)	-	(3,277)	-	-	-	-
Total Fund Balances (Deficits)	47,210	(20)	-	(3,277)	688	109,936	-	81
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 49,266	\$ 3,102	\$ 2	\$ 3,725	\$ 776	\$ 110,738	\$ -	\$ 82

(continued)

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2023 (in thousands)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Stadium Facility	Total
ASSETS								
Cash and Investments	\$ 35	\$ 73	\$ -	\$ 34	\$ 25,603	\$ 19,198	\$ 5,156	\$ 198,175
Cash with Fiscal Agent	-	-	9	-	-	-	-	9
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	46	91	26	1,111
Privilege Tax	-	-	-	-	-	-	-	10,582
Transient Occupancy Tax	-	-	-	-	-	2,320	-	2,320
Property Tax	1	8	-	-	-	-	-	10
Franchise Fee	-	-	-	-	91	-	-	91
Court	-	-	-	-	231	-	-	231
Highway User Tax	-	-	-	-	-	-	-	1,850
Intergovernmental	-	-	-	-	4,765	-	-	4,765
Grants	-	-	-	-	-	-	-	3,940
Leases	-	-	-	-	-	-	-	55
Miscellaneous	-	-	-	8	581	190	259	3,277
Total Assets	<u>\$ 36</u>	<u>\$ 81</u>	<u>\$ 9</u>	<u>\$ 42</u>	<u>\$ 31,317</u>	<u>\$ 21,799</u>	<u>\$ 5,441</u>	<u>\$ 226,416</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 595	\$ 301	\$ 317	\$ 2,666
Accrued Payroll and Benefits	-	-	-	-	130	25	6	511
Due to Other Funds	-	-	-	-	-	-	-	2,875
Unearned Revenue								
Intergovernmental	-	-	-	-	9,117	-	-	9,955
Other	-	-	-	-	56	-	6	683
Due to Other Governments	-	-	-	-	1	-	8	18
Guaranty and Other Deposits	-	-	-	-	-	-	-	5
Other	-	-	-	-	1	-	2	38
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,900</u>	<u>326</u>	<u>339</u>	<u>16,751</u>
Deferred Inflows of Resources								
Unavailable Revenues	-	4	-	-	1,024	183	1	8,047
Leases	-	-	-	-	-	2,196	-	2,248
Total Deferred Inflows of Resources	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>1,024</u>	<u>2,379</u>	<u>1</u>	<u>10,295</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>10,924</u>	<u>2,705</u>	<u>340</u>	<u>27,046</u>
Fund Balances (Deficits)								
Restricted	36	77	9	42	7,964	7,809	5,101	179,149
Committed	-	-	-	-	12,895	11,285	-	24,180
Unassigned	-	-	-	-	(466)	-	-	(3,959)
Total Fund Balances (Deficits)	<u>36</u>	<u>77</u>	<u>9</u>	<u>42</u>	<u>20,393</u>	<u>19,094</u>	<u>5,101</u>	<u>199,370</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 36</u>	<u>\$ 81</u>	<u>\$ 9</u>	<u>\$ 42</u>	<u>\$ 31,317</u>	<u>\$ 21,799</u>	<u>\$ 5,441</u>	<u>\$ 226,416</u>

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Transportation	Community Development Block Grant	HOME	Grants	Housing Choice Voucher Program	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
REVENUES								
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10
Transaction Privilege	34,605	-	-	-	-	62,550	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Other Taxes	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
State Revenue Sharing	-	-	-	-	-	-	-	-
Highway User Tax	18,111	-	-	-	-	-	-	-
Local Transportation Assistance Fund	610	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Building and Related Permits	-	-	-	-	-	-	-	-
Recreation Fees	-	-	-	-	-	-	-	-
WestWorld Equestrian Facility Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-
Property Rental	10	125	-	-	-	-	-	-
Interest Earnings	1,455	3	-	-	-	1,740	-	1
Intergovernmental								
Federal Grants	-	1,676	377	18,594	6,756	-	-	-
State Grants	-	-	-	362	-	-	-	-
Miscellaneous	248	-	-	555	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,370	-	-	-	-
Reimbursements from Outside Sources	190	-	-	3	31	-	-	-
Other	4	-	-	-	-	-	-	-
Total Revenues	55,233	1,804	377	20,884	6,787	64,290	-	11
EXPENDITURES								
Current								
General Government								
Mayor and City Council	-	-	-	-	-	-	-	-
City Attorney	-	-	-	30	-	-	-	-
City Court	-	-	-	-	-	-	-	-
City Manager	-	-	-	887	-	-	-	-
City Treasurer	70	-	-	-	-	-	24	11
Public Works	20,656	-	-	2,582	-	-	-	-
Community and Economic Development	-	-	-	5	-	-	-	-
Public Safety	-	-	-	16,438	-	-	-	-
Community Services	2,145	1,666	1	1,288	6,819	-	-	-
Administrative Services	9	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Debt Service								
Principal	47	-	-	-	-	-	-	-
Interest and Fiscal Charges	4	-	-	-	-	-	-	-
Capital Outlay	1,823	-	-	-	-	-	-	-
Total Expenditures	24,754	1,666	1	21,230	6,819	-	24	11
Excess (Deficiency) of Revenues over (under) Expenditures	30,479	138	376	(346)	(32)	64,290	(24)	-
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	23
Transfers Out	(20,236)	-	-	-	-	(34,181)	-	-
Financing of Subscription-Based Information Technology Arrangements	-	-	-	-	-	-	-	-
Financing of Contracts Payable	-	-	-	-	-	-	-	-
Sale of General Capital Assets	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(20,236)	-	-	-	-	(34,181)	-	23
Net Change in Fund Balances (Deficits)	10,243	138	376	(346)	(32)	30,109	(24)	23
Fund Balances (Deficits) - Beginning	36,967	(158)	(376)	(2,931)	720	79,827	24	58
Fund Balances (Deficits) - Ending	\$ 47,210	\$ (20)	\$ -	\$ (3,277)	\$ 688	\$ 109,936	\$ -	\$ 81

(continued)

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Stadium Facility	Total
REVENUES								
Taxes - Local								
Property	\$ 66	\$ 80	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ 164
Transaction Privilege	-	-	-	-	-	-	-	97,155
Transient Occupancy	-	-	-	-	-	36,492	-	36,492
Light and Power Franchise	-	-	-	-	291	-	-	291
Other Taxes	-	-	-	-	5,526	-	-	5,526
Taxes - Intergovernmental								
State Revenue Sharing	-	-	-	-	1,802	-	-	1,802
Highway User Tax	-	-	-	-	-	-	-	18,111
Local Transportation Assistance Fund	-	-	-	-	-	-	-	610
Business and Liquor Licenses	-	-	-	-	47	-	-	47
Charges for Current Services								
Building and Related Permits	-	-	-	-	89	-	-	89
Recreation Fees	-	-	-	-	3,177	-	220	3,397
WestWorld Equestrian Facility Fees	-	-	-	-	1,133	-	-	1,133
Fines, Fees, and Forfeitures								
Court	-	-	-	-	129	-	-	129
Court Enhancement	-	-	-	-	1,703	-	-	1,703
Library	-	-	-	-	98	-	-	98
Police	-	-	-	-	83	-	-	83
Property Rental	-	-	-	-	309	3,569	792	4,805
Interest Earnings	-	-	-	-	135	311	86	3,731
Intergovernmental								
Federal Grants	-	-	-	-	-	-	-	27,403
State Grants	-	-	-	-	-	-	-	362
Miscellaneous	-	-	-	-	2,699	-	-	3,502
Streetlight and Services Districts	-	-	-	525	-	-	-	525
Contributions and Donations	-	-	-	-	393	-	577	2,340
Reimbursements from Outside Sources	-	-	-	-	160	45	384	813
Other	-	-	-	-	86	-	-	90
Total Revenues	66	80	8	525	17,860	40,417	2,059	210,401
EXPENDITURES								
Current								
General Government								
Mayor and City Council	-	-	-	-	21	-	-	21
City Attorney	-	-	-	-	-	-	-	30
City Court	-	-	-	-	1,803	-	-	1,803
City Manager	-	-	-	-	2	-	-	889
City Treasurer	71	11	11	-	-	-	-	198
Public Works	-	-	-	-	-	-	-	23,238
Community and Economic Development	-	-	-	-	122	22,156	-	22,283
Public Safety	-	-	-	-	3,461	-	-	19,899
Community Services	-	-	-	-	3,852	-	1,047	16,818
Administrative Services	-	-	-	-	-	-	-	9
Streetlight and Services Districts	-	-	-	529	-	-	-	529
Debt Service								
Principal	-	-	-	-	908	-	15	970
Interest and Fiscal Charges	-	-	-	-	72	-	2	78
Capital Outlay	-	-	-	-	-	-	213	2,036
Total Expenditures	71	11	11	529	10,241	22,156	1,277	88,801
Excess (Deficiency) of Revenues over (under) Expenditures	(5)	69	(3)	(4)	7,619	18,261	782	121,600
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	551	-	-	574
Transfers Out	-	-	-	-	(10,982)	(13,003)	(510)	(78,912)
Financing of Subscription-Based Information Technology Arrangements	-	-	-	-	1,292	-	-	1,292
Financing of Contracts Payable	-	-	-	-	265	-	-	265
Sale of General Capital Assets	-	-	-	-	(47)	-	-	(47)
Total Other Financing Sources and (Uses)	-	-	-	-	(8,921)	(13,003)	(510)	(76,828)
Net Change in Fund Balances (Deficits)	(5)	69	(3)	(4)	(1,302)	5,258	272	44,772
Fund Balances (Deficits) - Beginning	41	8	12	46	21,695	13,836	4,829	154,598
Fund Balances (Deficits) - Ending	\$ 36	\$ 77	\$ 9	\$ 42	\$ 20,393	\$ 19,094	\$ 5,101	\$ 199,370

Transportation – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

REVENUES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Taxes - Local						
Transaction Privilege	\$ 28,840	\$ 28,840	\$ 34,605	\$ -	\$ 34,605	\$ 5,765
Taxes - Intergovernmental						
Highway User Tax	18,648	18,648	18,111	-	18,111	(537)
Local Transportation Assistance Fund	640	640	610	-	610	(30)
Property Rental	6	6	10	-	10	4
Interest Earnings	245	245	1,455	-	1,455	1,210
Intergovernmental						
Miscellaneous	90	90	248	-	248	158
Reimbursements from Outside Sources	3	3	190	-	190	187
Other	-	-	4	-	4	4
Total Revenues	<u>48,472</u>	<u>48,472</u>	<u>55,233</u>	<u>-</u>	<u>55,233</u>	<u>6,761</u>
EXPENDITURES						
Current						
General Government						
City Treasurer	70	70	70	-	70	-
Public Works	26,838	24,577	22,472	(1,816)	20,656	2,105
Community Services	2,102	2,102	2,158	(13)	2,145	(56)
Administrative Services	19	19	19	(10)	9	-
Debt Service						
Principal	-	-	-	47	47	-
Interest and Fiscal Charges	-	-	-	4	4	-
Capital Outlay	-	-	-	1,823	1,823	-
Total Expenditures	<u>29,029</u>	<u>26,768</u>	<u>24,719</u>	<u>35</u>	<u>24,754</u>	<u>2,049</u>
Excess of Revenues over Expenditures	<u>19,443</u>	<u>21,704</u>	<u>30,514</u>	<u>(35)</u>	<u>30,479</u>	<u>8,810</u>
OTHER FINANCING SOURCES (USES)						
Transfers Out	(17,104)	(17,104)	(20,236)	-	(20,236)	(3,132)
Sale of General Capital Assets	20	20	-	-	-	(20)
Total Other Financing Sources (Uses)	<u>(17,084)</u>	<u>(17,084)</u>	<u>(20,236)</u>	<u>-</u>	<u>(20,236)</u>	<u>(3,152)</u>
Net Change in Fund Balance	<u>\$ 2,359</u>	<u>\$ 4,620</u>	<u>\$ 10,278</u>	<u>\$ (35)</u>	<u>\$ 10,243</u>	<u>\$ 5,658</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ 35</u>
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Differences in Presentation between Budget and GAAP Basis:

The City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

Community Development Block Grant – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Property Rental	\$ 63	\$ 63	\$ 73	\$ 52	\$ 125	\$ 10
Interest Earnings	-	-	-	3	3	-
Intergovernmental						
Federal Grants	2,740	2,740	1,731	(55)	1,676	(1,009)
Total Revenues	<u>2,803</u>	<u>2,803</u>	<u>1,804</u>	<u>-</u>	<u>1,804</u>	<u>(999)</u>
EXPENDITURES						
Current						
Community Services	3,216	3,216	1,668	(2)	1,666	1,548
Total Expenditures	<u>3,216</u>	<u>3,216</u>	<u>1,668</u>	<u>(2)</u>	<u>1,666</u>	<u>1,548</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(413)</u>	<u>(413)</u>	<u>136</u>	<u>2</u>	<u>138</u>	<u>549</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	423	423	-	-	-	(423)
Transfers Out	(10)	(10)	-	-	-	10
Total Other Financing Sources (Uses)	<u>413</u>	<u>413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(413)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ 2</u>	<u>\$ 138</u>	<u>\$ 136</u>

Explanation of Differences:

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

Lease Interest Revenue	\$ 3
Amortized Lease Revenue	(3)
Total Revenue Adjustments	-

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

Payroll Accrual and Compensated Absences	(2)
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Net Increase in Fund Balance - Budget to GAAP

	<u>\$ 2</u>
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HOME – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 1,848	\$ 1,848	\$ 377	\$ -	\$ 377	\$ (1,471)
Total Revenues	<u>1,848</u>	<u>1,848</u>	<u>377</u>	<u>-</u>	<u>377</u>	<u>(1,471)</u>
EXPENDITURES						
Current						
Community Services	1,848	1,848	1	-	1	1,847
Total Expenditures	<u>1,848</u>	<u>1,848</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1,847</u>
Excess of Revenues over Expenditures	-	-	376	-	376	376
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376</u>	<u>\$ -</u>	<u>\$ 376</u>	<u>\$ 376</u>

Grants – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 22,759	\$ 22,759	\$ 18,594	\$ -	\$ 18,594	\$ (4,165)
State Grants	262	262	362	-	362	100
Miscellaneous	-	-	555	-	555	555
Contributions and Donations	2,844	2,844	1,370	-	1,370	(1,474)
Reimbursements from Outside Sources	-	-	3	-	3	3
Total Revenues	<u>25,865</u>	<u>25,865</u>	<u>20,884</u>	<u>-</u>	<u>20,884</u>	<u>(4,981)</u>
EXPENDITURES						
Current						
General Government						
Mayor and City Council	5	5	-	-	-	5
City Attorney	-	32	32	(2)	30	-
City Manager	865	905	887	-	887	18
Public Works	-	1,771	2,582	-	2,582	(811)
Community and Economic Development	5	5	5	-	5	-
Public Safety	20,258	17,938	16,445	(7)	16,438	1,493
Community Services	4,732	2,502	1,287	1	1,288	1,215
Total Expenditures	<u>25,865</u>	<u>23,158</u>	<u>21,238</u>	<u>(8)</u>	<u>21,230</u>	<u>1,920</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>2,707</u>	<u>(354)</u>	<u>8</u>	<u>(346)</u>	<u>(3,061)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 2,707</u>	<u>\$ (354)</u>	<u>\$ 8</u>	<u>\$ (346)</u>	<u>\$ (3,061)</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ (8)</u>
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Housing Choice Voucher Program – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 6,429	\$ 6,429	\$ 6,756	\$ -	\$ 6,756	\$ 327
Reimbursements from Outside Sources	-	-	31	-	31	31
Total Revenues	<u>6,429</u>	<u>6,429</u>	<u>6,787</u>	<u>-</u>	<u>6,787</u>	<u>358</u>
EXPENDITURES						
Current						
Community Services	<u>6,429</u>	<u>6,513</u>	<u>6,815</u>	<u>4</u>	<u>6,819</u>	<u>(302)</u>
Total Expenditures	<u>6,429</u>	<u>6,513</u>	<u>6,815</u>	<u>4</u>	<u>6,819</u>	<u>(302)</u>
Deficiency of Revenues under Expenditures	-	(84)	(28)	(4)	(32)	56
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (84)</u>	<u>\$ (28)</u>	<u>\$ (4)</u>	<u>\$ (32)</u>	<u>\$ 56</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ 4</u>
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Preserve Privilege Tax – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transaction Privilege	\$ 53,363	\$ 53,363	\$ 62,550	\$ -	\$ 62,550	\$ 9,187
Interest Earnings	428	428	1,740	-	1,740	1,312
Total Revenues	<u>53,791</u>	<u>53,791</u>	<u>64,290</u>	<u>-</u>	<u>64,290</u>	<u>10,499</u>
EXPENDITURES						
Total Expenditures	-	-	-	-	-	-
Excess of Revenues over Expenditures	<u>53,791</u>	<u>53,791</u>	<u>64,290</u>	<u>-</u>	<u>64,290</u>	<u>10,499</u>
OTHER FINANCING USES						
Transfers Out	(33,889)	(33,889)	(34,181)	-	(34,181)	(292)
Total Other Financing Uses	<u>(33,889)</u>	<u>(33,889)</u>	<u>(34,181)</u>	<u>-</u>	<u>(34,181)</u>	<u>(292)</u>
Net Change in Fund Balance	<u>\$ 19,902</u>	<u>\$ 19,902</u>	<u>\$ 30,109</u>	<u>\$ -</u>	<u>\$ 30,109</u>	<u>\$ 10,207</u>

