



# Comprehensive Annual Financial Report

City of Scottsdale, Arizona  
For the Fiscal Year Ended June 30, 2014



**City of Scottsdale, Arizona**



**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2014**

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**Prepared by:**

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Accounting Director



# City of Scottsdale, Arizona

## Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2014

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October 14, 2014

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

The Comprehensive Annual Financial Report of the City of Scottsdale, Arizona, (the City) for the fiscal year ended June 30, 2014, is submitted in accordance with City Charter and state statutes. Both the City Charter and state statutes require that the City issue annually a report on its financial position and activity, and that this report be audited by certified public accountants independent of the City government. Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control established for this purpose. To the best of our 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.

The City contracted with CliftonLarsonAllen, LLP, a firm of Certified Public Accountants, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly stated in conformity with accounting principles in the United States. This is the most favorable conclusion and is commonly known as an unmodified opinion. The independent auditors' report is located at the front of the financial section of this report. In addition, CliftonLarsonAllen, LLP audited the City's major program expenditures of federal funds for compliance with the Federal Single Audit Act. The report of the Single Audit is published separately from this report and may be obtained upon request.

This letter of transmittal provides a non-technical summary of City finances, economic prospects, and achievements. Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the City's basic financial statements. The MD&A starting on page 12 complements this letter of transmittal and should be read in conjunction with it.

#### **CITY OF SCOTTSDALE PROFILE**

Scottsdale was founded in the 1800s 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.



## **Letter of Transmittal**

For the Fiscal Year  
Ended June 30, 2014

City of Scottsdale  
Scottsdale, Arizona



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, and by the Salt River-Pima Maricopa Indian Community on the east. Scottsdale and its neighboring cities form the greater metropolitan Phoenix area, which is the economic, political and population center of the state. The City has experienced significant increases in population, with the 1950 census reporting 2,032 residents, and the 2010 census reporting 217,385. At July 1, 2014, the City's population was estimated at 224,800 residents, making it the sixth largest city in Arizona.

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 City 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.

## **BUDGET**

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 in order to obtain taxpayer comments. 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 2013/14, there were no such supplemental budgetary appropriations authorized.

The expenditure appropriations in the adopted budget are by division; 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.

## **LOCAL ECONOMY**

### **Business**

Scottsdale is one of the state's leading job centers with a diverse economy built on medical research, high-tech innovation, tourism, and corporate headquarters. The Scottsdale Airport and the surrounding commerce Airpark are home to nearly 2,500 businesses and more than 48,000 jobs. The high-tech innovation center SkySong, located just a few miles from downtown, is designed to help companies grow through a unique partnership with nearby Arizona State University. Downtown is an emerging center for high-tech businesses. Farther north, the Scottsdale Cure Corridor is a partnership of premier health care providers and biomedical companies seeking to advance medicine and patient care through cutting-edge research.

## **Tourism**

Tourism is one of Scottsdale's largest and most vibrant industries, and is a significant contributor to the City's economy. With a variety of lodging properties in the area, including several world-class resorts and "boutique" hotels, along with spectacular spas, trend-setting dining and one-of-a kind Sonoran desert golf courses, Scottsdale is one of the most popular tourist destinations in Arizona.

## **Sales Tax**

Scottsdale's largest revenue source is sales tax generated from a balanced variety of business categories including automotive, construction, food stores, hotels/motels, 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 a share of sales tax generated from the State of Arizona applied tax rate. The City continues to see growth in sales tax revenues with a year-over-year increase of 7.5 percent in fiscal year 2013/14.

Changes to the administration and collection of sales taxes passed by the Arizona Legislature were scheduled to take effect in January 2015; however, the governor's office recently agreed to delay implementation until January 2016. When it does occur, the change may result in a temporary cash-flow impact to Scottsdale during the transition from Scottsdale's administration and collection of sales taxes to the Arizona Department of Revenue.

## **Property Values**

The City benefits from a robust assessed valuation of the properties contained within the City boundaries. These strong assessed valuations, even though reduced from historical highs due to the recession and housing bubble, contribute to Scottsdale residents experiencing lower property tax rates and higher median housing values than most of the surrounding municipalities in the Phoenix metro area.

## **LONG-TERM FINANCIAL PLANNING**

Scottsdale's Five-Year Financial Plan is based on sound financial reserves, low debt burden and conservative revenue growth forecasts. The City anticipates a moderate increase in revenues over the next few years with a continued focus on efficient spending to maintain essential City services to the community such as police, fire, transportation and social services. The following identifies other key elements of the City's 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 46 adopted financial policies governing operations, capital management, debt management, reserves and financial reporting. Regular review and refinement of these policies is done in conjunction with financial plan development and policies which are adopted annually by the City Council.

### **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; 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 our 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 generally issued two types of debt: voter approved General Obligation bonds and non-voter approved Municipal Property Corporation bonds and Certificates of Participation (see Section IV.G. of the Notes to the Financial Statements for further information).

The City retained credit ratings of "Aaa", "AAA", and "AAA" from the three major credit rating agencies (Moody's Investors Service, Standard and Poor's Rating Group, and Fitch Investors Services, respectively) on the City's outstanding general obligation bonds where debt service is supported by property taxes. Scottsdale is one of a handful of cities in the nation to earn this distinction. Ratings for the City's 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, 2014

	<b>Moody's Investors Service</b>	<b>Standard and Poor's Rating Group</b>	<b>Fitch Investors Services</b>
General Obligation (GO)	Aaa	AAA	AAA
Water and Sewer Revenue (W&S)	Aaa	AAA	AAA
Municipal Property Corp (MPC)	Aa1	AAA	AAA
Scottsdale Preserve Authority (SPA)	Aa2	AA+	AA+

## **PRIORITIES**

The City of Scottsdale's adopted fiscal year 2014/15 budget anticipates a moderate increase in revenues with a continued focus on smarter spending to achieve policy direction given by the City Council. Key priorities include creating and adopting a comprehensive economic development strategy, reinvesting in the workforce and building a high performance organization, ensuring financial sustainability by improving support of tourism events, and developing a transportation strategy that anticipates future needs.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **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 of Scottsdale, Arizona for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013, marking the forty-first consecutive year the City has achieved this prestigious recognition.


In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

Additionally, the City of Scottsdale received the "Distinguished Budget Presentation Award" for the fiscal year beginning July 1, 2013 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, 2014.

### **Acknowledgments**

The preparation of this report would not have been possible without the talent, effort, and dedication of the Accounting and Finance Departments. In addition, staff in all City divisions should be recognized for responding 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,



Jeffery M. Nichols, CPA  
City Treasurer/Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Scottsdale  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



**Comprehensive  
Annual  
Financial  
Report**

For the Fiscal Year  
Ended June 30, 2014

City of Scottsdale  
Scottsdale, Arizona

**City of Scottsdale, Arizona  
List of Elected and Appointed Officials**

**City Council**

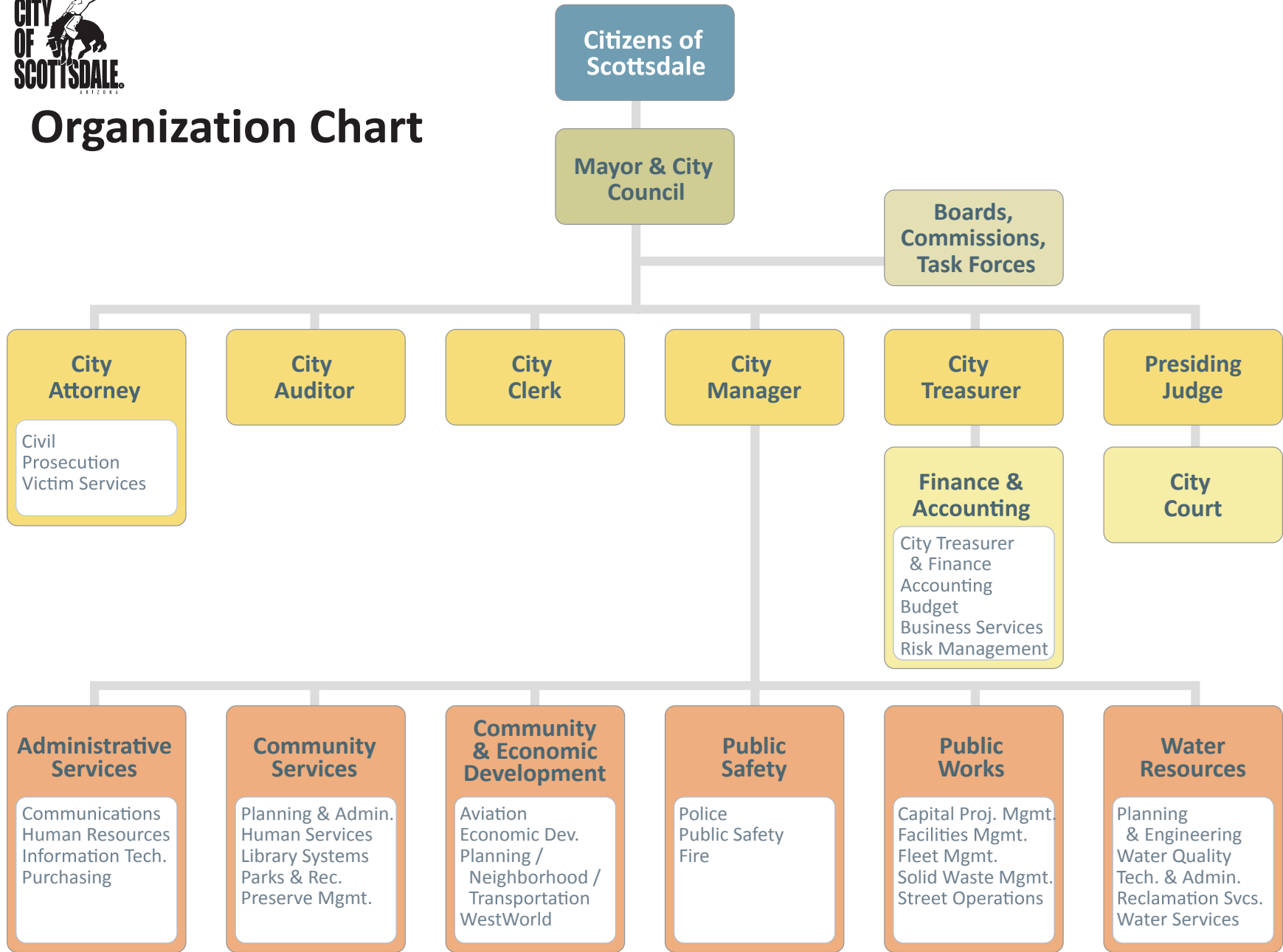
W.J. "Jim" Lane, Mayor  
Suzanne Klapp  
Virginia Korte  
Robert W. Littlefield  
Linda Milhaven  
Guy Phillips  
Dennis Robbins

**Charter Offices**

Fritz Behring, City Manager  
Bruce Washburn, City Attorney  
Sharron Walker, City Auditor  
Carolyn Jagger, City Clerk  
Joseph Olcavage, Presiding Judge  
Jeffery M. Nichols, City Treasurer/Chief Financial Officer



# Organization Chart



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

During the fiscal year ended June 30, 2014, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the City reported a change in accounting principle (See Note I.E.4.) Beginning net position was restated as debt issuance costs, except any portion related to prepaid insurance costs, are now recognized as an expense in the period incurred. Debt issuance costs were previously reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt. The auditors' opinion was not modified with regards to the restatement.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 29, the Public Safety Personnel Retirement System Schedule of Funding Progress on pages 104 and 105, and the Other Postemployment Benefit Plan Schedule of Funding Progress on page 106 be presented to supplement the basic financial statements. Such information, 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 and Other 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, the other supplementary information, and the introductory and statistical sections, as referenced in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual fund financial statements and schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 the City of Scottsdale, Arizona's internal control over financial reporting and compliance.



Phoenix, Arizona  
October 14, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scottsdale, Arizona's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2014 and 2013. 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 CAFR.

## FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for fiscal year 2014:

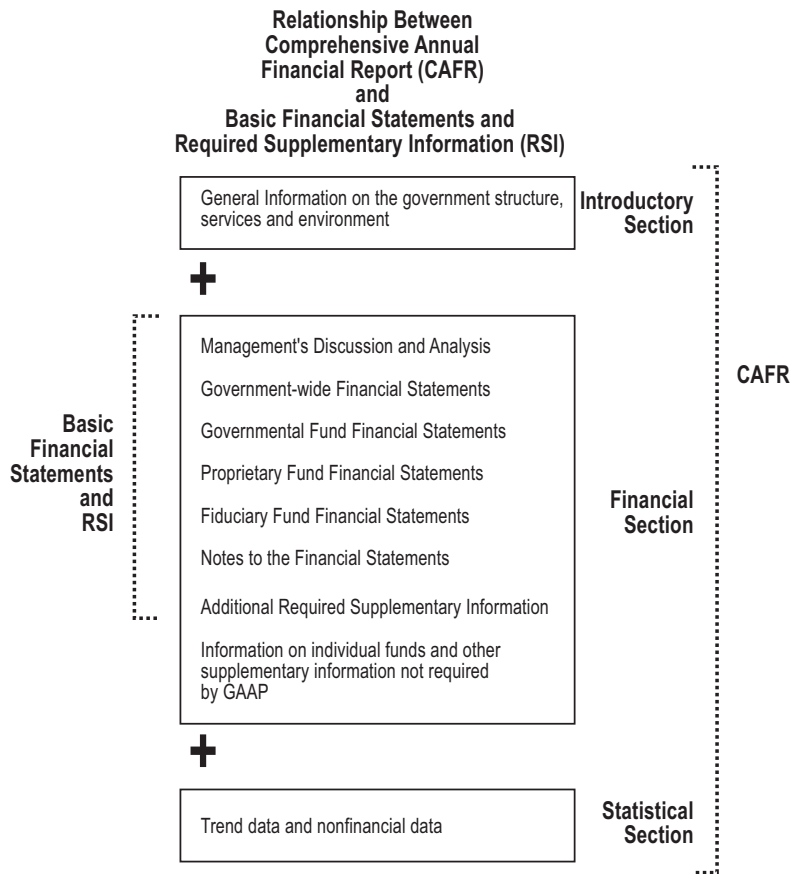
- The total assets and deferred outflows of resources of the City exceeded total liabilities at the close of the fiscal years 2014 and 2013 by \$4.34 billion and \$4.33 billion (net position), respectively. Of these amounts, \$454.3 million and \$376.7 million respectively, represent unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$15.8 million and \$31.0 million during fiscal years 2014 and 2013, respectively.
- As of June 30, 2014 and 2013, the City's governmental funds reported combined ending balances of \$185.5 million and \$218.2 million, respectively. Approximately 28 percent of the current year amount (\$51.2 million) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unrestricted fund balance (*the total of the committed, assigned, and unassigned components of fund balance*) for the general fund was \$52.4 million or approximately 23 percent of total General Fund expenditures of \$229.1 million.
- The City's total long-term liabilities decreased by \$40.2 million to \$1.34 billion as of June 30, 2014. Primary factors leading to this decrease include scheduled principal payments partially offset by issuing \$14.0 million of new Sonoran Preserve General Obligation bonds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of 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.



## 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 and, accordingly, to 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 of the City's assets/deferred outflows of resources and liabilities/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 or not 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.

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also include the operations of the City of Scottsdale Municipal Property Corporation (MPC), the Scottsdale Preserve Authority (SPA), 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, SPA 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 32 and 33 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. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary 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. Doing so highlights the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their purpose (special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, general obligation bond debt service fund, and the general capital improvement plan (CIP) capital projects fund, which are considered to be 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 34-42 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 the operations of the Water, Sewer, Solid Waste Management and Airport operations of the City. All Enterprise Funds are considered to be 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 insurance 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 are 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 43-49 of this report.

## **Fiduciary Funds**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City. The City has one private-purpose trust fund and three agency funds, which are reported under the Fiduciary Funds. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Fund financial statements can be found on pages 50-51 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 52-103 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplementary information (RSI) provides additional information regarding the City's other post-employment benefit (OPEB) and the Public Safety Personnel Retirement system. RSI can be found on pages 104-106 of this report.

## **Combining Statements**

The combining statements referred to earlier in connection with nonmajor Governmental Funds, Internal Service Funds, and Fiduciary Funds are presented on pages 107-137.

## **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 138-141.

## **Statistical Information**

The statistical section, found on pages 143-172, 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.

## 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, did 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 takes into account all of 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 changes 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 may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded liabilities by \$4.34 billion and \$4.33 billion at the close of the fiscal years 2014 and 2013, respectively.

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

#### Net Position

June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Current and other assets	\$ 470,224	\$ 452,841	\$ 409,555	\$ 344,660	\$ 879,779	\$ 797,501
Capital assets	3,609,808	3,663,472	1,373,850	1,400,476	4,983,658	5,063,948
Total assets	4,080,032	4,116,313	1,783,405	1,745,136	5,863,437	5,861,449
Total deferred outflows of resources	19,872	-	3,660	-	23,532	-
Total assets and deferred outflows of resources	4,099,904	4,116,313	1,787,065	1,745,136	5,886,969	5,861,449
<b>LIABILITIES</b>						
Long-term liabilities outstanding	943,451	954,334	375,287	356,665	1,318,738	1,310,999
Other liabilities	180,791	171,424	45,011	45,283	225,802	216,707
Total liabilities	1,124,242	1,125,758	420,298	401,948	1,544,540	1,527,706
<b>NET POSITION</b>						
Net investment in capital assets	2,685,105	2,756,186	1,046,345	1,058,880	3,731,450	3,815,066
Restricted	109,615	100,472	47,101	41,545	156,716	142,017
Unrestricted	180,942	133,897	273,321	242,763	454,263	376,660
Total net position	\$ 2,975,662	\$ 2,990,555	\$ 1,366,767	\$ 1,343,188	\$ 4,342,429	\$ 4,333,743

The largest portion (85.9 percent) of the City's net position reflects its net investment in capital assets (such as land, buildings, water and sewer system, and streets and storm drains) less any related outstanding debt used to acquire those assets. These amounted to \$3.73 billion and \$3.82 billion at June 30, 2014 and 2013, 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 (3.6 percent) of the City's net position (\$156.7 million at June 30, 2014 and \$142.0 million at June 30, 2013) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (10.5 percent of the City's total net position) at June 30, 2014 and 2013, \$454.3 million and \$376.7 million, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.



## Analysis of Changes in Net Position

For the fiscal year ending June 30, 2014, GASB (Governmental Accounting Standards Board) Statement No. 65, *Items Previously Reported as Assets and Liabilities* was implemented. The implementation of Statement No. 65 resulted in the City eliminating the bond issuance costs that were previously capitalized and amortized over the life of the related debt. As a result, the City's governmental activities net position as of June 30, 2013, decreased \$5.9 million and business-type activities net position as of June 30, 2013, decreased \$1.3 million. See Note I.E.4. on page 61 for additional information.

The City's total net position increased by \$15.8 million and \$31.0 million during the fiscal years 2014 and 2013, respectively. The increases are explained in the governmental and business-type activities discussion herein, and are primarily a result of charges for service, business and property taxes, and capital grants and contributions. Such amounts are included in the table that follows.

### Changes in Net Position

For the fiscal years ended June 30, 2014 and 2013 (in thousands)

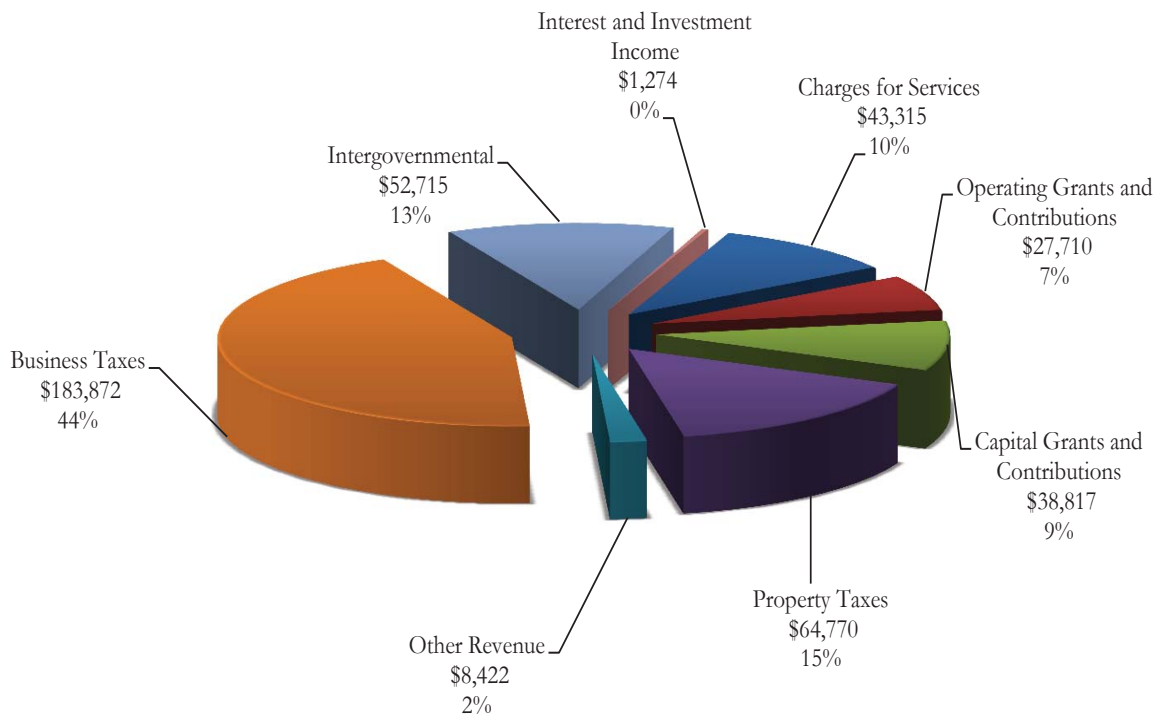
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 43,315	\$ 38,942	\$ 168,436	\$ 161,564	\$ 211,751	\$ 200,506
Operating grants and contributions	27,710	31,255	-	-	27,710	31,255
Capital grants and contributions	38,817	66,917	22,019	25,638	60,836	92,555
General revenues:						
Property taxes	64,770	64,918	-	-	64,770	64,918
Business taxes	183,872	169,664	154	144	184,026	169,808
Intergovernmental - taxes	43,152	39,998	-	-	43,152	39,998
Intergovernmental - other	9,563	9,056	-	-	9,563	9,056
Interest and investment income	1,274	985	964	763	2,238	1,748
Other	8,422	12,557	-	-	8,422	12,557
Total revenues	<u>420,895</u>	<u>434,292</u>	<u>191,573</u>	<u>188,109</u>	<u>612,468</u>	<u>622,401</u>
<b>EXPENSES</b>						
General government:						
Mayor and City Council	840	791	-	-	840	791
City Clerk	1,042	921	-	-	1,042	921
City Attorney	5,810	5,778	-	-	5,810	5,778
City Auditor	754	647	-	-	754	647
City Court	5,705	5,621	-	-	5,705	5,621
City Manager	864	807	-	-	864	807
City Treasurer	6,069	6,420	-	-	6,069	6,420
Public Works	43,597	36,405	-	-	43,597	36,405
Community and Economic Development	134,626	147,514	-	-	134,626	147,514
Public Safety	127,026	118,033	-	-	127,026	118,033
Community Services	55,190	56,382	-	-	55,190	56,382
Administrative Services	17,552	16,863	-	-	17,552	16,863
Streetlight and Services Districts	576	569	-	-	576	569
Interest on Long-Term Debt	35,486	38,389	-	-	35,486	38,389
Bond Issuance Costs	998	-	-	-	998	-
Water Utility	-	-	91,496	90,205	91,496	90,205
Sewer Utility	-	-	45,421	43,169	45,421	43,169
Airport	-	-	4,014	3,785	4,014	3,785
Solid Waste	-	-	19,608	19,146	19,608	19,146
Total expenses	<u>436,135</u>	<u>435,140</u>	<u>160,539</u>	<u>156,305</u>	<u>596,674</u>	<u>591,445</u>
Increase (decrease) in net position before transfers	(15,240)	(848)	31,034	31,804	15,794	30,956
Transfers	6,202	7,244	(6,202)	(7,244)	-	-
Change in net position	(9,038)	6,396	24,832	24,560	15,794	30,956
Net position - beginning	2,990,555	2,974,850	1,343,188	1,318,628	4,333,743	4,293,478
Net effect of accounting change	(5,855)	9,309	(1,253)	-	(7,108)	9,309
Net position - beginning restated	<u>2,984,700</u>	<u>2,984,159</u>	<u>1,341,935</u>	<u>1,318,628</u>	<u>4,326,635</u>	<u>4,302,787</u>
Net position - ending	<u>\$ 2,975,662</u>	<u>\$ 2,990,555</u>	<u>\$ 1,366,767</u>	<u>\$ 1,343,188</u>	<u>\$ 4,342,429</u>	<u>\$ 4,333,743</u>

## Governmental Activities

Net position for governmental activities decreased \$14.9 million or 0.5 percent during fiscal year 2014 from \$2.991 billion to \$2.976 billion. Total expenses were relatively unchanged from the prior fiscal year whereas total revenues decreased by \$13.4 million. Expenses exceeded revenues resulting in a decrease in net position before transfers. A significant element of the decrease in net position before transfers for governmental activities from June 30, 2013 to June 30, 2014 is capital grants and contributions posting a year-over-year decrease of \$28.1 million or 42 percent. This was the result of a reduction of approximately \$15.0 million in developer contributions, approximately \$7.0 million less than the prior year in state grant funding for Preserve land purchases, and a decrease of approximately \$6.0 million in federal grant-funded projects.

General revenues such as property, franchise, and privilege taxes are not shown by program, but are used to support program activities citywide. For governmental activities overall, without regard to program, business taxes, which includes sales and use taxes and franchise taxes (44 percent), are the largest single source of funds, followed by property taxes (15 percent), intergovernmental revenues (including state shared revenues) (13 percent), and charges for services (10 percent).

**Governmental Activities Revenues**  
**Fiscal Year 2013/14**  
**(in thousands)**



Property taxes remained relatively flat in fiscal year 2014 at \$64.8 million compared to \$64.9 million in fiscal year 2013.

Business taxes, which include sales, use and franchise taxes, increased \$14.2 million or 8 percent from the previous year. Sales and use tax revenue posted year-over-year growth of 9 percent in fiscal year 2014 indicating signs of continued economic recovery. Sales tax categories with the largest increases over the prior year include automotive, construction and miscellaneous retail stores.

The Community and Economic Development Division is the largest expense function (31 percent) followed by the Scottsdale Police and Fire Departments, which together comprise the Public Safety Division (29 percent), and Community Services Division (13 percent).

The Community and Economic Development Division is charged with stimulating economic activity and offering a diverse range of value-added programs to build, revitalize and sustain Scottsdale's unique lifestyle and character. Overall, expenses decreased by \$12.9 million or 9 percent during fiscal year 2014, due primarily to lower capital expenditures.

The Public Safety Division provides police and fire/emergency services throughout the City. The division confronts community crime, responds to community needs, and reduces the incidence and severity of emergencies through timely and skilled all-hazard services. Expenses increased by \$9.0 million or 8 percent during fiscal year 2014 due to increases wages, overtime, and property, liability & workers' compensation insurance.

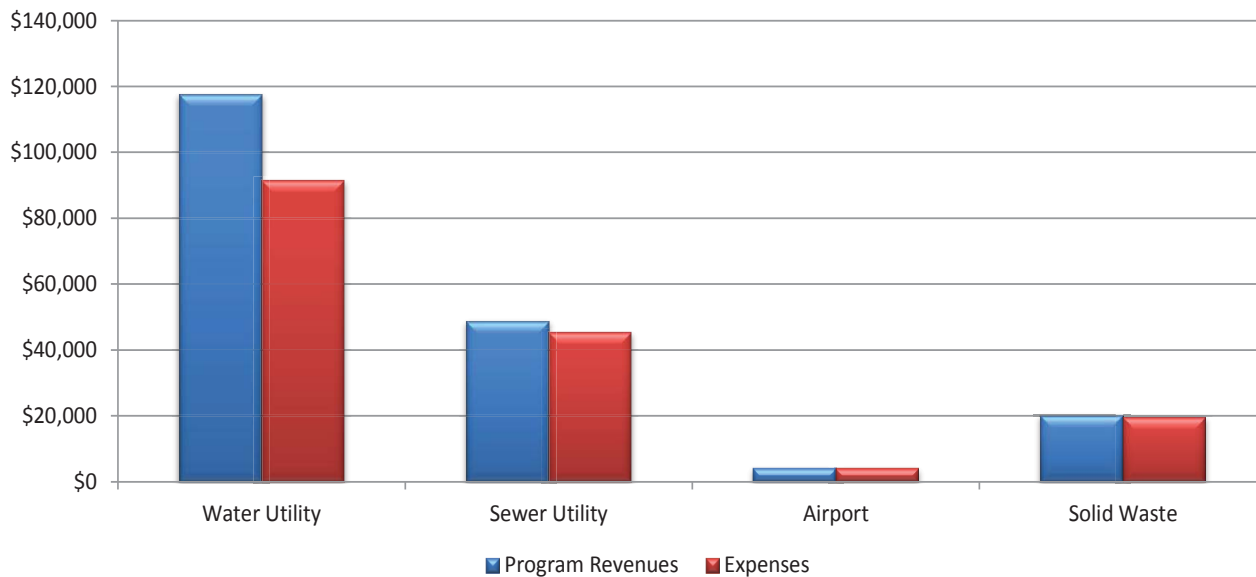
The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, and development of lifetime skills, promoting healthy lifestyles and serving as a catalyst for community involvement. They also provide assistance and guidance to those in need through federal, state, local and private resources. Overall, expenses were essentially the same during fiscal year 2014 as they were the prior year.