Streetlight Districts – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Streetlight and Services Districts	\$ 552	\$ 552	\$ 525	\$ -	\$ 525	\$ (27)
Total Revenues	552	552	525	-	525	(27)
EXPENDITURES						
Current						
Streetlight and Services Districts	573	573	529	-	529	44
Total Expenditures	573	573	529	-	529	44
Deficiency of Revenues under Expenditures	(21)	(21)	(4)	-	(4)	17
Net Change in Fund Balance	\$ (21)	\$ (21)	\$ (4)	\$ -	\$ (4)	\$ 17

Special Programs – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes - Local						
Light and Power Franchise	\$ 262	\$ 262	\$ 291	\$ -	\$ 291	\$ 29
Other Taxes	5,410	5,410	5,526	-	5,526	116
Taxes - Intergovernmental						
State Revenue Sharing	1,516	1,516	1,802	-	1,802	286
Business and Liquor Licenses	50	50	47	-	47	(3)
Charges for Current Services						
Building and Related Permits	71	71	89	-	89	18
Recreation Fees	2,641	2,641	3,177	-	3,177	536
WestWorld Equestrian Facility Fees	200	200	1,133	-	1,133	933
Fines, Fees, and Forfeitures						
Court	124	124	129	-	129	5
Court Enhancement	1,691	1,691	1,703	-	1,703	12
Library	80	80	98	-	98	18
Police	95	95	83	-	83	(12)
Property Rental	338	338	309	-	309	(29)
Interest Earnings	55	55	135	-	135	80
Intergovernmental						
Miscellaneous	2,784	2,784	2,699	-	2,699	(85)
Developer Contributions	100	100	-	-	-	(100)
Contributions and Donations	480	480	393	-	393	(87)
Reimbursements from Outside Sources	108	108	160	-	160	52
Other	40	40	86	-	86	46
Total Revenues	<u>16,045</u>	<u>16,045</u>	<u>17,860</u>	<u>-</u>	<u>17,860</u>	<u>1,815</u>
EXPENDITURES						
Current						
General Government						
Mayor and City Council	48	48	21	-	21	27
City Court	1,945	1,945	1,804	(1)	1,803	141
City Manager	-	-	2	-	2	(2)
Public Works	166	166	-	-	-	166
Community and Economic Development	2,982	602	122	-	122	480
Public Safety	4,345	4,367	2,794	667	3,461	1,573
Community Services	3,396	3,768	3,835	17	3,852	(67)
Debt Service						
Principal	38	38	41	867	908	(3)
Interest and Fiscal Charges	23	23	22	50	72	1
Total Expenditures	<u>12,943</u>	<u>10,957</u>	<u>8,641</u>	<u>1,600</u>	<u>10,241</u>	<u>2,316</u>
Excess of Revenues over Expenditures	<u>3,102</u>	<u>5,088</u>	<u>9,219</u>	<u>(1,600)</u>	<u>7,619</u>	<u>4,131</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	10	10	551	-	551	541
Transfers Out	(7,239)	(7,239)	(10,982)	-	(10,982)	(3,743)
Financing of Subscription-Based Information Technology Arrangements	-	-	-	1,292	1,292	-
Financing of Contracts Payable	-	-	-	265	265	-
Sale of General Capital Assets	-	-	-	(47)	(47)	-
Total Other Financing Sources (Uses)	<u>(7,229)</u>	<u>(7,229)</u>	<u>(10,431)</u>	<u>1,510</u>	<u>(8,921)</u>	<u>(3,202)</u>
Net Change in Fund Balance	<u>\$ (4,127)</u>	<u>\$ (2,141)</u>	<u>\$ (1,212)</u>	<u>\$ (90)</u>	<u>\$ (1,302)</u>	<u>\$ 929</u>

Explanation of Differences:

Items recorded as revenues/other financing sources for GAAP purposes that are not recorded for budget purposes:

Financing of Subscription-Based Information Technology Arrangements	\$ 1,292
Financing of Contracts Payable	265
Sale of General Capital Assets	(47)
Total Revenue/Other Financing Source Adjustments	<u>1,510</u>

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

Payroll Accruals	43
Non-Cash Operating Expenditures	1,557
Total Expenditures	<u>1,600</u>

Net Decrease in Fund Balance - Budget to GAAP

\$ (90)

Differences in Presentation between Budget and GAAP Basis:

The City records principal and interest payments related to the subscription-based information technology arrangements, lease activity, and contracts payable on a GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

Tourism Development – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transient Occupancy Tax	\$ 25,000	\$ 25,000	\$ 36,492	\$ -	\$ 36,492	\$ 11,492
Property Rental	2,519	2,519	3,544	25	3,569	1,025
Interest Earnings	59	59	311	-	311	252
Reimbursements from Outside Sources	25	25	45	-	45	20
Total Revenues	<u>27,603</u>	<u>27,603</u>	<u>40,392</u>	<u>25</u>	<u>40,417</u>	<u>12,789</u>
EXPENDITURES						
Current						
General Government						
Community and Economic Development	18,277	21,977	22,145	11	22,156	(168)
Total Expenditures	<u>18,277</u>	<u>21,977</u>	<u>22,145</u>	<u>11</u>	<u>22,156</u>	<u>(168)</u>
Excess of Revenues over Expenditures	<u>9,326</u>	<u>5,626</u>	<u>18,247</u>	<u>14</u>	<u>18,261</u>	<u>12,621</u>
OTHER FINANCING USES						
Transfers Out	(11,900)	(11,900)	(13,003)	-	(13,003)	(1,103)
Total Other Financing Uses	<u>(11,900)</u>	<u>(11,900)</u>	<u>(13,003)</u>	<u>-</u>	<u>(13,003)</u>	<u>(1,103)</u>
Net Change in Fund Balance	<u>\$ (2,574)</u>	<u>\$ (6,274)</u>	<u>\$ 5,244</u>	<u>\$ 14</u>	<u>\$ 5,258</u>	<u>\$ 11,518</u>

Explanation of Differences:

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

 Amortized Lease Revenue \$ 25

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

 Payroll Accrual and Compensated Absences 11

Net Increase in Fund Balance - Budget to GAAP \$ 14

Stadium Facility – Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Charges for Current Services						
Recreation Fees	\$ -	\$ -	\$ 220	\$ -	\$ 220	\$ 220
Property Rental	565	565	792	-	792	227
Interest Earnings	19	19	86	-	86	67
Contributions and Donations	577	577	577	-	577	-
Reimbursements from Outside Sources	276	276	384	-	384	108
Total Revenues	<u>1,437</u>	<u>1,437</u>	<u>2,059</u>	<u>-</u>	<u>2,059</u>	<u>622</u>
EXPENDITURES						
Current						
Community Services	671	976	1,280	(233)	1,047	(304)
Debt Service						
Principal	15	15	-	15	15	15
Interest and Fiscal Charges	2	2	-	2	2	2
Capital Outlay	-	-	-	213	213	-
Total Expenditures	<u>688</u>	<u>993</u>	<u>1,280</u>	<u>(3)</u>	<u>1,277</u>	<u>(287)</u>
Excess of Revenues over Expenditures	<u>749</u>	<u>444</u>	<u>779</u>	<u>3</u>	<u>782</u>	<u>335</u>
OTHER FINANCING USES						
Transfers Out	(510)	(510)	(510)	-	(510)	-
Total Other Financing Uses	<u>(510)</u>	<u>(510)</u>	<u>(510)</u>	<u>-</u>	<u>(510)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 239</u>	<u>\$ (66)</u>	<u>\$ 269</u>	<u>\$ 3</u>	<u>\$ 272</u>	<u>\$ 335</u>

Explanation of Differences:

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

Payroll Accrual and Compensated Absences	<u>\$ (3)</u>
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Differences in Presentation between Budget and GAAP Basis:

The City records capitalized expenditures as capital outlay on the GAAP basis; however, for budget purposes they are included in the associated division's expenditures. These differences have no bearing on the fund balance since the overall total expenditures are the same.

Combining Balance Sheet

Nonmajor Debt Service Governmental Funds

June 30, 2023 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Total
ASSETS							
Cash and Investments	\$ -	\$ 5,055	\$ -	\$ -	\$ -	\$ -	\$ 5,055
Cash with Fiscal Agent	15,936	-	-	1,303	213	242	17,694
Receivables (net of allowance for uncollectibles)							
Property Tax	-	-	-	40	-	1	41
Total Assets	<u>\$ 15,936</u>	<u>\$ 5,055</u>	<u>\$ -</u>	<u>\$ 1,343</u>	<u>\$ 213</u>	<u>\$ 243</u>	<u>\$ 22,790</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Matured Bond Interest Payable	\$ 2,681	\$ -	\$ -	\$ 99	\$ 3	\$ 25	\$ 2,808
Matured Bonds Payable	13,255	-	-	1,085	210	181	14,731
Total Liabilities	<u>15,936</u>	<u>-</u>	<u>-</u>	<u>1,184</u>	<u>213</u>	<u>206</u>	<u>17,539</u>
Deferred Inflows of Resources							
Unavailable Revenues	-	-	-	16	-	1	17
Total Liabilities and Deferred Inflows of Resources	<u>15,936</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>213</u>	<u>207</u>	<u>17,556</u>
Fund Balances							
Restricted	-	2,372	-	143	-	36	2,551
Committed	-	2,683	-	-	-	-	2,683
Total Fund Balances	<u>-</u>	<u>5,055</u>	<u>-</u>	<u>143</u>	<u>-</u>	<u>36</u>	<u>5,234</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,936</u>	<u>\$ 5,055</u>	<u>\$ -</u>	<u>\$ 1,343</u>	<u>\$ 213</u>	<u>\$ 243</u>	<u>\$ 22,790</u>

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

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	<u>Municipal Property Corporation</u>	<u>Debt Service Stabilization</u>	<u>McDowell Mountain Ranch CFD</u>	<u>DC Ranch CFD</u>	<u>Via Linda Road CFD</u>	<u>Waterfront Commercial CFD</u>	<u>Total</u>
REVENUES							
Taxes - Local							
Property	\$ -	\$ -	\$ -	\$ 1,254	\$ 186	\$ 199	\$ 1,639
Interest Earnings	3	-	-	-	-	-	3
Total Revenues	<u>3</u>	<u>-</u>	<u>-</u>	<u>1,254</u>	<u>186</u>	<u>199</u>	<u>1,642</u>
EXPENDITURES							
Debt Service							
Principal	13,255	-	-	1,085	210	181	14,731
Interest and Fiscal Charges	5,371	-	-	199	6	51	5,627
Total Expenditures	<u>18,626</u>	<u>-</u>	<u>-</u>	<u>1,284</u>	<u>216</u>	<u>232</u>	<u>20,358</u>
Deficiency of Revenues under Expenditures	<u>(18,623)</u>	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>(30)</u>	<u>(33)</u>	<u>(18,716)</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	18,623	-	-	-	-	-	18,623
Transfers Out	-	-	(23)	-	-	-	(23)
Total Other Financing Sources (Uses)	<u>18,623</u>	<u>-</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,600</u>
Net Change in Fund Balances	-	-	(23)	(30)	(30)	(33)	(116)
Fund Balances - Beginning	-	5,055	23	173	30	69	5,350
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 5,055</u>	<u>\$ -</u>	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 5,234</u>

General Obligation Bond Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Property	\$ 30,056	\$ 30,056	\$ 30,062	\$ -	\$ 30,062	\$ 6
Total Revenues	<u>30,056</u>	<u>30,056</u>	<u>30,062</u>	<u>-</u>	<u>30,062</u>	<u>6</u>
EXPENDITURES						
Debt Service						
Principal	56,365	56,365	52,975	-	52,975	3,390
Interest and Fiscal Charges	12,230	12,230	11,959	-	11,959	271
Bond Issuance Costs	-	-	845	-	845	(845)
Total Expenditures	<u>68,595</u>	<u>68,595</u>	<u>65,779</u>	<u>-</u>	<u>65,779</u>	<u>2,816</u>
Deficiency of Revenues under Expenditures	<u>(38,539)</u>	<u>(38,539)</u>	<u>(35,717)</u>	<u>-</u>	<u>(35,717)</u>	<u>2,822</u>
OTHER FINANCING SOURCES						
Transfers In	33,439	33,439	33,439	-	33,439	-
Issuance of Long-Term Capital-Related Debt	-	-	115	-	115	115
Premium on Long-Term Debt Issued	-	-	740	-	740	740
Total Other Financing Sources	<u>33,439</u>	<u>33,439</u>	<u>34,294</u>	<u>-</u>	<u>34,294</u>	<u>855</u>
Net Change in Fund Balance	<u>\$ (5,100)</u>	<u>\$ (5,100)</u>	<u>\$ (1,423)</u>	<u>\$ -</u>	<u>\$ (1,423)</u>	<u>\$ 3,677</u>

Municipal Property Corporation Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Interest Earnings	\$ -	\$ -	\$ 3	\$ -	\$ 3	\$ 3
Total Revenues	-	-	3	-	3	3
EXPENDITURES						
Debt Service						
Principal	13,255	13,255	13,255	-	13,255	-
Interest and Fiscal Charges	5,372	5,372	5,371	-	5,371	1
Total Expenditures	18,627	18,627	18,626	-	18,626	1
Deficiency of Revenues under Expenditures	(18,627)	(18,627)	(18,623)	-	(18,623)	4
OTHER FINANCING SOURCES						
Transfers In	18,627	18,627	18,623	-	18,623	(4)
Total Other Financing Sources	18,627	18,627	18,623	-	18,623	(4)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet

Nonmajor Capital Projects Governmental Funds

June 30, 2023 (in thousands)

	<u>General Obligation Bonds</u>	<u>Preserve Privilege Tax</u>	<u>Municipal Property Corporation Bonds</u>	<u>Total</u>
ASSETS				
Cash and Investments	\$ 38,278	\$ 82	\$ -	\$ 38,360
Receivables (net of allowance for uncollectibles)				
Interest	233	-	-	233
Total Assets	<u>\$ 38,511</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 38,593</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities				
Accounts Payable	\$ 4,783	\$ 82	\$ -	\$ 4,865
Accrued Payroll and Benefits	9	1	-	10
Total Liabilities	<u>4,792</u>	<u>83</u>	<u>-</u>	<u>4,875</u>
Fund Balances (Deficits)				
Restricted	36,330	-	-	36,330
Unassigned	(2,611)	(1)	-	(2,612)
Total Fund Balances (Deficits)	<u>33,719</u>	<u>(1)</u>	<u>-</u>	<u>33,718</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 38,511</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 38,593</u>