### **Business-Type Activities**

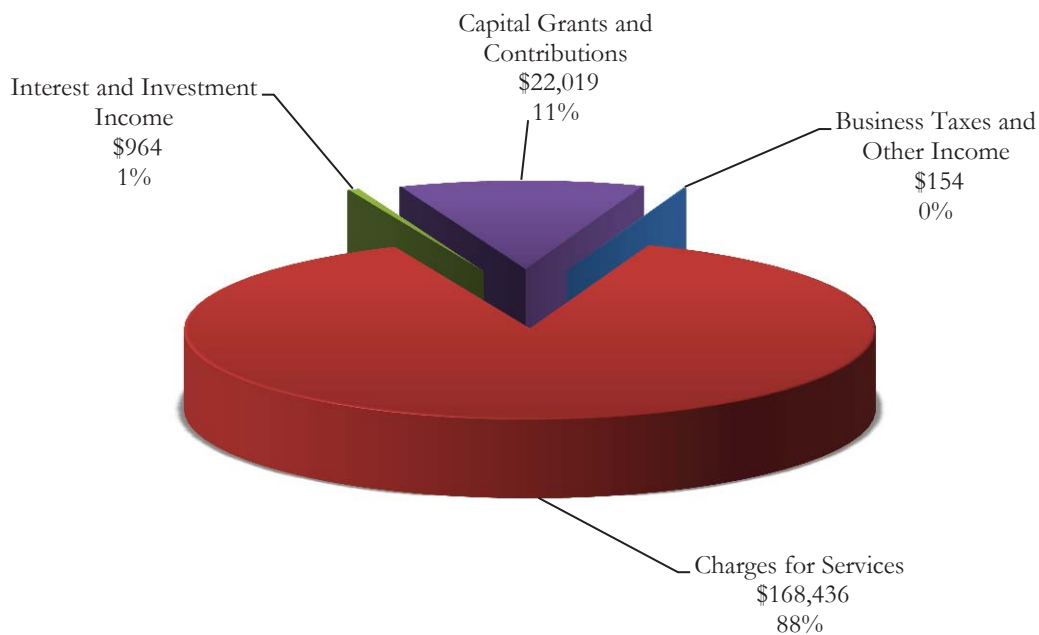
Net position for business-type activities increased by \$23.6 million or 1.8 percent during fiscal year 2014 from \$1.343 billion to \$1.367 billion. Total revenues increased modestly (2 percent) over the prior year; however, capital contributions decreased by 14 percent due to large capital contributions from Irrigation Water Distribution System participants received in fiscal year 2013 offset by higher developer contributions received in fiscal year 2014. Overall, total revenues continue to exceed expenses resulting in an increase in net position before transfers.

As shown in the "Business-type Activities Program Revenues and Expenses" chart, the largest of Scottsdale's business-type activities, Water and Sewer utilities, had expenses of \$91.5 million and \$45.4 million, respectively, in fiscal year 2014, followed by Solid Waste with operating expenses of \$19.6 million and Aviation of \$4.0 million. As shown on the "Business-type Activities Revenues by Source" chart, charges for services provided the largest share of revenues (88 percent) followed by capital grants and contributions (11 percent), which are principally developer contributions and development fees.

### Business-type Activities Program Revenues and Expenses Fiscal Year 2013/14 (in thousands)



### Business-type Activities Revenues by Source Fiscal Year 2013/14 (in thousands)



The City's Water Resources Department plans, manages and operates a safe, reliable water supply and wastewater reclamation system and provides efficient, high quality customer service to Scottsdale citizens. The Water Resources Department provided 88,348 water service connections to customers in fiscal year 2013/14.

The Solid Waste Department provided delivery of safe, efficient and environmentally sound solid waste services to 80,354 residential customers in fiscal year 2013/14.

The Aviation Department operates the City's general aviation reliever facility with no commercial commuter or airline service and is home to many of the Valley's corporate aircraft. More than 142,000 take-offs and landings occurred last year at Scottsdale Airport.

## **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 on 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 they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or the City Treasurer who has been delegated authority to assign resources for use for particular purposes by the City Council. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$185.5 million, a decrease of \$32.7 million in comparison to the balance at June 30, 2013 of \$218.2 million. Approximately \$51.2 million or 28 percent of the total at June 30, 2014, constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

Revenues for governmental functions totaled approximately \$406.8 million in fiscal year 2014, an increase of 0.10 percent (\$0.4 million) from the previous year total of \$406.4 million. In fiscal year 2014, expenditures for governmental functions totaled \$471.3 million, a decrease of 18.3 percent (\$105.5 million) from the fiscal year 2013 total of \$576.8 million. In the fiscal years ended June 30, 2014 and 2013, expenditures for governmental functions exceeded revenues by approximately \$64.5 million and \$170.4 million, respectively. The current year deficit is partially offset by \$31.8 million from other financing sources and uses.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$52.4 million, while the total fund balance was \$52.6 million; the unassigned and total balances for the General Fund at the end of fiscal year 2013 were \$48.7 million and \$48.9 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 22.9 percent of the total General Fund expenditures of \$229.1 million in fiscal year 2014 and represented 19.5 percent of the total General Fund expenditures of \$250.1 million in fiscal year 2013. Total fund balance represented 23.0 percent and 19.6 percent of total fund expenditures for fiscal years 2014 and 2013, respectively.

Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2014, by \$10.0 million. Key contributors to the positive variance were increases in privilege tax, building permit, and state shared revenues. The General Fund's fund balance increased in fiscal year 2014 by \$3.7 million. The combination of higher revenues and lower expenditures compared to the prior fiscal year were the primary reasons for the increase.

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 \$9.4 million, a decrease of \$0.7 million from the \$10.1 million as of June 30, 2013. The decrease in fund balance was primarily caused by higher debt service payments on bonds.

The General CIP Construction Capital Project Fund accounts for the resources used to acquire, construct and improve major capital facilities, other than those financed by proprietary funds, community facility districts and preservation/transportation privilege taxes. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$9.5 million, a decrease of \$34.8 million from the \$44.3 million at June 30, 2013. A pending bond issuance of \$15.5 million, the primary reason for the decrease, is planned for January 2015 and will reimburse existing expenditures of \$14.6 million. Capital outlay expenditures in 2014 and 2013 were \$64.6 million, and \$66.9 million, respectively.

### **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 2014 and 2013, the unrestricted net position for Water and Sewer were \$250.1 million and \$222.4 million, respectively; Airport's were \$8.6 million and \$6.5 million, respectively; and Solid Waste's were \$14.2 million and \$13.9 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, also had unrestricted net position of \$17.4 million and \$18.1 million, respectively.

The total growth in net position for the Enterprise Funds was \$24.4 million and \$24.6 million for fiscal years 2014 and 2013, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In particular, the Water and Sewer Utility net position increased by \$23.2 million, primarily due to capital contributions of \$21.5 million.

## **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.

The City's final year-end budget differs from the original adopted budget primarily due to the following City Council approved contingency budget transfers:

- Structural repair and maintenance of a city owned parking garage
- Creation of eight new firefighters during the fiscal year
- WestWorld marketing agreement
- Clinical modalities training in the Fire Department
- Unfavorable variance in Police overtime

Revenues were \$12.2 million more than projected. The largest drivers of the greater than anticipated revenues were \$4.5 million privilege sales tax due to continued increased motor vehicle sales, wholesalers reporting large amounts of taxable sales, plus increased construction activity for both single family and multi-family building projects; \$4.5 million in building and related permit charges, which include building permits, right-of-way fees, plan review fees, and engineering plan review fees, all exceeding budget based on the improved local and national economies. Expenses were \$4.0 million less than the revised budget largely due to the Police Department only using \$0.6 million of the one-time \$2.5 million compensation adjustment authorized by City Council resulting in a savings at June 30, 2014 of \$1.9 million. Additionally, full-time and part-time wages, software maintenance and licensing, utilities, and fuel for fleet were all less than the revised budget.

## **Capital Assets and Debt Administration**

### **Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2014 and 2013, totaled to \$4.98 billion and \$5.06 billion, respectively (net of accumulated depreciation). Capital assets include land, buildings and improvements, streets and storm drains, water and sewer systems, water rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The total decrease in the City's capital assets (net of accumulated depreciation) between fiscal years 2014 and 2013 was 1.6 percent.

## Capital Assets, Net of Depreciation

June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013*	2014	2013	2014	2013*
Land	\$ 1,839,212	\$ 1,809,216	\$ 48,821	\$ 54,560	\$ 1,888,033	\$ 1,863,776
Buildings and Land Improvements	363,158	371,044	16,871	18,439	380,029	389,483
Streets and Storm Drains	1,251,032	1,326,143	-	-	1,251,032	1,326,143
Machinery and Equipment	26,234	28,712	14,390	13,154	40,624	41,866
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	791,540	786,064	791,540	786,064
Sewer System	-	-	404,607	402,618	404,607	402,618
Motor Vehicles and Equipment Maintained by Fleet	24,107	22,973	199	-	24,306	22,973
Furniture, Fixtures, and Office Equipment	-	-	94	129	94	129
Construction in Progress	106,065	105,384	10,157	38,341	116,222	143,725
Total	\$ 3,609,808	\$ 3,663,472	\$ 1,373,850	\$ 1,400,476	\$ 4,983,658	\$ 5,063,948

\*The June 30, 2013 Buildings and Land Improvements and Streets & Storm Drains capital asset categories and accumulated depreciation were restated due to a prior period adjustment to reclassify a previous asset with a net book value of \$23,781,000 from Buildings and Land Improvements to Streets & Storm Drains.

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

- Preserve land purchased under the Expanded McDowell Sonoran Preserve project. Expenditures totaled \$13.9 million this year against a budget of \$338.1 million. As of June 30, 2014, the inception to date expenditures total \$262.2 million, leaving a balance of \$75.9 million. Preserve land may continue to be purchased in future years within the 36,400 acre planned Preserve boundary, as approved by the voters in May 1995 and November 1998.
- Preserve land purchased was acquired with funding from three Growing Smarter Grant projects. Expenditures totaled \$8.0 million this year against a budget of \$8.0 million. The project was completed and closed when the state grant funds were spent with the land purchase.
- The expenditures for the Tony Nelssen Equestrian Center Expansion project totaled \$10.1 million this year against a budget of \$47.0 million. As of June 30, 2014, the construction was substantially complete and the asset was placed in service with inception to date expenditures totaling \$44.9 million, leaving a balance of \$2.1 million. The project is anticipated to be completed in fiscal year 2014/15.
- The Upper Camelback Wash Watershed project has a goal to reduce flooding for this major wash corridor. Expenditures totaled \$5.4 million. As of June 30, 2014, the inception to date expenditures total \$14.4 million against a budget of \$17.7 million, leaving a balance of \$3.3 million. The project is anticipated to be completed in fiscal year 2014/15.
- The Northsight Boulevard Extension project will construct a new, modified minor collector roadway and the replacement of an existing traffic signal at the intersection of Hayden and Northsight with a two-lane roundabout. Expenditures totaled \$5.2 million this year against a budget of \$8.0 million. As of June 30, 2014, the inception to date expenditures total \$6.8 million, leaving a balance of \$1.2 million. The project is anticipated to be completed in fiscal year 2014/15.
- The TPC Clubhouse and Stadium Course Renovation project includes an expansion to the men's bathroom, the current patio and meeting room areas, resurfacing the greens, irrigation system and lake bank repair. Expenditures totaled \$3.0 million this year. As of June 30, 2014, the inception to date expenditures totaled \$8.4 million against a budget of \$14.0 million, leaving a balance of \$5.6 million. The project is anticipated to be completed in fiscal year 2014/15.



- The Scottsdale Road-Thompson Peak Parkway to Pinnacle Peak project will design and construct a six-lane major arterial cross-section. Expenditures totaled \$4.6 million against a budget of \$14.5 million. As of June 30, 2014, the inception to date expenditures total \$11.9 million, leaving a balance of \$2.6 million. The project is anticipated to be completed in fiscal year 2014/15.
- The WestWorld Events Paving and Show Office Improvements project will reconfigure parking lots and electrical distribution systems adjacent to the Tony Nelssen Equestrian Center to facilitate different types of event set-ups for future users of the facility. Expenditures totaled \$3.9 million against a budget of \$4.3 million, leaving a balance of \$0.4 million. The project is anticipated to be completed in fiscal year 2014/15.
- The Scottsdale Road Preservation Streetscape Enhancement project acquires, preserves and restores desert land along Scottsdale Road, and promotes its designation as a scenic corridor. Expenditures totaled \$3.6 million this year against a budget of \$26.9 million. As of June 30, 2014, the inception to date expenditures total \$21.2 million, leaving a balance of \$5.7 million. The project is anticipated to be completed in fiscal year 2014/15.
- The Pavement Overlay Program project consists of an on-going program that completed street pavement overlays. Expenditures totaled \$3.1 million this year against a budget of \$3.2 million leaving a minor balance of \$0.1 million. The balance will be spent in fiscal year 2014/15.
- The Scottsdale's Museum of the West project will construct a 40,000 square foot museum and sculpture garden. Expenditures totaled \$3.5 million this year against a budget of \$13.6 million, leaving a balance of \$10.1 million. The project is anticipated to be completed in fiscal year 2014/15.
- The City's water and sewer 5-year capital improvement plan includes significant cost impacts from "unfunded" federal water quality mandates for treatment of arsenic and disinfection by-product requirements, in addition to plant and infrastructure expansion to accommodate growth. The most significant CIP cash expenditures include:
  - o Water Distribution System Improvements (\$5.4 million) – Provides for water distribution system improvements needed due to age of the system and increasing demand. Includes replacement of mains, meters and valves, as well as design and construction of new water mains at various locations throughout the distribution system to improve service and to reduce operating costs. The project's budget totals \$74.4 million. As of June 30, 2014, the inception to date expenditures total \$64.5 million, leaving a balance of \$9.9 million.
  - o Wastewater Collection System Improvements (\$2.9 million) – Design and construction of sewer lines and rehabilitation of sewer manholes in the aging sewer system per the Asset Management Program. The project's budget totals \$59.8 million. As of June 30, 2014, the inception to date expenditures total \$52.6 million, leaving a balance of \$7.2 million.
  - o Reclaimed Water Distribution Systems (RWDS) Improvements (\$2.4 million) – Provides for improvements to the RWDS pipeline pump stations and reservoirs. The project's budget totals \$9.1 million. As of June 30, 2014, the inception to date expenditures total \$8.5 million, leaving a balance of \$0.6 million. The project is anticipated to be completed in fiscal year 2014/15.

- o Site 71 Well Site and Water Booster Station (\$1.3 million) – Design and construction of a new well site and booster station that will be a replacement for the original on-site well constructed in 1959 on the southwest corner of Thomas Road and Miller Road. The project's budget totals \$5.0 million. As of June 30, 2014, the inception to date expenditures total \$1.3 million, leaving a balance of \$3.7 million. The project is anticipated to be completed in fiscal year 2014/15.
- o Chaparral Water Treatment Plant Pretreatment (\$1.1 million) – This project will examine specific pretreatment processes to prevent Trihalomethanes (THM) from being formed within water treatment plant prior to distribution into the distribution system. The project's budget is \$32.4 million. As of June 30, 2014, the inception to date expenditures total \$6.4 million, leaving a balance of \$26.0 million.
- o Booster Station Upgrades (\$1.1 million) – This project will upgrade components of the water production system as needed to meet system demands. The project's budget totals \$12.8 million. As of June 30, 2014, the inception to date expenditures total \$7.3 million, leaving a balance of \$5.5 million.

Additional information on the City's capital assets can be found in Note IV.C. on pages 75-77 of this report.

### **Debt Administration**

At the end of the fiscal years 2014 and 2013, the City had total long-term liabilities of \$1,342.6 million and \$1,382.8 million, respectively. Of these amounts, \$619.1 million and \$639.1 million, respectively, are General Obligation Bonds backed by the full faith and credit of the City. The remainder includes water and sewer revenue bonds, Municipal Property Corporation (MPC) bonds, Scottsdale Preserve Authority (SPA) bonds, certificates of participation, and other obligations of \$723.5 million and \$743.7 million for fiscal years 2014 and 2013, respectively.

## Long-Term Liabilities

June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 619,065	\$ 639,135	\$ -	\$ -	\$ 619,065	\$ 639,135
Water and Sewer Revenue Bonds	-	-	32,275	35,515	32,275	35,515
Municipal Property Corporation Bonds	200,840	207,654	280,795	290,555	481,635	498,209
Scottsdale Preserve Authority Bonds	48,505	52,465	-	-	48,505	52,465
Certificates of Participation	13,914	16,003	-	-	13,914	16,003
Community Facilities Districts General						
Obligation Bonds	29,395	31,885	-	-	29,395	31,885
Issuance Premiums	52,186	44,182	18,095	19,422	70,281	63,604
Total Bonds Payable	963,905	991,324	331,165	345,492	1,295,070	1,336,816
Contracts Payable	-	2,570	-	-	-	2,570
Capital Lease	329	183	-	-	329	183
Service Concession Arrangements	2,990	3,144	-	-	2,990	3,144
Risk Management Claims	15,663	12,882	-	-	15,663	12,882
Compensated Absences	24,881	23,906	3,085	3,007	27,966	26,913
Net Other Postemployment Benefit	627	288	-	-	627	288
Total Long-Term Liabilities	\$ 1,008,395	\$ 1,034,297	\$ 334,250	\$ 348,499	\$ 1,342,645	\$ 1,382,796

During fiscal year 2014, the City's total long-term liabilities decreased approximately \$40.2 million. This is due primarily to the City making \$61.0 million of scheduled and early redemption principal payments slightly offset by issuing \$14 million of new Preserve General Obligation bonds and increased issuance premium of \$6.7 million. As part of the new issuance process, the City's ratings on its uninsured General Obligation Bonds and MPC bonds were affirmed by the Rating Agencies in April 2014 (see the Letter of Transmittal page 5 for more information).

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, 2014 and 2013 is \$223.7 million and \$226.8 million, respectively, in the 6 percent capacity and \$412.4 million and \$454.9 million, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.G. of the Notes to the Financial Statements and also in Tables XVIa and XVIIb in the Statistical Section of this report.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Net Other Postemployment Benefit Obligation (NOPEBO) included in the Outstanding Long-Term Liabilities represents the City's unfunded annual required contributions (ARC) pursuant to the actuarial calculations for the accrued cost of eligible retiree health insurance as of June 30, 2014. The NOPEBO at the end of the fiscal years 2014 and 2013 were \$0.6 million and \$0.3 million, respectively.

Additional information in the City's long-term liabilities can be found in Section IV.G. of the Notes to the Financial Statements on pages 81-91 of this report.

## Economic Factors and Next Year's Budget and Rates

The City's long-term financial plan remains one of conservative economic growth as Scottsdale continues its slow recovery. The fiscal year 2014/15 budget includes the priorities and policy given by City Council, with a focus on spending money smarter, making city government leaner and more efficient. Following are the major policy items included in the City's adopted fiscal year 2014/15 budget:

- \$5.8 million or the equivalency of 3 percent of payroll, for a pay program designed to reward employee performance and address other pay issues.
- No increase to the primary property tax. The only increase was the addition of new construction from the prior year.
- \$2.7 million in spending cuts in the general fund were achieved through the elimination of 18 general fund positions.
- Additional funding to the Capital Improvement Plan for the upkeep of the City's infrastructure will be achieved by selling excess City buildings.
- No overall rate changes for water or sewer services.
- Various rate/fee adjustments for City Attorney, City Court, Community and Economic Development Service, Public Safety – Fire and Public Safety – Police.

A separate, key component of the annual financial plan is the City's five-year Capital Improvement Plan (CIP) for infrastructure and public facilities including roads, water and sewer improvements, parks, buildings, and information technology. The City is projecting to spend \$230 million on capital projects in fiscal year 2014/15, highlights include:

- Complete Scottsdale's Museum of the West.
- Complete renovations to the TPC Scottsdale Clubhouse and Stadium Course.
- Begin construction of a multi-use path along the Arizona Canal from Chaparral Road to McDonald Drive.
- Add bicycle and pedestrian capacity to the McDowell Road bridge over the Indian Bend Wash Greenbelt.
- Begin construction of a multilane roundabout and transit improvements at 90th Street and Shea Boulevard adjacent to Mustang Library.
- Complete bicycle lanes and pedestrian amenities on Thomas Road from Scottsdale Road to the Indian Bend Wash Greenbelt bridge.
- Purchase land and begin design of a permanent location for Fire Station 613.
- Upgrade treatment technology at Chaparral Water Treatment Plant to meet stricter regulations.
- Complete storm drainage improvements for the Upper Camelback Wash Watershed.
- Begin storm drainage improvements in the Granite Reef Watershed.

## 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:

Scottsdale City Treasurer's Office,  
 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.  
 (480) 312-2437

Or visit our website at: <http://www.scottsdaleaz.gov/finance>



# Basic Financial Statements

## Statement of Net Position

June 30, 2014 (in thousands)

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 229,126	\$ 159,553	\$ 388,679
Cash with Fiscal Agent	65,700	20,881	86,581
Receivables (net of uncollectible amounts of \$36,149)			
Property Taxes and Penalties	11,733	-	11,733
Other Local Taxes	26,057	14	26,071
Charges for Services	-	16,905	16,905
Intergovernmental	31,480	12	31,492
Interest and Other	6,905	2,329	9,234
Internal Balances	(438)	438	-
Supplies Inventory	1,169	-	1,169
Prepaid Items	3	866	869
Restricted Cash, Cash Equivalents, and Investments			
Customer Advances and Deposits	-	1,037	1,037
Other Restricted Assets			
Joint Venture Construction Deposits	-	4,613	4,613
Total Current Assets	<u>371,735</u>	<u>206,648</u>	<u>578,383</u>
Noncurrent Assets			
Equity in Joint Venture	-	104,866	104,866
Prepayments	31,467	-	31,467
Pollution Remediation Recoveries	-	52,596	52,596
Service Concession Arrangements	67,022	-	67,022
Restricted Cash, Cash Equivalents, and Investments			
Advanced Construction Payments	-	1,190	1,190
Advanced Lease Payments	-	1,767	1,767
Water and Sewer System Replacement	-	37,510	37,510
Revenue Bond Reserve	-	4,978	4,978
Capital Assets			
Land, Water Rights, and Construction in Progress	1,945,277	146,149	2,091,426
Facilities, Infrastructure, and Equipment (net of accumulated depreciation)	1,664,531	1,227,701	2,892,232
Total Capital Assets (net of accumulated depreciation)	<u>3,609,808</u>	<u>1,373,850</u>	<u>4,983,658</u>
Total Noncurrent Assets			
	<u>3,708,297</u>	<u>1,576,757</u>	<u>5,285,054</u>
Total Assets			
	<u>4,080,032</u>	<u>1,783,405</u>	<u>5,863,437</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding	19,872	3,660	23,532
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	23,053	7,365	30,418
Accrued Payroll and Benefits	8,621	1,211	9,832
Accrued Compensated Absences - Current	302	1	303
Accrued Compensated Absences - Due within one year	11,144	1,336	12,480
Claims Payable	6,589	-	6,589
Due to Other Governments	3,557	-	3,557
Customer Advances and Deposits	2,013	1,037	3,050
Matured Bonds, Loans, and Other Payables	47,394	13,000	60,394
Matured Bonds, Loans, and Other Interest Payable	17,315	7,881	25,196
Bonds, Loans, and Other Payables - Due within one year	47,211	13,180	60,391
Unearned Revenue	11,069	-	11,069
Other Liabilities	2,523	-	2,523
Total Current Liabilities	<u>180,791</u>	<u>45,011</u>	<u>225,802</u>
Noncurrent Liabilities			
Accrued Compensated Absences - Due in more than one year	13,737	1,749	15,486
Advanced Construction Payments	-	1,190	1,190
Advanced Lease Payments	-	1,767	1,767
Bonds, Loans, and Other Payables - Due in more than one year	929,714	317,985	1,247,699
Pollution Remediation Obligation	-	52,596	52,596
Total Noncurrent Liabilities	<u>943,451</u>	<u>375,287</u>	<u>1,318,738</u>
Total Liabilities			
	<u>1,124,242</u>	<u>420,298</u>	<u>1,544,540</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,685,105	1,046,345	3,731,450
Restricted			
Debt Service	35,182	4,978	40,160
Highway User and Preserve Privilege Tax Activities	40,073	-	40,073
Capital Projects	30,296	-	30,296
Grants	249	-	249
Special Programs	3,739	-	3,739
Streetlight and Service District	76	-	76
Repair and Replacement	-	37,510	37,510
Joint Venture Construction Deposits	-	4,613	4,613
Unrestricted	180,942	273,321	454,263
Total Net Position	<u>\$ 2,975,662</u>	<u>\$ 1,366,767</u>	<u>\$ 4,342,429</u>

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

## Statement of Activities

For the Fiscal Year Ended June 30, 2014 (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	\$ 840	\$ 225	\$ -	\$ -	\$ (615)	\$ -	\$ (615)
City Clerk	1,042	279	-	-	(763)	-	(763)
City Attorney	5,810	756	4	-	(5,050)	-	(5,050)
City Auditor	754	197	-	-	(557)	-	(557)
City Court	5,705	-	35	-	(5,670)	-	(5,670)
City Manager	864	219	-	-	(645)	-	(645)
City Treasurer	6,069	2,606	173	-	(3,290)	-	(3,290)
Public Works	43,597	1,580	136	225	(41,656)	-	(41,656)
Community and Economic Development	134,626	17,981	13,754	30,116	(72,775)	-	(72,775)
Public Safety	127,026	10,268	5,647	-	(111,111)	-	(111,111)
Community Services	55,190	5,914	7,961	8,476	(32,839)	-	(32,839)
Administrative Services	17,552	2,890	-	-	(14,662)	-	(14,662)
Streetlight and Services Districts	576	400	-	-	(176)	-	(176)
Interest on Long-Term Debt	35,486	-	-	-	(35,486)	-	(35,486)
Bond Issuance Costs	998	-	-	-	(998)	-	(998)
Total Governmental Activities	<u>436,135</u>	<u>43,315</u>	<u>27,710</u>	<u>38,817</u>	<u>(326,293)</u>	<u>-</u>	<u>(326,293)</u>
Business-Type Activities							
Water Utility	91,496	104,722	-	12,804	-	26,030	26,030
Sewer Utility	45,421	39,917	-	8,646	-	3,142	3,142
Airport	4,014	3,635	-	569	-	190	190
Solid Waste	19,608	20,162	-	-	-	554	554
Total Business-Type Activities	<u>160,539</u>	<u>168,436</u>	<u>-</u>	<u>22,019</u>	<u>-</u>	<u>29,916</u>	<u>29,916</u>
Total Government	<u>\$ 596,674</u>	<u>\$ 211,751</u>	<u>\$ 27,710</u>	<u>\$ 60,836</u>	<u>(326,293)</u>	<u>29,916</u>	<u>(296,377)</u>
General Revenues							
Taxes							
Property Taxes					64,770	-	64,770
Sales and Use Taxes					171,673	154	171,827
Franchise Taxes					12,199	-	12,199
Intergovernmental							
State Shared Sales					18,922	-	18,922
State Revenue Sharing					24,230	-	24,230
Other					9,563	-	9,563
Interest and Investment Income					1,274	964	2,238
Other Revenue					8,422	-	8,422
Transfers					6,202	(6,202)	-
Total General Revenues and Transfers					<u>317,255</u>	<u>(5,084)</u>	<u>312,171</u>
Change in Net Position					(9,038)	24,832	15,794
Net Position - Beginning, restated					<u>2,984,700</u>	<u>1,341,935</u>	<u>4,326,635</u>
Net Position - Ending					<u>\$ 2,975,662</u>	<u>\$ 1,366,767</u>	<u>\$ 4,342,429</u>