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

Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	General Obligation Bonds	Preserve Privilege Tax	Municipal Property Corporation Bonds	Total
REVENUES				
Interest Earnings	\$ 892	\$ -	\$ 2	\$ 894
Net Increase in the Fair Value of Investments	370	-	-	370
Total Revenues	<u>1,262</u>	<u>-</u>	<u>2</u>	<u>1,264</u>
EXPENDITURES				
Current				
Community Services	330	78	-	408
Administrative Services	294	-	-	294
Capital Outlay	42,806	371	-	43,177
Total Expenditures	<u>43,430</u>	<u>449</u>	<u>-</u>	<u>43,879</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(42,168)</u>	<u>(449)</u>	<u>2</u>	<u>(42,615)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	742	-	742
Transfers Out	-	-	(178)	(178)
Issuance of Long-Term Capital-Related Debt	73,590	-	-	73,590
Premium on Long-Term Debt Issued	4,110	-	-	4,110
Total Other Financing Sources (Uses)	<u>77,700</u>	<u>742</u>	<u>(178)</u>	<u>78,264</u>
Net Change in Fund Balances (Deficits)	35,532	293	(176)	35,649
Fund Balances (Deficits) - Beginning	<u>(1,813)</u>	<u>(294)</u>	<u>176</u>	<u>(1,931)</u>
Fund Balances (Deficits) - Ending	<u>\$ 33,719</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 33,718</u>

Combining Balance Sheet

Nonmajor Permanent Governmental Funds

June 30, 2023 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
ASSETS					
Cash and Investments	\$ 427	\$ 135	\$ 41	\$ 33	\$ 636
Total Assets	<u>\$ 427</u>	<u>\$ 135</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 636</u>
LIABILITIES AND FUND BALANCES					
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances					
Nonspendable	409	129	39	32	609
Restricted	18	6	2	1	27
Total Fund Balances	<u>427</u>	<u>135</u>	<u>41</u>	<u>33</u>	<u>636</u>
Total Liabilities and Fund Balances	<u>\$ 427</u>	<u>\$ 135</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 636</u>

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

Nonmajor Permanent Governmental Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
REVENUES					
Net Increase in the Fair Value of Investments	\$ 31	\$ 10	\$ 3	\$ 2	\$ 46
Total Revenues	<u>31</u>	<u>10</u>	<u>3</u>	<u>2</u>	<u>46</u>
EXPENDITURES					
Current					
Community Services	<u>24</u>	<u>8</u>	<u>2</u>	<u>2</u>	<u>36</u>
Total Expenditures	<u>24</u>	<u>8</u>	<u>2</u>	<u>2</u>	<u>36</u>
Excess of Revenues over Expenditures	<u>7</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>10</u>
Net Change in Fund Balances	7	2	1	-	10
Fund Balances - Beginning	<u>420</u>	<u>133</u>	<u>40</u>	<u>33</u>	<u>626</u>
Fund Balances - Ending	<u>\$ 427</u>	<u>\$ 135</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 636</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units on a cost-reimbursement basis.

Fleet Management Fund

This fund accounts for the expenses associated with purchasing and maintaining the City's motor vehicles.

Self-Insurance Fund

This fund accounts for the administration of the City's self-insurance program. This fund provides coverage of unemployment, self-insured benefits, workers' compensation, and property and liability claims.

Computer Replacement Fund

This fund accounts for the expenses associated with purchasing the City's computers, monitors, and printers.

Combining Statement of Fund Net Position

Internal Service Funds

June 30, 2023 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash and Investments	\$ 23,094	\$ 47,281	\$ 1,778	\$ 72,153
Receivables (net of allowance for uncollectibles)				
Miscellaneous	208	450	-	658
Supplies Inventory	1,465	-	-	1,465
Prepaid Items	1	-	-	1
Total Current Assets	<u>24,768</u>	<u>47,731</u>	<u>1,778</u>	<u>74,277</u>
Noncurrent Assets				
Equity in Joint Venture	5	-	-	5
Capital Assets				
Buildings and Improvements	18,891	-	-	18,891
Motor Vehicles	103,093	-	-	103,093
Machinery and Equipment	1,376	45	5,255	6,676
Construction in Progress	52	-	-	52
Leases	8	8	-	16
Subscription-Based Information Technology Arrangements	-	526	-	526
Less Accumulated Depreciation/Amortization	(65,386)	(320)	(2,805)	(68,511)
Total Capital Assets (net of accumulated depreciation/amortization)	<u>58,034</u>	<u>259</u>	<u>2,450</u>	<u>60,743</u>
Total Noncurrent Assets	<u>58,039</u>	<u>259</u>	<u>2,450</u>	<u>60,748</u>
Total Assets	<u>82,807</u>	<u>47,990</u>	<u>4,228</u>	<u>135,025</u>
Deferred Outflows of Resources				
Pension-Related Amounts	729	210	-	939
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current Liabilities				
Accounts Payable	1,428	1,786	92	3,306
Accrued Payroll and Benefits	183	65	-	248
Accrued Compensated Absences - Due within one year	213	91	-	304
Leases - Due within one year	1	1	-	2
Subscription - Due within one year	-	110	-	110
Other Payables - Due within one year	-	9,581	-	9,581
Unearned Revenue	-	14	-	14
Other Liabilities	-	4	-	4
Total Current Liabilities	<u>1,825</u>	<u>11,652</u>	<u>92</u>	<u>13,569</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	128	79	-	207
Leases- Due in more than one year	5	6	-	11
Subscription - Due in more than one year	-	115	-	115
Net Pension Liabilities	4,280	1,228	-	5,508
Other Payables - Due in more than one year	-	11,564	-	11,564
Total Noncurrent Liabilities	<u>4,413</u>	<u>12,992</u>	<u>-</u>	<u>17,405</u>
Total Liabilities	<u>6,238</u>	<u>24,644</u>	<u>92</u>	<u>30,974</u>
Deferred Inflows of Resources				
Pension-Related Amounts	162	47	-	209
NET POSITION				
Net Investment in Capital Assets	57,286	27	2,358	59,671
Unrestricted	19,850	23,482	1,778	45,110
Total Net Position	<u>\$ 77,136</u>	<u>\$ 23,509</u>	<u>\$ 4,136</u>	<u>\$ 104,781</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 29,372	\$ 42,415	\$ 750	\$ 72,537
Self-Insurance Contributions - Employee	-	8,571	-	8,571
Self-Insurance Contributions - Retiree	-	271	-	271
State Contributions	-	103	-	103
Other	515	1,447	-	1,962
Total Operating Revenues	29,887	52,807	750	83,444
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	15,296	-	-	15,296
Self-Insurance Administration	-	4,319	-	4,319
Self-Insurance Claims	-	2,284	-	2,284
Self-Insurance Benefits	-	34,000	-	34,000
Insurance and Bond Premiums	-	5,500	-	5,500
Computer Replacement	-	-	20	20
Depreciation/Amortization	10,262	130	913	11,305
Total Operating Expenses	25,558	46,233	933	72,724
Operating Income (Loss)	4,329	6,574	(183)	10,720
Non-Operating Revenues (Expenses)				
Property Tax	-	536	-	536
Gain (Loss) on Sale of Capital Assets	166	-	(37)	129
Net Non-Operating Revenues (Expenses)	166	536	(37)	665
Income (Loss) Before Contributions and Transfers	4,495	7,110	(220)	11,385
Capital Contributions	2,379	-	-	2,379
Transfers In	-	55	-	55
Transfers Out	-	(7)	-	(7)
Change in Net Position	6,874	7,158	(220)	13,812
Total Net Position - Beginning	70,262	16,351	4,356	90,969
Total Net Position - Ending	\$ 77,136	\$ 23,509	\$ 4,136	\$ 104,781

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2023 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 29,371	\$ 51,143	\$ 750	\$ 81,264
Cash Payments to Suppliers for Goods/Services	(9,035)	(48,137)	-	(57,172)
Cash Payments to Employees for Services	(4,800)	(1,780)	(20)	(6,600)
Other Cash Receipts	515	1,447	-	1,962
Net Cash Provided by (Used for) Operating Activities	<u>16,051</u>	<u>2,673</u>	<u>730</u>	<u>19,454</u>
Cash Flows from NonCapital Financing Activities				
Property Tax	-	536	-	536
Transfers In	-	55	-	55
Transfers Out	-	(7)	-	(7)
Net Cash Provided by (Used for) NonCapital Financing Activities	<u>-</u>	<u>584</u>	<u>-</u>	<u>584</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(11,815)	(130)	(616)	(12,561)
Sale of Capital Assets	712	-	-	712
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(11,103)</u>	<u>(130)</u>	<u>(616)</u>	<u>(11,849)</u>
Net Increase in Cash and Cash Equivalents	4,948	3,127	114	8,189
Cash and Cash Equivalents at Beginning of Year	18,146	44,154	1,664	63,964
Cash and Cash Equivalents at End of Year	<u>\$ 23,094</u>	<u>\$ 47,281</u>	<u>\$ 1,778</u>	<u>\$ 72,153</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 4,329	\$ 6,574	\$ (183)	\$ 10,720
Income Provided by (Used for) Operating Activities				
Depreciation/Amortization	10,262	130	913	11,305
Current Year Pension Contributions	(402)	(116)	-	(518)
Change in Equity in Joint Venture	1	-	-	1
Change in Accounts Receivable	-	(204)	-	(204)
Change in Prepaid Expense	1,921	-	-	1,921
Change in Inventories	(78)	-	-	(78)
Change in Accounts Payable	(137)	713	-	576
Change in Unearned Revenue	-	(12)	-	(12)
Change in Accrued Payroll	33	13	-	46
Change in Compensated Absences Payable	(61)	29	-	(32)
Change in Claims Payable	-	(4,885)	-	(4,885)
Change in Net Pension Liability	697	515	-	1,212
Change in Deferred Outflows of Resources Related to Pensions	571	118	-	689
Change in Deferred Inflows of Resources Related to Pensions	(1,085)	(202)	-	(1,287)
Total Adjustments	<u>11,722</u>	<u>(3,901)</u>	<u>913</u>	<u>8,734</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 16,051</u>	<u>\$ 2,673</u>	<u>\$ 730</u>	<u>\$ 19,454</u>
Supplemental Disclosure of Non-Cash Investing, Capital, and Financing Activities				
Changes to Property, Plant, and Equipment				
Contributions of Capital Assets from Other Funds	\$ 2,379	\$ -	\$ -	\$ 2,379
Retirement of Assets	(406)	-	(37)	(443)
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 1,973</u>	<u>\$ -</u>	<u>\$ (37)</u>	<u>\$ 1,936</u>

OTHER SUPPLEMENTARY INFORMATION

Debt Requirements

The Schedule of Changes in Long-Term Debt for the current fiscal year presents the City's debt by type without regard to fund classification.

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

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2023 (in thousands)

	July 1, 2022	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2023	Governmental Activities	Business-type Activities	Final Payment Date
GENERAL OBLIGATION BONDS										
Governmental Activities										
2012 GO Refunding Preservation	\$ 8,485	\$ -	\$ 3,115	\$ -	\$ -	\$ -	\$ 5,370	\$ 5,370	\$ -	07/01/24
2013 GO Preservation	5,000	-	2,500	-	-	-	2,500	2,500	-	07/01/24
2014 GO Preservation	2,760	-	655	-	-	-	2,105	2,105	-	07/01/26
2014 GO Refunding Various Purpose	10,702	-	10,702	-	-	-	-	-	-	07/01/23
2014 GO Refunding Preservation	1,528	-	1,528	-	-	-	-	-	-	07/01/23
2015 GO Refunding Various Purpose	60,530	-	7,170	-	-	-	53,360	53,360	-	07/01/28
2015 GO Refunding Preservation	27,670	-	11,960	-	-	-	15,710	15,710	-	07/01/28
2017A GO Preservation	17,410	-	-	-	-	-	17,410	17,410	-	07/01/34
2017B GO Preservation Acquisition Refinancing	11,275	-	5,485	-	-	-	5,790	5,790	-	07/01/24
2017 GO Refunding Various Purpose	24,446	-	2,704	-	-	-	21,742	21,742	-	07/01/29
2017 GO Refunding Preservation	13,159	-	901	-	-	-	12,258	12,258	-	07/01/34
2017C GO Various Purpose	11,200	-	2,060	-	-	-	9,140	9,140	-	07/01/27
2020 GO Taxable Refunding Preservation	157,255	-	2,155	-	-	-	155,100	155,100	-	07/01/34
2021 GO Various Purpose	28,855	-	1,180	-	-	-	27,675	27,675	-	07/01/40
2021 GO Taxable Various Purpose	18,610	-	860	-	-	-	17,750	17,750	-	07/01/40
2023 GO Various Purpose	-	34,175	-	-	-	-	34,175	34,175	-	07/01/42
2023 GO Taxable Various Purpose	-	39,530	-	-	-	-	39,530	39,530	-	07/01/42
2012 GO Refunding Series Issuance Premium	564	-	-	-	-	(282)	282	282	-	-
2013 GO Preserve Issuance Premium	120	-	-	-	-	(60)	60	60	-	-
2014 GO Preserve Issuance Premium	99	-	-	-	-	(25)	74	74	-	-
2014 GO Refunding Series Issuance Premium	1,037	-	-	-	-	(1,037)	-	-	-	-
2015 GO Refunding Series Issuance Premium	7,553	-	-	-	-	(1,259)	6,294	6,294	-	-
2017A GO Preserve Series Issuance Premium	1,942	-	-	-	-	(162)	1,780	1,780	-	-
2017B GO Preserve Acquisition Refinancing Series Issuance Premium	970	-	-	-	-	(485)	485	485	-	-
2017 GO Refunding Series Issuance Premium	4,694	-	-	-	-	(391)	4,303	4,303	-	-
2017C GO Various Purpose Issuance Premium	1,827	-	-	-	-	(365)	1,462	1,462	-	-
2021 GO Various Purpose Issuance Premium	3,357	-	-	-	-	(186)	3,171	3,171	-	-
2021 GO Taxable Various Purpose Issuance Premium	541	-	-	-	-	(30)	511	511	-	-
2023 GO Various Purpose Issuance Premium	-	4,130	-	-	-	(89)	4,041	4,041	-	-
2023 GO Taxable Various Purpose Issuance Premium	-	720	-	-	-	(15)	705	705	-	-
Total General Obligation Bonds	\$ 421,589	\$ 78,555	\$ 52,975	\$ -	\$ -	\$ (4,386)	\$ 442,783	\$ 442,783	\$ -	-
REVENUE BONDS										
Business-type Activities										
2008 Utility Revenue Series Refunding	\$ 4,375	\$ -	\$ 4,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/23
2008 Refunding Series Issuance Premium	271	-	-	-	-	(271)	-	-	-	-
Total Revenue Bonds	\$ 4,646	\$ -	\$ 4,375	\$ -	\$ -	\$ (271)	\$ -	\$ -	\$ -	-

*This exhibit includes both Governmental Activities and Business-type Activities debt (paid out of Enterprise Funds).

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2023 (in thousands)

	July 1, 2022	Issued	Retired	Refunding Bonds Issued	Bonds Defaced	Accretions, Amortizations, and Contract Adjustments	June 30, 2023	Governmental Activities	Business-type Activities	Final Payment Date
MUNICIPAL PROPERTY CORPORATION BONDS										
Governmental Activities										
2006 MPC Refunding	\$ 41,805	\$ -	\$ 3,295	\$ -	\$ -	\$ -	\$ 38,510	\$ 38,510	\$ -	07/01/34
2013A MPC	1,995	-	1,995	-	-	-	-	-	-	07/01/23
2013B MPC	70	-	70	-	-	-	-	-	-	07/01/23
2013C MPC	1,715	-	1,715	-	-	-	-	-	-	07/01/23
2014 MPC Refunding	11,300	-	2,025	-	-	-	9,275	9,275	-	07/01/27
2015A MPC	7,955	-	565	-	-	-	7,390	7,390	-	07/01/34
2015A MPC Taxable	10,075	-	680	-	-	-	9,395	9,395	-	07/01/34
2019A MPC	8,435	-	340	-	-	-	8,095	8,095	-	07/01/39
2019B MPC Taxable	29,540	-	1,435	-	-	-	28,105	28,105	-	07/01/39
2021B MPC Taxable Refunding	67,815	-	1,135	-	-	-	66,680	66,680	-	07/01/35
2006 Refunding Series Issuance Premium	2,965	-	-	-	-	(247)	2,718	2,718	-	-
2013A MPC Series Issuance Premium	257	-	-	-	-	(257)	-	-	-	-
2013B MPC Series Issuance Premium	8	-	-	-	-	(8)	-	-	-	-
2013C MPC Series Issuance Premium	187	-	-	-	-	(187)	-	-	-	-
2014 Refunding Series Issuance Premium	1,016	-	-	-	-	(203)	813	813	-	-
2015A Series Issuance Premium	655	-	-	-	-	(54)	601	601	-	-
2015A Taxable Series Issuance Premium	166	-	-	-	-	(14)	152	152	-	-
2019A Series Issuance Premium	1,075	-	-	-	-	(64)	1,011	1,011	-	-
2019B Taxable Series Issuance Premium	67	-	-	-	-	(4)	63	63	-	-
Subtotal Governmental Activities	187,101	-	13,255	-	-	(1,038)	172,808	172,808	-	-
Business-type Activities										
2006 MPC Refunding	52,850	-	9,715	-	-	-	43,135	-	43,135	07/01/30
2015A MPC Bonds Water/Sewer	12,050	-	855	-	-	-	11,195	-	11,195	07/01/34
2015 MPC Refunding	19,355	-	4,490	-	-	-	14,865	-	14,865	07/01/26
2017 MPC Refunding	41,620	-	2,015	-	-	-	39,605	-	39,605	07/01/34
2017A MPC Bonds Water	32,390	-	1,580	-	-	-	30,810	-	30,810	07/01/37
2017B MPC Bonds Aviation	19,530	-	940	-	-	-	18,590	-	18,590	07/01/37
2021A MPC Refunding	7,920	-	-	-	-	-	7,920	-	7,920	07/01/30
2021B MPC Taxable Refunding	61,740	-	1,320	-	-	-	60,420	-	60,420	07/01/36
2006 Refunding Series Issuance Premium	4,508	-	-	-	-	(563)	3,945	-	3,945	-
2015A Series Issuance Premium	992	-	-	-	-	(82)	910	-	910	-
2015 Refunding Series Issuance Premium	2,361	-	-	-	-	(590)	1,771	-	1,771	-
2017 Refunding Series Issuance Premium	3,939	-	-	-	-	(328)	3,611	-	3,611	-
2017A Series Issuance Premium	2,455	-	-	-	-	(165)	2,290	-	2,290	-
2017B Series Issuance Premium	1,255	-	-	-	-	(84)	1,171	-	1,171	-
2021A Refunding Issuance Premium	2,507	-	-	-	-	(314)	2,193	-	2,193	-
Subtotal Business-type Activities	265,472	-	20,915	-	-	(2,126)	242,431	-	242,431	-
Total Municipal Property Corporation Bonds	\$ 452,573	\$ -	\$ 34,170	\$ -	\$ -	\$ (3,164)	\$ 415,239	\$ 172,808	\$ 242,431	-
COMMUNITY FACILITIES DISTRICT BONDS										
Governmental Activities										
DC Ranch Refunding Series 2012	\$ 5,825	\$ -	\$ 1,085	\$ -	\$ -	\$ -	\$ 4,740	\$ 4,740	\$ -	07/15/27
Via Linda Road Refunding Series 2012	210	-	210	-	-	-	-	-	-	07/15/23
Waterfront Commercial Refunding Series 2019	2,024	-	181	-	-	-	1,843	1,843	-	07/15/32
DC Ranch 2012 Issuance Premium	197	-	-	-	-	(40)	157	157	-	-
Total Community Facilities District Bonds	\$ 8,256	\$ -	\$ 1,476	\$ -	\$ -	\$ (40)	\$ 6,740	\$ 6,740	\$ -	-
Total Bonds	\$ 887,064	\$ 78,556	\$ 92,996	\$ -	\$ -	\$ (7,862)	\$ 864,762	\$ 622,331	\$ 242,431	-

*This exhibit includes both Governmental Activities and Business-type Activities debt (paid out of Enterprise Funds).

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2023 (in thousands)

	July 1, 2022	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2023	Governmental Activities	Business-type Activities	Final Payment Date
CONTRACTS PAYABLE										
Governmental Activities										
PNC Bank	\$ 402	\$ -	\$ 42	\$ -	\$ -	\$ -	\$ 360	\$ 360	\$ -	01/01/33
Investigative Equipment - Public Safety	550	-	265	-	-	-	285	285	-	04/25/24
Protective Equipment - Public Safety	219	-	70	-	-	-	149	149	-	01/12/25
Field Maintenance Equipment - Community Services	143	-	29	-	-	-	114	114	-	03/30/27
L.T. Hardware Equipment - Public Safety	-	265	90	-	-	-	175	175	-	07/15/24
Total Contracts	\$ 1,314	\$ 265	\$ 496	\$ -	\$ -	\$ -	\$ 1,083	\$ 1,083	\$ -	
LEASES										
Governmental Activities										
Imaging Equipment - City Treasurer	\$ 33	\$ -	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	12/31/22
Baseball Facility - Community Services	1,066	-	8	-	-	-	1,058	1,058	-	12/01/52
Distributed Antenna System - Administrative Services	50	-	4	-	-	-	46	46	-	12/01/29
Data Center Space - Administrative Services	1,018	-	204	-	-	-	814	814	-	09/01/26
Street Maintenance Equipment - Public Works	96	-	37	-	-	-	59	59	-	11/24/24
Vehicles - Public Safety	305	382	212	-	-	-	475	475	-	05/01/26
Imaging Equipment - Various Governmental Funds	-	534	53	-	-	-	481	481	-	03/01/28
Imaging Equipment - Fleet Management	-	8	1	-	-	-	7	7	-	09/01/27
Imaging Equipment - Risk Management	-	8	1	-	-	-	7	7	-	11/01/27
Subtotal Governmental Activities	2,568	932	553	-	-	-	2,947	2,947	-	
Business-type Activities										
Imaging Equipment - Water and Sewer Utility	-	50	7	-	-	-	43	-	43	9/1/2027
Imaging Equipment - Airport	-	17	2	-	-	-	15	-	15	3/1/2028
Imaging Equipment - Solid Waste	-	9	1	-	-	-	8	-	8	8/1/2027
Water Quality Monitoring and Treatment Software - Water and Sewer Utility	-	41	11	-	-	-	30	-	30	2/16/2026
Subtotal Business-type Activities	-	117	21	-	-	-	96	-	96	
Total Leases	\$ 2,568	\$ 1,049	\$ 574	\$ -	\$ -	\$ -	\$ 3,043	\$ 2,947	\$ 96	
SUBSCRIPTIONS										
Governmental Activities										
Event Registration and Management System - Public Safety	\$ 12	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ 8	\$ 8	\$ -	01/14/25
Platform for Payroll and HRIS Services - Administrative Services/City Treasurer	204	-	204	-	-	596	596	596	-	04/01/26
Performance Measurement/Strategic Planning/Benchmarking - City Manager/City Treasurer	29	-	29	-	-	-	-	-	-	07/01/22
Risk Management Information System - Self Insurance	-	344	119	-	-	-	225	225	-	07/01/24
Imaging - Administrative Services	73	-	73	-	-	-	-	-	-	12/02/22
Geospatial Technology System - Public Works/Administrative Services	19	-	19	-	-	-	-	-	-	07/01/22
Enterprise Software - Administrative Services	2,850	-	677	-	-	-	2,173	2,173	-	08/01/25
Server Software - Administrative Services	76	-	18	-	-	-	58	58	-	08/01/25
Safety Data Sheets Software - Self Insurance	7	-	7	-	-	-	-	-	-	08/12/22
Debt Management Software - City Treasurer	24	-	12	-	-	-	12	12	-	12/01/23
Enterprise Software (FY 2023) - Administrative Services	-	220	93	-	-	-	127	127	-	08/01/25
Imaging - Administrative Services	8	-	8	-	-	-	-	-	-	12/03/22
Enterprise Software - Administrative Services	67	-	18	-	-	-	49	49	-	08/01/25
Local business Community Information and Resource Service Software - Community and Econ	48	-	48	-	-	-	-	-	-	12/01/22
Investigative Software and Storage - Public Safety	-	1,292	441	-	-	-	851	851	-	07/15/24
Core Enterprise User Plan - Administrative Services	-	276	95	-	-	-	181	181	-	10/18/24
Digital Signage and Program/Event Communications - Community Services	-	54	19	-	-	-	35	35	-	08/29/24
Policy and Accreditation Software - Public Safety	-	20	-	-	-	-	20	20	-	08/16/23
E-mail and Communication Management Service - Administrative Services	-	28	-	-	-	-	28	28	-	08/01/23
Subtotal Governmental Activities	3,417	2,234	1,884	-	-	596	4,363	4,363	-	
Business-type Activities										
Geospatial Technology System - Water and Sewer Utility	20	-	20	-	-	-	-	-	-	07/01/22
Geospatial Technology System - Solid Waste	4	-	4	-	-	-	-	-	-	07/01/22
Airport Agreement Tracking - Airport	-	58	29	-	-	-	29	-	29	07/01/23
Water Quality Monitoring and Treatment Software - Water and Sewer Utility	-	122	32	-	-	-	90	-	90	02/16/26
Core and Permit Management Modules - Water and Sewer Utility	-	25	-	-	-	-	25	-	25	07/01/23
Subtotal Business-type Activities	24	205	85	-	-	-	144	-	144	
Total Subscriptions	\$ 3,441	\$ 2,439	\$ 1,969	\$ -	\$ -	\$ 596	\$ 4,507	\$ 4,363	\$ 144	

*This exhibit includes both Governmental Activities and Business-type Activities debt (paid out of Enterprise Funds).

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2023 (in thousands)

	July 1, 2022	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2023	Governmental Activities	Business-type Activities	Final Payment Date
PUBLIC-PUBLIC PARTNERSHIPS										
Governmental Activities										
Bureau of Reclamation\Westworld	\$ 800	\$ 2,171	\$ 1,007	\$ -	\$ -	\$ -	\$ 1,964	\$ 1,964	\$ -	2032
Bureau of Reclamation\TPC	960	2,864	1,168	-	-	-	2,656	2,656	-	2035
Total Public-Public Partnerships	\$ 1,760	\$ 5,035	\$ 2,175	\$ -	\$ -	\$ -	\$ 4,620	\$ 4,620	\$ -	
TOTAL BONDS, CONTRACTS, LEASES, SUBSCRIPTIONS, AND PUBLIC-PUBLIC PARTNERSHIPS										
	\$ 896,147	\$ 87,344	\$ 98,210	\$ -	\$ -	\$ (7,266)	\$ 878,015	\$ 635,344	\$ 242,671	
Compensated Absences								\$ 33,145	\$ 4,563	
Total Other Postemployment Benefit Liability								699	-	
Net Pension Liabilities								327,796	34,729	
Risk Management Claims								21,145	-	
Pollution Remediation Obligation								-	45,599	
Total Long-Term Debt								\$ 1,018,129	\$ 327,562	

*This exhibit includes both Governmental Activities and Business-type Activities debt (paid out of Enterprise Funds).



Statistical Section

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Contents	
Financial Trends	184
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	193
These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax, and sales and use taxes.	
Debt Capacity	200
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	206
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	208
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

City of Scottsdale, Arizona
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Table I

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net Investment in Capital Assets	\$ 2,685,105	\$ 2,663,269	\$ 3,406,976	\$ 3,530,134	\$ 3,604,063	\$ 3,675,567	\$ 3,748,249	\$ 4,065,844	\$ 4,162,863	\$ 4,247,801
Restricted	109,615	117,485	122,932	125,366	123,057	119,657	146,017	189,263	266,758	330,043
Unrestricted	180,942	(19,464)	(3,679)	(43,632)	(27,779)	(5,012)	23,905	63,519	132,712	234,291
Total Governmental Activities Net Position	<u>\$ 2,975,662</u> ⁽¹⁾	<u>\$ 2,761,290</u> ⁽²⁾	<u>\$ 3,526,229</u> ⁽⁴⁾	<u>\$ 3,611,868</u>	<u>\$ 3,699,341</u> ⁽⁶⁾	<u>\$ 3,790,212</u>	<u>\$ 3,918,171</u> ⁽⁷⁾	<u>\$ 4,318,626</u>	<u>\$ 4,562,333</u>	<u>\$ 4,812,135</u> ⁽⁸⁾
Business-type Activities										
Net Investment in Capital Assets	\$ 1,046,345	\$ 1,036,650	\$ 1,059,001	\$ 1,069,475	\$ 1,099,864	\$ 1,093,556	\$ 1,102,183	\$ 1,157,026	\$ 1,195,005	\$ 1,221,022
Restricted	47,101	46,901	47,521	48,911	48,926	52,204	52,728	51,596	54,717	54,119
Unrestricted	273,321	253,109	255,503	256,129	250,500	282,796	301,788	291,368	284,046	284,450
Total Business-type Activities Net Position	<u>\$ 1,366,767</u> ⁽¹⁾	<u>\$ 1,336,660</u> ⁽³⁾	<u>\$ 1,362,025</u> ⁽⁵⁾	<u>\$ 1,374,515</u>	<u>\$ 1,399,290</u>	<u>\$ 1,428,556</u>	<u>\$ 1,456,699</u>	<u>\$ 1,499,990</u>	<u>\$ 1,533,768</u>	<u>\$ 1,559,591</u>
Primary Government										
Net Investment in Capital Assets	\$ 3,731,450	\$ 3,699,919	\$ 4,465,977	\$ 4,599,609	\$ 4,703,927	\$ 4,769,123	\$ 4,850,432	\$ 5,222,870	\$ 5,357,868	\$ 5,468,823
Restricted	156,716	164,386	170,453	174,277	171,983	171,861	198,745	240,859	321,475	384,162
Unrestricted	454,263	233,645	251,824	212,497	222,721	277,784	325,693	354,887	416,758	518,741
Total Primary Government Net Position	<u>\$ 4,342,429</u>	<u>\$ 4,097,950</u>	<u>\$ 4,888,254</u>	<u>\$ 4,986,383</u>	<u>\$ 5,098,631</u>	<u>\$ 5,218,768</u>	<u>\$ 5,374,870</u>	<u>\$ 5,818,616</u>	<u>\$ 6,096,101</u>	<u>\$ 6,371,726</u>

⁽¹⁾In fiscal year 2014, beginning net position was restated due to the implementation of GASB Statement No. 65.

⁽²⁾In fiscal year 2015, beginning net position was restated due to the implementation of GASB Statement No. 68 and an adjustment to capital assets.

⁽³⁾In fiscal year 2015, beginning net position was restated due to the implementation of GASB Statement No. 68 and an adjustment involving prior-year revenue.

⁽⁴⁾In fiscal year 2016, beginning net position was restated due to an adjustment to capital assets and the recognition of the City's involvement in a joint venture.

⁽⁵⁾In fiscal year 2016, beginning net position was restated due to the recognition of the City's involvement in a joint venture.

⁽⁶⁾In fiscal year 2018, beginning net position was restated due to the implementation of GASB Statement No. 75 and to record the City's endowment funds.

⁽⁷⁾In fiscal year 2020, beginning net position was restated due to the implementation of GASB Statement No. 87.

⁽⁸⁾In fiscal year 2023, beginning net position was restated due to the implementation of GASB Statement No. 94.