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



## Balance Sheet

### Governmental Funds

June 30, 2014 (in thousands)

<u>ASSETS</u>	<u>General</u>	<u>General Obligation Bond Debt Service</u>	<u>General CIP Construction Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 54,501	\$ 8,932	\$ 16,630	\$ 113,464	\$ 193,527
Cash with Fiscal Agent	1,267	45,144	-	19,289	65,700
Receivable (net of allowance for uncollectibles \$36,105)					
Interest	308	-	70	121	499
Privilege Tax	15,216	-	-	4,047	19,263
Transient Occupancy Tax	-	-	-	770	770
Property Tax	819	1,138	-	81	2,038
State Shared Sales Tax	1,606	-	-	-	1,606
Franchise Fee	2,876	-	-	55	2,931
Court Receivable	9,695	-	-	-	9,695
Library Receivable	292	-	-	-	292
Highway User Tax	-	-	-	1,155	1,155
Auto Lieu Tax	332	-	-	-	332
Intergovernmental	-	-	1,552	28,036	29,588
Grants	-	-	181	1,711	1,892
Miscellaneous	1,880	-	2,834	1,078	5,792
Due from Other Funds	93	-	-	-	93
Supplies Inventory	263	-	-	-	263
Prepaid Items	3	-	-	-	3
Total Assets	<u>\$ 89,151</u>	<u>\$ 55,214</u>	<u>\$ 21,267</u>	<u>\$ 169,807</u>	<u>\$ 335,439</u>

(continued)

## Balance Sheet

### Governmental Funds

June 30, 2014 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 5,189	\$ -	\$ 10,005	\$ 4,599	\$ 19,793
Accrued Payroll and Benefits	8,195	-	42	497	8,734
Due to Other Funds	-	-	-	93	93
Matured Bond Interest Payable	222	11,074	-	6,019	17,315
Matured Bonds Payable	1,044	34,070	-	12,280	47,394
Unearned Revenue					
Intergovernmental	-	-	-	9,761	9,761
Other	408	-	3	897	1,308
Due to Other Governments	3,557	-	-	-	3,557
Guaranty and Other Deposits	2,008	-	-	5	2,013
Other	2,523	-	-	-	2,523
Total Liabilities	<u>23,146</u>	<u>45,144</u>	<u>10,050</u>	<u>34,151</u>	<u>112,491</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	13,385	701	1,734	21,655	37,475
Total Liabilities and Deferred Inflows of Resources	<u>36,531</u>	<u>45,845</u>	<u>11,784</u>	<u>55,806</u>	<u>149,966</u>
<b>Fund Balances</b>					
Nonspendable	266	-	-	-	266
Restricted	-	9,369	1,008	95,460	105,837
Committed	-	-	1,113	19,735	20,848
Assigned	-	-	7,362	-	7,362
Unassigned	52,354	-	-	(1,194)	51,160
Total Fund Balances	<u>52,620</u>	<u>9,369</u>	<u>9,483</u>	<u>114,001</u>	<u>185,473</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 89,151</u>	<u>\$ 55,214</u>	<u>\$ 21,267</u>	<u>\$ 169,807</u>	<u>\$ 335,439</u>

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

## Reconciliation of the Governmental Funds Balances Sheet to the Statement of Net Position

June 30, 2014 (in thousands)

Fund Balances - Total Governmental Funds	\$	185,473
<p>Amounts reported for governmental activities in the statement of net position are different because (see Note II A):</p>		
Capital assets used in governmental activities are not current financial resources; therefore, are not reported in the funds.		3,574,944
Prepayments and service concession arrangements are not current financial resources; therefore, are not reported in the funds.		98,489
Deferred amounts on refunding are not current financial resources; therefore are not reported in the funds		19,872
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.		(992,371)
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.		37,475
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>51,780</u>
Net Position of Governmental Activities	<u>\$</u>	<u>2,975,662</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, 2014 (in thousands)

REVENUES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Taxes - Local					
Property	\$ 25,265	\$ 36,372	\$ -	\$ 3,277	\$ 64,914
Transaction Privilege	104,934	-	-	50,771	155,705
Transient Occupancy	-	-	-	15,303	15,303
Light and Power Franchise	8,220	-	-	257	8,477
Cable TV Franchise	3,722	-	-	-	3,722
Salt River Project In-Lieu	268	-	-	-	268
Other Taxes	900	-	-	-	900
Taxes - Intergovernmental					
State-Shared Sales	18,922	-	-	-	18,922
State Revenue Sharing	24,230	-	-	-	24,230
Auto Lieu Tax	7,755	-	-	-	7,755
Highway User Tax	-	-	-	12,268	12,268
Local Transportation Assistance Fund	-	-	-	641	641
Business and Liquor Licenses	1,752	-	-	30	1,782
Charges for Current Services					
Building and Related Permits	14,443	-	101	-	14,544
Recreation Fees	3,712	-	-	1,743	5,455
WestWorld Equestrian Facility Fees	3,364	-	-	-	3,364
Fire Fees	715	-	-	-	715
Fines, Fees, and Forfeitures					
Court	4,205	-	-	166	4,371
Parking	249	-	-	-	249
Photo Radar	1,933	-	-	-	1,933
Court Enhancement	-	-	-	961	961
Library	325	-	-	-	325
Police Fees	-	-	-	504	504
Property Rental	2,154	-	-	2,116	4,270
Interest Earnings	1,767	-	303	904	2,974
Investment Income	(1,001)	-	(172)	(527)	(1,700)
Intergovernmental					
Federal Grants	-	-	290	10,637	10,927
State Grants	-	-	8,044	372	8,416
Miscellaneous	1,221	-	1,525	18,027	20,773
Developer Contributions	3	-	61	-	64
Streetlight and Services Districts	-	-	-	400	400
Contributions and Donations	75	-	211	1,892	2,178
Reimbursements from Outside Sources	1,809	-	16	621	2,446
Indirect Costs	6,556	-	-	546	7,102
Other	1,601	-	1	50	1,652
Total Revenues	<u>\$ 239,099</u>	<u>\$ 36,372</u>	<u>\$ 10,380</u>	<u>\$ 120,959</u>	<u>\$ 406,810</u>

(continued on next page)

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

### Governmental Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

EXPENDITURES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Current					
General Government					
Mayor and City Council	\$ 835	\$ -	\$ -	\$ -	\$ 835
City Clerk	1,035	-	-	-	1,035
City Attorney	5,702	-	-	-	5,702
City Auditor	740	-	-	-	740
City Court	3,724	-	-	1,791	5,515
City Manager	842	-	-	-	842
City Treasurer	4,948	-	-	113	5,061
Public Works	19,696	-	-	13,685	33,381
Community and Economic Development	23,367	-	-	17,696	41,063
Public Safety	117,007	-	-	2,152	119,159
Community Services	33,269	-	-	11,766	45,035
Administrative Services	14,950	-	-	-	14,950
Streetlight and Services Districts	-	-	-	576	576
Debt Service					
Principal	2,382	42,114	-	14,891	59,387
Interest and Fiscal Charges	584	24,108	-	12,631	37,323
Bond Issuance Costs	1	710	-	287	998
Capital Outlay	-	-	64,602	35,120	99,722
Total Expenditures	229,082	66,932	64,602	110,708	471,324
Excess (Deficiency) of Revenues over (under) Expenditures	10,017	(30,560)	(54,222)	10,251	(64,514)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	12,512	21,976	19,889	35,292	89,669
Transfers Out	(19,149)	-	(491)	(63,056)	(82,696)
Capital Lease Acquisitions	296	-	-	-	296
Issuance of Refunding Bonds	-	83,150	-	22,735	105,885
Issuance of Long-Term Capital-Related Debt	-	261	-	13,739	14,000
Premium on Long-Term Debt Issued	-	10,083	-	2,659	12,742
Payment to Refunded Bonds Escrow Agent	-	(85,646)	-	(22,453)	(108,099)
Total Other Financing Sources (Uses)	(6,341)	29,824	19,398	(11,084)	31,797
Net Change in Fund Balances	3,676	(736)	(34,824)	(833)	(32,717)
Fund Balances - Beginning	48,944	10,105	44,307	114,834	218,190
Fund Balances - Ending	\$ 52,620	\$ 9,369	\$ 9,483	\$ 114,001	\$ 185,473

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, 2014 (in thousands)

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Net Change in Fund Balances - Total Governmental Funds	\$ (32,717)
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Amounts reported for governmental activities in the statement of activities are different because (see Note II B):

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 depreciation exceeded capital outlay in the current period.	(20,952)
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Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.	12,487
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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.	(3,648)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	945
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Prepayments are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position. This is the amount by which current year prepayments exceeded amortization expense in the current period.	(967)
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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 affect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period.	34,563
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Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refunding.	1,837
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The net revenues of certain activities of Internal Service Funds is reported with governmental activities.	(586)
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Change in Net Position of Governmental Activities	<u>\$ (9,038)</u>
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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, 2014 (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						
Property	\$ 25,510	\$ 25,510	\$ 25,265	\$ -	\$ 25,265	\$ (245)
Transaction Privilege	100,482	100,482	104,934	-	104,934	4,452
Light and Power Franchise	8,412	8,412	8,220	-	8,220	(192)
Cable TV Franchise	3,024	3,024	3,722	-	3,722	698
Salt River Project In-Lieu	274	274	268	-	268	(6)
Other Taxes	895	895	900	-	900	5
Taxes - Intergovernmental						
State-Shared Sales	18,784	18,784	18,922	-	18,922	138
State Revenue Sharing	24,253	24,253	24,230	-	24,230	(23)
Auto Lieu Tax	7,246	7,246	7,755	-	7,755	509
Business and Liquor Licenses	1,766	1,766	1,752	-	1,752	(14)
Charges for Current Services						
Building and Related Permits	9,900	9,900	14,443	-	14,443	4,543
Recreation Fees	3,624	3,624	3,712	-	3,712	88
WestWorld Equestrian Facility Fees	3,168	3,168	3,364	-	3,364	196
Fire Fees	660	660	715	-	715	55
Fines, Fees, and Forfeitures						
Court	4,035	4,035	4,205	-	4,205	170
Parking	236	236	249	-	249	13
Photo Radar	2,330	2,330	1,933	-	1,933	(397)
Library	357	357	325	-	325	(32)
Property Rental	1,969	1,969	2,154	-	2,154	185
Interest Earnings	1,000	1,000	1,767	-	1,767	767
Investment Income	-	-	-	(1,001)	(1,001)	-
Intergovernmental						
Miscellaneous	1,221	1,221	1,221	-	1,221	-
Developer Contributions	-	-	3	-	3	3
Contributions and Donations	-	-	75	-	75	75
Reimbursements from Outside Sources	1,402	1,402	1,809	-	1,809	407
Indirect Costs	6,502	6,502	6,556	-	6,556	54
Other	863	863	1,601	-	1,601	738
Total Revenues	\$ 227,913	\$ 227,913	\$ 240,100	\$ (1,001)	\$ 239,099	\$ 12,187

(continued)

## General Fund

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

For the Fiscal Year Ended June 30, 2014 (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				
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	\$ 812	\$ 861	\$ 834	\$ 1	\$ 835	\$ 27
City Clerk	1,218	1,228	1,032	3	1,035	196
City Attorney	5,708	5,816	5,672	30	5,702	144
City Auditor	750	869	737	3	740	132
City Court	3,896	3,816	3,694	30	3,724	122
City Manager	887	902	834	8	842	68
City Treasurer	5,687	5,225	4,881	67	4,948	344
Public Works	18,525	20,239	19,669	27	19,696	570
Community and Economic Development	22,827	23,702	23,243	124	23,367	459
Public Safety	117,242	117,299	116,293	714	117,007	1,006
Community Services	33,689	33,842	33,050	219	33,269	792
Administrative Services	16,354	15,324	14,884	66	14,950	440
Debt Service						
Principal	2,571	2,191	2,382	-	2,382	(191)
Interest and Fiscal Charges	589	589	584	-	584	5
Bond Issuance Costs	-	-	1	-	1	(1)
Total Expenditures	<u>230,755</u>	<u>231,903</u>	<u>227,790</u>	<u>1,292</u>	<u>229,082</u>	<u>4,113</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,842)</u>	<u>(3,990)</u>	<u>12,310</u>	<u>(2,293)</u>	<u>10,017</u>	<u>16,300</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	10,913	10,913	12,512	-	12,512	1,599
Transfers Out	(17,456)	(17,456)	(19,149)	-	(19,149)	(1,693)
Capital Lease Acquisitions	-	-	296	-	296	296
Total Other Financing Sources (Uses)	<u>(6,543)</u>	<u>(6,543)</u>	<u>(6,341)</u>	<u>-</u>	<u>(6,341)</u>	<u>202</u>
Net Change in Fund Balances	(9,385)	(10,533)	5,969	(2,293)	3,676	16,502
Fund Balances - Beginning	41,871	55,685	55,685	(6,741)	48,944	-
Fund Balances - Ending	<u>\$ 32,486</u>	<u>\$ 45,152</u>	<u>\$ 61,654</u>	<u>\$ (9,034)</u>	<u>\$ 52,620</u>	<u>\$ 16,502</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, 2014 (in thousands)

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#### Explanation of Differences:

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

Investment Income	<u>\$ (1,001)</u>
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The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:

Payroll Accrual and Compensated Absences	<u>1,292</u>
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Net Decrease in Fund Balance - Budget to GAAP

<u>\$ (2,293)</u>
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The notes to the financial statements are an integral part of this statement.

# Statement of Fund Net Position

## Proprietary Funds

June 30, 2014 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets</b>					
Current Assets					
Cash and Investments	\$ 137,345	\$ 8,515	\$ 13,693	\$ 159,553	\$ 35,599
Cash with Fiscal Agent	20,881	-	-	20,881	-
Receivables (net of uncollectible amounts of \$44)					
Privilege Tax	-	14	-	14	-
Charges for Services	15,096	-	1,809	16,905	-
Intergovernmental	-	12	-	12	-
Interest	172	4	11	187	-
Miscellaneous	1,751	266	125	2,142	322
Supplies Inventory	-	-	-	-	906
Restricted Cash, Cash Equivalents, and Investments					
Customer Advances and Deposits	985	52	-	1,037	-
Prepaid Expenses	866	-	-	866	-
Other Restricted Assets					
Joint Venture Construction Deposits	4,613	-	-	4,613	-
<b>Total Current Assets</b>	<b>181,709</b>	<b>8,863</b>	<b>15,638</b>	<b>206,210</b>	<b>36,827</b>
Noncurrent Assets					
Equity in Joint Venture	104,866	-	-	104,866	-
Pollution Remediation Recoveries	52,596	-	-	52,596	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	1,190	-	-	1,190	-
Advanced Lease Payments	-	1,767	-	1,767	-
Water and Sewer System Replacement	37,510	-	-	37,510	-
Revenue Bond Reserve	4,978	-	-	4,978	-
Capital Assets					
Land	38,146	9,564	1,111	48,821	-
Water Rights	87,171	-	-	87,171	-
Water System	1,154,144	-	-	1,154,144	-
Sewer System	574,721	-	-	574,721	-
Buildings and Improvements	-	25,988	4,771	30,759	12,447
Motor Vehicles	-	830	-	830	60,817
Machinery and Equipment	20,485	861	1,905	23,251	1,374
Furniture and Fixtures	813	-	-	813	-
Construction in Progress	6,640	3,480	37	10,157	56
Less Accumulated Depreciation	(540,207)	(12,916)	(3,694)	(556,817)	(39,830)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>1,341,913</b>	<b>27,807</b>	<b>4,130</b>	<b>1,373,850</b>	<b>34,864</b>
<b>Total Noncurrent Assets</b>	<b>1,543,053</b>	<b>29,574</b>	<b>4,130</b>	<b>1,576,757</b>	<b>34,864</b>
<b>Total Assets</b>	<b>1,724,762</b>	<b>38,437</b>	<b>19,768</b>	<b>1,782,967</b>	<b>71,691</b>
<b>Deferred Outflows of Resources</b>					
Deferred Amounts on Refunding	3,660	-	-	3,660	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,728,422</b>	<b>\$ 38,437</b>	<b>\$ 19,768</b>	<b>\$ 1,786,627</b>	<b>\$ 71,691</b>

(continued on next page)

## Statement of Fund Net Position

### Proprietary Funds

June 30, 2014 (in thousands)

	Water and Sewer				Governmental
	Utility	Airport	Solid Waste	Total	Activities - Internal Service Funds
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	\$ 6,911	\$ 60	\$ 394	\$ 7,365	\$ 3,260
Accrued Payroll and Benefits	829	49	333	1,211	189
Accrued Compensated Absences - Current	1	-	-	1	-
Accrued Compensated Absences - Due within one year	968	63	305	1,336	166
Claims Payable - Due within one year	-	-	-	-	6,589
Customer Advances and Deposits	985	52	-	1,037	-
Matured Bonds Payable	13,000	-	-	13,000	-
Matured Bond Interest Payable	7,881	-	-	7,881	-
Bonds Payable and Other Payables - Due within one year	13,180	-	-	13,180	-
Total Current Liabilities	<u>43,755</u>	<u>224</u>	<u>1,032</u>	<u>45,011</u>	<u>10,204</u>
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,238	80	431	1,749	195
Advanced Construction Payments	1,190	-	-	1,190	-
Advanced Lease Payments	-	1,767	-	1,767	-
Bonds, Loans, and Other Payables - Due in more than one year	317,985	-	-	317,985	9,074
Pollution Remediation Obligation	52,596	-	-	52,596	-
Total Noncurrent Liabilities	<u>373,009</u>	<u>1,847</u>	<u>431</u>	<u>375,287</u>	<u>9,269</u>
Total Liabilities	<u>416,764</u>	<u>2,071</u>	<u>1,463</u>	<u>420,298</u>	<u>19,473</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,014,408	27,807	4,130	1,046,345	34,864
Restricted for Water and Sewer System Replacement	37,510	-	-	37,510	-
Restricted for Debt Service	4,978	-	-	4,978	-
Restricted for Joint Venture Construction Deposits	4,613	-	-	4,613	-
Unrestricted	250,149	8,559	14,175	272,883	17,354
Total Net Position	<u>\$ 1,311,658</u>	<u>\$ 36,366</u>	<u>\$ 18,305</u>	<u>\$ 1,366,329</u>	<u>\$ 52,218</u>

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

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

June 30, 2014 (in thousands)

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Total Proprietary Fund Net Position \$ 1,366,329

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 vehicles to individual funds. A look-back adjustment applies to business-type activities and creates an internal balance.

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Net Position of Business-Type Activities

\$ 1,366,767

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, 2014 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for Sales and Services					
Water Service Fees	\$ 90,270	\$ -	\$ -	\$ 90,270	\$ -
Sewer Service Fees	38,389	-	-	38,389	-
Proprietary - Non-potable water fees	11,233	-	-	11,233	-
Solid Waste Fees	-	-	20,162	20,162	-
Airport Fees	-	3,531	-	3,531	-
Other Services	-	-	-	-	52,953
Other	1,326	104	-	1,430	717
Total Operating Revenues	<u>141,218</u>	<u>3,635</u>	<u>20,162</u>	<u>165,015</u>	<u>53,670</u>
<b>OPERATING EXPENSES</b>					
Costs for Sales and Services					
Water Operations	48,349	-	-	48,349	-
Sewer Operations	24,532	-	-	24,532	-
Solid Waste Operations	-	-	18,209	18,209	-
Airport Operations	-	2,039	-	2,039	-
Other Services	-	-	-	-	49,412
Indirect Costs	5,010	452	1,640	7,102	-
Depreciation	46,421	1,095	251	47,767	4,728
Total Operating Expenses	<u>124,312</u>	<u>3,586</u>	<u>20,100</u>	<u>147,998</u>	<u>54,140</u>
Operating Income (Loss)	<u>16,906</u>	<u>49</u>	<u>62</u>	<u>17,017</u>	<u>(470)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Transaction Privilege Tax	-	154	-	154	-
Property Tax	-	-	-	-	145
Investment Income	848	47	69	964	-
Interest Expense	(12,554)	-	-	(12,554)	-
Gain(Loss) on Sale of Capital Assets	3,421	(425)	-	2,996	457
Net Non-Operating Revenue (Expenses)	<u>(8,285)</u>	<u>(224)</u>	<u>69</u>	<u>(8,440)</u>	<u>602</u>
Income Before Contributions and Transfers	<u>8,621</u>	<u>(175)</u>	<u>131</u>	<u>8,577</u>	<u>132</u>
Capital Contributions	21,450	569	-	22,019	491
Transfers In	520	754	-	1,274	-
Transfers Out	(7,370)	(5)	(101)	(7,476)	(771)
Change in Net Position	<u>23,221</u>	<u>1,143</u>	<u>30</u>	<u>24,394</u>	<u>(148)</u>
Total Net Position - Beginning as Restated	<u>1,288,437</u>	<u>35,223</u>	<u>18,275</u>	<u>1,341,935</u>	<u>52,366</u>
Total Net Position - Ending	<u>\$ 1,311,658</u>	<u>\$ 36,366</u>	<u>\$ 18,305</u>	<u>\$ 1,366,329</u>	<u>\$ 52,218</u>

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

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

For the Fiscal Year Ended June 30, 2014 (in thousands)

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Net Change in Total Proprietary Fund Net Position	\$ 24,394
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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 vehicles to individual funds. A look-back adjustment applies to business-type activities and creates an internal balance, which reduced the expenses.

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Change in Net Position of Business-Type Activities	<u>\$ 24,832</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, 2014 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$ 140,475	\$ 3,480	\$ 20,331	\$ 164,286	\$ 53,218
Cash Payments to Suppliers for Goods/Services	(54,410)	(1,525)	(12,934)	(68,869)	(42,409)
Cash Payments to Employees for Services	(18,938)	(1,083)	(6,716)	(26,737)	(4,206)
Other Cash Receipts	2,516	104	-	2,620	717
Net Cash Provided by Operating Activities	69,643	976	681	71,300	7,320
<b>Cash Flows from Non-Capital Financing Activities</b>					
Financing Activities					
Property Tax	-	-	-	-	145
Transaction Privilege Tax	-	154	-	154	-
Transfers In	520	754	-	1,274	-
Transfers Out	(7,370)	(5)	(101)	(7,476)	(771)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(6,850)	903	(101)	(6,048)	(626)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Contributions from:					
Water and Sewer Development Fees	15,651	-	-	15,651	-
Capital Grants	-	434	-	434	-
Acquisition and Construction of Property and Equipment	(18,593)	(323)	(38)	(18,954)	(3,458)
Water and Sewer Development Fee Credit Agreements	(512)	-	-	(512)	-
Principal Payments on Capital Debt and Other Payables	(12,335)	-	-	(12,335)	-
Interest Paid on Capital Debt	(16,076)	-	-	(16,076)	-
Investment in Joint Venture and CIP deposit	(440)	-	-	(440)	-
Sale of Capital Assets	9,486	2	-	9,488	624
Net Cash Provided by (Used for) Capital and Related Financing Activities	(22,819)	113	(38)	(22,744)	(2,834)
<b>Cash Flows from Investing Activities</b>					
Income Received on Investments	1,083	59	87	1,229	-
Net Cash Provided by Investing Activities	1,083	59	87	1,229	-
Net Increase in Cash and Cash Equivalents	41,057	2,051	629	43,737	3,860
Cash and Cash Equivalents at Beginning of Year	161,832	8,283	13,064	183,179	31,739
Cash and Cash Equivalents at End of Year	\$ 202,889	\$ 10,334	\$ 13,693	\$ 226,916	\$ 35,599

(continued)

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Cash and Cash Equivalents at End of Year includes:</b>					
Cash and Investments	\$ 137,345	\$ 8,515	\$ 13,693	\$ 159,553	\$ 35,599
Cash with Fiscal Agent	20,881	-	-	20,881	-
Restricted Cash and Investments	44,663	1,819	-	46,482	-
Total Cash and Cash Equivalents	<u>\$ 202,889</u>	<u>\$ 10,334</u>	<u>\$ 13,693</u>	<u>\$ 226,916</u>	<u>\$ 35,599</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ 16,906	\$ 49	\$ 62	\$ 17,017	\$ (470)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation/Amortization	46,421	1,095	251	47,767	4,728
Change in Equity in Joint Venture	6,273	-	-	6,273	-
Change in Accounts Receivable	1,491	52	168	1,711	-
Change in Miscellaneous Receivable	393	-	-	393	265
Change in Inventories	-	-	-	-	(83)
Change in Prepaid Expense	(866)	-	-	(866)	-
Change in Customer Deposits	(110)	(3)	-	(113)	-
Change in Accounts Payable	(1,002)	(146)	88	(1,060)	31
Change in Accrued Payroll and Compensated Absences	137	28	112	277	68
Change in Claims Payable	-	-	-	-	2,781
Change in Advanced Lease Payments	-	(99)	-	(99)	-
Total Adjustments	<u>52,737</u>	<u>927</u>	<u>619</u>	<u>54,283</u>	<u>7,790</u>
Net Cash Provided by Operating Activities	<u>\$ 69,643</u>	<u>\$ 976</u>	<u>\$ 681</u>	<u>\$ 71,300</u>	<u>\$ 7,320</u>
<b>Supplemental Disclosure of Non-cash Financing Activities</b>					
Additions to Property, Plant, and Equipment					
Contributions from Developers	\$ 6,311	\$ -	\$ -	\$ 6,311	\$ -
Contributions (to)/from Others	-	241	-	241	(241)
Change in Equity in Joint Venture	6,273	-	-	6,273	-
Total Non-Cash Financing Activities	<u>\$ 12,584</u>	<u>\$ 241</u>	<u>\$ -</u>	<u>\$ 12,825</u>	<u>\$ (241)</u>

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



# Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2014 (in thousands)

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5	\$ 1,465
Total Assets	<u>\$ 5</u>	<u>\$ 1,465</u>
<b>LIABILITIES</b>		
Escrow Payable Vouchers	\$ -	\$ 50
Designated Escrow Payable	-	-
State Land Department Rebate	-	1,415
Total Liabilities	<u>-</u>	<u>\$ 1,465</u>
<b>NET POSITION</b>		
Held in Trust for Other Purposes	<u>\$ 5</u>	

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

# Statement of Changes in Fiduciary Net Position

## Fiduciary Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
<hr/>	
Contributions:	
Private Donations	<u>\$ 6</u>
Total Additions	<u>6</u>
<b>DEDUCTIONS</b>	
<hr/>	
Scholarships	<u>4</u>
Total Deductions	<u>4</u>
Change in Net Position	2
Total Net Position - Beginning	<u>3</u>
Total Net Position - Ending	<u><u>\$ 5</u></u>

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Scottsdale, Arizona (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 following is a summary of the more significant policies.

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.

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

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

## 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 of 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 particular 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 and trust fund financial statements. Agency funds do not have a measurement focus. 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.

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.

Property taxes, other local taxes, and licenses available within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of 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, committed, or assigned 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 restricted, committed, or assigned to expenditures for capital outlays including the acquisition, construction, and improvements to major capital facilities, other than those financed by proprietary funds, community facility districts and preservation/transportation privilege taxes. Capital Projects Funds allow the City to compile project cost data and demonstrate that legal or contractual requirements regarding the use of the resources are fully satisfied.

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 *Agency Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City’s agency funds are used to record the Family Self-Sufficiency activity, Crossroad East Development Agreements, and Retainage Escrow activity.

The *Private-Purpose Trust Funds* are used to account for assets held in a trustee capacity for scholarships and other purposes as designated by the donors or by legal restrictions. Both the principal and earnings of these expendable trust funds can be expended for the trusts’ intended purposes.

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 fund's 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 amounts, computer replacement, and risk management 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**

Cash equivalents for purposes of the statements of cash flows are investments (including restricted assets) in mutual funds, demand deposits, repurchase agreements, and U.S. Treasury bills and notes with maturities of three months or less at acquisition date.

GASB Statement No. 31 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 is to invest in certificates of deposit, repurchase agreements, commercial paper, highly rated corporate bonds/notes, direct U.S. Treasury debt, securities guaranteed by the United States Government or any of its agencies, and the State of Arizona Local Government Investment Pool (LGIP), which is overseen by the State of Arizona.

**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. If a taxpayer owes \$100 or less, the tax must be paid in full by November 1. 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. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February.

Property taxes levied for current operation and maintenance expenses on residential property are limited to 1.0 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 2.0 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 purchases 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 financial statements and the fund financial statements. The cost of a prepaid item is recorded as an expenditure/expense when consumed rather than when purchased.

### **4. Restricted Assets**

Certain proceeds of the City's enterprise fund revenue 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 bond covenants. The revenue bond reserve and 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 to 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) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed or, if such records are not available, at estimated fair market value on the date of receipt. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.