City of Scottsdale, Arizona

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

Table IIa

	2014 ⁽¹⁾	2015	2016	2017 ⁽²⁾	2018 ⁽³⁾	2019	2020	2021	2022	2023
Expenses										
Governmental Activities										
General Government										
Mayor and City Council	\$ 840	\$ 790	\$ 813	\$ 869	\$ 638	\$ 704	\$ 770	\$ 725	\$ 894	\$ 898
City Clerk	1,042	927	1,129	845	695	952	1,171	1,209	1,211	1,090
City Attorney	5,810	6,103	6,893	6,460	6,486	6,890	6,731	6,860	7,389	7,679
City Auditor	754	792	821	802	800	898	1,045	1,069	1,103	1,117
City Court	5,705	5,682	4,964	5,421	5,530	5,509	6,047	6,298	6,558	6,475
City Manager	864	1,828	1,974	2,288	3,062	3,691	4,647	3,766	5,083	5,639
City Treasurer	6,069	5,088	5,658	5,792	6,071	8,209	9,825	9,688	9,593	10,327
Public Works	43,597	40,631	38,291	40,035	42,205	47,420	99,218	100,705	109,623	110,284
Community and Economic Development	134,626	138,899	102,892	102,813	102,153	102,680	41,946	35,999	46,396	49,554
Public Safety	127,026	135,647	136,261	172,452	153,256	153,817	173,352	172,141	175,466	182,910
Community Services	55,190	55,134	53,322	54,155	54,710	56,730	64,247	64,769	72,628	80,219
Administrative Services	17,552	17,849	20,264	19,326	21,173	17,974	19,375	19,189	24,705	21,486
Scottsdale AZ CARES	-	-	-	-	-	-	-	11,742	2,555	321
Streetlight and Service Districts	576	583	589	589	605	584	555	545	535	529
(Gain) Loss on In-Substance Defeasance of Debt	-	-	-	(32)	-	-	34	-	-	-
Interest on Long-Term Debt	35,486	34,134	31,665	28,462	28,724	26,364	23,928	17,043	16,857	15,619
Bond Issuance Costs	998	1,643	-	672	-	-	-	-	-	-
Total Governmental Activities Expenses	<u>436,135</u>	<u>445,730</u>	<u>405,536</u>	<u>440,949</u>	<u>426,108</u>	<u>432,422</u>	<u>452,891</u>	<u>451,748</u>	<u>480,596</u>	<u>494,147</u>
Business-type Activities										
Water Utility	91,496	95,958	100,854	95,745	96,493	96,010	105,222	106,778	109,606	117,079
Sewer Utility	45,421	44,352	42,058	50,535	52,142	50,462	57,847	54,152	55,167	66,634
Airport	4,014	3,703	3,894	4,151	7,624	5,370	6,764	7,024	9,150	9,257
Solid Waste	19,608	20,911	20,786	20,181	19,735	21,790	23,195	25,290	26,850	28,755
Total Business-type Activities Expenses	<u>160,539</u>	<u>164,924</u>	<u>167,592</u>	<u>170,612</u>	<u>175,994</u>	<u>173,632</u>	<u>193,028</u>	<u>193,244</u>	<u>200,773</u>	<u>221,725</u>
Total Primary Government Expenses	<u>\$ 596,674</u>	<u>\$ 610,654</u>	<u>\$ 573,128</u>	<u>\$ 611,561</u>	<u>\$ 602,102</u>	<u>\$ 606,054</u>	<u>\$ 645,919</u>	<u>\$ 644,992</u>	<u>\$ 681,369</u>	<u>\$ 715,872</u>

⁽¹⁾In fiscal year 2014, the City adopted GASB Statement No. 65, which mandated the expensing of bond issuance costs as opposed to the previous practice of capitalizing such costs.

⁽²⁾In fiscal year 2017, the City adopted GASB Statement No. 86, which requires the recognition of a gain/loss when bonds are defeased in-substance using existing resources.

⁽³⁾In fiscal year 2018, the City instituted the practice of allocating bond issuance costs amongst the relevant functions.

City of Scottsdale, Arizona
Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)
 (in thousands)

Table IIb

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program Revenue										
Governmental Activities										
Charges for Services:										
General Government										
Mayor and City Council	\$ 225	\$ 176	\$ 155	\$ 157	\$ 149	\$ 142	\$ 146	\$ 160	\$ 162	\$ 175
City Clerk	279	227	148	178	165	171	227	175	173	154
City Attorney	756	737	656	688	1,082	792	795	741	597	702
City Auditor	197	188	176	167	181	203	210	221	218	222
City Court	-	-	-	-	-	-	-	-	-	-
City Manager	219	232	225	226	411	349	373	562	529	539
City Treasurer	2,606	2,719	2,610	2,583	2,688	3,036	3,045	3,521	3,542	4,612
Public Works	1,580	1,861	6,149	2,041	1,569	1,567	1,763	113	167	223
Community and Economic Development	17,981	19,474	17,464	18,455	19,503	20,562	22,102	17,457	41,773	17,655
Public Safety	10,268	10,350	11,459	11,739	11,203	11,107	11,088	10,251	11,891	11,104
Community Services	5,914	6,334	6,269	6,268	6,820	7,078	9,908	11,338	14,375	35,335
Administrative Services	2,890	2,827	2,926	3,096	3,094	2,617	2,815	1,987	2,954	2,971
Scottsdale AZ CARES	-	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	400	531	577	602	584	591	617	529	524	525
Operating Grants and Contributions	27,710	28,397	29,708	29,724	30,760	34,233	55,604	52,751	53,960	55,318
Capital Grants and Contributions	38,817	14,831	82,162	107,334	60,819	35,620	50,088	305,241	87,927	52,556
Total Governmental Activities Revenues	<u>109,842</u>	<u>88,884</u>	<u>160,684</u>	<u>183,258</u>	<u>139,028</u>	<u>118,068</u>	<u>158,781</u>	<u>405,047</u>	<u>218,792</u>	<u>182,091</u>
Business-type Activities										
Charges for Services:										
Water Utility	104,722	98,495	110,560	107,031	117,537	109,947	119,345	130,843	124,640	129,022
Sewer Utility	39,917	39,541	39,741	40,434	40,666	45,419	44,047	45,391	49,823	51,066
Airport	3,635	4,020	4,404	4,390	4,335	5,493	5,851	7,695	9,209	10,489
Solid Waste	20,162	20,232	20,120	20,269	19,687	21,344	22,650	25,532	27,177	31,080
Capital Grants and Contributions	22,019	11,726	22,545	17,539	23,865	17,833	26,631	34,573	38,822	31,597
Total Business-type Activities Revenues	<u>190,455</u>	<u>174,014</u>	<u>197,370</u>	<u>189,663</u>	<u>206,090</u>	<u>200,036</u>	<u>218,524</u>	<u>244,034</u>	<u>249,671</u>	<u>253,254</u>
Total Primary Government Revenues	<u>\$ 300,297</u>	<u>\$ 262,898</u>	<u>\$ 358,054</u>	<u>\$ 372,921</u>	<u>\$ 345,118</u>	<u>\$ 318,104</u>	<u>\$ 377,305</u>	<u>\$ 649,081</u>	<u>\$ 468,463</u>	<u>\$ 435,345</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (326,293)	\$ (356,846)	\$ (244,852)	\$ (257,691)	\$ (287,080)	\$ (314,354)	\$ (294,110)	\$ (46,701)	\$ (261,804)	\$ (312,056)
Business-type Activities	<u>29,916</u>	<u>9,090</u>	<u>29,778</u>	<u>19,051</u>	<u>30,096</u>	<u>26,404</u>	<u>25,496</u>	<u>50,790</u>	<u>48,898</u>	<u>31,529</u>
Total Primary Government Net Expense	<u>\$ (296,377)</u>	<u>\$ (347,756)</u>	<u>\$ (215,074)</u>	<u>\$ (238,640)</u>	<u>\$ (256,984)</u>	<u>\$ (287,950)</u>	<u>\$ (268,614)</u>	<u>\$ 4,089</u>	<u>\$ (212,906)</u>	<u>\$ (280,527)</u>

City of Scottsdale, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Table IIc

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes	\$ 248,642	\$ 257,860	\$ 265,416	\$ 262,144	\$ 287,456	\$ 306,274	\$ 316,478	\$ 340,559	\$ 408,581	\$ 424,622
Intergovernmental - Unrestricted	52,715	56,316	57,630	61,851	66,299	70,380	75,300	85,177	86,281	103,128
Interest and Investment Income	1,274	1,372	2,955	1,132	2,218	11,860	14,605	2,487	(13,201)	10,879
Miscellaneous and Special Items	8,422	13,829	9,987	10,568	10,548	9,130	7,248	10,387	16,088	14,493
Transfers	6,202	6,579	7,174	7,635	7,756	7,581	8,432	8,546	7,762	8,660
Total Governmental Activities	<u>317,255</u>	<u>335,956</u>	<u>343,162</u>	<u>343,330</u>	<u>374,277</u>	<u>405,225</u>	<u>422,063</u>	<u>447,156</u>	<u>505,511</u>	<u>561,782</u>
Business-type Activities										
Taxes	154	169	145	158	144	167	128	177	232	261
Interest and Investment Income	964	1,346	2,531	916	2,291	10,276	10,951	870	(7,590)	3,319
Transfers	(6,202)	(6,579)	(7,174)	(7,635)	(7,756)	(7,581)	(8,432)	(8,546)	(7,762)	(8,660)
Total Business-type Activities	<u>(5,084)</u>	<u>(5,064)</u>	<u>(4,498)</u>	<u>(6,561)</u>	<u>(5,321)</u>	<u>2,862</u>	<u>2,647</u>	<u>(7,499)</u>	<u>(15,120)</u>	<u>(5,080)</u>
Total Primary Government	<u>\$ 312,171</u>	<u>\$ 330,892</u>	<u>\$ 338,664</u>	<u>\$ 336,769</u>	<u>\$ 368,956</u>	<u>\$ 408,087</u>	<u>\$ 424,710</u>	<u>\$ 439,657</u>	<u>\$ 490,391</u>	<u>\$ 556,702</u>
Change in Net Position										
Governmental Activities	\$ (9,038)	\$ (20,890)	\$ 98,310	\$ 85,639	\$ 87,197	\$ 90,871	\$ 127,953	\$ 400,455	\$ 243,707	\$ 249,726
Business-type Activities	24,832	4,026	25,280	12,490	24,775	29,266	28,143	43,291	33,778	26,449
Total Primary Government	<u>\$ 15,794</u>	<u>\$ (16,864)</u>	<u>\$ 123,590</u>	<u>\$ 98,129</u>	<u>\$ 111,972</u>	<u>\$ 120,137</u>	<u>\$ 156,096</u>	<u>\$ 443,746</u>	<u>\$ 277,485</u>	<u>\$ 276,175</u>

City of Scottsdale, Arizona
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

Table III

	2014	2015	2016	2017	2018 ⁽¹⁾	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 266	\$ 227	\$ 249	\$ 269	\$ 264	\$ 271	\$ 278	\$ 304	\$ 404	\$ 486
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	52,354	56,017	65,347	58,518	72,809	97,097	136,390	170,994	191,490	226,509
Total General Fund	<u>\$ 52,620</u>	<u>\$ 56,244</u>	<u>\$ 65,596</u>	<u>\$ 58,787</u>	<u>\$ 73,073</u>	<u>\$ 97,368</u>	<u>\$ 136,668</u>	<u>\$ 171,298</u>	<u>\$ 191,894</u>	<u>\$ 226,995</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 619	\$ 604	\$ 555	\$ 681	\$ 599	\$ 609
Restricted	105,837	113,237	116,847	105,777	115,391	112,267	133,424	200,495	250,160	342,895
Committed	20,848	49,554	52,508	58,644	62,867	65,100	67,703	81,703	98,518	155,759
Assigned	7,362	-	-	-	-	-	-	-	-	-
Unassigned, Reported in:										
Special Revenue Funds	(1,194)	(1,083)	(1,010)	(2,175)	(681)	(708)	(2,807)	(2,111)	(4,153)	(3,959)
Debt Service Funds	-	-	-	-	-	(589)	-	-	-	-
Capital Project Funds	-	(4,770)	(4,720)	(11,205)	(6,957)	(13,154)	(7,594)	(4,689)	(24,834)	(23,171)
Total All Other Governmental Funds	<u>\$ 132,853</u>	<u>\$ 156,938</u>	<u>\$ 163,625</u>	<u>\$ 151,041</u>	<u>\$ 171,239</u>	<u>\$ 163,520</u>	<u>\$ 191,281</u>	<u>\$ 276,079</u>	<u>\$ 320,290</u>	<u>\$ 472,133</u>

⁽¹⁾In fiscal year 2018, beginning fund balance was restated due to the recognition of the City's endowment funds.

City of Scottsdale, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

Table IVa

	2014	2015	2016 ⁽¹⁾	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes - Local	\$ 249,289	\$ 258,851	\$ 264,414	\$ 264,299	\$ 288,335	\$ 310,433	\$ 317,143	\$ 340,782	\$ 409,773	\$ 438,942
Taxes - Intergovernmental	63,816	68,603	70,526	75,978	81,197	83,962	87,760	98,603	99,642	114,500
Business and Liquor Licenses	1,782	1,925	1,894	1,861	1,768	1,918	1,869	1,708	1,915	2,862
Charges for Current Services	24,078	25,855	24,404	25,225	27,063	29,774	30,009	34,702	36,960	35,960
Fines, Fees, and Forfeitures	8,343	10,000	10,617	10,532	10,387	8,960	8,831	7,816	8,679	8,074
Property Rental	4,270	5,282	4,922	5,854	5,859	6,089	4,031	7,221	11,366	10,045
Interest Earnings	2,974	1,934	2,373	2,634	4,224	6,956	8,595	6,790	6,379	14,029
Net Increase (Decrease) in the Fair Value of Investments	(1,700)	(562)	582	(1,502)	(2,006)	4,904	6,010	(4,303)	(19,580)	(3,150)
Intergovernmental	40,116	19,846	16,070	20,725	27,335	25,479	47,850	36,004	40,157	59,267
Developer Contributions	64	653	319	498	835	412	1,128	2,723	4,012	7,679
Streetlight and Services Districts	400	531	577	602	584	591	617	529	524	525
Contributions and Donations	2,178	3,558	2,268	2,589	2,333	2,575	9,069	4,398	3,841	3,640
Reimbursements from Outside Sources	2,446	3,445	1,942	2,266	1,840	2,415	2,193	2,121	4,058	1,989
Indirect Costs	7,102	6,987	6,501	6,993	7,455	6,899	7,614	7,370	7,217	7,191
Other	1,652	5,134	954	1,110	869	751	737	488	1,037	2,264
Total Revenues	\$ 406,810	\$ 412,042	\$ 408,363	\$ 419,664	\$ 458,078	\$ 492,118	\$ 533,456	\$ 546,952	\$ 615,980	\$ 703,817

⁽¹⁾In fiscal year 2016, moved "Sale of General Capital Assets" from "Other" within the "Revenues" section to "Sale of General Capital Assets" within the "Other Financing Sources (Uses)" section.