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

The excess purchase price over fair market 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 is removed from the accounts, and any resulting gain or loss is recognized in the government-wide and proprietary fund financial statements.

**6. 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 and remitted 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 56 hour workweek 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. Employees who work a 56 hour workweek 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, 2014. 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 at June 30, 2014, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2014, 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.

## 7. Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. 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.

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.

## 8. 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for this category, the deferred amount on refunding. This results from the difference in 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.

In addition to liabilities, the fund financial statements include a section for deferred inflows of resources. This represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item that qualifies for this category, which arises only under the modified accrual basis of accounting, unavailable revenue. These amounts are recognized as an inflow of resources in the period that the amounts become available.

## 9. 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 hooked up 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.

## 10. Fund Balance Policies

In the fund financial statements, governmental funds report 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.

*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 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 Mayor and City Council, prior to the end of the reporting period. Mayor and 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 balance 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.

## **11. 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, 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 any project or other purpose.

## **E. Implementation of New Accounting Principles**

### **1. Governmental Accounting Standards Board Statement No. 65**

The City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement modifies financial reporting of certain assets and liabilities to be reclassified as deferred outflows of resources or deferred inflows of resources. This statement mandates that debt issuance costs, which had previously been capitalized and amortized over the life of the related debt, be expensed as incurred.

**2. Governmental Accounting Standards Board Statement No. 66**

The City adopted the provisions of GASB Statement No. 66 *Technical Corrections*. This statement improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 *Fund Balance Reporting and Governmental Type Definitions*, and No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This pronouncement did not impact the preparation of these financial statements.

**3. Governmental Accounting Standards Board Statement No. 70**

The City adopted the provisions of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement establishes accounting and financial reporting for financial guarantees that are nonexchange transactions extended or received by the City. This pronouncement did not impact the preparation of these financial statements.

**4. Restatement of Net Position**

For the fiscal year ending June 30, 2014, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (“the Statement”) was implemented. The implementation of the statement resulted in the City eliminating the bond issuance costs that were previously capitalized and amortized over the life of the related debt. The City’s government-wide net position and proprietary fund net position as of June 30, 2013, have been restated as follows (in thousands of dollars):

	Government-Wide Statement of Net Position		Statement of Fund
	Governmental Activities	Business-Type Activities	Net Position Water and Sewer Utility Fund
Net position at June 30, 2013, as previously reported	\$ 2,990,555	\$ 1,343,188	\$ 1,289,690
GASB Statement No. 65 adjustment:			
Bond Issuance Costs	(5,855)	(1,253)	(1,253)
Net position at July 1, 2013, as restated	\$ 2,984,700	\$ 1,341,935	\$ 1,288,437

For the fiscal year ending June 30, 2014, the City established a Debt Stabilization Fund to account for revenues received for future debt payments from the Arizona Sports and Tourism Authority, the Maricopa County Stadium District, the San Francisco Giants and an amount committed by the City Council totaling \$9,918,000. These amounts were previously recorded under the Municipal Property Corporation, Debt Service Fund. The City determined that the Municipal Property Corporation has no legal rights to these funds and established a Debt Stabilization Fund to account for these reserves. This adjustment had no effect to the Government-Wide Financial Statements or the totals in the Debt Service Fund Financial Statements for the prior fiscal years.

**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, \$185,473,000 differs from net position of governmental activities, \$2,975,662,000 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 fund balance sheets.

Reconciliation of Governmental Funds Balance Sheet to the Government-wide Statement of Net Position  
(in thousands)

	Total Governmental Funds	Long-Term Assets/ Liabilities <sup>(1)</sup>	Internal Service Funds <sup>(2)</sup>	Reclassifications and Eliminations	Statement of Net Position Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Cash and Investments	\$ 193,527	\$ -	\$ 35,599	\$ -	\$ 229,126
Cash with Fiscal Agent	65,700	-	-	-	65,700
Receivables (net of allowance for uncollectible amounts of \$36,105)					
Interest	499	-	-	-	499
Privilege Tax	19,263	-	-	-	19,263
Transient Occupancy Tax	770	-	-	-	770
Property Tax	2,038	-	-	-	2,038
State Shared Sales Tax	1,606	-	-	-	1,606
Franchise Fee	2,931	-	-	-	2,931
Court Receivable	9,695	-	-	-	9,695
Library Receivable	292	-	-	-	292
Highway User Tax	1,155	-	-	-	1,155
Auto Lieu Tax	332	-	-	-	332
Intergovernmental	29,588	-	-	-	29,588
Grants	1,892	-	-	-	1,892
Miscellaneous	5,792	-	322	-	6,114
Due from Other Funds	93	-	-	(93)	-
Supplies Inventory	263	-	906	-	1,169
Prepaid Items	3	-	-	-	3
Capital Assets (net of accumulated depreciation)	-	3,574,944	34,864	-	3,609,808
Prepayments	-	31,467	-	-	31,467
Service Concession Arrangements	-	67,022	-	-	67,022
Total Assets	<u>335,439</u>	<u>3,673,433</u>	<u>71,691</u>	<u>(93)</u>	<u>4,080,470</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	-	19,872	-	-	19,872
Total Assets and Deferred Outflows of Resources	<u>\$ 335,439</u>	<u>\$ 3,693,305</u>	<u>\$ 71,691</u>	<u>\$ (93)</u>	<u>\$ 4,100,342</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION</b>					
Liabilities					
Accounts Payable	\$ 19,793	\$ -	\$ 3,260	\$ -	\$ 23,053
Accrued Payroll and Benefits	8,734	(302)	189	-	8,621
Due to Other Funds	93	-	438	(93)	438
Accrued Compensated Absences - Current	-	302	-	-	302
Accrued Compensated Absences - Due within one year	-	10,978	166	-	11,144
Accrued Compensated Absences - Due in more than one year	-	13,542	195	-	13,737
Claims Payable - Due within one year	-	-	6,589	-	6,589
Matured Bond Interest Payable	17,315	-	-	-	17,315
Matured Bonds Payable	47,394	-	-	-	47,394
Unearned Revenue					
Intergovernmental	9,761	-	-	-	9,761
Other	1,308	-	-	-	1,308
Due to Other Governments	3,557	-	-	-	3,557
Guaranty and Other Deposits	2,013	-	-	-	2,013
Other	2,523	-	-	-	2,523
Bonds, Loans, Capital Leases, and Other Payables	-	967,851	9,074	-	976,925
Total Liabilities	<u>112,491</u>	<u>992,371</u>	<u>19,911</u>	<u>(93)</u>	<u>1,124,680</u>
Deferred Inflows of Resources					
Unavailable Revenue	37,475	(37,475)	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>149,966</u>	<u>954,896</u>	<u>19,911</u>	<u>(93)</u>	<u>1,124,680</u>
Fund Balances/Net Position					
Total Fund Balances/Net Position	<u>185,473</u>	<u>2,738,409</u>	<u>51,780</u>	<u>-</u>	<u>2,975,662</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	<u>\$ 335,439</u>	<u>\$ 3,693,305</u>	<u>\$ 71,691</u>	<u>\$ (93)</u>	<u>\$ 4,100,342</u>

**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	\$ 5,421,664
Accumulated depreciation	(1,846,720)
	<u>\$ 3,574,944</u>

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 service concession arrangements (SCAs). These assets are capitalized and amortized over the life of the corresponding agreement.

Prepayments at 7/1/13	\$ 32,434
Amortization of prepayments	(967)
	<u>\$ 31,467</u>
SCAs at 7/1/13	\$ 23,550
Land improvements additions for SCAs	45,834
Amortization of SCAs	(2,362)
	<u>\$ 67,022</u>

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources.

	<u>\$ 19,872</u>
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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, 2014, were:

Capital leases payable	\$ (329)
Bonds payable	(911,719)
Service concession arrangement	(2,990)
Issuance premium	(52,186)
Accrued vacation and sick leave pay	(24,520)
Post employment - explicit subsidy	(627)
	<u>\$ (992,371)</u>

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 (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 for governmental fund statements are recognized as revenue under accrual accounting for the government-wide statements.

Unavailable library revenue	\$ 291
Unavailable court revenue	4,521
Unavailable property tax revenue	1,246
Unavailable privilege tax revenue	6,852
Unavailable intergovernmental revenue	23,072
Unavailable other	1,493
	<u>\$ 37,475</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 certain Internal Service Funds are included in governmental activities in the statement of net position.

	<u>\$ 51,780</u>
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**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, \$(32,717,000) differs from the change in net position for the governmental activities, \$(9,038,000) 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.

# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2014

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

(in thousands)

	Total Governmental Funds	Long-Term Revenue/ Expenses <sup>(3)</sup>	Capital Related Items <sup>(4)</sup>	Internal Service Funds <sup>(5)</sup>	Reclassifications and Eliminations <sup>(6)</sup>	Long-Term Debt Transactions <sup>(7)</sup>	Statement of Activities
<b>REVENUES</b>							
Taxes - Local							
Property	\$ 64,914	\$ (289)	\$ -	\$ 145	\$ -	\$ -	\$ 64,770
Transaction Privilege	155,705	420	-	-	-	-	156,125
Transient Occupancy	15,303	245	-	-	-	-	15,548
Light and Power Franchise	8,477	-	-	-	-	-	8,477
Cable TV Franchise	3,722	-	-	-	-	-	3,722
Salt River Project In-Lieu	268	-	-	-	-	-	268
Other Taxes	900	(1)	-	-	-	-	899
Taxes - Intergovernmental							
State-Shared Sales	18,922	-	-	-	-	-	18,922
State Revenue Sharing	24,230	-	-	-	-	-	24,230
Auto Lieu Tax	7,755	-	-	-	-	-	7,755
Highway User Tax	12,268	-	-	-	-	-	12,268
Local Transportation Assistance Fund	641	-	-	-	-	-	641
Business and Liquor Licenses	1,782	22	-	-	-	-	1,804
Charges for Current Services							
Building and Related Permits	14,544	115	-	-	(97)	-	14,562
Recreation Fees	5,455	-	-	-	-	-	5,455
WestWorld Equestrian Facility Fees	3,364	55	-	-	-	-	3,419
Fire Fees	715	69	-	-	-	-	784
Fines and Forfeitures							
Court	4,371	792	-	-	-	-	5,163
Parking	249	42	-	-	-	-	291
Photo Radar	1,933	21	-	-	-	-	1,954
Court Enhancement	961	-	-	-	-	-	961
Library	325	134	-	-	-	-	459
Police Fees	504	-	-	-	-	-	504
Property Rental	4,270	42	-	-	-	-	4,312
Interest Earnings	2,974	-	-	-	-	-	2,974
Investment Income	(1,700)	-	-	-	-	-	(1,700)
Intergovernmental							
Federal Grants	10,927	(1,803)	-	-	-	-	9,124
State Grants	8,416	2	-	-	-	-	8,418
Miscellaneous	20,773	786	-	-	-	-	21,559
Developer Contributions	64	-	-	-	-	-	64
Streetlight and Services Districts	400	-	-	-	-	-	400
Contributions and Donations	2,178	270	-	-	-	-	2,448
Reimbursements from Outside Sources	2,446	16	-	-	-	-	2,462
Indirect Costs	7,102	-	-	-	-	-	7,102
Other	1,652	7	-	-	(11)	-	1,648
Total Revenues	<u>\$ 406,810</u>	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ 145</u>	<u>\$ (108)</u>	<u>\$ -</u>	<u>\$ 407,792</u>

(continued)

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

(in thousands)

	Total Governmental Funds	Long-Term Revenue/ Expenses <sup>(3)</sup>	Capital Related Items <sup>(4)</sup>	Internal Service Funds <sup>(5)</sup>	Reclassifications and Eliminations <sup>(6)</sup>	Long-Term Debt Transactions <sup>(7)</sup>	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>							
Current							
General Government							
Mayor and City Council	\$ 835	\$ (4)	\$ -	\$ 9	\$ -	\$ -	\$ 840
City Clerk	1,035	18	(16)	5	-	-	1,042
City Attorney	5,702	61	-	47	-	-	5,810
City Auditor	740	9	-	5	-	-	754
City Court	5,515	3	141	46	-	-	5,705
City Manager	842	19	-	3	-	-	864
City Treasurer	5,061	890	74	55	(11)	-	6,069
Public Works	33,381	(134)	10,476	(72)	(54)	-	43,597
Community and Economic Development	41,063	1,892	91,723	45	(97)	-	134,626
Public Safety	119,159	1,064	6,577	504	(278)	-	127,026
Community Services	45,035	656	9,322	177	-	-	55,190
Administrative Services	14,950	141	2,377	84	-	-	17,552
Streetlight and Services Districts	576	-	-	-	-	-	576
Debt Service							
Principal	59,387	-	-	-	-	(59,387)	-
Interest and Fiscal Charges	37,323	-	-	-	-	(1,837)	35,486
Bond Issuance Costs	998	-	-	-	-	-	998
Capital Outlay	99,722	-	(99,722)	-	-	-	-
Total Expenditures/Expenses	\$ 471,324	\$ 4,615	\$ 20,952	\$ 908	\$ (440)	\$ (61,224)	\$ 436,135
<b>OTHER FINANCING USES/ CHANGES IN NET POSITION</b>							
Net Transfers (to) from Other Funds	\$ 6,973	\$ -	\$ -	\$ (771)	\$ -	\$ -	\$ 6,202
Capital Contributions	-	-	12,487	491	(332)	-	12,646
Proceeds from Sale of Assets	-	-	-	457	-	-	457
Capital Lease Acquisitions	296	-	-	-	-	(296)	-
Issuance of Refunding Bonds	105,885	-	-	-	-	(105,885)	-
Issuance of Long-Term Capital-Related Debt	14,000	-	-	-	-	(14,000)	-
Premium on Long-Term Debt Issued	12,742	-	-	-	-	(12,742)	-
Payment to Refunded Bonds Escrow Agent	(108,099)	-	-	-	-	108,099	-
Total	31,797	-	12,487	177	(332)	(24,824)	19,305
Net Change for the Year	\$ (32,717)	\$ (3,670)	\$ (8,465)	\$ (586)	\$ -	\$ 36,400	\$ (9,038)

(continued on next page)



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

(in thousands)

**Reconciling Items Description**

(3) 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.

Property tax revenue	\$	(289)
Court revenue		846
Library revenue		134
Privilege tax revenue		412
Intergovernmental revenue		(1,034)
Other receivable revenue		876
	<u>\$</u>	<u>945</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.

Amortization of long-term prepaid leases	\$	(967)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual for long-term compensated absences	\$	(947)
Accrual for long-term post employment implied subsidy		(339)
Amortization of service concession arrangements (SCAs)		(2,362)
	<u>\$</u>	<u>(3,648)</u>

(4) 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 decrease by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	\$	99,722
Miscellaneous net capital expenditures		(9,918)
Depreciation expense		(110,680)
Loss on disposal of capital assets		(77)
Gain on early termination of capital lease		1
	<u>\$</u>	<u>(20,952)</u>

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, these donations are shown as capital contributions.

Capital contributions	\$	12,487
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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)

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

Change in net position	\$ (148)
Internal payable to Enterprise Fund	(438)
	<u>\$ (586)</u>

- (6) 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	\$ (440)
Reduction in expenditures/expenses - Governmental Funds	440
	<u>\$ -</u>

- (7) Repayment of bond principal is reported as an expenditure, and payments made to a bond refunding escrow is treated as an other financing use, in governmental funds. Thus, 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	\$ 59,387
Payment to refunded bond escrow - funded by refunding bonds	108,099
	<u>\$ 167,486</u>

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued and accreted interest was calculated for bonds and notes payable, and additional interest expense was recognized on the amortization of bond discount and premiums which are expended within the fund statements.

Amortization of deferred charges on refundings	\$ (1,687)
Interest accretion and amortization	(1)
Amortization of bond premium and discounts	3,525
	<u>\$ 1,837</u>

Bond and capital lease proceeds 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:

Capital lease acquisitions	\$ (296)
Refunding bonds	(105,885)
Long-Term capital-related debt	(14,000)
Premium on bonds	(12,742)
	<u>\$ (132,923)</u>

### **III. Stewardship, Compliance, and Accountability**

#### **A. Budget and Budgetary Accounting**

The City prepared an annual budget that covered fiscal year 2013/14. The fiscal year 2013/14 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 investment income activity, payroll accruals, and compensated absences.

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, Special Revenue Funds (Highway User Fuel Tax, Community Development Block Grant, HOME, Grants, Section 8 Housing, Preserve Privilege Tax, Streetlight Districts, Special Programs and Tourism Development)( except for the Community Facilities Districts Special Revenue Funds), and Debt Service Funds (except for the Community Facilities Districts Debt Service Funds, and the Debt Service Stabilization Fund); 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 Trust and Agency 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 Section 8 Housing 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 in order to help departments control operational costs. Budgets for Trust and Agency Funds are established in accordance with the trust/agency agreements.

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 budget's final adoption in order to obtain taxpayer comments.

In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2013/14, there were no supplemental budgetary appropriations to the original budget.

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 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 General Obligation Bond Debt Service Fund, Municipal Property Corporation Bond Debt Service Fund, Scottsdale Preserve Authority Bond Debt Service Fund and the Preserve Privilege Tax Special Revenue Fund exceeded their expenditure appropriations by \$3,023,000, \$1,839,000, \$1,000 and \$2,000, respectively. The additional expenditures incurred were funded by available fund balance or available revenues within the fund.

**C. Deficit Fund Equity**

The HOME Special Revenue Fund and Grants Special Revenue Fund had deficit ending fund balances of \$1,000 and \$400,000 respectively, caused by certain grant reimbursements not being available. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These reimbursements due will be recognized as revenue when actually received.

**D. Fund Balance Classifications**

The table on the following page details the fund balance categories and classifications for Governmental Funds (in thousands):

# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2014

(In thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Inventory	\$ 263	\$ -	\$ -	\$ -	\$ 263
Prepaid Items	3	-	-	-	3
Total Nonspendable	<u>266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266</u>
<b>Restricted</b>					
Property Tax for Debt Service	-	9,369	-	-	9,369
Property Tax for Community Facility Districts	-	-	-	894	894
MPC Funds for Debt Payments	-	-	-	6	6
Street Light Districts	-	-	-	76	76
General Government Special Programs	-	-	-	1,981	1,981
Public Works Special Programs	-	-	-	6	6
Public Safety Special Programs	-	-	-	904	904
Community Services Special Programs	-	-	-	55	55
Transaction Privilege & Highway User Tax for Transportation	-	-	-	12,014	12,014
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	28,059	28,059
Federal Grants for CDBG	-	-	-	13	13
Federal Grants for Section 8 Housing	-	-	-	118	118
Transportation Tax for Transportation Capital Projects	-	-	-	25,994	25,994
GO Bond Proceeds for Capital Improvements	-	-	-	19,659	19,659
Stadium Surcharge Contributions for Stadium Capital Improvements	-	-	1,008	-	1,008
Sales Tax Rebate for District Debt Service	-	-	-	321	321
Stadium Surcharge for Debt Service	-	-	-	1,589	1,589
Maricopa County Stadium District Contract for Debt Service	-	-	-	2,764	2,764
State Tourism Authority Contract for Debt Service	-	-	-	1,007	1,007
Total Restricted	<u>-</u>	<u>9,369</u>	<u>1,008</u>	<u>95,460</u>	<u>105,837</u>
<b>Committed</b>					
General Government Special Programs	-	-	-	1,907	1,907
Community and Economic Development Special Programs	-	-	-	1,545	1,545
Public Safety Special Programs	-	-	-	342	342
Community Services Special Programs	-	-	-	1,996	1,996
Transit Occupancy Tax for Tourism Development	-	-	-	9,245	9,245
Excise Tax Debt Reserve	-	-	-	4,700	4,700
Tourism Development Capital Projects	-	-	321	-	321
In Lieu Stormwater Fees for Drainage Improvements	-	-	573	-	573
In Lieu Parking Fees for Parking Projects	-	-	219	-	219
Total Committed	<u>-</u>	<u>-</u>	<u>1,113</u>	<u>19,735</u>	<u>20,848</u>
<b>Assigned</b>					
Capital Projects for Capital Improvements	-	-	7,362	-	7,362
Total Assigned	<u>-</u>	<u>-</u>	<u>7,362</u>	<u>-</u>	<u>7,362</u>
<b>Unassigned</b>					
	52,354	-	-	(1,194)	51,160
<b>Total Fund Balances</b>	<u>\$ 52,620</u>	<u>\$ 9,369</u>	<u>\$ 9,483</u>	<u>\$ 114,001</u>	<u>\$ 185,473</u>

The Mayor and City Council have established a minimum fund balance policy of 10 percent of annual general governmental operating expenditures to be maintained in the General Fund and the Highway User Fuel Tax, Nonmajor Special Revenue Fund. The reserves in these funds are to be maintained for unforeseen emergencies or catastrophic impacts to the City.

**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 at June 30, 2014:

**Net Position Restrictions (in thousands)**

<b>Water and Sewer</b>	
Restricted for System Replacement	\$ 37,510
Restricted for Debt Service	4,978
Restricted for Joint Venture Construction Deposits	4,613
	<u>\$ 47,101</u>

**IV. Detailed Notes on All Funds**

**A. Cash and Investments**

The City maintains a cash and investment pool for use by all funds except the Community Facilities Districts, Municipal Property Corporation, and Scottsdale Preserve Authority Funds, which have investments held separately by a trustee.

City Charter, Ordinance, and Trust Agreements authorize the City to invest in obligations of the U.S. Treasury, U.S. Government agencies, certificates of deposit, bankers’ acceptances, commercial paper (A-1, P-1), highly rated corporate bonds/notes, repurchase agreements, mutual funds consisting of the foregoing, and the State of Arizona Local Government Investment Pool (LGIP).

**Deposits**

At June 30, 2014, the carrying amount of the City’s deposits was \$261,215,859, and the bank balance was \$261,967,290. The \$751,431 difference represents outstanding checks, deposits in transit, and other reconciling items.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2014, in accordance with City policy, \$500,000 of the City’s deposits was covered by federal depository insurance, \$174,886,892 was collateralized by securities held by the City’s agent, and \$86,580,398 was collateralized by securities held by the pledging financial institution’s trust department in the name of the City. Thus, the City had no deposits that were exposed to custodial credit risk.

The custodial credit risk for investments is the risk that, in the event of the failures 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 that 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.

### 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 less than five years unless matched to a specific cash flow. The following table summarizes the City's interest rate risk, based on maturity dates of various investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 2	2 - 3
U.S. Government Securities	\$ 103,005	\$ 40,929	\$ 33,631	\$ 28,445
Federal Agency Securities	81,840	37,122	37,641	7,077
Corporate Notes	69,112	28,326	12,734	28,052
Municipal Obligations	2,021	-	-	2,021
Commercial Paper	5,995	5,995	-	-
<b>Total Investments</b>	<b>\$ 261,973</b>	<b>\$ 112,372</b>	<b>\$ 84,006</b>	<b>\$ 65,595</b>

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). Presented below is the rating as of June 30, 2014, for each investment type:

Investment Type	Total	A1	A-1	A	A+	AA-	AA	AA+	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 103,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,005
Federal Agency Securities	81,840	-	-	-	-	-	-	81,840	-	-
Corporate Notes	69,112	4,479	-	11,453	14,048	8,263	14,876	12,605	3,388	-
Municipal Obligations	2,021	-	-	-	-	-	-	-	2,021	-
Commercial Paper	5,995	-	5,995	-	-	-	-	-	-	-
<b>Total Investments</b>	<b>\$ 261,973</b>	<b>\$ 4,479</b>	<b>\$ 5,995</b>	<b>\$ 11,453</b>	<b>\$ 14,048</b>	<b>\$ 8,263</b>	<b>\$ 14,876</b>	<b>\$ 94,445</b>	<b>\$ 5,409</b>	<b>\$ 103,005</b>

## Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

The following is a listing by issuer of the City's investments at June 30, 2014:

(in thousands)

<u>Issuer</u>	<u>Investment Type</u>	<u>Market Value</u>	<u>Percent of Holdings</u>
U.S. Government	U.S. Government Securities	\$ 103,005	39.32%
Federal Home Loan Bank (FHLB)	Federal Agency Securities	31,346	11.97%
Federal National Mortgage Association (FNMA)	Federal Agency Securities	50,494	19.27%
Arizona School Facilities Board	Municipal Obligations	2,021	0.77%
Apple Inc	Corporate Notes	6,551	2.50%
Bank of New York Mellon	Corporate Notes	7,893	3.01%
Berkshire Hathaway Inc	Corporate Notes	6,069	2.32%
Caterpillar Financial	Corporate Notes	2,458	0.94%
Coca-Cola Co	Corporate Notes	6,381	2.44%
Exxon Mobil	Corporate Notes	3,389	1.29%
General Electric Co	Corporate Notes	6,055	2.31%
IBM Corp	Corporate Notes	5,523	2.11%
JP Morgan Chase & Co	Corporate Notes	5,713	2.18%
Pepsico Inc	Corporate Notes	4,479	1.71%
Walt Disney Co	Corporate Notes	3,281	1.25%
Toyota Motor Credit	Corporate Notes	2,740	1.05%
Wal-Mart Stores Inc	Corporate Notes	2,425	0.92%
Wells Fargo and Company	Corporate Notes	6,155	2.35%
BNP Paribas Finance Inc	Commercial Paper	5,995	2.29%
	<b>Total Investments</b>	<b><u>\$ 261,973</u></b>	<b><u>100.00%</u></b>

## Investments

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

Cash on Hand	\$ 23
Carrying Amount of City Deposits	261,216
Investments	<u>261,973</u>
<b>Total Cash and Investments</b>	<b><u>\$ 523,212</u></b>

Total City cash and investments are reported as follows (in thousands):

Primary Government	
Cash and Investments	\$ 388,679
Cash with Fiscal Agent	86,581
Restricted Cash	46,482
Handicap Scholarship Private Purpose Trust Fund	5
Family Self-Sufficiency Agency Fund	50
Crossroads East Dev Agreement	<u>1,415</u>
<b>Total Cash and Investments</b>	<b><u>\$ 523,212</u></b>



Investment income comprises the following for the year ended June 30, 2014 (in thousands):

Net Interest and Dividends	\$ 5,318
Net Decrease in the Fair Value of Investments	<u>(3,080)</u>
<b>Total Net Investment Income</b>	<u><u>\$ 2,238</u></u>

The net decrease in the fair value of investments during fiscal year 2013/14 was \$3,079,621. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the year.