City of Scottsdale, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

Table IVb

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenditures										
General Government										
Mayor and City Council	\$ 835	\$ 784	\$ 818	\$ 887	\$ 653	\$ 747	\$ 782	\$ 723	\$ 878	\$ 930
City Clerk	1,035	917	1,138	873	735	1,004	1,163	1,246	1,256	1,082
City Attorney	5,702	6,012	7,118	6,576	6,747	7,471	6,826	6,597	7,276	7,565
City Auditor	740	782	824	823	816	948	1,049	1,045	1,099	1,197
City Court	5,515	5,584	4,975	5,381	5,692	5,797	5,970	6,194	6,528	6,696
City Manager	842	1,832	1,965	2,200	3,094	3,746	4,531	3,621	4,987	5,877
City Treasurer	5,061	4,904	5,785	5,657	5,979	8,593	9,714	9,418	9,544	10,632
Public Works	33,381	34,518	32,850	33,636	35,013	35,154	44,382	41,410	45,228	48,271
Community and Economic Development	41,063	44,550	42,735	46,320	47,696	48,860	34,431	31,259	41,973	45,541
Public Safety	119,159	123,761	128,527	137,304	136,075	146,250	157,557	153,754	210,701	198,067
Community Services	45,035	44,998	45,508	46,224	47,056	48,786	52,924	48,034	56,679	67,439
Administrative Services	14,950	15,050	15,648	15,919	16,309	15,279	14,727	19,307	17,167	18,392
Scottsdale AZ CARES	-	-	-	-	-	-	-	12,974	2,259	-
Streetlight and Services Districts	576	583	589	589	605	584	555	545	535	529
Debt Service										
Principal	59,387	105,930	53,313	57,956	68,017	66,053	70,076	68,955	70,557	70,918
Interest and Fiscal Charges	37,323	36,706	34,664	31,285	32,052	29,752	27,854	20,634	19,111	17,918
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	6,983	-	-	-
Bond Issuance Costs	998	1,643	-	672	241	-	508	1,745	-	845
Capital Outlay	99,722	52,164	26,674	75,099	54,311	64,395	80,009	70,417	87,417	148,652
Total Expenditures	\$ 471,324	\$ 480,718	\$ 403,131	\$ 467,401	\$ 461,091	\$ 483,419	\$ 520,041	\$ 497,878	\$ 583,195	\$ 650,551
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (64,514)	\$ (68,676)	\$ 5,232	\$ (47,737)	\$ (3,013)	\$ 8,699	\$ 13,415	\$ 49,074	\$ 32,785	\$ 53,266

City of Scottsdale, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

Table IVc

	2014	2015	2016 ⁽⁰⁾	2017	2018	2019	2020	2021	2022	2023
Other Financing Sources (Uses)										
Transfers In	\$ 89,669	\$ 89,806	\$ 85,080	\$ 101,427	\$ 103,926	\$ 108,177	\$ 119,124	\$ 135,337	\$ 136,575	\$ 178,154
Transfers Out	(82,696)	(83,211)	(79,079)	(94,074)	(96,272)	(100,735)	(110,525)	(126,874)	(129,030)	(169,542)
Financing of Leases	296	-	-	-	-	244	1,025	122	1,517	916
Financing of Subscription-Based Information Technology Arrangements	-	-	-	-	-	-	-	4,746	302	2,486
Financing of Contracts Payable	-	-	-	-	-	-	-	-	1,009	265
Issuance of Refunding Bonds	105,885	207,173	-	58,480	-	-	2,563	239,545	-	-
Issuance of Long-Term Capital-Related Debt	14,000	26,815	-	17,410	25,500	-	42,550	51,160	-	73,705
Premium on Long-Term Debt Issued	12,742	23,871	-	12,955	3,496	-	1,323	4,200	-	4,850
Payment to Refunded Bonds Escrow Agent	(108,099)	(168,069)	-	(68,105)	-	-	(2,563)	(238,102)	-	-
Sale of General Capital Assets	-	-	4,806	251	214	191	149	220	21,649	42,844
Total Other Financing Sources (Uses)	31,797	96,385	10,807	28,344	36,864	7,877	53,646	70,354	32,022	133,678
Net Change in Fund Balances	\$ (32,717)	\$ 27,709	\$ 16,039	\$ (19,393)	\$ 33,851	\$ 16,576	\$ 67,061	\$ 119,428	\$ 64,807	\$ 186,944
Debt Service as a Percentage of Non-capital Expenditures	26.0%	33.3%	23.4%	22.7%	24.3%	22.5%	22.2%	21.0%	18.1%	17.7%

⁰⁾In fiscal year 2016, moved "Sale of General Capital Assets" from "Other" within the "Revenues" section to "Sale of General Capital Assets" within the "Other Financing Sources (Uses)" section.

City of Scottsdale, Arizona
Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

Table V

Sales and Use Taxes						
Fiscal Year	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn Preserve	Privilege and Use - Transportation	Privilege and Use - Public Safety	Transient Occupancy
2014	\$ 64,914	\$ 95,604	\$ 32,655	\$ 18,116	\$ 9,330	\$ 15,303
2015	64,272	100,560	34,429	19,097	9,837	17,047
2016	61,956	104,995	36,029	19,938	10,294	17,397
2017	63,320	103,081	35,489	19,615	10,140	18,951
2018	63,577	116,679	40,089	22,044	11,454	19,837
2019	68,738	122,152	41,909	27,788 ⁽¹⁾	11,974	22,407
2020	67,911	122,923	42,331	35,022	12,094	18,793
2021	69,826	136,511	46,921	39,023	13,406	18,013
2022	72,602	165,535	57,013	47,586	16,289	31,863
2023	67,634	181,553	62,550	52,373	17,872	36,492

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other
2014	\$ 3,722	\$ 8,477	\$ 18,922	\$ 24,230	\$ 900
2015	3,748	8,691	19,867	26,316	906
2016	3,816	8,826	20,647	26,173	913
2017	3,896	8,655	21,755	28,976	921
2018	4,391	9,106	23,719	30,549	931
2019	3,293	8,832	25,187	30,269	3,102
2020	5,445	8,231	26,395	33,015	4,177
2021	4,204	8,456	30,615	37,207	4,209
2022	3,825	9,490	34,247	33,718	5,342
2023	3,625	10,155	35,884	47,853	6,488

⁽¹⁾The Privilege and Use-Transportation tax rate increased from 0.2 percent to 0.3 percent, effective February 1, 2019.

City of Scottsdale, Arizona
Taxable Sales Subject to Privilege (Sales) Tax by Category
Last Ten Fiscal Years
(dollars in thousands)

Table VI

	2014	2015	2016	2017⁽¹⁾	2018	2019⁽²⁾	2020	2021	2022	2023
Automotive	\$ 1,209,388	\$ 1,335,511	\$ 1,403,834	\$ 1,489,632	\$ 1,558,428	\$ 1,792,335	\$ 1,725,497	\$ 1,940,656	\$ 1,984,944	\$ 2,037,030
Construction	1,073,279	1,057,986	969,281	901,684	962,050	997,164	1,044,980	1,223,155	1,193,366	1,596,705
Food Stores	655,787	690,837	713,187	677,978	763,117	796,551	860,447	883,237	878,442	945,114
Hotel/Motel	488,117	525,421	543,121	641,146	682,078	730,329	595,455	551,361	965,649	1,053,661
Major Department Stores	917,406	937,370	927,469	888,674	966,996	970,656	944,390	1,037,297	1,147,151	1,205,502
Miscellaneous Retail Stores	1,450,611	1,612,954	1,708,411	1,785,097	2,010,364	2,200,161	2,438,658	3,054,740	3,683,694	3,828,950
Other Taxable Activity	666,504	695,566	728,596	756,718	926,445	1,059,397	1,119,896	1,368,741	1,697,911	1,881,617
Rentals ⁽³⁾	1,210,218	1,315,545	1,417,607	1,380,366	1,644,191	1,719,075	1,747,873	1,746,613	2,132,353	2,227,753
Restaurants	844,186	925,948	961,340	957,757	1,065,825	1,144,395	1,008,526	1,170,867	1,518,421	1,684,960
Utilities	435,579	435,879	497,773	451,318	467,609	455,118	466,345	476,372	478,033	524,314
Total	\$ 8,951,075	\$ 9,533,017	\$ 9,870,619	\$ 9,930,370	\$ 11,047,103	\$ 11,865,181	\$ 11,952,067	\$ 13,453,039	\$ 15,679,964	\$ 16,985,606
City Sales Tax	1.65%	1.65%	1.65%	1.65%	1.65%	1.75%	1.75%	1.75%	1.75%	1.75%

⁽¹⁾ Effective January 1, 2017, the Arizona Department of Revenue took over all collection and administration of privilege, use, jet fuel, and bed taxes.

⁽²⁾ Effective February 1, 2019, the privilege tax rate increased to 1.75%.

City of Scottsdale, Arizona
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Table VII

Privilege (Sales) Tax Rates				Use Tax Rates			
Fiscal Year	City Direct Rate	County Rate	State Rate	Fiscal Year	City Direct Rate	County Rate	State Rate
2014	1.65%	0.70%	5.60%	2014	1.45%	0.00%	5.60%
2015	1.65%	0.70%	5.60%	2015	1.45%	0.00%	5.60%
2016	1.65%	0.70%	5.60%	2016	1.45%	0.00%	5.60%
2017	1.65%	0.70%	5.60%	2017	1.45%	0.00%	5.60%
2018	1.65%	0.70%	5.60%	2018	1.45%	0.00%	5.60%
2019	1.75% ⁽²⁾	0.70%	5.60%	2019	1.55% ⁽²⁾	0.00%	5.60%
2020	1.75%	0.70%	5.60%	2020	1.55%	0.00%	5.60%
2021	1.75%	0.70%	5.60%	2021	1.55%	0.00%	5.60%
2022	1.75%	0.70%	5.60%	2022	1.55%	0.00%	5.60%
2023	1.75%	0.70%	5.60%	2023	1.55%	0.00%	5.60%

Transient Occupancy Tax Rates				Jet Fuel Tax Rates (cents per gallon)			
Fiscal Year	City Direct Rate	County Rate	State Rate	Fiscal Year	City Direct Rate	County Rate	State Rate
2014	5.00%	1.77%	5.50%	2014	0.0180	0.0031	0.0305
2015	5.00%	1.77%	5.50%	2015	0.0180	0.0031	0.0305
2016	5.00%	1.77%	5.50%	2016	0.0180	0.0031	0.0305
2017	5.00%	1.77%	5.50%	2017	0.0180	0.0031	0.0305
2018	5.00%	1.77%	5.50%	2018 ⁽¹⁾	0.0180	0.0031	0.0305
2019	5.00%	1.77%	5.50%	2019	0.0180	0.0031	0.0305
2020	5.00%	1.77%	5.50%	2020	0.0180	0.0031	0.0305
2021	5.00%	1.77%	5.50%	2021	0.0180	0.0031	0.0305
2022	5.00%	1.77%	5.50%	2022	0.0180	0.0031	0.0305
2023	5.00%	1.77%	5.50%	2023	0.0180	0.0031	0.0305

Source: City Tax Audit Section

Note: The following gives a general description of each tax. Complete details for each tax can be found in Appendix C of the Scottsdale Revised City Code.

Privilege (Sales) Tax applies to the sale, lease, license for use, and/or rental transactions.

Use Tax applies to the storage or use of items within the City on which no privilege tax has been paid.

Transient Occupancy Tax applies to transactions involving transient lodging.

Jet Fuel Tax applies to transactions involving the sale of jet fuel.

⁽¹⁾ Effective August 9, 2017, the City can only tax the first 10 million gallons by each purchaser in a calendar year.

⁽²⁾ Effective February 1, 2019, the City transaction privilege tax rate increased to 1.75% and the use tax rate increased to 1.55%.

City of Scottsdale, Arizona
Sales Tax Revenue Payers by Industry
Current Year and Nine Years Ago
(dollars in thousands)

Table VIII

	Fiscal Year 2023				Fiscal Year 2014			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	696	1.94%	\$ 36,569	11.62%	535	2.39%	\$ 20,399	13.09%
Construction	3,080	8.57%	29,379	9.34%	7,465	33.32%	18,272	11.73%
Food Stores	194	0.54%	17,381	5.52%	179	0.80%	10,847	6.96%
Hotel/Motel	608	1.68%	20,074	6.38%	82	0.37%	8,247	5.29%
Major Department Stores	32	0.09%	22,188	7.05%	27	0.12%	15,213	9.77%
Miscellaneous Retail Stores	9,504	26.44%	70,236	22.32%	4,837	21.59%	26,296	16.88%
Other Taxable Activity	12,704	35.35%	37,563	11.93%	3,875	17.30%	14,605	9.38%
Rentals	7,763	21.60%	40,721	12.94%	4,139	18.48%	20,557	13.20%
Restaurants	938	2.61%	30,925	9.83%	970	4.33%	14,049	9.02%
Utilities	423	1.18%	9,573	3.04%	291	1.30%	7,294	4.68%
Total	35,942	100.00%	\$ 314,609	100.00%	22,400	100.00%	\$ 155,779	100.00%

Note: Due to confidentiality issues, the names of the ten largest revenue payers cannot be disclosed. The categories are intended to provide alternative information regarding the sources of the City's revenue. Transient Occupancy taxes are not included in the Tax Revenue for this table. The "Other Taxable Activity" category includes all license fees, penalties, and interest. Beginning January 1, 2017, the Arizona Department of Revenue took over all collection and administration of privilege, use, and jet fuel taxes. Due to the changes in the source of the data and the tax law, the number and classification of filers for the two years above may have differences. Effective February 1, 2019, the transaction privilege tax rate increased to 1.75% and the use tax rate increased to 1.55%.

City of Scottsdale, Arizona
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Table IX

City Direct Rate				Overlapping Rates			
				Scottsdale Unified School District			
Fiscal Year	Operating	Debt Service	Total City	Operating	Debt Service and Budget Override	EVIT	Total School
2014	\$ 0.5342	\$ 0.7604	\$ 1.2946	\$ 3.3548	\$ 1.2239	\$ 0.0500	\$ 4.6287
2015	0.5580	0.6869	1.2449	3.1091	1.0045	0.0500	4.1636
2016	0.5293	0.6244	1.1537	2.8332	1.0263	0.0500	3.9095
2017	0.5071	0.6219	1.1290	2.8566	1.0033	0.0500	3.9099
2018	0.4956	0.5889	1.0845	2.7463	0.9864	0.0500	3.7827
2019	0.5316	0.5705	1.1021	2.5675	1.1364	0.0500	3.7539
2020	0.5198	0.5214	1.0412	2.5928	1.0538	0.0500	3.6966
2021	0.5273	0.5043	1.0316	2.6334	0.9939	0.0500	3.6773
2022	0.5039	0.5042	1.0081	2.5261	0.9318	0.0500	3.5079
2023	0.4970	0.4101	0.9071	2.4282	0.9165	0.0500	3.3947

Overlapping Rates										
County-Wide Jurisdictions										
Fiscal Year	County Operating	Community College	County Flood	County Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	County Special Health Care	Total County	Total Direct and Overlapping
2014	\$ 1.2807	\$ 1.5340	\$ 0.1392	\$ 0.5123	\$ 0.0121	\$ 0.1400	\$ 0.0438	\$ 0.1939	\$ 3.8560	\$ 9.7793
2015	1.3209	1.5187	0.1392	0.5089	0.0113	0.1400	0.0556	0.1856	3.8802	9.2887
2016	1.3609	1.4940	0.1592	0.5054	0.0116	0.1400	0.0556	0.3021	4.0288	9.0920
2017	1.4009	1.4651	0.1792	0.5010	0.0112	0.1400	0.0556	0.3053	4.0583	9.0972
2018	1.4009	1.4096	0.1792	0.4875	0.0102	0.1400	0.0556	0.2851	3.9681	8.8353
2019	1.4009	1.3754	0.1792	0.4741	0.0107	0.1400	0.0556	0.2941	3.9300	8.7860
2020	1.4009	1.3285	0.1792	0.4566	0.0095	0.1400	0.0556	0.3333	3.9036	8.6414
2021	1.4009	1.2881	0.1792	0.4426	0.0090	0.1400	0.0556	0.3046	3.8200	8.5289
2022	1.3459	1.2257	0.1792	0.4263	0.0086	0.1400	0.0556	0.2970	3.6783	8.1943
2023	1.2473	1.1894	0.1592	0.0000	0.0082	0.1400	0.0505	0.2488	3.0434	7.3452

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2022".

Note: The City has Community Facilities Districts (CFDs) that levy property taxes independent of the City to property owners within a designated area. For fiscal year 2023 the rates were as follows: DC Ranch CFD - \$0.3349, Via Linda Road CFD - \$1.1960, and the Waterfront Commercial CFD - \$4.0026.

City of Scottsdale, Arizona
Principal Property Taxpayers
Current Year and Nine Years Ago
(dollars in thousands)

Table X

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 65,146	1	0.889%	\$ 60,718	1	1.258%
Scottsdale Fashion Square LLC	46,594	2	0.636%	41,655	2	0.863%
ASUF Scottsdale LLC (Lease)	24,523	3	0.335%	-	-	-
SDQ FEE LLC	23,105	4	0.315%	12,904	7	0.267%
18700 Hayden Road LLC (Cavasson)	21,894	5	0.299%	-	-	-
Portales Corporate Center LLC ⁽⁴⁾	16,927	6	0.231%	13,137	6	0.272%
Excel Promenade LLC	16,912	7	0.231%	14,876	3	0.308%
Weingarten Nostat Inc.	16,405	8	0.224%	-	-	-
Southwest Gas Corporation	15,157	9	0.207%	10,120	10	0.210%
XHR Scottsdale Rnch LLC	13,512	10	-	-	-	-
Gainey Drive Associates	-	-	-	14,098	4	0.292%
Qwest Corporation	-	-	-	13,934	5	0.289%
WJ Small Grandchildrens Trust	-	-	-	11,883	8	0.246%
Scottsdale Fiesta Retail Center	-	-	-	10,180	9	0.211%
Total	\$ 260,175		3.366%	\$ 203,505		4.216%

Source: The Maricopa County Assessor's Office.