## B. Receivables

Receivables as of June 30, 2014, 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 and Governmental Activities Internal Service Funds

	<u>General</u>	<u>General Obligation Bond Debt Service</u>	<u>General CIP Construction Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total Governmental and Internal Service Funds</u>
<b>Receivables</b>					
<b>Property Taxes and Penalties</b>					
Property	\$ 819	\$ 1,138	-	\$ 81	\$ 2,038
Court	44,518	-	-	-	44,518
Subtotal Property Taxes and Penalties	<u>45,337</u>	<u>1,138</u>	<u>-</u>	<u>81</u>	<u>46,556</u>
<b>Other Local Taxes</b>					
Privilege	15,216	-	-	4,047	19,263
Transient Occupancy	-	-	-	770	770
State Shared Sales	1,606	-	-	-	1,606
Franchise Fee	2,876	-	-	55	2,931
Auto Lieu	332	-	-	-	332
Highway User	-	-	-	1,155	1,155
Subtotal Other Local Taxes	<u>20,030</u>	<u>-</u>	<u>-</u>	<u>6,027</u>	<u>26,057</u>
<b>Intergovernmental/Grants</b>	<u>-</u>	<u>-</u>	<u>1,733</u>	<u>29,747</u>	<u>31,480</u>
<b>Interest and Other</b>					
Interest	308	-	70	121	499
Library	1,574	-	-	-	1,574
Miscellaneous	1,880	-	2,834	1,400	6,114
Subtotal Interest and Other	<u>3,762</u>	<u>-</u>	<u>2,904</u>	<u>1,521</u>	<u>8,187</u>
Gross Receivable	69,129	1,138	4,637	37,376	112,280
Less: Allowances for Uncollectibles	<u>(36,105)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,105)</u>
<b>Net Total Receivables</b>	<u><u>\$ 33,024</u></u>	<u><u>\$ 1,138</u></u>	<u><u>\$ 4,637</u></u>	<u><u>\$ 37,376</u></u>	<u><u>\$ 76,175</u></u>

### Business-Type Activities Enterprise Funds

	<u>Water and Sewer Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Total Enterprise Fund</u>
<b>Receivables</b>				
Privilege Tax	\$ -	\$ 14	\$ -	\$ 14
Charges for Services	15,135	-	1,814	16,949
Intergovernmental	-	12	-	12
Interest	172	4	11	187
Miscellaneous	1,751	266	125	2,142
Gross Receivable	17,058	296	1,950	19,304
Less: Allowances for Uncollectibles	<u>(39)</u>	<u>-</u>	<u>(5)</u>	<u>(44)</u>
<b>Net Total Receivables</b>	<u><u>\$ 17,019</u></u>	<u><u>\$ 296</u></u>	<u><u>\$ 1,945</u></u>	<u><u>\$ 19,260</u></u>

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):

	Unavailable	Unearned
Property Tax	\$ 1,246	\$ -
Court	4,521	-
Library	291	-
Privilege Tax	6,852	-
Intergovernmental	23,072	9,761
Other	1,493	1,308
<b>Total</b>	<b>\$ 37,475</b>	<b>\$ 11,069</b>

### C. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows (in thousands):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated</b>				
Land	\$ 1,809,216	\$ 29,996	\$ -	\$ 1,839,212
*Construction in Progress	105,384	56,985	(56,304)	106,065
Total Capital Assets, not being depreciated	<u>1,914,600</u>	<u>86,981</u>	<u>(56,304)</u>	<u>1,945,277</u>
<b>Capital Assets, being depreciated</b>				
**Buildings and Land Improvements	627,642	11,488	(15)	639,115
**Streets and Storm Drains	2,751,781	11,573	-	2,763,354
Vehicles	59,826	5,647	(7,336)	58,137
Equipment Maintained by Fleet	3,084	-	(403)	2,681
Machinery and Equipment	90,243	2,774	(5,223)	87,794
Total Capital Assets, being depreciated	<u>3,532,576</u>	<u>31,482</u>	<u>(12,977)</u>	<u>3,551,081</u>
<b>Less Accumulated depreciation for</b>				
*Buildings and Land Improvements	256,598	19,371	(12)	275,957
*Streets and Storm Drains	1,425,638	86,684	-	1,512,322
Vehicles	37,067	4,157	(7,009)	34,215
Equipment Maintained by Fleet	2,870	29	(403)	2,496
Machinery and Equipment	61,531	5,167	(5,138)	61,560
Total Accumulated depreciation	<u>1,783,704</u>	<u>115,408</u>	<u>(12,562)</u>	<u>1,886,550</u>
Total Capital Assets, being depreciated, net:	<u>1,748,872</u>	<u>(83,926)</u>	<u>(415)</u>	<u>1,664,531</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 3,663,472</u>	<u>\$ 3,055</u>	<u>\$ (56,719)</u>	<u>\$ 3,609,808</u>

\*The Construction in Progress had decreases of \$45,834,027 for assets related to a Service Concessionaire Arrangement (SCA). The capitalized amounts have been included in the City's SCA asset classification per GASB 60.

\*\*The Buildings and Land Improvements and Streets & Storm Drains capital asset categories and accumulated depreciation were restated due to a prior period adjustment to reclassify a previous asset with a cost of \$23,847,000 and accumulated depreciation of \$66,000 from Buildings and Land Improvements to Streets & Storm Drains.

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated</b>				
Land	\$ 54,560	\$ 13	\$ (5,752)	\$ 48,821
Water Rights	87,171	-	-	87,171
Construction in Progress	38,341	3,968	(32,152)	10,157
Total Capital Assets, not being depreciated	<u>180,072</u>	<u>3,981</u>	<u>(37,904)</u>	<u>146,149</u>
<b>Capital Assets, being depreciated</b>				
Water System	1,118,997	36,201	(1,054)	1,154,144
Sewer System	557,751	16,970	-	574,721
Buildings and Land Improvements	32,103	-	(1,344)	30,759
*Machinery and Equipment	21,157	2,392	(298)	23,251
*Vehicles	-	830	-	830
Furniture, Fixtures, and Office Equipment	813	-	-	813
Total Capital Assets, being depreciated	<u>1,730,821</u>	<u>56,393</u>	<u>(2,696)</u>	<u>1,784,518</u>
<b>Less Accumulated depreciation for</b>				
Water System	332,933	30,479	(808)	362,604
Sewer System	155,133	14,981	-	170,114
Buildings and Land Improvements	13,664	1,145	(921)	13,888
*Machinery and Equipment	8,003	1,101	(243)	8,861
*Vehicles	-	631	-	631
Furniture, Fixtures, and Office Equipment	684	35	-	719
Total Accumulated depreciation	<u>510,417</u>	<u>48,372</u>	<u>(1,972)</u>	<u>556,817</u>
Total Capital Assets, being depreciated, net:	<u>1,220,404</u>	<u>8,021</u>	<u>(724)</u>	<u>1,227,701</u>
<b>Business-Type Activities Capital Assets, net</b>	<u>\$ 1,400,476</u>	<u>\$ 12,002</u>	<u>\$ (38,628)</u>	<u>\$ 1,373,850</u>

\* Assets were transferred from Internal Services to Business-Type which had cost of \$846,000 and had accumulated depreciation of \$605,000.

During fiscal year 2013/14, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$2,126,612. Total interest expense in this fund before capitalization was \$15,761,513.

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

<b>Governmental Activities</b>	
City Court	\$ 56
Public Works	6,015
Community and Economic Development	88,678
Public Safety	4,684
City Treasurer - Finance and Accounting	75
Community Services	8,367
Administrative Services	2,805
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>4,728</u>
Total Depreciation Expense - Government Activities	<u>\$ 115,408</u>
<b>Business-Type Activities</b>	
Water and Sewer System	\$ 46,421
Airport	1,095
Solid Waste	<u>251</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 47,767</u>

## Construction Commitments

The City has active construction projects as of June 30, 2014. 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>Commitment</u>
Aviation	\$ 3,481	\$ 325
Drainage and Flood Control	15,067	2,134
Fire Protection	83	5
Municipal Facilities	88	570
Neighborhood and Community	23,702	18,513
Parks	23	39
Police	18,803	1,812
Preservation	3,667	902
Streets	28,900	1,905
Technology	732	65
Traffic	1,496	547
Transit	13,541	5,970
Wastewater	3,395	2,145
Water	3,244	3,115
	<u>\$ 116,222</u>	<u>\$ 38,047</u>
<b>Governmental Activities:</b>		
General CIP Construction Capital Project Fund	\$ 61,270	\$ 26,619
Nonmajor Governmental Funds	44,739	5,458
Internal Service Funds	56	255
Total Governmental Activities	<u>106,065</u>	<u>32,332</u>
<b>Business-Type Activities:</b>		
Water & Sewer Utility	6,639	5,260
Airport	3,481	325
Solid Waste	37	130
Total Business-Type Activities	<u>10,157</u>	<u>5,715</u>
Total Construction Commitments	<u>\$ 116,222</u>	<u>\$ 38,047</u>

## D. 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, 2014, is as follows:

<u>Receivable Fund</u> <u>(in thousands)</u>	<u>Amount</u>	<u>Payable Fund</u> <u>(in thousands)</u>	<u>Amount</u>
General Fund	<u>\$ 93</u>	Nonmajor Governmental Funds	<u>\$ 93</u>

The HOME Special Revenue Fund had a deficit cash balance of \$92,996 due to grants being received on a reimbursement basis.

**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 of dollars)**

	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Governmental Funds</b>		
General	\$ 19,149	\$ 12,512
Debt Service - General Obligation Bond	-	21,976
Capital Projects - General CIP Construction	491	19,889
Nonmajor Governmental Funds	63,056	35,292
Total Governmental Funds	<u>82,696</u>	<u>89,669</u>
<b>Enterprise Funds</b>		
Water and Sewer Utility	7,370	520
Airport	5	754
Solid Waste	101	-
Total Enterprise Funds	<u>7,476</u>	<u>1,274</u>
<b>Internal Service Funds</b>	<u>771</u>	<u>-</u>
<b>Total Transfers</b>	<u>\$ 90,943</u>	<u>\$ 90,943</u>

**E. Leases**

**Operating Leases**

*City as Lessee*

The City, as a lessee, has entered into lease agreements involving office space, park equipment, vehicles, and a distributed antenna system. Payments relating to these leases totaled \$619,249, of which \$471,407 was minimum and \$147,842 was contingent. The contingent payments were a percentage of the net revenues generated by the park equipment.

On September 24, 2013, the City entered into a new agreement that supersedes the previous agreement regarding an office space lease. The new two year agreement does not include a payment increase prior to its scheduled termination date of September 30, 2015. The lease may be renewed by the City for an additional year upon the expiration of the initial lease term. If the City elects to renew the lease, the escalation clause in the lease agreement stipulates that the monthly payment would increase by the change in the United States Consumer Price Index for All Urban Consumers, U.S. City Average, All Items from the inception date of the lease to the renewal date of the lease.

The distributed antenna system's lease increases annually by three percent as per the lease agreement's escalation clause, and may be renewed by the City for up to ten years subsequent to the initial lease term's ending date of March 31, 2020.

The future lease payments under non-cancellable operating lease agreements are as follows (in thousands):

<u>Fiscal Year</u> <u>Ending June 30,</u>		
2015	\$	54
2016		18
2017		6
2018		6
2019		7
2020		2
Total	<u>\$</u>	<u>93</u>

*City as Lessor*

The City has agreements in which it conveys the right to use land, airport facilities, and other capital assets that it accounts for as operating leases. Minimum future rentals on noncancelable operating leases at June 30, 2014, are as follows (in thousands):

<u>Fiscal Year</u> <u>Ending June 30,</u>		
2015	\$	2,681
2016		2,596
2017		2,552
2018		2,449
2019		2,352
Thereafter		81,735
Total	<u>\$</u>	<u>94,365</u>

The above amounts do not include contingent rentals, which totaled \$1,584,510 for the fiscal year ended June 30, 2014.

A summary of the assets leased to third parties under the City's operating lease agreements at June 30, 2014, is as follows (in thousands):

Cost	\$	77,832
Less: Accumulated Depreciation		<u>(4,070)</u>
Carrying Value	<u>\$</u>	<u>73,762</u>

**Capital Leases**

The City has entered into a lease agreement as lessee for financing the acquisition of field maintenance equipment for its community services operations. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, is included in the City's governmental capital assets. The equipment acquired through this lease agreement is recorded at a cost of \$63,643, less accumulated amortization of \$28,286. Current year amortization expense was \$21,214.

The City has entered into a lease agreement as lessee for financing the acquisition of printing and imaging equipment for its administrative operations. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, is included in the City's governmental capital assets. The equipment acquired through this lease agreement is recorded at a cost of \$296,434, less accumulated amortization of \$29,643. Current year amortization expense was \$29,643.

The City has entered into a lease agreement as lessee for financing the acquisition of street sweeping equipment for its public works operations. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, is included in the City's governmental capital assets. The equipment acquired through this lease agreement is recorded at a cost of \$53,347, less accumulated amortization of \$37,788. Current year amortization expense was \$26,674.

The present value of net minimum future lease payments under capital lease agreements are as follows (in thousands):

Fiscal Year Ending June 30,		
2015	\$	112
2016		81
2017		65
2018		66
2019		33
Less: Imputed Interest		(28)
Total	\$	<u>329</u>

#### F. Service Concession Arrangements

During fiscal year 1983, the City entered into a cost-sharing and land use agreement with the United States Bureau of Reclamation (BOR), under which the City would operate and develop the land where the City's WestWorld operation is located for a period of 50 years (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. Beginning in fiscal year 2001, the BOR required the City to make annual payments for the administration of the agreement, and the present value of those payments as of June 30, 2014, is \$1,439,286. The City has also provided consideration in the form of land improvements with a book value of \$10,501,827 as of June 30, 2013, upon implementation of GASB Statement No. 60 and an additional \$45,834,027 in fiscal year ending June 30, 2014. These improvements were reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$55,874,527 at year-end pursuant to the service concession arrangement.

During fiscal year 1985, the City entered into a recreational land use agreement with the BOR, under which the City would develop, operate, and maintain the land where the City's Tournament Players Club (TPC) golf complex is located for a period of 50 years (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. Beginning in fiscal year 1999, the BOR required the City to make annual payments for the administration of the agreement, and the present value of those payments as of June 30, 2014, is \$1,551,438. The City also provided consideration in the form of land improvements with a book value of \$10,126,752 as of June 30, 2013, upon implementation of GASB Statement No. 60. These improvements were reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$11,147,407 at year-end pursuant to the service concession arrangement.

## G. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding at June 30, 2014. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2014.

### 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, and general purpose improvements. At June 30, 2014, the City had \$6,400,000 of unissued various purpose GO bonds, which were authorized in September 2000. 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. At June 30, 2014, the City had \$298,475,000 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.

### Municipal Property Corporation Bonds

The City of Scottsdale Municipal Property Corporation (MPC) is a nonprofit 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. Most of these bonds are recorded as governmental activities long-term debt. The 2005E MPC bonds, a portion of the 2006 MPC Refunding bonds, the 2008A MPC bonds, and the 2010 MPC bonds are recorded in and paid out of the revenues of the Water and Sewer Enterprise Fund.

The City has pledged to repay \$584,900,322 in MPC bonds issued in 2004 through 2010, payable through 2036, with pledged revenues that include transient occupancy tax. The coverage ratio (revenues to debt service) for 2014 for these bonds is 4.82. The City issued \$87,735,000 in MPC bonds in 2010 through 2014, payable through 2033, with pledged revenues that exclude the transient occupancy tax. The coverage ratio (revenues to debt service) for 2014 for these bonds is 4.45.

The total principal and interest remaining to be paid on all MPC bonds is \$723,242,938. Principal and interest paid for the current year was \$41,193,920. Total excise tax collections (including transient occupancy taxes) for the current year that are pledged for MPC bonds issued before July 1, 2010 was \$198,679,000. Total excise tax collections (excluding transient occupancy taxes) for the current year that are pledged for bonds issued after July 1, 2010 was \$183,376,000.

### Scottsdale Preserve Authority Bonds

The Scottsdale Preserve Authority (SPA) is a nonprofit corporation created by the City in 1997 to finance land acquisitions for the McDowell Sonoran Preserve. The SPA issues its own bonds, which are repaid through the 0.2 percent City sales tax approved by voters in May 1995 to be used specifically for this purpose. In May 2004, voters approved an additional 0.15 percent sales tax increase. SPA bonds are recorded as governmental activities long-term debt and are paid out of the SPA Debt Service Fund.



The City has pledged to repay \$67,795,000 in SPA bonds issued in 2004 through 2011. The bonds are payable through 2024. The coverage ratio (revenues to debt service) for 2014 is 5.05. The total principal and interest remaining to be paid on the bonds is \$62,646,850. Principal and interest paid for the current year and total sales tax were \$6,468,413 and \$32,655,000, respectively.

### **Water and Sewer Revenue Bonds**

Water and sewer revenue bonds are issued as 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.

Water and sewer revenue bond covenants require that the City accumulate sufficient reserves to cover the eventual replacement of the water and sewer system. The City has continued to meet this reserve requirement. At June 30, 2014, the funds restricted for this purpose were \$37,509,624.

The City has pledged to repay \$54,170,000 in water and sewer revenue bonds issued in 2004 and 2008. The bonds are payable through 2016 and 2023. The coverage ratio (revenues to debt service) for 2014 is 15.93. The total principal and interest remaining to be paid on the bonds is \$41,116,187. Principal and interest for the current year and total customer net revenues were \$4,978,138 and \$79,314,000, respectively.

### **Certificates of Participation**

Certificates of Participation are issued to finance acquisition and improvements of real property that is leased to the City. The City's obligation to make lease payments is subject to, and dependent upon, annual appropriations made by the City Council. In the event any such appropriation is not made, the lease will terminate and the lessor will have legal right to take possession of the property. The City's obligation to make lease payments does not constitute a debt or liability of the City within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the City is pledged to make payments of principal or interest due with respect to the Certificates of Participation. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

### **Community Facilities Districts General Obligation Bonds**

Community Facilities District General Obligation Bonds are issued by Community Facilities Districts (CFDs), which are special purpose districts created specifically to acquire and improve public infrastructure in specified land areas. 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 ratio of the full cash value of the unimproved district property to the proposed district debt is a minimum of 3 to 1, 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. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's secondary assessed valuation.

Bonds payable at June 30, 2014, are comprised of the following:

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

<b>General Obligation Bonds</b>	<b><u>Bonds Outstanding (in thousands)</u></b>
2002 Refunding Bonds (issued September 26, 2002) due in annual installments of \$1,625,000 to \$8,795,000 through July 1, 2019; interest at 2 percent to 5 percent. On April 15, 2004, \$1,510,000 due 2010 were defeased. Original issue amount \$72,000,000.	\$ 14,685
2005 Refunding Bonds (issued March 29, 2005) due in annual installments of \$2,715,000 to \$11,075,000 through July 1, 2024; interest at 3.85 percent to 5 percent. Original issue amount \$74,630,000.	63,085
2005A Various Purpose Bonds (issued December 1, 2005) due in annual installments of \$2,500,000 to \$10,750,000 through July 1, 2024; interest at 3.5 percent to 5 percent. On May 7, 2014, \$68,500,000 due 2017 through 2023 were refunded. Original issue amount \$125,000,000.	25,250
2005B Preservation Bonds (issued December 1, 2005) due in annual installments of \$775,000 to \$1,575,000 through July 1, 2024; interest at 3.5 percent to 5 percent. On May 7, 2014, \$9,175,000 due 2017 through 2023 were refunded. Original issue amount \$20,000,000.	3,725
2008A Various Purpose Bonds (issued May 13, 2008) due in annual installments of \$3,075,000 to \$9,800,000 through July 1, 2028; interest at 3.25 percent to 5 percent. Original issue amount \$100,000,000.	93,575
2008B Preservation Bonds (issued May 13, 2008) due in annual installments of \$325,000 to \$1,250,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$20,000,000.	17,075
2010 Various Purpose Bonds (issued April 7, 2010) due in annual installments of \$950,000 to \$4,800,000 through July 1, 2030; interest at 2 percent to 4 percent. Original issue amount \$50,800,000.	46,400
2011 Preservation Bonds (issued February 9, 2011) due in annual installments of \$740,000 to \$1,705,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$22,525,000.	20,260
2011 Refunding Bonds (issued April 6, 2011) due in annual installments of \$640,000 to \$7,265,000 through July 1, 2024; interest at 1 percent to 5 percent. Original issue amount \$43,115,000.	30,295
2012 Preservation Bonds (issued February 2, 2012) due in annual installments of \$1,400,000 to \$18,000,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$50,000,000.	50,000
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 4 percent. Original issue amount \$83,025,000.	82,565
2013 Preservation Bond (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. Original issue amount \$75,000,000.	75,000
2014 Preservation Bond (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. Original issue amount \$14,000,000.	14,000
2014 Refunding Bonds (issued May 7, 2014) due in annual installments of \$3,845,000 to \$12,230,000 through July 1, 2023; interest at 2 percent to 5 percent. Original issue amount \$83,150,000.	<u>83,150</u>
Total General Obligation Bonds Outstanding	<u>\$ 619,065</u>

Some of the above General Obligation Bonds are paid from the .2 percent and .15 percent Preservation Sales Taxes.

	<u>Bonds Outstanding (in thousands)</u>
<b>Municipal Property Corporation Bonds</b>	
2004A Municipal Property Corporation Excise Tax Revenue Bonds (issued September 15, 2004) due in annual installments of \$920,000 to \$2,715,000 through July 1, 2034; interest at 3.25 percent to 5.25 percent. On November 29, 2006, \$30,975,000 due 2017 and 2020 through 2034 were refunded. On May 29, 2014, \$2,610,000 due 2018 through 2019 were refunded. Original issue amount \$40,760,000.	\$ 2,265
2005 Municipal Property Corporation Excise Tax Revenue Bonds (issued June 15, 2005) due in annual installments of \$35,026 to \$4,925,019 through July 1, 2021; interest at 3.22 percent to 5 percent. Original issue amount \$19,945,322.	23,170
2005D Municipal Property Corporation Excise Tax Revenue Bonds (issued December 1, 2005) due in annual installments of \$200,000 to \$3,625,000 through July 1, 2035; interest at 3.25 percent to 5 percent. On November 29, 2006, \$25,925,000 due 2017 through 2030 were refunded. Original issue amount \$46,500,000.	18,200
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,105,000 to \$2,730,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	55,450
2006A Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$240,000 to \$625,000 through July 1, 2031; interest at 4 percent to 5 percent. On May 29, 2014, \$4,385,000 due 2018 through 2027 were refunded. Original issue amount \$10,000,000.	3,330
2006B Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$950,000 to \$2,475,000 through July 1, 2031; interest at 4 percent to 5 percent. On May 29, 2014, \$16,725,000 due 2018 through 2027 were refunded. Original issue amount \$32,500,000.	12,775
2013A Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$830,000 to \$1,995,000 through July 1, 2028; interest at 3 percent to 5 percent. Original issue amount \$26,295,000.	25,465
2013B Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$45,000 to \$100,000 through July 1, 2033; interest at 3 percent to 5 percent. Original issue amount \$1,440,000.	1,395
2013C Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$1,210,000 to \$2,855,000 through July 1, 2033; interest at 3 percent to 5 percent. Original issue amount \$37,265,000.	36,055
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.	22,735
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 200,840</u>

	<u>Bonds Outstanding (in thousands)</u>
<b>Scottsdale Preserve Authority Bonds</b>	
2004 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued March 30, 2004, due in annual installments of \$75,000 to \$3,315,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$22,925,000.	\$ 6,465
2010 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued October 10, 2010, due in annual installments of \$3,110,000 to \$6,090,000 through July 1, 2024; interest at 3 percent to 5.25 percent. Original issue amount \$32,855,000.	32,855
2011 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued on April 6, 2011, due in annual installments of \$920,000 to \$1,350,000 through July 1, 2022; interest at 2 percent to 5 percent. Original issue amount \$12,015,000.	<u>9,185</u>
Total Scottsdale Preserve Authority Bonds	<u>48,505</u>
<b>Certificates of Participation</b>	
2010 Certificates of Participation issued August 24, 2010, due in semi-annual installments of \$984,651 to \$1,246,573 beginning January 1, 2012, through July 1, 2020; interest at 2.97 percent. Original issue amount \$20,000,000.	<u>13,914</u>
<b>Community Facilities Districts General Obligation Bonds</b>	
2002 Scottsdale Mountain Community Facilities District General Obligation Refunding Bonds (issued May 15, 2002) due in annual installments of \$160,000 to \$455,000 beginning July 15, 2003 through July 15, 2018; interest at 3.0 percent to 4.7 percent. Original issue amount \$5,375,000.	1,475
2007 Waterfront Commercial Community Facilities District General Obligation Bonds (issued December 11, 2007) due in annual installments of \$25,000 to \$300,000 beginning July 15, 2009 through July 15, 2032. Interest at 4.85 percent to 6.05 percent. Original issue amount \$3,805,000.	3,445
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds due in annual installments of \$555,000 to \$1,245,000 beginning July 15, 2013 through July 15, 2027; interest at 3.41 percent. Original issue amount \$14,670,000.	13,315
2012 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds due in annual installments of \$1,020,000 to \$1,335,000 beginning July 15, 2013 through July 15, 2022; interest at 2.84 percent. Original issue amount \$11,555,000.	9,460
2012 Via Linda Community Facilities District General Obligation Refunding Bonds due in annual installments of \$135,000 to \$210,000 beginning July 15, 2013 through July 15, 2023; interest at 2.60 percent. Original issue amount \$2,000,000.	<u>1,700</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>29,395</u>
<b>Total Bonds Payable Recorded in Governmental Activities</b>	<u><u>\$ 911,719</u></u>

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

	<b>Bonds Outstanding (in thousands)</b>
<b>Water and Sewer Revenue Bonds</b>	
2004 Water and Sewer Revenue Refunding Bonds (Series 2004 issued March 30, 2004) due in annual installments of \$80,000 to \$3,175,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$18,880,000.	\$ 1,960
2008 Water and Sewer Revenue Refunding Bonds (Series 2008 issued February 6, 2008) due in annual installments of \$190,000 to \$4,375,000 through July 1, 2023; interest at 3.25 percent to 5.25 percent. Original issue amount \$35,290,000.	<u>30,315</u>
Total Water and Sewer Revenue Bonds Outstanding	<u>32,275</u>
<b>Municipal Property Corporation Bonds</b>	
2005E Municipal Property Corporation Excise Tax Revenue Bonds (issued December 1, 2005) due in annual installments of \$2,275,000 to \$6,305,000 through July 1, 2016; interest at 5 percent. On November 29, 2006, \$67,455,000 due 2017 through 2030 were refunded. Original issue amount \$88,360,000.	6,105
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.	110,510
2008A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 13, 2008) due in annual installments of \$1,800,000 to \$7,250,000 through July 1, 2032; interest at 4 percent to 5 percent. Original issue amount \$105,875,000.	90,100
2010 Municipal Property Corporation Excise Tax Revenue Bonds (issued April 7, 2010) due in annual installments of \$180,000 to \$7,800,000 through July 1, 2036; interest at 3 percent to 5 percent. Original issue amount \$75,000,000.	<u>74,080</u>
Total Municipal Property Corporation Bonds Outstanding	<u>280,795</u>
Total Bonds Payable Recorded in Business-Type Activities	<u>313,070</u>
<b>Total Long-Term Bonds Payable</b>	<u><u>\$ 1,224,789</u></u>

## Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt issued for water, sewer, light, parks, open space purposes, public safety, and transportation facilities may not exceed 20 percent of a city's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a city's net secondary assessed valuation. Accretion on capital appreciation bonds, which is included for GAAP purposes as outstanding debt, is excluded for this calculation. General obligation bonds of community facilities districts also are not subject to or included in this calculation. The following summarizes the City of Scottsdale, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2014:

General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks, Open Spaces, Public Safety, and Transportation		General Obligation Bonds Issued for All Other Purposes	
20% Constitutional Limit	\$ 965,570,113	6% Constitutional Limit	\$ 289,671,034
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	<u>(553,120,909)</u>	6% Bonds Outstanding	<u>(65,944,091)</u>
<b>Available 20% Limitation Borrowing Capacity</b>	<b><u>\$ 412,449,204</u></b>	<b>Available 6% Limitation Borrowing Capacity</b>	<b><u>\$ 223,726,943</u></b>

## 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, 2014.

## 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.

The City issued \$83,150,000 of General Obligation Refunding Bonds, Series 2014 (current and advance refunding) dated May 7, 2014, with an average interest rate of 3.84% to refund \$83,150,000 of Series 2004 and Series 2005 Bonds with an average interest rate of 4.49%. The City will reduce its total debt service payments over the next 10 years by approximately \$5,014,923 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$4,954,706.

The Scottsdale MPC issued \$22,735,000 of Excise Tax Refunding Bonds, Series 2014 (current and advance refunding) dated May 29, 2014, with an average interest rate of 3.95% to refund \$23,720,000 of Series 2004A, Series 2006A and 2006B Bonds with an average interest rate of 4.32%. The City will reduce its total debt service payments over the next 14 years by approximately \$2,521,596 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,191,499.

The following table reflects refunded debt outstanding at June 30, 2014, net of any amounts to be paid or retired by the trustee on July 1, 2014.

<b>Refunded in Prior Years</b>	
<b>(in thousands)</b>	
2005D MPC Excise Tax Revenue Bonds	\$ 25,925
2005E MPC Excise Tax Revenue Bonds	67,455
2006A MPC Excise Tax Revenue Bonds	4,385
2006B MPC Excise Tax Revenue Bonds	16,725
2005 Various Purpose GO Bonds	77,675
	\$ 192,165

### 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 year ended June 30, 2014 (in thousands):

Governmental Activities	Beginning Balance	Additional Obligations, Interest Accretion, and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 639,135	\$ 97,150	\$ (117,220)	\$ 619,065	\$ 32,155
Municipal Property Corporation Bonds	207,654	22,735	(29,549)	200,840	5,920
Scottsdale Preserve Authority Bonds	52,465	-	(3,960)	48,505	4,140
Certificates of Participation	16,003	-	(2,089)	13,914	2,152
Communities Facilities Districts General Obligation Bonds	31,885	-	(2,490)	29,395	2,590
Add Issuance Premiums	44,182	12,742	(4,738)	52,186	-
Total Bonds Payable	991,324	132,627	(160,046)	963,905	46,957
Contracts Payable	2,570	-	(2,570)	-	-
Capital Lease	183	296	(150)	329	100
Service Concession Arrangements	3,144	-	(154)	2,990	154
Risk Management Claims	12,882	31,813	(29,032)	15,663	6,589
Compensated Absences	23,906	11,415	(10,440)	24,881	11,144
Net Other Postemployment Benefit	288	339	-	627	-
<b>Governmental Activities Long-Term Liabilities</b>	\$ 1,034,297	\$ 176,490	\$ (202,392)	\$ 1,008,395	\$ 64,944

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities. For the year ended June 30, 2014, \$361,000 of accrued compensated absences is included in the above amount. For the governmental activities, the General Fund, Special Revenue Funds, and Capital Projects Funds generally liquidate accrued compensated absences. The compensated absences presented in this note are net of the current liability of \$302,000 in the governmental funds and \$0 in the Internal Service funds.