Note: The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in-lieu of ad valorem taxation. The fiscal year 2022 assessed valuation of the SRP within the City is \$22,018,967 as provided by SRP.

⁽⁴⁾Portales Corporate Center LLC/Etal was renamed Portales Corporate Center LLC in 2016.

City of Scottsdale, Arizona
Assessed Value of Taxable Property
Last Ten Fiscal Years

(dollars in thousands, excluding the Total Direct Tax Rate)

Table XI

Fiscal Year Ended June 30th	Real Property				Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land	Historic and Special Use	Assessed Value			
2014 P	\$ 3,179,924	\$ 1,234,395	\$ 763,038	\$ 2,810	\$ 213,781	\$ (591,625)	\$ 4,802,323	\$ 0.53
2014 S	3,190,808	1,238,888	793,269	2,852	214,245	(612,212)	4,827,850	0.76
2015 P	3,400,223	1,211,532	731,585	2,849	208,844	(569,038)	4,985,995	0.56
2015 S	3,542,585	1,228,899	792,839	2,986	209,029	(599,560)	5,176,778	0.69
2016 P	3,608,260	1,197,395	759,840	3,143	196,631	(603,538)	5,161,731	0.53
2016 S	4,210,065	1,306,932	912,980	3,541	196,972	(674,098)	5,956,392	0.62
2017 P	3,842,636	1,209,059	723,452	1,075	217,238	(594,547)	5,398,913	0.51
2017 S	4,510,655	1,451,267	996,458	1,488	217,243	(757,790)	6,419,321	0.62
2018 P	4,071,866	1,268,544	747,981	1,155	223,277	(614,085)	5,698,738	0.50
2018 S	4,794,346	1,650,245	1,135,084	1,716	223,276	(876,231)	6,928,436	0.59
2019 P	4,301,223	1,335,470	737,727	1,187	221,801	(600,412)	5,996,996	0.53
2019 S	5,014,035	1,726,614	1,137,771	1,816	229,030	(885,997)	7,223,269	0.57
2020 P	4,555,026	1,397,576	756,975	1,266	227,231	(614,956)	6,323,118	0.52
2020 S	5,356,377	1,848,894	1,217,117	2,032	236,828	(959,355)	7,701,893	0.52
2021 P	4,813,338	1,465,046	770,044	1,207	241,822	(674,280)	6,617,177	0.53
2021 S	5,719,222	1,988,445	1,215,429	1,873	252,043	(1,022,311)	8,154,701	0.50
2022 P	5,069,144	1,547,914	799,978	1,280	232,722	(694,052)	6,956,986	0.50
2022 S	6,125,758	2,131,654	1,263,825	1,917	233,873	(1,046,330)	8,710,697	0.50
2023 P	5,373,234	1,625,295	785,066	1,364	241,948	(698,108)	7,328,799	0.50
2023 S	6,631,122	2,134,568	1,217,942	2,174	243,283	(1,030,404)	9,198,685	0.41

Source: Arizona Department of Revenue Abstract of the Assessment Roll.

City of Scottsdale, Arizona
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars in thousands)

Table XII

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 62,265	\$ 61,227	98.2%	\$ 598	\$ 61,825	99.1%
2015	63,223	62,233	98.2%	574	62,807	99.1%
2016	59,533	58,714	98.6%	540	59,254	99.5%
2017	60,982	60,056	98.5%	597	60,653	99.5%
2018	61,861	60,721	98.2%	781	61,502	99.5%
2019	65,816	64,982	98.3%	665	65,648	99.4%
2020	65,521	64,273	97.6%	1,093	65,364	99.3%
2021	68,465	67,423	98.8%	714	68,130	98.8%
2022	70,334	69,082	98.2%	-	70,066	99.6%
2023	66,494	65,395	98.3%	-	65,395	98.3%

Source: "Total Tax Levy for Fiscal Year" amounts = Maricopa County Tax Levy Reports on County Finance website. "Collections" amounts = Maricopa County Finance Office Secured Tax Levy Report. Amounts represent property taxes recorded in the General, Debt Service, and Self-Insurance Funds.

City of Scottsdale, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except for Per Capita)

Table XIII

Governmental Activities									
Fiscal Year Ended June 30	General Obligation Bonds	Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Leases	Public-Public Partnerships	Subscriptions
2014	\$ 647,859	\$ 218,942	\$ 53,100	\$ 13,914	\$ 30,090	\$ -	\$ 329	\$ 2,990	\$ -
2015	624,616	243,044	48,276	11,762	27,437	-	229	2,837	-
2016	585,931	232,970	43,489	9,546	24,694	-	156	2,683	-
2017	590,910	221,535	17,823	7,264	21,860	-	95	2,529	-
2018	568,259	208,828	13,215	4,914	19,244	-	32	2,375	-
2019	521,632	193,165	8,432	2,493	16,707	-	219	2,221	-
2020	467,788	218,786	2,825	-	13,808	-	2,373	2,068	-
2021	475,212	202,825	1,448	-	11,084	451	1,799	1,914	4,387
2022	421,589	187,101	-	-	8,256	1,314	2,568	1,760	3,417
2023	442,783	172,808	-	-	6,740	1,083	2,947	4,620	4,363

Business-type Activities							
Fiscal Year Ended June 30	Revenue Bonds	Municipal Property Corporation Bonds	Leases	Subscriptions	Total Primary Government	Percentage of Personal Income	Per Capita
2014	\$ 34,747	\$ 296,418	\$ -	\$ -	\$ 1,298,389	11.43%	\$ 5,776
2015	31,518	309,150	-	-	1,298,869	11.26%	5,689
2016	28,176	295,807	-	-	1,223,452	10.26%	5,292
2017	24,710	353,773	-	-	1,240,499	9.98%	5,212
2018	21,069	336,407	-	-	1,174,343	8.96%	4,843
2019	17,258	318,235	-	-	1,080,362	7.45%	4,232
2020	13,262	299,138	-	-	1,020,048	6.59%	3,952
2021	9,062	285,707	-	70	993,959	6.57%	4,118
2022	4,646	265,472	-	24	896,147	5.68%	3,691
2023	-	242,431	96	144	878,015	5.16%	3,612

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Table XVIII - Schedule of Demographic and Economic Statistics for personal income and population data.

City of Scottsdale, Arizona
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

(dollars in thousands, except Per Capita)

Table XIV

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities - General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Total Taxable Assessed Value of Property</u>	<u>Per Capita</u>
2014	\$ 647,859	\$ 9,369	\$ 638,490	13.2%	\$ 2,840
2015	624,616	12,172	612,444	11.8%	2,683
2016	585,931	11,529	574,402	9.6%	2,484
2017	590,910	11,516	579,394	9.0%	2,434
2018	568,259	2,471	565,788	8.2%	2,333
2019	521,632	1,394	520,238	7.2%	2,038
2020	467,788	1,042	466,746	6.1%	1,808
2021	475,212	3,469	471,743	5.8%	1,955
2022	421,589	8,714	412,875	4.7%	1,700
2023	442,783	7,291	435,492	4.7%	1,791

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value of Taxable Property on Table XI for property value data.

See the Schedule of Demographic and Economic Statistics on Table XVIII for population data.

City of Scottsdale, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023
(dollars in thousands)

Table XV

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County Community College District	\$ 135,585	14.2100%	\$ 19,267
Maricopa County Special Healthcare District	600,335	14.1121%	84,720
Tempe Elementary School District No. 3	158,935	0.0001%	-
Balsz Elementary School District No. 31	34,925	6.0154%	2,101
Scottsdale Unified School District No. 48	284,683	69.8349%	198,808
Paradise Valley Unified School District No. 69	409,124	30.6539%	125,413
Cave Creek Unified School District No. 93	24,595	61.7963%	15,199
Fountain Hills Unified School District No. 98	5,655	3.4236%	194
Phoenix Union High School District No. 210	335,365	0.3697%	1,240
Tempe Union High School District No. 213	71,410	0.0001%	-
Western Maricopa Education Center District No. 402	130,195	6.7521%	8,791
Subtotal, overlapping debt			455,733
City direct debt	635,344	100.0000%	635,344
Total direct and overlapping debt			<u>\$ 1,091,077</u>

Sources: The various entities, *State and County 2022 Abstract of the Assessment Roll*, Arizona Department of Revenue, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and *Maricopa County 2022 Tax Levy*, and the Maricopa County Office of Budget and Finance.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Scottsdale. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

The proportion of overlapping debt applicable to the City is computed on the ratio of 2022-23 net assessed limited property value for the overlapping jurisdiction within the City to the total net assessed limited property valuation of the overlapping jurisdiction.

City of Scottsdale, Arizona
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Table XVIa

	2014	2015	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019	2020	2021	2022	2023
20% Limitation										
Debt Limit Equal to 20% of Assessed Valuation	\$ 965,570	\$ 1,035,356	\$ 1,191,278	\$ 1,283,864	\$ 1,385,687	\$ 1,444,654	\$ 1,540,379	\$ 1,630,940	\$ 1,742,139	\$ 1,839,737
Total Net Debt Applicable to 20% Limit	553,121	532,888	513,768	521,179	511,046	479,265	433,865	444,366	395,172	411,487
Excess Premium				8,180	10,637	10,415	10,181	12,713	11,549	13,996
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 412,449</u>	<u>\$ 502,468</u>	<u>\$ 677,510</u>	<u>\$ 754,505</u>	<u>\$ 864,004</u>	<u>\$ 954,974</u>	<u>\$ 1,096,333</u>	<u>\$ 1,173,861</u>	<u>\$ 1,335,418</u>	<u>\$ 1,414,254</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	57.28%	51.47%	43.13%	41.23%	37.65%	33.90%	28.83%	28.03%	23.35%	23.13%
6% Limitation										
Debt Limit Equal to 6% of Assessed Valuation	\$ 289,671	\$ 310,606	\$ 357,384	\$ 385,159	\$ 415,706	\$ 433,396	\$ 462,114	\$ 489,282	\$ 522,642	\$ 551,921
Total Net Debt Applicable to 6% Limit	65,944	54,022	37,747	26,116	14,419	3,950	-	3,859	3,713	8,128
Excess Premium				-	-	-	-	426	410	929
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 223,727</u>	<u>\$ 256,584</u>	<u>\$ 319,637</u>	<u>\$ 359,043</u>	<u>\$ 401,287</u>	<u>\$ 429,446</u>	<u>\$ 462,114</u>	<u>\$ 484,997</u>	<u>\$ 518,519</u>	<u>\$ 542,864</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	22.77%	17.39%	10.56%	6.78%	3.47%	0.91%	0.00%	0.88%	0.79%	1.64%

⁽¹⁾Restated fiscal year 2016 debt limit and debt margin amounts to reflect the usage of the secondary, as opposed to the primary, valuation amount.

⁽²⁾Beginning in fiscal year 2017, a change in state law requires the "Excess Premium" to be included with the debt subject to the legal debt margin limitations.

City of Scottsdale, Arizona
Legal Debt Margin Information
As of June 30, 2023
(in thousands)

Table XVIb

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed Valuation as of June 30, 2023	\$ <u>9,198,685</u>
<u>20% Limitation</u>	
Debt Limit Equal to 20% of Assessed Valuation	\$ 1,839,737
Debt applicable to limit:	
General Obligation Bonds	411,487
Excess Premium	<u>13,996</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 1,414,254</u>
<u>6% Limitation</u>	
Debt Limit Equal to 6% of Assessed Valuation	\$ 551,921
Debt applicable to limit:	
General Obligation Bonds	8,128
Excess Premium	<u>929</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 542,864</u>

Source: City of Scottsdale, City Treasurer

Notes:

Under Arizona law, cities can issue general obligation bonds for purposes of water, sewers, artificial light, parks, playgrounds and recreational facilities, open space preserves, public safety, and streets and transportation facilities, but outstanding bonds issued for such purposes may not exceed 20 percent of the City's net assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of the City's net assessed valuation.

General obligation bonds of community facilities districts are not subject to or included in this computation since they are not bonds of the City of Scottsdale, Arizona.

City of Scottsdale, Arizona
Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)

Table XVII

Fiscal Year Ended June 30	Water and Sewer Revenue Bonds					Municipal Property Corporation Bonds						
	Operating Revenue ⁽¹⁾	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax ⁽²⁾	Debt Service Principal ⁽³⁾	Debt Service Interest ⁽³⁾	Coverage
2014	\$ 142,066	\$ 77,891	\$ 64,175	\$ 15,139	\$ 79,314	\$ 3,240	\$ 1,738	15.93	\$ 183,376	\$ 18,200	\$ 22,994	4.45
2015	139,242	79,154	60,088	5,326	65,414	2,940	1,599	14.41	195,037	16,950	22,299	4.97
2016	152,612	81,586	71,026	5,156	76,182	3,055	1,487	16.77	194,560	20,215	23,220	4.48
2017	148,310	85,909	62,401	6,072	68,473	3,195	1,354	15.05	196,729	22,550	21,599	4.46
2018	160,161	87,130	73,031	6,525	79,556	3,370	1,195	17.43	216,643	26,290	23,908	4.32
2019	164,487	82,748	81,739	4,256	85,995	3,540	1,026	18.83	223,668	30,210	22,474	4.25
2020	173,739	98,549	75,190	7,777	82,967	3,725	849	18.14	230,539	33,675	21,906	4.15
2021	177,073	94,052	83,021	5,257	88,278	3,930	654	19.26	251,375	31,625	18,742	4.99
2022	167,200	97,184	70,016	5,902	75,918	4,145	447	16.53	284,031	32,795	15,929	5.83
2023	183,228	116,266	66,962	3,278	70,240	4,375	230	15.25	314,347	34,170	14,562	6.45

Scottsdale Preserve Authority Bonds

Fiscal Year Ended June 30	Sales Tax	Debt Service Principal	Debt Service Interest	Coverage
2014	\$ 32,655	\$ 3,960	\$ 2,508	5.05
2015	34,429	4,140	2,330	5.32
2016	36,029	4,340	2,143	5.56
2017	35,489	4,175	1,423	6.34
2018	40,089	4,365	734	7.86
2019	41,909	4,540	577	8.19
2020	42,331	4,780	350	8.25
2021	46,921	1,280	132	33.24
2022	57,013	1,350	68	40.21
2023	-	-	-	N/A

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾Includes investment income.

⁽²⁾A de minimis amount of the excise taxes are pledged to specific purposes per various resolutions adopted by the City Council. Due to the immateriality of these amounts, they are not deducted from the pledged revenue calculation above.

⁽³⁾Includes debt service payments paid out of revenue from the water and sewer fund, the special programs fund, the tourism development fund, and the stadium facility fund.

**City of Scottsdale, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years**

Table XVIII

Fiscal Year	Population⁽¹⁾	Personal Income⁽²⁾ (in thousands)	Per Capita Personal Income⁽³⁾	Median Age⁽⁴⁾	Charter and Public School Enrollment⁽⁵⁾	Fiscal Year End Average Unemployment Rate⁽⁶⁾
2014	224,800	\$ 11,358,020	\$ 50,525	45.1	27,191	5.4%
2015	228,300	11,536,227	50,531	45.4	26,233	4.7%
2016	231,200	11,921,597	51,564	46.1	25,979	4.2%
2017	238,000	12,428,360	52,220	46.3	25,847	3.8%
2018	242,500	13,109,550	54,060	46.3	25,598	3.5%
2019	255,300	14,499,508	56,794	46.9	25,281	3.5%
2020	258,100	15,473,869	59,953	47.0	25,606	3.4%
2021	241,361	15,128,990	62,682	47.7	25,800	6.6%
2022	242,800	15,780,058	64,992	47.7	24,906	3.0%
2023	243,100	17,026,724	70,040	47.9	24,283	2.8%

Data Sources and Notes:

⁽¹⁾U.S. Census; fiscal years 2014-2020 and 2022-2023 based on U.S. Census July 1 population estimates rounded to the nearest hundred.