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 35,515	\$ -	\$ (3,240)	\$ 32,275	\$ 2,940
Municipal Property Corporation Bonds	290,555	-	(9,760)	280,795	10,240
Add Issuance Premiums	19,422	-	(1,327)	18,095	-
Total Bonds Payable	345,492	-	(14,327)	331,165	13,180
Compensated Absences	3,007	1,319	(1,241)	3,085	1,336
<b>Business-Type Activities Long-Term Liabilities</b>	<b>\$ 348,499</b>	<b>\$ 1,319</b>	<b>\$ (15,568)</b>	<b>\$ 334,250</b>	<b>\$ 14,516</b>



## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2014.

### Governmental Activities (in thousands)

Fiscal Year	General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks, Open Spaces, Public Safety, and Transportation Facilities 20% Limitation			General Obligation Bonds Issued For All Other Purposes 6% Limitation			Total General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 20,233	\$ 22,189	\$ 42,422	\$ 11,922	\$ 2,431	\$ 14,353	\$ 32,155	\$ 24,620	\$ 56,775
2016	18,495	20,928	39,423	16,275	1,847	18,122	34,770	22,775	57,545
2017	25,349	20,095	45,444	11,631	1,162	12,793	36,980	21,257	58,237
2018	28,208	19,033	47,241	11,697	806	12,503	39,905	19,839	59,744
2019	29,436	18,000	47,436	10,469	437	10,906	39,905	18,437	58,342
2020-2024	201,765	67,523	269,288	3,950	178	4,128	205,715	67,701	273,416
2025-2029	151,720	28,748	180,468	-	-	-	151,720	28,748	180,468
2030-2034	77,915	8,076	85,991	-	-	-	77,915	8,076	85,991
Total	\$ 553,121	\$ 204,592	\$ 757,713	\$ 65,944	\$ 6,861	\$ 72,805	\$ 619,065	\$ 211,453	\$ 830,518

Fiscal Year	Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 5,920	\$ 9,118	\$ 15,038	\$ 4,140	\$ 2,330	\$ 6,470	\$ 100	\$ 12	\$ 112
2016	7,630	8,771	16,401	4,340	2,143	6,483	73	8	81
2017	9,016	8,483	17,499	4,175	1,936	6,111	60	5	65
2018	9,354	9,008	18,362	4,365	1,760	6,125	63	3	66
2019	11,442	9,322	20,764	4,540	1,602	6,142	33	-	33
2020-2024	49,133	32,184	81,317	26,945	4,371	31,316	-	-	-
2025-2029	55,240	17,504	72,744	-	-	-	-	-	-
2030-2034	43,860	6,100	49,960	-	-	-	-	-	-
2035-2039	3,625	163	3,788	-	-	-	-	-	-
Capital Appreciation **	5,620	(5,620)	-	-	-	-	-	-	-
Total	\$ 200,840	\$ 95,033	\$ 295,873	\$ 48,505	\$ 14,142	\$ 62,647	\$ 329	\$ 28	\$ 357

\*\*For GAAP financial statement reporting, accretion of capital appreciation bonds is added to the principal balance outstanding.

Fiscal Year	Certificates of Participation			Community Facilities Districts General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 2,152	\$ 397	\$ 2,549	\$ 2,590	\$ 1,037	\$ 3,627
2016	2,216	333	2,549	2,680	949	3,629
2017	2,282	267	2,549	2,770	859	3,629
2018	2,350	198	2,548	2,555	764	3,319
2019	2,421	128	2,549	2,475	680	3,155
2020-2024	2,493	55	2,548	10,735	2,189	12,924
2025-2029	-	-	-	4,740	718	5,458
2030-2034	-	-	-	850	105	955
Total	\$ 13,914	\$ 1,378	\$ 15,292	\$ 29,395	\$ 7,301	\$ 36,696

(continued)

**Governmental Activities (continued)**  
(in thousands)

Fiscal Year	Service Concession Arrangements			Total		
	Principal	Interest	Total	Principal	Interest	Total
	2015	\$ 154	\$ 128	\$ 282	\$ 47,211	\$ 37,642
2016	154	142	296	51,863	35,121	86,984
2017	154	156	310	55,437	32,963	88,400
2018	154	172	326	58,746	31,744	90,490
2019	153	188	341	60,969	30,357	91,326
2020-2024	769	1,216	1,985	295,790	107,716	403,506
2025-2029	769	1,764	2,533	212,469	48,734	261,203
2030-2034	609	1,929	2,538	123,234	16,210	139,444
2035-2039	74	299	373	3,699	462	4,161
Capital Appreciation	-	-	-	5,620	(5,620)	-
<b>Total</b>	<b>\$ 2,990</b>	<b>\$ 5,994</b>	<b>\$ 8,984</b>	<b>\$ 915,038</b>	<b>\$ 335,329</b>	<b>\$ 1,250,367</b>

**Business-Type Activities**  
(in thousands)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 2,940	\$ 1,599	\$ 4,539	\$ 10,240	\$ 13,540	\$ 23,780
2016	3,055	1,487	4,542	11,115	13,034	24,149
2017	3,195	1,354	4,549	11,970	12,485	24,455
2018	3,370	1,195	4,565	12,670	11,896	24,566
2019	3,540	1,026	4,566	13,375	11,273	24,648
2020-2024	16,175	2,180	18,355	79,200	45,779	124,979
2025-2029	-	-	-	73,025	27,223	100,248
2030-2034	-	-	-	54,390	10,215	64,605
2035-2039	-	-	-	14,810	1,130	15,940
<b>Total</b>	<b>\$ 32,275</b>	<b>\$ 8,841</b>	<b>\$ 41,116</b>	<b>\$ 280,795</b>	<b>\$ 146,575</b>	<b>\$ 427,370</b>

Fiscal Year	Total		
	Principal	Interest	Total
2015	\$ 13,180	\$ 15,139	\$ 28,319
2016	14,170	14,521	28,691
2017	15,165	13,839	29,004
2018	16,040	13,091	29,131
2019	16,915	12,299	29,214
2020-2024	95,375	47,959	143,334
2025-2029	73,025	27,223	100,248
2030-2034	54,390	10,215	64,605
2035-2039	14,810	1,130	15,940
<b>Total</b>	<b>\$ 313,070</b>	<b>\$ 155,416</b>	<b>\$ 468,486</b>

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to public and aviation premises liability, self-insured benefits, property, and workers compensation. Public liability includes public officials' errors and omissions, law enforcement liability, 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. 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 its 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. At June 30, 2014, the general liability claims payable totaled \$14,216,195 and the self-insured benefits claims payable totaled \$1,447,000. The City began to administer all self-insured health and dental plans in January of 2004.

	<b>Years Ended June 30</b>	
(in thousands)	<u>2014</u>	<u>2013</u>
Claims Payable, July 1	\$ 12,882	\$ 10,611
Current Year Claims Incurred	31,813	31,786
Current Year Claim Payments	<u>(29,032)</u>	<u>(29,515)</u>
<b>Claims Payable, June 30</b>	<u><u>\$ 15,663</u></u>	<u><u>\$ 12,882</u></u>

**B. Contingent Liabilities**

The City is a party to several lawsuits incidental to its normal operations. Of those lawsuits, management, with the concurrence of the City Attorney, is of the opinion that, collectively, estimated potential losses ranging from \$4,500 up to \$5,000,000 are probable, and \$20,000 up to \$50,000,000 are reasonably possible. Reasonably possible is defined that the chance of the loss occurring is more than remote, but less than probable. 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, please see the Note V.A. above.

In January 2013, the City entered into a settlement agreement with Scottsdale Fashion Square LLC to prepay an existing lease. In addition to a cash payment, the settlement included a provision for a waiver of \$2.5 million against future City fees associated with the development of the Scottsdale Fashion Square parcel plus any property acquired in the future that is contiguous to the property. The eligible fees to be waived include water and sewer development fees. Per Arizona Revised Statute 9-463.05, "If a municipality agrees to waive any of the development fees assessed on a development, the municipality shall reimburse the appropriate development fee accounts for the amount that was waived." As of June 30, 2014, approximately \$395,000 in fee waivers had been applied.

On November 19, 2002, the City Council approved a development agreement with John Lund relating to a new automotive complex at the southeast corner of Scottsdale Road and Loop 101 Freeway. The terms of this agreement require the City to reimburse Lund for up to \$5.5 million in public benefits relating to the project including the acquisition of public lands, reimbursement of the City's water and sewer development fees, and reimbursement of the City's stormwater retention payment in lieu. The actual amount will be dependent on actual costs; however, the reimbursement amount may not exceed \$5.5 million even if actual costs are higher. The City has also agreed to pay interest costs on Lund's cost of borrowing on the unpaid balance beginning at 8.5 percent in the first year and dropping by 0.5 percent per year. The reimbursement of the costs listed above will be accomplished by paying Lund quarterly payments equal to 67 percent of the City's General Fund sales tax receipts received from the new dealership in that quarter, for a maximum of 10 years. The first payment is not due until the calendar quarter after the calendar quarter in which the first certificate of occupancy is issued. As of June 30, 2014, a commercial building permit has not been issued.

The City has entered into several agreements whereby it will reimburse developers a portion of the sales tax collected on their site for a time period 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 agreement. The City does not become liable under the agreements until the developer has collected and remitted the tax to the City. The City's estimated contingent liability at June 30, 2014, is \$14,923,669.

### **C. Joint Venture**

The City participates with the cities of Phoenix, Glendale, Mesa, and Tempe in the multi-city Sub-Regional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) in order 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, and 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 operating expenses and its equity in the joint venture in the City's Water and Sewer Fund. For the year ended June 30, 2013, (the latest audited information available from SROG), the City's net investment in SROG was \$110,541,000. SROG's net cash operating expenses for the year ended June 30, 2013, were \$38,667,316, of which the City's share was \$3,819,710, or 9.9 percent. For the year ended June 30, 2014, the City paid \$677,216 for SROG capital contributions and \$3,195,608 for SROG operating expenses, including adjustments to the operating and replacement reserves and prior year settlement.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, for the multi-city Sub-Regional Operating Group (the latest SROG CAFR available) may be obtained from the Arizona Municipal Water Users Association, 4041 N. Central Avenue, Suite 900, Phoenix, AZ 85012.

**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 Site which includes the five wells above was placed on the federal Superfund list in 1983.

The Superfund law was enacted in order 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 North Indian Bend Wash (NIBW) Site that encompasses a groundwater contamination plume in Scottsdale.

Following its investigation, the EPA identified three companies, Motorola Solutions (MSI), Inc., 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, and the above-referenced participating companies entered into 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.

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. In order to estimate the CGTF liability, seven projected cash flows, based on the prior seven years of historical costs and weighted equally, were used to calculate an average annual cost. In order to estimate the NGTF liability, a partial projected cash flow, based on the prior seven months of historical costs were annualized and weighted equally. These average costs were then projected over the remaining remediation period of 60 years for CGTF and the NGTF. It is estimated that future remediation will be required for approximately 50-70 years at each site; this estimate is reviewed and revised every five years with the next review in 2016.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. Fiscal year 2013/14 reimbursable outlays for operating and monitoring the CGTF were \$534,716 and for the NGTF were \$232,973. 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 nonprofit corporation established by the City in 1984 to promote the retention, expansion, and attraction of businesses and commercial enterprises in Scottsdale. The Board of Directors of the IDA is appointed by the City Council and City Council is also involved in granting or denying IDA bond applications.

**F. Effect of Implementation of Future Accounting Standard**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68), which revises existing, and establishes new, financial reporting requirements for most governments that provide their employees with pension benefits. The City provides its police officers and firefighters with pension benefits through an agent multiple employer defined benefit pension plan administered by the Public Safety Personnel Retirement System (PSPRS). All other employees are provided pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by either the Arizona State Retirement System (ASRS) for non-elected officials or the Elected Officials’ Retirement Plan (EORP) for elected officials.

Statement No. 68 requires an agent employer participating in the PSPRS plan, or a cost-sharing employer participating in the ASRS or EORP plans, to record their proportionate share, as defined in Statement No. 68, of the plans’ unfunded pension liabilities. The City has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PSPRS, ASRS, or EORP (“the plans”). The requirement of Statement No. 68 to record a portion of the plans’ unfunded liability will negatively impact the City’s future unrestricted net position. Statement No. 68 is effective for fiscal year ending June 30, 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding the plans’ current funding status can be found in their respective Comprehensive Annual Financial Reports.

**G. Retirement and Pension Plans**

All benefitted employees of the City, the Mayor, and the City Council are covered by one of three 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 pension plan. All public safety personnel participate in the Public Safety Personnel Retirement System, which is an agent multiple-employer pension plan. The Mayor and Council participate in the Elected Officials' Retirement Plan, a cost-sharing multiple-employer pension plan. All three pension plans are administered by the State of Arizona.

**Arizona State Retirement System**

**Plan Description**

All benefitted City employees, except public safety personnel and the Mayor and City Council, participate in the Arizona State Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan. The System was established by the State of Arizona to provide pension benefits for employees of both the state and participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, Article 2 of the Arizona Revised Statutes. The System provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, P. O. Box 33910, Phoenix, AZ 85067-3910, or by calling 1-800-621-3778.

**Funding Policy**

The Arizona Revised Statutes (ARS) provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is authorized to legislate a contribution rate other than the actuarially determined rate. The contribution rate for the years ended June 30, 2014, 2013, and 2012, were 11.54% (11.30 percent retirement and .24 percent long-term disability), 11.14 percent (10.90 percent retirement and .24 percent long-term disability), and 10.74 percent (10.50 percent retirement and .24 percent long-term disability), respectively, for both employers and employees. The City's actual contributions to the System for the years ending June 30, 2014, 2013, and 2012, were \$11,342,210, \$10,757,059, and \$10,349,764, respectively, equal to the required contributions for each year.

## **Public Safety Personnel Retirement System**

### **Plan Description**

All of the City's public safety personnel (police officers and firefighters) participate in the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan. PSPRS was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes to provide pension benefits for public safety employees of certain state and local governments. The PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees and 237 local boards. PSPRS provides retirement benefits, as well as death and disability benefits. The Public Safety Personnel Retirement System of the State of Arizona 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 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

### **Funding Policy**

The System for both police and fire is funded through a member contribution of 10.35 percent of gross payroll, an employer contribution set by an actuarial valuation and required by state statute expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's contribution rate for police for the fiscal year ended June 30, 2014, was 26.44 percent of annual covered payroll. Contribution rates for police were 23.90 percent and 20.50 percent in 2013 and 2012, respectively. The City's contribution rate for fire for the fiscal year ended June 30, 2014, was 12.14 percent of annual covered payroll. The City's contribution rates for fire were 12.45 percent and 10.40 percent in 2013 and 2012, respectively.



## Annual Pension Cost

For fiscal year ended June 30, 2014, the City's annual pension costs were \$8,283,899 for police and \$2,330,469 for fire, equal to the City's required and actual contributions. The required contributions were determined as part of the June 30, 2013, actuarial valuations using the entry age normal method.

### Three-Year Trend Information for PSPRS (Police) (dollars in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 5,938	100%	\$ -
2012	6,328	100%	-
2013	7,302	100%	-

### Three-Year Trend Information for PSPRS (Fire) (dollars in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 1,726	100%	\$ -
2012	1,806	100%	-
2013	2,202	100%	-

## Actuarial Methods and Assumptions

The actuarial assumptions for both police and fire include a rate of return on the investment of present and future assets of 7.85 percent per year compounded annually. The assumptions also include projected salary increases from 4.5 to 8.5 percent per year compounded annually, with 4.5 percent attributable to inflation and 0 percent to 4.0 percent attributable to seniority/merit and other across-the-board factors. The maximum annual increase in post retirement benefits is 4.0 percent. The actuarial value of PSPRS assets was determined using the 7-year smoothed market value, 80%/120% market method. PSPRS' unfunded accrued liability is being amortized as a level percent of projected payroll over a closed period of 30 years, 23 years remaining as of June 30, 2013.

**Funded Status**

The funded status of each plan (Police and Fire) as of June 30, 2013, the most recent actuarial valuation dates, is as follows:

**Public Safety Personnel Retirement System (Police)  
Funded Status for Pension and Health Insurance**

(dollars in thousands)

	June 30, 2013
Actuarial Accrued Liability (AAL)	
Retired members and beneficiaries	\$ 104,575
Former members with vested benefits	1,201
Active members	90,505
DROP members	27,407
<b>Total</b>	223,688
Valuation Assets	144,927
Unfunded Actuarial Accrued Liability	78,761
Stabilization Reserve	-
Net Unfunded Actuarial Liability	\$ 78,761
Percent Funded	64.8%
Annual Covered Payroll	\$ 30,601
Unfunded AAL as a Percentage of Covered Payroll	257.4%

**Public Safety Personnel Retirement System (Fire)  
Funded Status Pension and Health Insurance**

(dollars in thousands)

	June 30, 2013
Actuarial Accrued Liability (AAL)	
Retired members and beneficiaries	\$ 5,301
Former members with vested benefits	17
Active members	36,625
DROP members	1,900
<b>Total</b>	43,843
Valuation Assets	50,368
Unfunded Actuarial Accrued Liability	(6,525)
Stabilization Reserve	5,749
Net Unfunded Actuarial Liability	\$ (776)
Percent Funded	114.9%
Annual Covered Payroll	\$ 17,980
Unfunded AAL as a Percentage of Covered Payroll	0.00%

## **Elected Officials' Retirement Plan**

### **Plan Description**

The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP), a cost-sharing multiple-employer defined benefit pension plan. The EORP was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits to elected officials and judges of certain state, county, and local governments. The Board of Trustees of the PSPRS is also the administrator for the EORP. EORP provides retirement benefits, as well as death and disability benefits. The Elected Officials' Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for EORP. The report may be obtained by writing to Elected Officials' Retirement Plan, 3010 E. Camelback Road, Suite 200, Phoenix, Arizona 85016 or by calling (602) 255-5575.

### **Funding Policy**

Covered elected officials are required by state statute to contribute an amount equal to 13.0 percent of covered salary to ensure proper funding for the Plan. EORP employers are required to contribute a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan. The City's rates for fiscal years ended June 30, 2014, 2013, and 2012, were 23.50 percent, 36.44 percent, and 32.99 percent, respectively. The City's contributions to EORP for the years ending June 30, 2014, 2013, and 2012, were \$46,163, \$52,788, and \$47,505, respectively, equal to the required contributions for each year.

### **H. Other Postemployment Benefits**

In addition to the pension benefits described in the previous section (G), the City provides an option of post-retirement health care benefits, in accordance with Chapter 14 of the City Code. At retirement, employees with medical leave accumulated prior to September 6, 1976, are eligible for payment of medical leave at 100 percent cash value at current rate of pay. 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 more than 420 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, 2014, was \$14,145,144. The projected liability was considered payable within one year or greater and was therefore considered non-current and included in the proprietary and government-wide financial statements. Significant actuarial assumptions of the January 1, 2014, actuarial valuation include a) mortality rates based on the RP 2000 combined mortality table projected to 2015 using Projection Scale AA, b) interest compounded 4.0 percent annually, c) salary increases at a rate of 2 percent to 4 percent based on years of service, and d) traditional unit credit cost method based on participant data as of January 1, 2014.

## I. Postemployment Benefits Other Than Pensions

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). In early implementing the requirements of GASB Statement No. 45 during the fiscal year ended June 30, 2007, the City recognized the cost of postemployment healthcare in the year the employee services were received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years is being amortized over 30 years; the first period began with the fiscal year ending June 30, 2007.

### Plan Description

The City provides postemployment medical care (OPEB) for eligible retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. The benefits, benefit levels, and contribution rates are determined annually by the City's Employee Benefit Coordination Team and approved by the Scottsdale City Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

### Benefits Provided

The City offers postemployment medical benefits to its eligible retirees. 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. All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree reaching 65 years of age, the retiree and related dependents are no longer eligible for City coverage.

As of June 30, 2014, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	31
Terminated Employees Eligible for Benefits, But Not Yet Enrolled	-
Active Employees	<u>659</u>
Total	<u><u>690</u></u>
Participating Employers	<u><u>1</u></u>

### Funding Policy

The plan premium rates are determined annually in collaboration with an outside employee benefits consulting firm and approved by the Scottsdale City Council. City code requires the City Council to authorize the contribution rates for benefits. For fiscal year ending June 30, 2014, the eligible retirees paid 100 percent of the approved rate. By continuing to provide eligible retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is providing a subsidy to eligible retirees. This explicit subsidy exists because on average retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. For fiscal year ending June 30, 2014, retirees contributed \$216,566 and the City contributed \$113,627 (explicit subsidy).

### Annual OPEB costs and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2014 (dollar amounts in thousands):

Annual Required Contribution	\$ 455
Interest on Net OPEB Obligation (Asset)	12
Adjustment to Annual Required Contribution	(14)
Annual OPEB Cost	<u>453</u>
Contributions Made	<u>(114)</u>
Change in Net OPEB Obligation	339
Net OPEB Obligation - Beginning of year	<u>288</u>
Net OPEB Obligation - End of year	<u><u>\$ 627</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
2012	\$ 285	\$ 870	305.3%	\$ (162)
2013	636	186	29.2%	288
2014	453	114	25.2%	627

### Funded Status

The funded status of the plan as of June 30, 2014, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability	\$ 4,148
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u><u>\$ 4,148</u></u>
Funded Ratio	0%
Covered Payroll	\$ 45,422
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	9.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Multi-year trend information regarding the actuarial value of plan assets increasing or decreasing over time relative to the actuarial accrued liability is available in the Required Supplementary Information section on page 106.

## Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	23 years, Closed
Asset Valuation Method	N/A
Actuarial Assumptions	
Investment Rate of Return	4%*
Inflation Rate	3%
Projected Salary Increases	2.8%
Healthcare Inflation Rate	8.5% initial rate, 5% ultimate rate

\*Investment rate of return based on City's own investments

## Medical Reimbursements

The federal government may provide the City subsidies per the Medicare Part D Prescription Drug Subsidy Program for providing healthcare for Medicare eligible employees. Any current and future years subsidies are recorded as revenue in the year received and are not recognized as a reduction to the actuarial accrued liability.

**Funding Progress**

The following schedules of funding progress, presented as required supplementary information (RSI), present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

**Public Safety Personnel Retirement System (Police)  
Schedule of Funding Progress Pension**

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2011	\$ 131,468	\$ 187,471	70.1%	\$ 56,003	\$ 30,945	181.0%
2012	139,915	209,389	66.8%	69,474	32,276	215.2%
2013	144,927	218,281	66.4%	73,354	30,601	239.7%

**Public Safety Personnel Retirement System (Police)  
Schedule of Funding Progress Health Insurance**

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2011	\$ -	\$ 5,725	0.0%	\$ 5,725	\$ 30,945	18.5%
2012	-	5,485	0.0%	5,485	32,276	17.0%
2013	-	5,407	0.0%	5,407	30,601	17.7%

**Public Safety Personnel Retirement System (Fire)  
Schedule of Funding Progress Pension**

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2011	\$ 32,871	\$ 28,467	115.5%	\$ (4,404)	\$ 17,025	0.0%
2012	44,721	37,670	118.7%	(7,051)	18,203	0.0%
2013	50,368	42,567	118.3%	(7,801)	17,980	0.0%

**Public Safety Personnel Retirement System (Fire)  
Schedule of Funding Progress Health Insurance**

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2011	\$ -	\$ 886	0.0%	\$ 886	\$ 17,025	5.2%
2012	-	1,059	0.0%	1,059	18,203	5.8%
2013	-	1,276	0.0%	1,276	17,980	7.1%



**Other Post-Employment Benefit Plan**  
**Schedule of Funding Progress**

(dollars in thousands)

Actuarial Valuation July 1	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost		(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
		Accrued Liability (AAL)					
2011	\$ -	\$ 3,834		0.0%	\$ 3,834	\$ 131,342	2.9%
2012	-	5,754		0.0%	5,754	42,805	13.4%
2013	-	4,148		0.0%	4,148	45,422	9.1%

**Other Post-Employment Benefit Plan**  
**Schedule of Employer Contribution**

(dollars in thousands)

Actuarial Valuation July 1	(1) Employer Contributions	(2) Annual Required Contribution (ARC)	(3) Percent Contributed (1)/(2)
2012	186	635	29.3%
2013	114	455	25.1%

## Nonmajor Governmental Funds

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### SPECIAL REVENUE FUNDS

Special Revenue Funds are established to finance particular activities and are created out of receipts from specific taxes, grant awards, contributions received, or other earmarked revenue. All funds in the 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.

#### Highway User Fuel Tax Fund

This fund receives and expends the City's allocation of the Arizona Highway User Revenue tax and other transportation related revenue. The amount available to each city is allocated on a population basis, which is determined by the latest federal census. These monies 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 nonprofit 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 application 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.

### Section 8 Housing Fund

This fund receives and expends the City's Section 8 Housing 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. Section 8 Housing revenues may be used only for assistance approved by HUD and are subject to agency expenditure guidelines.

#### Preserve Privilege Tax Fund

This fund receives a 0.35 percent Preservation Privilege (Sales) Tax revenue approved by the voters in 1995 (.2 percent) and 2004 (.15 percent). Revenues are transferred to Capital Projects Funds for land purchases and improvements in the McDowell Sonoran Preserve or are used for related debt service payments.

#### Community Facilities Districts (CFD) Funds

Scottsdale Mountain CFD

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

These funds account for the non-debt related expenditures incurred by community facilities districts.

#### 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 rentals. The use of these funds has been committed by the City Council for tourism-related purposes.

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## **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 Debt Service Fund**

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

### **Debt Service Stabilization Fund**

This fund accounts for revenues received for future debt payments from the Arizona Sports and Tourism Authority, the Maricopa County Stadium District, the San Francisco Giants and funds committed by the City Council to be used for repayment of debt.

### **Community Facilities Districts (CFD) Funds**

Scottsdale Mountain CFD  
McDowell Mountain Ranch CFD  
DC Ranch CFD  
Via Linda Road CFD  
Waterfront Commercial CFD

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 indicate that the bonds should be disclosed herein.

### **Scottsdale Preserve Authority Fund**

This fund accounts for the principal and interest requirements of excise tax revenue bonds issued by the Scottsdale Preserve Authority. Financing is provided by a 0.35 percent Preservation Privilege (Sales) Tax revenue approved by the voters in 1995 (.2 percent) and 2004 (.15 percent).

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## **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 and demonstrate that legal or contractual requirements regarding the use of the resources are fully satisfied.

### **General Obligation Bond Fund**

Accounts for the proceeds and interest of the sale of Bond 2000 voter-approved general obligation bonds that are used for authorized capital improvements.

### **Transportation Privilege Tax Fund**

Accounts for the authorized 0.2 percent Transportation Privilege (Sales) Tax dedicated to transportation capital improvements. Voters approved the tax on November 7, 1989.

### **Preserve Privilege Tax Capital Projects Fund**

Accounts for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Resources are provided by the proceeds from the sale of bonds and the .15 percent 2004-approved Preserve Privilege Tax.

### **Community Facilities Districts (CFD) Funds**

McDowell Mountain Ranch CFD

These funds account for the proceeds issued by community facilities districts to acquire and improve public infrastructure in specified areas.