Fiscal year 2021 based on U.S. Census 2020 population for April 1, 2020.

⁽²⁾Calculated by multiplying Per Capita Personal Income by Total Population divided by 1,000.

⁽³⁾U.S. Census, American Community Survey, 5-Year Estimates.

⁽⁴⁾U.S. Census, American Community Survey, 5-Year Estimates.

⁽⁵⁾Arizona Department of Education based on Oct 1 enrollment of fiscal year for all charter and district schools located within Scottsdale city boundaries; fiscal year 2019 updated to correct prior reporting error.

⁽⁶⁾State of Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics. The data is from 2022 calendar year that ended within the 2023 fiscal year.

**City of Scottsdale, Arizona
Principal Employers
Current Year and Nine Years Ago**

Table XIX

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment⁽¹⁾	Employees	Rank	Percentage of Total City Employment⁽¹⁾
HonorHealth ⁽²⁾	7,347	1	3.39%	6,134	1	5.31%
Vanguard ⁽³⁾	2,984	2	1.38%	2,186	5	1.89%
City of Scottsdale	2,697	3	1.24%	2,446	4	2.12%
General Dynamics Mission Systems ⁽⁴⁾	2,505	4	1.16%	2,929	2	2.54%
Scottsdale Unified School District ⁽⁵⁾	2,253	5	1.04%	2,583	3	2.24%
Axon	1,752	6	0.81%			
Mayo Clinic	1,559	7	0.72%	1,851	6	1.60%
Nationwide Specialty ⁽⁶⁾	1,407	8	0.65%	1,501	7	1.30%
CVS Health ⁽⁷⁾	1,345	9	0.62%	1,088	9	0.94%
Fairmont Scottsdale Princess	1,300	10	0.60%			
International Cruise and Excursion				1,350	8	1.17%
McKesson Corporation				1,000	10	0.87%
Total	25,149		11.60%	23,068		19.98%

Source: City of Scottsdale, Economic Development Department communications with employers, July 2023.

⁽¹⁾Annual Employment in 2023 according to ESRI was 216,779; the fiscal year 2014 Annual Financial Report reported annual employment as 115,456.

⁽²⁾Scottsdale Healthcare was renamed HonorHealth in 2015.

⁽³⁾The Vanguard Group was renamed Vanguard Insurance in 2013 and was then renamed Vanguard in 2014.

⁽⁴⁾General Dynamics C4 Systems was renamed General Dynamics Mission Systems in 2016.

⁽⁵⁾Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2023 numbers only report Scottsdale-based employees.

⁽⁶⁾Scottsdale Insurance Company was renamed Nationwide Specialty in 2015.

⁽⁷⁾CVS Caremark was renamed CVS Health in 2014.

City of Scottsdale, Arizona
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table XX

Function	2014	2015	2016	2017	2018⁽¹⁾	2019⁽²⁾	2020⁽³⁾	2021	2022	2023
General Government										
Mayor and City Council	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
City Clerk	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	53.5	53.5	53.5	53.5	53.5	63.5	63.5	63.5	63.5	63.5
City Auditor	7.0	6.0	6.0	6.0	6.0	6.5	6.5	6.5	6.8	6.8
City Court	56.5	55.9	58.5	58.5	58.5	58.5	61.0	60.0	60.0	60.6
City Manager	5.0	7.0	7.2	7.2	16.2	17.2	25.3	24.2	26.2	26.7
City Treasurer	93.0	89.7	89.8	86.7	86.7	101.7	102.7	102.5	102.5	102.5
Public Works	204.0	205.0	205.8	206.8	210.8	210.8	237.0	238.2	241.5	243.7
Community and Economic Development	176.5	173.0	185.1	186.6	179.6	182.2	126.3	127.3	128.3	130.7
Public Safety	934.6	930.6	942.7	936.7	937.7	952.7	963.1	971.7	971.9	993.4
Community Services	454.2	448.3	469.6	474.6	476.7	476.9	511.2	502.5	505.0	502.3
Administrative Services	127.4	120.9	123.6	125.1	124.1	102.1	95.5	97.5	100.0	104.0
Water/Sewer Utilities	204.0	205.0	211.3	213.3	214.5	215.9	217.9	215.9	217.9	220.9
Airport	14.0	14.5	14.5	14.5	15.5	15.5	15.5	15.5	15.5	15.5
Solid Waste	90.0	90.0	90.8	92.8	92.8	96.8	96.4	96.4	99.4	101.4
Total	2,437.7	2,417.4	2,475.4	2,479.3	2,489.6	2,517.3	2,538.9	2,538.7	2,555.5	2,588.9

Source: The City of Scottsdale's Budget Department.

⁽¹⁾Effective fiscal year 2018, Citizen Services was moved from Community and Economic Development to City Manager.

⁽²⁾Effective fiscal year 2019, Purchasing was moved from Administrative Services to City Treasurer, and Risk Management was moved from City Treasurer to City Attorney.

⁽³⁾Effective fiscal year 2020, Communications was moved from Administrative Services to City Manager, Emergency Management was moved from City Manager to Public Safety, Transportation was moved from Community and Economic Development to Public Works, and WestWorld was moved from Community and Economic Development to Community Services.

City of Scottsdale, Arizona
Operating Indicators by Division⁽¹⁾
Last Ten Fiscal Years

Table XXI

Division	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	34%	39%	39%	35%	35%	35%	28%	20%	27%	27%
<i>City Auditor</i>										
# of reports performed	14	16	13	13	15	14	11	14	13	10
<i>City Clerk</i>										
# of legal postings	1,080	1,005	1,000	1,067	1,033	946	950	912	882	1,017
# of minutes	65	57	61	56	70	63	59	63	67	70
<i>City Court</i>										
Charges filed/ charges adjudicated (resolved)	99,063/ 83,441	96,741/ 91,200	100,920/ 92,993	100,092/ 85,295	95,301/ 84,602	83,471/ 78,390	88,444/ 77,118	74,419/ 65,915	96,471/ 83,783	96,157/ 88,418
<i>City Treasurer</i>										
# of Accounts Payable payments issued ⁽²⁾	32,865	32,491	31,648	31,268	32,074	30,401	29,206	28,051	29,205	29,399
# of customer contacts (utilities and licensing)	209,325	196,549	190,422	195,819	256,784	140,915	96,201	101,694	104,226	125,589
# of Purchasing purchase orders ⁽³⁾	5,019	5,064	5,078	5,143	4,989	4,984	4,725	4,356	4,205	4,217
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent ⁽⁴⁾	98%	No Survey	No Survey	96%	No Survey	96%	No Survey	97%	No Survey	95%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent ⁽⁴⁾⁽⁵⁾	93%	No Survey	No Survey	93%	No Survey	97%	No Survey	94%	No Survey	92%
Total ad value equivalency generated ⁽⁶⁾	\$64,931	\$34,863	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	2,365	0	0	420	0	0	0	0	0	0
% increase of Neighborhood Watch groups annually	2%	0%	5%	5%	2%	7%	1%	2%	4%	10%
Administrative Services										
<i>Human Resources</i>										
Citywide turnover ⁽⁷⁾	6.0%	7.8%	9.6%	8.1%	9.8%	9.3%	10.7%	9.5%	20.4%	16.1%
HR operating cost as a % of city payroll	1.4%	1.4%	1.1%	1.2%	1.3%	1.2%	1.2%	1.2%	1.0%	1.1%
<i>Information Technology</i>										
# of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)	1,335,869	1,395,338	2,686,000	2,117,633	1,512,355	1,026,016	2,032,000	820,000	1,562,340	1,670,481
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	45.8	51.4	58.6	67.2	82.8	86.9	98.3	103.5	114.0	159.0

(continued)

City of Scottsdale, Arizona
Operating Indicators by Division⁽¹⁾
Last Ten Fiscal Years

Table XXI

Division	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Community Services										
<i>Preserve</i>										
McDowell Sonoran Preserve Annual Visitors – All trailheads	325,023	659,882	706,682	698,090	732,510	747,000	936,000	992,000	882,669	870,000
<i>Parks and Recreation</i>										
# of square feet of medians and rights of way maintained	22,502,626	22,832,327	22,913,730	22,827,842	22,968,631	22,897,463	22,897,463	23,261,040	23,283,195	23,283,195
<i>WestWorld</i>										
# of special events at WestWorld ⁽⁸⁾	24	52	51	55	49	46	30	48	35	42
Community and Economic Development										
<i>Planning and Development Services</i>										
Customer wait-time (in minutes) at One Stop Shop	15	12	12	15	13	14	13	7	5	4
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	100%	95%	100%	99%	99%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	100%	100%	98%	98%	98%	98%	99%	99%	99%	100%
# of new Code Enforcement cases processed per year	14,222	15,514	13,781	13,797	12,594	13,676	12,358	12,076	11,226	12,251
<i>Economic Development</i>										
Targeted job creation - # of companies/# of jobs ⁽⁹⁾	16 / 1,069	13 / 1,180	9 / 1,183	14 / 1,019	12 / 1,852	14 / 1,531	9 / 603	7 / 1,005	9 / 769	12 / 797
<i>Tourism</i>										
Hotel/Motel average occupancy rate	65.6%	67.8%	67.9%	75.1%	69.1%	70.2%	55.6%	47.1%	61.9%	66.1%
# of Downtown special events coordinated	275	325	277	174	173	155	129	43	188	182
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	148,971	153,285	162,535	164,622	166,425	176,677	191,284	192,185	155,092	167,641
Public Safety										
<i>Police</i>										
# of calls for service ⁽¹⁰⁾	223,534	221,069	233,531	268,767	271,438	267,923	272,696	238,349	255,691	229,060
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident-related calls)	5:04	5:25	5:12	4:48	4:57	5:05	5:36	5:24	5:36	6:04
Percent of Emergency Calls Answered within 10 seconds (Target 91% of the time)	90%	95%	91%	93%	98%	94%	88%	91%	92%	85%
<i>Fire</i>										
Total incidents	28,544	32,425	35,098	36,407	36,877	37,750	37,456	37,317	41,353	40,675
Responses per capita	0.13	0.14	0.15	0.16	0.15	0.15	0.15	0.14	0.17	0.17
Travel time (enroute to onscene)	4:27	4:33	4:32	4:37	4:46	4:52	5:16	5:29	5:21	5:51

(continued)

City of Scottsdale, Arizona
Operating Indicators by Division⁽¹⁾
Last Ten Fiscal Years

Table XXI

Division	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Works										
<i>Public Works</i>										
Facility inventory maintained (square feet) ⁽¹¹⁾	3,313,468	3,348,774	2,925,697	2,925,697	2,925,697	2,961,661	2,978,196	2,978,196	3,012,519	3,044,769
# of active Capital Projects managed by CPM	150	120	155	150	161	180	185	190	196	171
<i>Solid Waste</i>										
# of homes serviced by Residential Refuse Collection	80,354	80,785	81,187	81,665	82,236	82,711	83,189	83,680	83,993	84,905
# of citizens serviced annually by Household Hazardous Waste collection program	2,905	2,362	3,345	2,770	2,509	2,629	2,426	2,393	2,581	2,449
<i>Transportation and Street Operations</i>										
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) ⁽¹²⁾	3,687	4,252	6,638	9,737	8,697	4,748	2,176	2,657	2,780	3,783
Total citywide transit ridership ⁽¹³⁾	2,589,218	2,635,739	2,297,323	2,186,424	2,178,152	1,933,249	1,501,663	646,306	644,306	828,029
Water Resources										
Water Service Connections	88,348	88,905	89,596	90,172	90,817	91,279	91,802	92,590	93,027	93,402
Drinking Water Supplied (million gallons per day)	70.2	63.9	67.5	67.0	70.9	66.3	67.6	74.0	67.7	65.8
Reclaimed Water Supplied (million gallons per day)	9.7	9.2	9.1	11.6	12.2	11.9	11.6	12.0	11.1	12.7
Sewer Service Connections	79,014	79,588	80,202	80,704	81,306	81,841	82,320	82,834	83,268	83,792
Sewage Treated (million gallons per day)	20.9	21.2	20.5	21.4	22.1	22.1	21.6	22.2	22.8	22.0
# of water meters read annually	1,059,738	1,066,385	1,078,500	1,085,590	1,072,498	1,099,164	1,099,085	1,110,050	1,112,651	1,121,844

Source: The City of Scottsdale's Budget department and applicable City divisions.

⁽¹⁾This presentation is consistent with the organizational structure approved as part of the fiscal year 2023 Budget.

⁽²⁾Effective fiscal year 2022 the # of Accounts Payable payments issued figure presented includes all electronic payments.

⁽³⁾Effective fiscal year 2019 the # of Purchasing purchase orders was moved from Administrative Services to City Treasurer to align with an organizational change made by the City Manager.

⁽⁴⁾The complete results for the most recent survey, as well as archived copies of prior year surveys can be found at <https://www.scottsdaleaz.gov>, search "Survey".

⁽⁵⁾Effective fiscal year 2020 the percentage of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent was moved from Administrative Services to City Manager to align with an organizational changes.

⁽⁶⁾Effective fiscal year 2012 established more appropriate performance measures for the Communications Department activities and products (ad value equivalency). City ceased tracking this statistic effective fiscal year 2016.

⁽⁷⁾Effective fiscal year 2022 the increase in the citywide turnover rate is due to a methodology change.

⁽⁸⁾Effective fiscal year 2020 the # of special events at WestWorld was moved from Community and Economic Development to Community Services to align with an organizational change made by the City Manager.

⁽⁹⁾Effective fiscal year 2014, only jobs verified through employer to be created or retained within the first 12 months were counted in annual metrics; total announced job creation is significantly higher.

⁽¹⁰⁾Measure is for the prior calendar year end, rather than fiscal year end.

⁽¹¹⁾3.4 million square feet from fiscal year 2015 was calculated manually. The City hired a consultant who completed a building inventory in fiscal year 2016. Square footage was recalculated based on actual measurements.

⁽¹²⁾The statistic for "Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)" has decreased due to implementation of predefined special timing plans in response to special events, construction, and accidents. Prior to fiscal year 2019, signal timing was changed from cycle to cycle when needed during special events, construction, or accidents based on observations.

⁽¹³⁾Effective fiscal year 2020 Total citywide transit ridership was moved from Community and Economic Development to Public Works to align with an organizational change made by the City Manager.

City of Scottsdale, Arizona
Capital Asset Statistics by Function
Last Ten Fiscal Years

Table XXII

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Safety										
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Police Vehicles	359	347	344	344	343	343	341	344	352	355
Fire Stations	15	15	15	15	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement ⁽¹⁾	20,748,525	20,827,420	21,036,767	21,023,295	21,046,327	20,071,109	19,933,597	20,080,026	20,080,026	20,080,026
Equivalent 12' Wide Lane Miles	2,947	2,958	2,877	2,846	2,990	2,851	2,831	2,852	2,852	2,801
Traffic Signals	297	304	307	295	296	296	308	311	315	314
Culture and Recreation										
Parks	42	42	42	42	42	42	42	43	44	44
Parks Acreage	975	975	975	975	975	975	975	975	982	982
Swimming Pools	4	4	4	4	4	4	4	4	4	4
Tennis/Pickleball Courts	55	61	64	64	64	70	70	70	72	72
Community Centers	6	6	6	6	6	6	6	6	6	6
Water										
Water Mains (miles)	2,079	2,079	2,094	2,102	2,117	2,124	2,133	2,143	2,148	2,152
Fire Hydrants	10,874	10,941	11,052	11,135	11,213	11,301	11,375	11,480	11,582	11,622
Sewer										
Sanitary Sewers (miles)	1,429	1,441	1,452	1,456	1,468	1,483	1,505	1,513	1,520	1,524
Storm Sewers (miles)	188	275	285	309	316	325	330	337	342	347

Source: City of Scottsdale's divisions.

⁽¹⁾ Pavement sq yards that does not include Alleys (230,935) and Parking Lots (819,875)

City of Scottsdale, Arizona
City Treasurer's Office
(480) 312-2437

Visit our website
www.ScottsdaleAZ.gov/Finance