# Combining Balance Sheet

## Nonmajor Governmental Funds

June 30, 2014 (in thousands)

ASSETS	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Cash and Investments	\$ 57,810	\$ 9,000	\$ 46,654	\$ 113,464
Cash with Fiscal Agent	99	19,190	-	19,289
Receivables (net of allowance for uncollectibles)				
Interest	42	-	79	121
Privilege Tax	4,047	-	-	4,047
Transient Occupancy Tax	770	-	-	770
Franchise Fee	55	-	-	55
Property Tax	2	79	-	81
Highway User Tax	1,155	-	-	1,155
Intergovernmental	7,041	19,882	1,113	28,036
Grants	635	-	1,076	1,711
Miscellaneous	578	-	500	1,078
Total Assets	\$ 72,234	\$ 48,151	\$ 49,422	\$ 169,807
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 2,274	\$ 141	\$ 2,184	\$ 4,599
Accrued Payroll and Benefits	472	-	25	497
Due to Other Funds	93	-	-	93
Matured Bond Interest Payable	-	6,019	-	6,019
Matured Bonds Payable	-	12,280	-	12,280
Unearned Revenue				
Intergovernmental	9,761	-	-	9,761
Other	897	-	-	897
Guaranty and Other Deposits	5	-	-	5
Total Liabilities	13,502	18,440	2,209	34,151
<b>Deferred Inflows of Resources</b>				
Unavailable Revenues	1,564	18,531	1,560	21,655
Total Liabilities and Deferred Inflows of Resources	15,066	36,971	3,769	55,806
<b>Fund Balances</b>				
Restricted	43,327	6,480	45,653	95,460
Committed	15,035	4,700	-	19,735
Unassigned	(1,194)	-	-	(1,194)
Total Fund Balances	57,168	11,180	45,653	114,001
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 72,234	\$ 48,151	\$ 49,422	\$ 169,807

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

REVENUES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Taxes - Local				
Property	\$ 101	\$ 3,176	\$ -	\$ 3,277
Transaction Privilege	50,771	-	-	50,771
Transient Occupancy	15,303	-	-	15,303
Light and Power Franchise	257	-	-	257
Taxes - Intergovernmental				
Highway User Tax	12,268	-	-	12,268
Local Transportation Assistance Fund	641	-	-	641
Business and Liquor Licenses	30	-	-	30
Charges for Current Services				
Recreation Fees	1,743	-	-	1,743
Fines, Fees, and Forfeitures				
Court	166	-	-	166
Court Enhancement	961	-	-	961
Police Fees	504	-	-	504
Property Rental	1,969	147	-	2,116
Interest Earnings	349	-	555	904
Investment Income	(206)	-	(321)	(527)
Intergovernmental				
Federal Grants	6,935	-	3,702	10,637
State Grants	372	-	-	372
Miscellaneous	4,766	1,585	11,676	18,027
Streetlight and Services Districts	400	-	-	400
Contributions and Donations	1,886	-	6	1,892
Reimbursements from Outside Sources	621	-	-	621
Indirect Costs	546	-	-	546
Other	47	-	3	50
Total Revenues	\$ 100,430	\$ 4,908	\$ 15,621	\$ 120,959
<b>EXPENDITURES</b>				
Current				
General Government				
City Court	\$ 1,791	\$ -	\$ -	\$ 1,791
City Treasurer	113	-	-	113
Public Works	13,685	-	-	13,685
Community and Economic Development	17,696	-	-	17,696
Public Safety	2,152	-	-	2,152
Community Services	11,766	-	-	11,766
Streetlight and Services Districts	576	-	-	576
Debt Service				
Principal	-	14,891	-	14,891
Interest and Fiscal Charges	-	12,631	-	12,631
Bond Issuance Costs	-	287	-	287
Capital Outlay	-	-	35,120	35,120
Total Expenditures	47,779	27,809	35,120	110,708
Excess (Deficiency) of Revenues over (under) Expenditures	52,651	(22,901)	(19,499)	10,251
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,538	21,249	12,505	35,292
Transfers Out	(50,194)	(1,715)	(11,147)	(63,056)
Issuance of Refunding Bonds	-	22,735	-	22,735
Issuance of Long-Term Capital-Related Debt	-	-	13,739	13,739
Premium on Long-Term Debt Issued	-	2,659	-	2,659
Payment to Refunded Bonds Escrow Agent	-	(22,453)	-	(22,453)
Total Other Financing Sources and (Uses)	(48,656)	22,475	15,097	(11,084)
Net Change in Fund Balances	3,995	(426)	(4,402)	(833)
Fund Balances - Beginning, Restated	53,173	11,606	50,055	114,834
Fund Balances - Ending	\$ 57,168	\$ 11,180	\$ 45,653	\$ 114,001

**Combining Balance Sheet**

**Nonmajor Special Revenue Governmental Funds**

June 30, 2014 (in thousands)

<b>ASSETS</b>	<b>Highway User Fuel Tax</b>	<b>Community Development Block Grant</b>	<b>HOME</b>	<b>Grants</b>	<b>Section 8 Housing</b>	<b>Preserve Privilege Tax</b>	<b>Scottsdale Mountain CFD</b>	<b>McDowell Mountain CFD</b>
Cash and Investments	\$ 10,756	\$ 642	\$ -	\$ 757	\$ 146	\$ 25,431	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	42	-	-
Interest	-	-	-	-	-	2,602	-	-
Privilege Tax	1,445	-	-	-	-	-	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	-	-
Franchise Fee	-	-	-	-	-	-	-	-
Highway User Tax	1,155	-	-	-	-	-	-	-
Intergovernmental	-	63	-	-	-	-	-	-
Grants	-	115	93	427	-	-	-	-
Miscellaneous	46	29	-	17	3	-	-	-
Total Assets	<u>\$ 13,402</u>	<u>\$ 849</u>	<u>\$ 93</u>	<u>\$ 1,201</u>	<u>\$ 149</u>	<u>\$ 28,075</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 1,055	\$ 68	\$ -	\$ 200	\$ 7	\$ 16	\$ -	\$ -
Accrued Payroll and Benefits	333	12	-	20	20	-	-	-
Due to Other Funds	-	-	93	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
Intergovernmental	-	635	-	141	-	-	-	-
Other	-	-	-	840	2	-	-	-
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Total Liabilities	<u>1,388</u>	<u>720</u>	<u>93</u>	<u>1,201</u>	<u>29</u>	<u>16</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenues	-	116	1	400	2	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>1,388</u>	<u>836</u>	<u>94</u>	<u>1,601</u>	<u>31</u>	<u>16</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>								
Restricted	12,014	13	-	-	118	28,059	-	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	(1)	(400)	-	-	-	-
Total Fund Balances	<u>12,014</u>	<u>13</u>	<u>(1)</u>	<u>(400)</u>	<u>118</u>	<u>28,059</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,402</u>	<u>\$ 849</u>	<u>\$ 93</u>	<u>\$ 1,201</u>	<u>\$ 149</u>	<u>\$ 28,075</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

## Combining Balance Sheet

## Nonmajor Special Revenue Governmental Funds

June 30, 2014 (in thousands)

ASSETS	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Total
Cash and Investments	\$ -	\$ -	\$ -	\$ 72	\$ 11,166	\$ 8,840	\$ 57,810
Cash with Fiscal Agent	74	-	25	-	-	-	99
Receivables (net of allowance for uncollectibles)							
Interest	-	-	-	-	-	-	42
Privilege Tax	-	-	-	-	-	-	4,047
Transient Occupancy Tax	-	-	-	-	-	770	770
Property Tax	2	-	-	-	-	-	2
Franchise Fee	-	-	-	-	55	-	55
Highway User Tax	-	-	-	-	-	-	1,155
Intergovernmental	-	-	-	-	6,978	-	7,041
Grants	-	-	-	-	-	-	635
Miscellaneous	-	-	-	4	109	370	578
Total Assets	\$ 76	\$ -	\$ 25	\$ 76	\$ 18,308	\$ 9,980	\$ 72,234
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 446	\$ 482	\$ 2,274
Accrued Payroll and Benefits	-	-	-	-	79	8	472
Due to Other Funds	-	-	-	-	-	-	93
Unearned Revenue							
Intergovernmental	-	-	-	-	8,985	-	9,761
Other	-	-	-	-	55	-	897
Guaranty and Other Deposits	-	-	-	-	-	-	5
Total Liabilities	-	-	-	-	9,565	490	13,502
Deferred Inflows of Resources							
Unavailable Revenues	-	-	-	-	800	245	1,564
Total Liabilities and Deferred Inflows of Resources	-	-	-	-	10,365	735	15,066
Fund Balances							
Restricted	76	-	25	76	2,946	-	43,327
Committed	-	-	-	-	5,790	9,245	15,035
Unassigned	-	-	-	-	(793)	-	(1,194)
Total Fund Balances	76	-	25	76	7,943	9,245	57,168
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 76	\$ -	\$ 25	\$ 76	\$ 18,308	\$ 9,980	\$ 72,234

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

**Nonmajor Special Revenue Governmental Funds**

For the Fiscal Year Ended June 30, 2014 (in thousands)

REVENUES	Highway User Fuel Tax	Community Development Block Grant	HOME	Grants	Section 8 Housing	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain CFD
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 10
Transaction Privilege	18,116	-	-	-	-	32,655	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
Highway User Tax	12,268	-	-	-	-	-	-	-
Local Transportation Assistance Fund	641	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Recreation Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Police Fees	-	-	-	-	-	-	-	-
Property Rental	-	10	-	-	-	-	-	-
Interest Earnings	-	-	-	-	-	312	-	-
Investment Income	-	-	-	-	-	(184)	-	-
Intergovernmental								
Federal Grants	402	1,064	94	725	4,650	-	-	-
State Grants	-	-	-	372	-	-	-	-
Miscellaneous	725	-	-	105	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,290	-	-	-	-
Reimbursements from Outside Sources	6	-	-	-	1	-	-	-
Indirect Costs	546	-	-	-	-	-	-	-
Other	30	-	-	-	12	-	-	-
<b>Total Revenues</b>	<b>32,734</b>	<b>1,074</b>	<b>94</b>	<b>2,492</b>	<b>4,663</b>	<b>32,783</b>	<b>10</b>	<b>10</b>
<b>EXPENDITURES</b>								
Current								
General Government								
City Court	-	-	-	32	-	-	-	-
City Treasurer	-	-	-	-	-	4	10	10
Public Works	13,298	-	-	136	-	-	-	-
Community and Economic Development	7,615	-	-	239	-	-	-	-
Public Safety	-	-	-	1,154	-	-	-	-
Community Services	1,053	1,280	94	1,464	5,633	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>21,966</b>	<b>1,280</b>	<b>94</b>	<b>3,025</b>	<b>5,633</b>	<b>4</b>	<b>10</b>	<b>10</b>
Excess (Deficiency) of Revenues over Expenditures	10,768	(206)	-	(533)	(970)	32,779	-	-
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	-	351	-	-	-	881	-	-
Transfers Out	(9,123)	-	-	-	(3)	(30,664)	-	-
<b>Total Other Financing Sources and (Uses)</b>	<b>(9,123)</b>	<b>351</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>(29,783)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,645	145	-	(533)	(973)	2,996	-	-
Fund Balances - Beginning	10,369	(132)	(1)	133	1,091	25,063	-	-
<b>Fund Balances - Ending</b>	<b>\$ 12,014</b>	<b>\$ 13</b>	<b>\$ (1)</b>	<b>\$ (400)</b>	<b>\$ 118</b>	<b>\$ 28,059</b>	<b>\$ -</b>	<b>\$ -</b>

(continued)



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

### Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commerical CFD	Streetlight Districts	Special Programs	Tourism Development	Total
<b>REVENUES</b>							
Taxes - Local							
Property	\$ 71	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 101
Transaction Privilege	-	-	-	-	-	-	50,771
Transient Occupancy	-	-	-	-	-	15,303	15,303
Light and Power Franchise	-	-	-	-	257	-	257
Taxes - Intergovernmental							
Highway User Tax	-	-	-	-	-	-	12,268
Local Transportation Assistance Fund	-	-	-	-	-	-	641
Business and Liquor Licenses	-	-	-	-	30	-	30
Charges for Current Services							
Recreation Fees	-	-	-	-	1,743	-	1,743
Fines, Fees, and Forfeitures							
Court	-	-	-	-	166	-	166
Court Enhancement	-	-	-	-	961	-	961
Police Fees	-	-	-	-	504	-	504
Property Rental	-	-	-	-	306	1,653	1,969
Interest Earnings	-	-	-	-	37	-	349
Investment Income	-	-	-	-	(22)	-	(206)
Intergovernmental							
Federal Grants	-	-	-	-	-	-	6,935
State Grants	-	-	-	-	-	-	372
Miscellaneous	-	-	-	-	3,936	-	4,766
Streetlight and Services Districts	-	-	-	400	-	-	400
Contributions and Donations	-	-	-	-	596	-	1,886
Reimbursements from Outside Sources	-	-	-	-	598	16	621
Indirect Costs	-	-	-	-	-	-	546
Other	-	-	-	-	5	-	47
Total Revenues	<u>71</u>	<u>10</u>	<u>-</u>	<u>400</u>	<u>9,117</u>	<u>16,972</u>	<u>100,430</u>
<b>EXPENDITURES</b>							
Current							
General Government							
City Court	-	-	-	-	1,759	-	1,791
City Treasurer	70	10	9	-	-	-	113
Public Works	-	-	-	-	251	-	13,685
Community and Economic Development	-	-	-	-	501	9,341	17,696
Public Safety	-	-	-	-	998	-	2,152
Community Services	-	-	-	-	2,242	-	11,766
Streetlight and Services Districts	-	-	-	576	-	-	576
Total Expenditures	<u>70</u>	<u>10</u>	<u>9</u>	<u>576</u>	<u>5,751</u>	<u>9,341</u>	<u>47,779</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1</u>	<u>-</u>	<u>(9)</u>	<u>(176)</u>	<u>3,366</u>	<u>7,631</u>	<u>52,651</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	-	-	-	306	-	1,538
Transfers Out	-	-	-	-	(4,814)	(5,590)	(50,194)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,508)</u>	<u>(5,590)</u>	<u>(48,656)</u>
Net Change in Fund Balances	1	-	(9)	(176)	(1,142)	2,041	3,995
Fund Balances - Beginning	75	-	34	252	9,085	7,204	53,173
Fund Balances - Ending	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 76</u>	<u>\$ 7,943</u>	<u>\$ 9,245</u>	<u>\$ 57,168</u>

## Highway User Fuel Tax – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2014 (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				
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ 17,333	\$ 17,333	\$ 18,116	\$ -	\$ 18,116	\$ 783
Taxes - Intergovernmental						
Highway User Tax	12,263	12,263	12,268	-	12,268	5
Local Transportation Assistance Fund	-	-	641	-	641	641
Intergovernmental						
Federal Grants	737	737	402	-	402	(335)
State Grants	643	643	-	-	-	(643)
Miscellaneous	643	643	725	-	725	82
Reimbursements from Outside Sources	-	-	6	-	6	6
Indirect Costs	546	546	546	-	546	-
Other	91	91	30	-	30	(61)
Total Revenues	<u>32,256</u>	<u>32,256</u>	<u>32,734</u>	<u>-</u>	<u>32,734</u>	<u>478</u>
<b>EXPENDITURES</b>						
Current						
Public Works	13,629	13,740	13,233	65	13,298	507
Community and Economic Development	8,916	8,396	7,606	9	7,615	790
Community Services	1,051	1,051	1,053	-	1,053	(2)
Total Expenditures	<u>23,596</u>	<u>23,187</u>	<u>21,892</u>	<u>74</u>	<u>21,966</u>	<u>1,295</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,660</u>	<u>9,069</u>	<u>10,842</u>	<u>(74)</u>	<u>10,768</u>	<u>1,773</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(8,705)	(8,705)	(9,123)	-	(9,123)	(418)
Total Other Financing Sources and (Uses)	<u>(8,705)</u>	<u>(8,705)</u>	<u>(9,123)</u>	<u>-</u>	<u>(9,123)</u>	<u>(418)</u>
Net Change in Fund Balances	(45)	364	1,719	(74)	1,645	1,355
Fund Balances - Beginning	5,067	10,432	10,432	(63)	10,369	-
Fund Balances - Ending	<u>\$ 5,022</u>	<u>\$ 10,796</u>	<u>\$ 12,151</u>	<u>\$ (137)</u>	<u>\$ 12,014</u>	<u>\$ 1,355</u>
<b>Explanation of Differences:</b>						
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:						
Payroll Accruals	<u>\$ 74</u>					

## 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, 2014 (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				
<b>REVENUES</b>						
Property Rental	\$ -	\$ -	\$ 10	\$ -	\$ 10	\$ 10
Intergovernmental						
Federal Grants	3,087	3,087	1,064	-	1,064	(2,023)
Total Revenues	3,087	3,087	1,074	-	1,074	(2,013)
<b>EXPENDITURES</b>						
Current						
Community Services	3,087	3,440	1,280	-	1,280	2,160
Total Expenditures	3,087	3,440	1,280	-	1,280	2,160
Excess (Deficiency) of Revenues over Expenditures	-	(353)	(206)	-	(206)	147
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	351	-	351	351
Total Other Financing Sources and (Uses)	-	-	351	-	351	351
Net Change in Fund Balances	-	(353)	145	-	145	498
Fund Balances - Beginning	-	(121)	(121)	(11)	(132)	-
Fund Balances - Ending	\$ -	\$ (474)	\$ 24	\$ (11)	\$ 13	\$ 498

**HOME – Special Revenue Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**

For the Fiscal Year Ended June 30, 2014 (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>				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 1,594	\$ 1,594	\$ 94	\$ -	\$ 94	\$ (1,500)
Total Revenues	<u>1,594</u>	<u>1,594</u>	<u>94</u>	<u>-</u>	<u>94</u>	<u>(1,500)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	1,594	1,594	94	-	94	1,500
Total Expenditures	<u>1,594</u>	<u>1,594</u>	<u>94</u>	<u>-</u>	<u>94</u>	<u>1,500</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	-	(1)	(1)	-	(1)	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>

## Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2014 (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				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 2,038	\$ 7,742	\$ 725	\$ -	\$ 725	\$ (7,017)
State Grants	418	179	372	-	372	193
Miscellaneous	138	138	105	-	105	(33)
Contributions and Donations	2,795	1,530	1,290	-	1,290	(240)
Total Revenues	<u>5,389</u>	<u>9,589</u>	<u>2,492</u>	<u>-</u>	<u>2,492</u>	<u>(7,097)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Court	-	-	32	-	32	(32)
Public Works	-	-	136	-	136	(136)
Community and Economic Development	-	535	239	-	239	296
Public Safety	1,624	1,049	1,144	10	1,154	(95)
Community Services	3,765	2,161	1,462	2	1,464	699
Total Expenditures	<u>5,389</u>	<u>3,745</u>	<u>3,013</u>	<u>12</u>	<u>3,025</u>	<u>732</u>
Net Change in Fund Balances	-	5,844	(521)	(12)	(533)	(6,365)
Fund Balances - Beginning	-	132	132	1	133	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 5,976</u>	<u>\$ (389)</u>	<u>\$ (11)</u>	<u>\$ (400)</u>	<u>\$ (6,365)</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 12</u>
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## Section 8 Housing – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2014 (in thousands)

	Original	Final	Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 7,038	\$ 7,041	\$ 4,650	\$ -	\$ 4,650	\$ (2,391)
Reimbursements from Outside Sources	-	-	1	-	1	1
Other	-	-	12	-	12	12
Total Revenues	<u>7,038</u>	<u>7,041</u>	<u>4,663</u>	<u>-</u>	<u>4,663</u>	<u>(2,378)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	7,038	7,037	5,636	(3)	5,633	1,401
Total Expenditures	<u>7,038</u>	<u>7,037</u>	<u>5,636</u>	<u>(3)</u>	<u>5,633</u>	<u>1,401</u>
Excess (Deficiency) of Revenues over Expenditures	-	4	(973)	3	(970)	(977)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	-	(3)	(3)	-	(3)	-
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(3)</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
Net Change in Fund Balances	-	1	(976)	3	(973)	(977)
Fund Balances - Beginning	-	1,106	1,106	(15)	1,091	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 1,107</u>	<u>\$ 130</u>	<u>\$ (12)</u>	<u>\$ 118</u>	<u>\$ (977)</u>

#### Explanation of Difference:

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

Payroll Accruals	<u>\$ (3)</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, 2014 (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				
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ 31,270	\$ 31,270	\$ 32,655	\$ -	\$ 32,655	\$ 1,385
Interest Earnings	151	151	312	-	312	161
Investment Income	-	-	-	(184)	(184)	-
Total Revenues	<u>31,421</u>	<u>31,421</u>	<u>32,967</u>	<u>(184)</u>	<u>32,783</u>	<u>1,546</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Treasurer	<u>2</u>	<u>2</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>(2)</u>
Total Expenditures	<u>2</u>	<u>2</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>(2)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>31,419</u>	<u>31,419</u>	<u>32,963</u>	<u>(184)</u>	<u>32,779</u>	<u>1,544</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	881	-	881	881
Transfers Out	<u>(34,692)</u>	<u>(34,692)</u>	<u>(30,664)</u>	<u>-</u>	<u>(30,664)</u>	<u>4,028</u>
Total Other Financing Sources and (Uses)	<u>(34,692)</u>	<u>(34,692)</u>	<u>(29,783)</u>	<u>-</u>	<u>(29,783)</u>	<u>4,909</u>
<b>Net Change in Fund Balances</b>	<u>(3,273)</u>	<u>(3,273)</u>	<u>3,180</u>	<u>(184)</u>	<u>2,996</u>	<u>6,453</u>
Fund Balances - Beginning	<u>18,970</u>	<u>25,432</u>	<u>25,432</u>	<u>(369)</u>	<u>25,063</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 15,697</u>	<u>\$ 22,159</u>	<u>\$ 28,612</u>	<u>\$ (553)</u>	<u>\$ 28,059</u>	<u>\$ 6,453</u>
<b>Explanation of Difference:</b>						
Items recorded as revenues for GAAP purposes that are not recorded for budget purposes:						
Investment Income	<u>\$ (184)</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, 2014 (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				
<b>REVENUES</b>						
Streetlight and Services Districts	\$ 647	\$ 647	\$ 400	\$ -	\$ 400	\$ (247)
Total Revenues	647	647	400	-	400	(247)
<b>EXPENDITURES</b>						
Current						
Streetlight and Services Districts	647	647	576	-	576	71
Total Expenditures	647	647	576	-	576	71
Net Change in Fund Balances	-	-	(176)	-	(176)	(176)
Fund Balances - Beginning	257	252	252	-	252	-
Fund Balances - Ending	\$ 257	\$ 252	\$ 76	\$ -	\$ 76	\$ (176)



## Special Programs – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2014 (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				
<b>REVENUES</b>						
Taxes - Local						
Light and Power Franchise	\$ 250	\$ 250	\$ 257	\$ -	\$ 257	\$ 7
Taxes - Intergovernmental						
Business and Liquor Licenses	36	36	30	-	30	(6)
Charges for Current Services						
Recreation Fees	1,707	1,707	1,743	-	1,743	36
Fines, Fees, and Forfeitures						
Court Fines	101	101	166	-	166	65
Court Enhancement Fees	987	987	961	-	961	(26)
Police Fees	450	450	504	-	504	54
Property Rental	632	632	306	-	306	(326)
Interest Earnings	15	15	37	-	37	22
Investment Income	-	-	-	(22)	(22)	-
Intergovernmental						
Miscellaneous	5,110	5,110	3,936	-	3,936	(1,174)
Contributions and Donations	777	777	596	-	596	(181)
Reimbursements from Outside Sources	691	691	598	-	598	(93)
Other	96	96	5	-	5	(91)
Total Revenues	<u>10,852</u>	<u>10,852</u>	<u>9,139</u>	<u>(22)</u>	<u>9,117</u>	<u>(1,713)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Court	2,048	2,070	1,761	(2)	1,759	309
Public Works	250	250	251	-	251	(1)
Community and Economic Development	1,144	1,144	501	-	501	643
Public Safety	1,462	1,669	992	6	998	677
Community Services	2,716	2,691	2,239	3	2,242	452
Total Expenditures	<u>7,620</u>	<u>7,824</u>	<u>5,744</u>	<u>7</u>	<u>5,751</u>	<u>2,080</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,232</u>	<u>3,028</u>	<u>3,395</u>	<u>(29)</u>	<u>3,366</u>	<u>367</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	60	60	306	-	306	246
Transfers Out	(5,254)	(5,254)	(4,814)	-	(4,814)	440
Total Other Financing Sources and (Uses)	<u>(5,194)</u>	<u>(5,194)</u>	<u>(4,508)</u>	<u>-</u>	<u>(4,508)</u>	<u>686</u>
Net Change in Fund Balances	<u>(1,962)</u>	<u>(2,166)</u>	<u>(1,113)</u>	<u>(29)</u>	<u>(1,142)</u>	<u>1,053</u>
Fund Balances - Beginning	9,117	9,106	9,106	(21)	9,085	-
Fund Balances - Ending	<u>\$ 7,155</u>	<u>\$ 6,940</u>	<u>\$ 7,993</u>	<u>\$ (50)</u>	<u>\$ 7,943</u>	<u>\$ 1,053</u>
<b>Explanation of Difference:</b>						
Items recorded as revenue for GAAP purposes that are not recorded for budget purposes:						
Investment Income	<u>\$ (22)</u>					
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:						
Payroll Accruals	<u>7</u>					
Net Decrease in Fund Balance – Budget to GAAP	<u>\$ (29)</u>					

## Tourism Development – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2014 (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				
<b>REVENUES</b>						
Taxes - Local						
Transient Occupancy	\$ 13,989	\$ 13,989	\$ 15,303	\$ -	\$ 15,303	\$ 1,314
Property Rental	1,600	1,600	1,653	-	1,653	53
Reimbursements from Outside Sources	85	85	16	-	16	(69)
Total Revenues	<u>15,674</u>	<u>15,674</u>	<u>16,972</u>	<u>-</u>	<u>16,972</u>	<u>1,298</u>
<b>EXPENDITURES</b>						
Current						
Community and Economic Development	9,374	10,042	9,340	1	9,341	702
Total Expenditures	<u>9,374</u>	<u>10,042</u>	<u>9,340</u>	<u>1</u>	<u>9,341</u>	<u>702</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,300</u>	<u>5,632</u>	<u>7,632</u>	<u>(1)</u>	<u>7,631</u>	<u>2,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(6,101)	(6,101)	(5,590)	-	(5,590)	511
Total Other Financing Sources and (Uses)	<u>(6,101)</u>	<u>(6,101)</u>	<u>(5,590)</u>	<u>-</u>	<u>(5,590)</u>	<u>511</u>
Net Change in Fund Balances	199	(469)	2,042	(1)	2,041	2,511
Fund Balances - Beginning	6,872	7,210	7,210	(6)	7,204	-
Fund Balances - Ending	<u>\$ 7,071</u>	<u>\$ 6,741</u>	<u>\$ 9,252</u>	<u>\$ (7)</u>	<u>\$ 9,245</u>	<u>\$ 2,511</u>

#### Explanation of Difference:

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

Payroll Accruals	<u>\$ 1</u>
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## Combining Balance Sheet

## Nonmajor Debt Service Governmental Funds

June 30, 2014 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
<b>ASSETS</b>									
Cash and Investments	\$ -	\$ 8,679	\$ -	\$ -	\$ -	\$ -	\$ 321	\$ -	\$ 9,000
Cash with Fiscal Agents	10,182	-	490	1,360	1,146	267	531	5,214	19,190
Receivables (net of allowance for uncollectibles)									
Property Tax	-	-	14	23	34	1	7	-	79
Intergovernmental	-	19,882	-	-	-	-	-	-	19,882
Total Assets	<u>\$ 10,182</u>	<u>\$ 28,561</u>	<u>\$ 504</u>	<u>\$ 1,383</u>	<u>\$ 1,180</u>	<u>\$ 268</u>	<u>\$ 859</u>	<u>\$ 5,214</u>	<u>\$ 48,151</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
Liabilities									
Accounts Payable	\$ 141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141
Matured Bond Interest Payable	4,205	-	42	149	241	24	104	1,254	6,019
Matured Bonds Payable	5,830	-	405	1,020	800	165	100	3,960	12,280
Total Liabilities	<u>10,176</u>	<u>-</u>	<u>447</u>	<u>1,169</u>	<u>1,041</u>	<u>189</u>	<u>204</u>	<u>5,214</u>	<u>18,440</u>
Deferred Inflows of Resources									
Unavailable Revenues	-	18,501	5	11	13	1	-	-	18,531
Total Liabilities and Deferred Inflows of Resources	<u>10,176</u>	<u>18,501</u>	<u>452</u>	<u>1,180</u>	<u>1,054</u>	<u>190</u>	<u>204</u>	<u>5,214</u>	<u>36,971</u>
Fund Balances									
Restricted	6	5,360	52	203	126	78	655	-	6,480
Committed	-	4,700	-	-	-	-	-	-	4,700
Total Fund Balances	<u>6</u>	<u>10,060</u>	<u>52</u>	<u>203</u>	<u>126</u>	<u>78</u>	<u>655</u>	<u>-</u>	<u>11,180</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,182</u>	<u>\$ 28,561</u>	<u>\$ 504</u>	<u>\$ 1,383</u>	<u>\$ 1,180</u>	<u>\$ 268</u>	<u>\$ 859</u>	<u>\$ 5,214</u>	<u>\$ 48,151</u>

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

### Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	Scottsdale Mountain CFD	McDowell Mountain CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
<b>REVENUES</b>									
Taxes - Local									
Property	\$ -	\$ -	\$ 444	\$ 1,221	\$ 1,126	\$ 106	\$ 279	\$ -	\$ 3,176
Property Rental	-	147	-	-	-	-	-	-	147
Intergovernmental									
Miscellaneous	-	1,585	-	-	-	-	-	-	1,585
Total Revenues	-	1,732	444	1,221	1,126	106	279	-	4,908
<b>EXPENDITURES</b>									
Current									
Debt Service									
Principal	8,440	-	405	1,021	800	165	100	3,960	14,891
Interest and Fiscal Charges	8,983	-	87	299	486	49	211	2,516	12,631
Bond Issuance Costs	287	-	-	-	-	-	-	-	287
Total Expenditures	17,710	-	492	1,320	1,286	214	311	6,476	27,809
Excess (Deficiency) of Revenues over Expenditures	(17,710)	1,732	(48)	(99)	(160)	(108)	(32)	(6,476)	(22,901)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	14,773	-	-	-	-	-	-	6,476	21,249
Transfers Out	(125)	(1,590)	-	-	-	-	-	-	(1,715)
Issuance of Refunding Bonds	22,735	-	-	-	-	-	-	-	22,735
Premium on Long-Term Debt Issued	2,659	-	-	-	-	-	-	-	2,659
Payment to Refunded Bonds Escrow Agent	(22,453)	-	-	-	-	-	-	-	(22,453)
Total Other Financing Sources and (Uses)	17,589	(1,590)	-	-	-	-	-	6,476	22,475
Net Change in Fund Balances	(121)	142	(48)	(99)	(160)	(108)	(32)	-	(426)
Fund Balances - Beginning, Restated*	127	9,918	100	302	286	186	687	-	11,606
Fund Balances - Ending	\$ 6	\$ 10,060	\$ 52	\$ 203	\$ 126	\$ 78	\$ 655	\$ -	\$ 11,180

\*Restated due to a prior period adjustment to move fund balance of \$9,918,000 from the Municipal Property Corporation to the Debt Stabilization Fund.

## 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, 2014 (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				
<b>REVENUES</b>						
Taxes - Local						
Property	\$ 36,712	\$ 36,713	\$ 36,372	\$ -	\$ 36,372	\$ (341)
Total Revenues	<u>36,712</u>	<u>36,713</u>	<u>36,372</u>	<u>-</u>	<u>36,372</u>	<u>(341)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	34,070	36,733	42,114	-	42,114	(5,381)
Interest and Fiscal Charges	27,039	27,176	24,108	-	24,108	3,068
Bond Issuance Costs	-	-	710	-	710	(710)
Total Expenditures	<u>61,109</u>	<u>63,909</u>	<u>66,932</u>	<u>-</u>	<u>66,932</u>	<u>(3,023)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(24,397)</u>	<u>(27,196)</u>	<u>(30,560)</u>	<u>-</u>	<u>(30,560)</u>	<u>(3,364)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	24,397	24,397	21,976	-	21,976	(2,421)
Issuance of Refunding Bonds	-	-	83,150	-	83,150	83,150
Issuance of Long-Term Capital-Related Debt	-	-	261	-	261	261
Premium on Long-Term Debt Issued	-	-	10,083	-	10,083	10,083
Payment to Refunded Bonds Escrow Agent	-	-	(85,646)	-	(85,646)	(85,646)
Total Other Financing Sources and (Uses)	<u>24,397</u>	<u>24,397</u>	<u>29,824</u>	<u>-</u>	<u>29,824</u>	<u>5,427</u>
Net Change in Fund Balances	-	(2,799)	(736)	-	(736)	2,063
Fund Balances - Beginning	5,931	10,105	10,105	-	10,105	-
Fund Balances - Ending	<u>\$ 5,931</u>	<u>\$ 7,306</u>	<u>\$ 9,369</u>	<u>\$ -</u>	<u>\$ 9,369</u>	<u>\$ 2,063</u>

# Municipal Property Corporation Bond Debt Service Fund

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

For the Fiscal Year Ended June 30, 2014 (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				
<b>REVENUES</b>						
Property Rental	\$ 145	\$ 145	\$ -	\$ -	\$ -	\$ (145)
Intergovernmental	1,239	1,239	-	-	-	(1,239)
Other	-	-	-	-	-	-
Total Revenues	<u>1,384</u>	<u>1,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,384)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	6,237	6,237	8,440	-	8,440	(2,203)
Interest and Fiscal Charges	9,635	9,634	8,983	-	8,983	651
Bond Issuance Costs	-	-	287	-	287	(287)
Total Expenditures	<u>15,872</u>	<u>15,871</u>	<u>17,710</u>	<u>-</u>	<u>17,710</u>	<u>(1,839)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(14,488)</u>	<u>(14,487)</u>	<u>(17,710)</u>	<u>-</u>	<u>(17,710)</u>	<u>(3,223)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	14,281	14,281	14,773	-	14,773	492
Transfers Out	-	-	(125)	-	(125)	(125)
Issuance of Refunding Bonds	-	-	22,735	-	22,735	22,735
Premium on Long-Term Debt Issued	-	-	2,659	-	2,659	2,659
Payment to Refunded Bonds Escrow Agent	-	-	(22,453)	-	(22,453)	(22,453)
Total Other Financing Sources and (Uses)	<u>14,281</u>	<u>14,281</u>	<u>17,589</u>	<u>-</u>	<u>17,589</u>	<u>3,308</u>
Net Change in Fund Balances	(207)	(206)	(121)	-	(121)	85
Fund Balances - Beginning, Restated*	9,477	127	127	-	127	-
Fund Balances - Ending	<u>\$ 9,270</u>	<u>\$ (79)</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 85</u>

## Scottsdale Preserve Authority Bond Debt Service Fund

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

For the Fiscal Year Ended June 30, 2014 (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				
<b>REVENUES</b>						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>						
Debt Service						
Principal	3,960	3,960	3,960	-	3,960	-
Interest and Fiscal Charges	2,515	2,515	2,516	-	2,516	(1)
Total Expenditures	6,475	6,475	6,476	-	6,476	(1)
Excess (Deficiency) of Revenues over (under) Expenditures	(6,475)	(6,475)	(6,476)	-	(6,476)	(1)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	6,475	6,475	6,476	-	6,476	1
Total Other Financing Sources and (Uses)	6,475	6,475	6,476	-	6,476	1
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances - Beginning	-	-	-	-	-	-
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Combining Balance Sheet

### Nonmajor Capital Projects Governmental Funds

June 30, 2014 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	McDowell Mountain CFD	Total
<b>ASSETS</b>					
Cash and Investments	\$ 19,615	\$ 27,022	\$ 17	\$ -	\$ 46,654
Receivables (net of allowance for uncollectibles)					
Interest	44	35	-	-	79
Intergovernmental	-	1,113	-	-	1,113
Grants	-	1,076	-	-	1,076
Miscellaneous	-	500	-	-	500
Total Assets	<u>\$ 19,659</u>	<u>\$ 29,746</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 49,422</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ -	\$ 2,174	\$ 10	\$ -	\$ 2,184
Accrued Payroll and Benefits	-	18	7	-	25
Total Liabilities	<u>-</u>	<u>2,192</u>	<u>17</u>	<u>-</u>	<u>2,209</u>
Deferred Inflows of Resources					
Unavailable Revenues	-	1,560	-	-	1,560
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>3,752</u>	<u>17</u>	<u>-</u>	<u>3,769</u>
Fund Balances					
Restricted	19,659	25,994	-	-	45,653
Total Fund Balances	<u>19,659</u>	<u>25,994</u>	<u>-</u>	<u>-</u>	<u>45,653</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,659</u>	<u>\$ 29,746</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 49,422</u>



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

### Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	General Obligation Bond	Transportation Privilege Tax	Preserve Privilege Tax	McDowell Mountain CFD	Total
<b>REVENUES</b>					
Interest Earnings	\$ 328	\$ 227	\$ -	\$ -	\$ 555
Investment Income	(189)	(132)	-	-	(321)
Intergovernmental					
Federal Grants	-	3,702	-	-	3,702
Miscellaneous	-	11,676	-	-	11,676
Contributions and Donations	-	-	6	-	6
Other	-	-	3	-	3
Total Revenues	<u>139</u>	<u>15,473</u>	<u>9</u>	<u>-</u>	<u>15,621</u>
<b>EXPENDITURES</b>					
Current					
Capital Improvements	-	19,541	15,579	-	35,120
Total Expenditures	<u>-</u>	<u>19,541</u>	<u>15,579</u>	<u>-</u>	<u>35,120</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>139</u>	<u>(4,068)</u>	<u>(15,570)</u>	<u>-</u>	<u>(19,499)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	159	9,633	2,713	-	12,505
Transfers Out	(10,146)	(9)	(882)	(110)	(11,147)
Issuance of Long-Term Capital-Related Debt	-	-	13,739	-	13,739
Total Other Financing Sources and (Uses)	<u>(9,987)</u>	<u>9,624</u>	<u>15,570</u>	<u>(110)</u>	<u>15,097</u>
Net Change in Fund Balances	(9,848)	5,556	-	(110)	(4,402)
Fund Balances - Beginning	29,507	20,438	-	110	50,055
Fund Balances - Ending	<u>\$ 19,659</u>	<u>\$ 25,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,653</u>

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## 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 is used to account for the expenses associated with purchasing and maintaining the City's vehicles.

### **Self-Insurance Fund**

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

### **Computer Replacement Fund**

This fund is used to account for the expenses associated with purchasing the City's computers, monitors, and printers.

## Combining Statement of Fund Net Position

### Internal Service Funds

June 30, 2014 (in thousands)

ASSETS	Fleet Management	Self-Insurance	Computer Replacement	Total
Current Assets				
Cash and Investments	\$ 13,288	\$ 21,369	\$ 942	\$ 35,599
Receivables (net of allowance for uncollectibles)				
Miscellaneous	159	163	-	322
Supplies Inventory	906	-	-	906
Total Current Assets	14,353	21,532	942	36,827
Capital Assets				
Buildings and Improvements	12,447	-	-	12,447
Motor Vehicles	60,817	-	-	60,817
Machinery and Equipment	1,374	-	-	1,374
Construction in Progress	56	-	-	56
Less Accumulated Depreciation	(39,830)	-	-	(39,830)
Total Noncurrent Assets	34,864	-	-	34,864
Total Assets	49,217	21,532	942	71,691
LIABILITIES				
Current Liabilities				
Accounts Payable	2,399	858	3	3,260
Accrued Payroll and Benefits	158	31	-	189
Accrued Compensated Absences - Due within one year	140	26	-	166
Claims Payable - Due within one year	-	6,589	-	6,589
Total Current Liabilities	2,697	7,504	3	10,204
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	161	34	-	195
Other Payables - Due in more than one year	-	9,074	-	9,074
Total Noncurrent Liabilities	161	9,108	-	9,269
Total Liabilities	2,858	16,612	3	19,473
NET POSITION				
Net Investment in Capital Assets	34,864	-	-	34,864
Unrestricted	11,495	4,920	939	17,354
Total Net Position	\$ 46,359	\$ 4,920	\$ 939	\$ 52,218

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

### Internal Service Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 18,571	\$ 26,056	\$ 1,013	\$ 45,640
Self Insurance Contributions - Employee	-	6,583	-	6,583
Self Insurance Contributions - Retiree	-	487	-	487
State Contributions	-	243	-	243
Other	70	647	-	717
Total Operating Revenues	<u>18,641</u>	<u>34,016</u>	<u>1,013</u>	<u>53,670</u>
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	12,097	-	-	12,097
Self-Insurance Administration	-	2,797	-	2,797
Self-Insurance Claims	-	7,907	-	7,907
Self-Insurance Benefits	-	23,906	-	23,906
Insurance and Bond Premiums	-	2,024	-	2,024
Depreciation	4,728	-	-	4,728
Computer Replacement	-	-	681	681
Total Operating Expenses	<u>16,825</u>	<u>36,634</u>	<u>681</u>	<u>54,140</u>
Operating Income (Loss)	<u>1,816</u>	<u>(2,618)</u>	<u>332</u>	<u>(470)</u>
Non-Operating Revenues				
Property Tax	-	145	-	145
Gain on Sale of Capital Assets	457	-	-	457
Total Non-Operating Revenues	<u>457</u>	<u>145</u>	<u>-</u>	<u>602</u>
Income Before Contributions and Transfers	2,273	(2,473)	332	132
Capital Contribution	491	-	-	491
Transfers Out	(768)	(3)	-	(771)
Change in Net Position	<u>1,996</u>	<u>(2,476)</u>	<u>332</u>	<u>(148)</u>
Total Net Position - Beginning	44,363	7,396	607	52,366
Total Net Position - Ending	<u>\$ 46,359</u>	<u>\$ 4,920</u>	<u>\$ 939</u>	<u>\$ 52,218</u>

## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 18,571	\$ 33,634	\$ 1,013	\$ 53,218
Cash Payments to Employees for Services	(3,195)	(1,011)	-	(4,206)
Cash Payments to Suppliers for Goods/Services	(9,000)	(32,731)	(678)	(42,409)
Other Cash Receipts	70	647	-	717
Net Cash Provided by Operating Activities	<u>6,446</u>	<u>539</u>	<u>335</u>	<u>7,320</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Property Tax	-	145	-	145
Transfers Out	(768)	(3)	-	(771)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(768)</u>	<u>142</u>	<u>-</u>	<u>(626)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(3,458)	-	-	(3,458)
Sale of Capital Assets	624	-	-	624
Net Cash Used for Capital and Related Financing Activities	<u>(2,834)</u>	<u>-</u>	<u>-</u>	<u>(2,834)</u>
Net Increase in Cash and Cash Equivalents	2,844	681	335	3,860
Cash and Cash Equivalents at Beginning of Year	<u>10,444</u>	<u>20,688</u>	<u>607</u>	<u>31,739</u>
Cash and Cash Equivalents at End of Year	<u>\$ 13,288</u>	<u>\$ 21,369</u>	<u>\$ 942</u>	<u>\$ 35,599</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 1,816	\$ (2,618)	\$ 332	\$ (470)
Income Provided by Operating Activities				
Depreciation	4,728	-	-	4,728
Accounts Receivable	-	265	-	265
Inventories	(83)	-	-	(83)
Accounts Payable	(74)	102	3	31
Accrued Payroll	32	8	-	40
Compensated Absences Payable	27	1	-	28
Claims Payable	-	2,781	-	2,781
Total Adjustments	<u>4,630</u>	<u>3,157</u>	<u>3</u>	<u>7,790</u>
Net Cash Provided by Operating Activities	<u>\$ 6,446</u>	<u>\$ 539</u>	<u>\$ 335</u>	<u>\$ 7,320</u>
<b>Supplemental Disclosure of Non-cash Financing Activities</b>				
Deductions from Property, Plant, and Equipment				
Contributions to Enterprise	<u>\$ (241)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (241)</u>

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## FIDUCIARY FUNDS

Private Purpose Trust Funds and Agency Funds administer resources received and held by the City as the trustee or as the agent for others. Use of these funds facilitates the discharge responsibilities placed on the governmental unit by virtue of law or other similar authority.

### **Handicap Scholarship Private Purpose Trust Fund**

This fund accounts for monies received and expended for college scholarships for individuals with disabilities.

### **Family Self-Sufficiency Agency Fund**

This fund accounts for monies in escrow for Section 8 Housing Program participants.

### **Retainage Escrow Agency Fund**

This fund accounts for monies held in escrow for construction contract retainage payable.

### **Crossroads East Development Agreement**

This fund accounts for monies in escrow for the Arizona State Land Department.

## Combining Statement of Fiduciary Net Position

### Fiduciary Funds

June 30, 2014 (in thousands)

	Private Purpose Trust Funds		Agency Funds			
	Handicap Scholarship Private Purpose Trust Fund	Total	Family Self- Sufficiency Agency Fund	Retainage Escrow Agency Fund	Crossroads East Dev Agreement Agency Fund	Total
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 5	\$ 5	\$ 50	\$ -	\$ 1,415	\$ 1,465
Total Assets	5	5	50	-	1,415	1,465
<b>LIABILITIES</b>						
Escrow Payable Vouchers	-	-	50	-	-	50
Designated Escrow Payable	-	-	-	-	-	-
State Land Department Rebate	-	-	-	-	1,415	1,415
Total Liabilities	-	-	\$ 50	\$ -	\$ 1,415	\$ 1,465
<b>NET POSITION</b>						
Held in Trust for Other Purposes	\$ 5	\$ 5				

## Combining Statement of Changes in Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2014 (in thousands)

	Family Self-Sufficiency			Retainage Escrow			Crossroads East Dev Agreement					
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ 75	\$ 46	\$ 71	\$ 50	\$ 1,720	\$ -	\$ 1,720	\$ -	\$ 1,415	\$ -	\$ -	\$ 1,415
Total Assets	<u>\$ 75</u>	<u>\$ 46</u>	<u>\$ 71</u>	<u>\$ 50</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415</u>
<b>LIABILITIES</b>												
Escrow Payable Vouchers	\$ 75	\$ 46	\$ 71	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Designated Escrow Payable	-	-	-	-	1,720	-	1,720	-	-	-	-	-
State Land Department Rebate	-	-	-	-	-	-	-	-	1,415	-	-	1,415
Total Liabilities	<u>\$ 75</u>	<u>\$ 46</u>	<u>\$ 71</u>	<u>\$ 50</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415</u>



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## OTHER SUPPLEMENTARY INFORMATION

### Debt Requirements

The Schedule of Changes in Long-Term Debt for the current fiscal year presents the City's debt by debt 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 Year Ended June 30, 2014 (in thousands of dollars)

	July 1, 2013	Issued	Retired	Refunding Bonds Issued	Bonds Deceased	Accretions, Amortizations & Contract Adjustments	June 30, 2014	Governmental Activities	Business-type Activities	Final Payment Date
<b>GENERAL OBLIGATION BONDS</b>										
Governmental Fund Type:										
1997 GO Refunding	\$ 1,350	\$ -	\$ 1,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/14
2002 GO Refunding Various Purpose	12,290	-	5,705	-	-	-	6,585	6,585	-	07/01/19
2002 GO Refunding Preservation	8,100	-	-	-	-	-	8,100	8,100	-	07/01/19
2004 GO Various Purpose	9,475	-	4,000	-	5,475	-	-	-	-	07/01/25
2004 GO Preservation	2,100	-	2,100	-	-	-	-	-	-	07/01/25
2005 GO Refunding Various Purpose	1,525	-	1,525	-	-	-	-	-	-	07/01/24
2005 GO Refunding Preservation	66,090	-	3,005	-	-	-	63,085	63,085	-	07/01/24
2005A GO Various Purpose	99,750	-	6,000	-	68,500	-	25,250	25,250	-	07/01/24
2005B GO Preservation	13,900	-	1,000	-	9,175	-	3,725	3,725	-	07/01/24
2008A GO Various Purpose	96,925	-	3,350	-	-	-	93,575	93,575	-	07/01/28
2008B GO Preservation	17,625	-	550	-	-	-	17,075	17,075	-	07/01/34
2010 GO Various Purpose Bonds	47,650	-	1,250	-	-	-	46,400	46,400	-	07/01/30
2011 GO Preserve	21,030	-	770	-	-	-	20,260	20,260	-	07/01/34
2011 GO Refunding Various Purpose	4,445	-	-	-	-	-	4,445	4,445	-	07/01/18
2011 GO Refunding Preservation	29,060	-	3,210	-	-	-	25,850	25,850	-	07/01/24
2012 GO Preservation	50,000	-	-	-	-	-	50,000	50,000	-	07/01/34
2012 GO Refunding Various Purpose	38,434	-	113	-	-	-	38,321	38,321	-	07/01/25
2012 GO Refunding Preservation	44,386	-	142	-	-	-	44,244	44,244	-	07/01/25
2013 GO Preserve	75,000	-	-	-	-	-	75,000	75,000	-	07/01/34
2014 GO Preserve	-	14,000	-	-	-	-	14,000	14,000	-	07/01/34
2014 GO Refunding Various Purpose	-	-	-	73,785	-	-	73,785	73,785	-	07/01/23
2014 GO Refunding Preservation	-	-	-	9,365	-	-	9,365	9,365	-	07/01/23
2004 GO Series Issuance Premium	58	-	-	-	16	(42)	-	-	-	-
2005 GO Refunding Series Issuance Premium	1,318	-	-	-	-	(213)	1,105	1,105	-	-
2005A GO Series Issuance Premium	1,414	-	-	-	893	(48)	473	473	-	-
2005B GO Series Issuance Premium	226	-	-	-	137	(8)	81	81	-	-
2008A GO Series Issuance Premium	1,660	-	-	-	-	(112)	1,548	1,548	-	-
2008B GO Series Issuance Premium	113	-	-	-	-	(6)	107	107	-	-
2010 GO Bonds Issuance Premium	706	-	-	-	-	(42)	664	664	-	-
2011 GO Preserve Series Issuance Premium	235	-	-	-	-	(11)	224	224	-	-
2011 GO Refunding Series Issuance Premium	3,167	-	-	-	-	(295)	2,872	2,872	-	-
2012 GO Preserve Issuance Premium	2,290	-	-	-	-	(111)	2,179	2,179	-	-
2012 GO Refunding Series Issuance Premium	7,355	-	-	-	-	(613)	6,742	6,742	-	-
2013 GO Preserve Issuance Premium	3,044	-	-	-	-	(147)	2,897	2,897	-	-
2014 GO Preserve Issuance Premium	-	573	-	-	-	(5)	568	568	-	-
2014 GO Refunding Series Issuance Premium	-	-	-	9,510	-	(176)	9,334	9,334	-	-
Total General Obligation Bonds	\$ 660,721	\$ 14,573	\$ 34,070	\$ 92,660	\$ 84,196	\$ (1,829)	\$ 647,859	\$ 647,859	\$ -	-
<b>REVENUE BONDS</b>										
Business Type - Revenue Bonds										
2004 Utility Revenue Series Refunding	\$ 2,870	\$ -	\$ 910	\$ -	\$ -	\$ -	\$ 1,960	\$ -	\$ 1,960	07/01/16
2008 Utility Revenue Series Refunding	32,645	-	2,330	-	-	-	30,315	-	30,315	07/01/23
2008 Refunding Series Issuance Premium	2,762	-	-	-	-	(290)	2,472	-	2,472	-
Total Revenue Bonds	\$ 38,277	\$ -	\$ 3,240	\$ -	\$ -	\$ (290)	\$ 34,747	\$ -	\$ 34,747	-

\*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 Year Ended June 30, 2014 (in thousands of dollars)

(continued here and on following page)

	July 1, 2013	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2014	Governmental Activities	Business-type Activities	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Fund Type:										
2004A MPC	\$ 5,925	\$ -	\$ 1,050	\$ -	\$ 2,610	\$ -	\$ 2,265	\$ 2,265	\$ -	07/01/16
2005 MPC	23,689	-	519	-	-	-	23,170	23,170	-	07/01/21
2005D MPC	19,025	-	825	-	-	-	18,200	18,200	-	07/01/35
2006 MPC Refunding	55,450	-	-	-	-	-	55,450	55,450	-	07/01/34
2006A MPC	8,015	-	300	-	4,385	-	3,330	3,330	-	07/01/31
2006B MPC	30,550	-	1,050	-	16,725	-	12,775	12,775	-	07/01/31
2013A MPC	26,295	-	830	-	-	-	25,465	25,465	-	07/01/28
2013B MPC	1,440	-	45	-	-	-	1,395	1,395	-	07/01/33
2013C MPC	37,265	-	1,210	-	-	-	36,055	36,055	-	07/01/33
2014 MPC Refunding	-	-	-	22,735	-	-	22,735	22,735	-	07/01/27
2004A Series Issuance Premium	104	-	-	-	39	(22)	43	43	-	-
2005 Series Issuance Premium	191	-	-	-	-	(24)	167	167	-	-
2005D Series Issuance Premium	836	-	-	-	-	(38)	798	798	-	-
2006 Refunding Series Issuance Premium	5,189	-	-	-	-	(247)	4,942	4,942	-	-
2006A Series Issuance Premium	88	-	-	-	46	(2)	40	40	-	-
2006B Series Issuance Premium	158	-	-	-	82	(4)	72	72	-	-
2013A MPC Series Issuance Premium	4,847	-	-	-	-	(332)	4,515	4,515	-	-
2013B MPC Series Issuance Premium	196	-	-	-	-	(10)	186	186	-	-
2013C MPC Series Issuance Premium	4,949	-	-	-	-	(252)	4,697	4,697	-	-
2014 Refunding Series Issuance Premium	-	-	-	2,659	-	(17)	2,642	2,642	-	-
Subtotal	224,212	-	5,829	25,394	23,887	(948)	218,942	218,942	-	-
Business Type - Municipal Property Corporation Bonds										
2004 Water/Sewer	3,545	-	3,545	-	-	-	-	-	-	07/01/14
2005E Water/Sewer	8,830	-	2,725	-	-	-	6,105	-	6,105	07/01/16
2006 MPC Refunding	110,510	-	-	-	-	-	110,510	-	110,510	07/01/30
2008A Water/Sewer	93,150	-	3,050	-	-	-	90,100	-	90,100	07/01/32
2010 MPC Bonds Water/Sewer	74,520	-	440	-	-	-	74,080	-	74,080	07/01/36
2004 Water/Sewer Issuance Premium	176	-	-	-	-	(176)	-	-	-	-
2005E Water Issuance Premium	238	-	-	-	-	(79)	159	-	159	-
2006 Refunding Series Issuance Premium	9,466	-	-	-	-	(450)	9,016	-	9,016	-
2008A Series Issuance Premium	3,690	-	-	-	-	(196)	3,494	-	3,494	-
2010 Water/Sewer Issuance Premium	3,090	-	-	-	-	(136)	2,954	-	2,954	-
Subtotal	307,215	-	9,760	-	-	(1,037)	296,418	-	296,418	-
Total Municipal Property Corporation Bonds	\$ 531,427	\$ -	\$ 15,589	\$ 25,394	\$ 23,887	\$ (1,985)	\$ 515,360	\$ 218,942	\$ 296,418	-
<b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>										
Governmental Fund Type:										
2004 Excise Tax Refunding	\$ 9,455	\$ -	\$ 2,990	\$ -	\$ -	\$ -	\$ 6,465	\$ 6,465	\$ -	07/01/16
2010 Excise Tax Refunding	32,855	-	-	-	-	-	32,855	32,855	-	07/01/24
2011 Excise Tax Refunding	10,155	-	970	-	-	-	9,185	9,185	-	07/01/22
2004 Excise Tax Revenue Issuance Premium	474	-	-	-	-	(237)	237	-	-	-
2010 Excise Tax Revenue Issuance Premium	3,917	-	-	-	-	(346)	3,571	3,571	-	-
2011 Excise Tax Revenue Issuance Premium	889	-	-	-	-	(102)	787	787	-	-
Total Scottsdale Preserve Authority Bonds	\$ 57,745	\$ -	\$ 3,960	\$ -	\$ -	\$ (685)	\$ 53,100	\$ 53,100	\$ -	-

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

**Schedule of Changes in Long-Term Debt\***

(continued)

For the Year Ended June 30, 2014 (in thousands of dollars)

	July 1, 2013	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2014	Governmental Activities	Business-type Activities	Final Payment Date
<b>CERTIFICATES OF PARTICIPATION</b>										
Governmental Fund Type:										
Series 2010-Public Safety Communications Project	\$ 16,003	\$ -	\$ 2,089	\$ -	\$ -	\$ -	\$ 13,914	\$ 13,914	\$ -	07/01/20
Total Certificates of Participation	\$ 16,003	\$ -	\$ 2,089	\$ -	\$ -	\$ -	\$ 13,914	\$ 13,914	\$ -	
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Fund Type:										
Scottsdale Mountain Refunding Series 2002	\$ 1,880	\$ -	\$ 405	\$ -	\$ -	\$ -	\$ 1,475	\$ 1,475	\$ -	07/15/18
Waterfront Commercial Series 2007	3,545	-	100	-	-	-	3,445	3,445	-	07/15/32
DC Ranch Refunding Series 2012	14,115	-	800	-	-	-	13,315	13,315	-	07/15/27
McDowell Mtn Ranch Refunding Series 2012	10,480	-	1,020	-	-	-	9,460	9,460	-	07/15/22
Via Linda Road Refunding Series 2012	1,865	-	165	-	-	-	1,700	1,700	-	07/15/23
Scottsdale Mountain 2002 Issuance Premium	6	-	-	-	-	(1)	5	5	-	
DC Ranch 2012 Issuance Premium	551	-	-	-	-	(39)	512	512	-	
McDowell Mnt Ranch 2012 Issuance Premium	201	-	-	-	-	(23)	178	178	-	
Total Community Facilities District Bonds	\$ 32,643	\$ -	\$ 2,490	\$ -	\$ -	\$ (63)	\$ 30,090	\$ 30,090	\$ -	
Total Bonds	\$ 1,336,816	\$ 14,573	\$ 61,438	\$ 118,054	\$ 108,083	\$ (4,852)	\$ 1,295,070	\$ 963,905	\$ 331,165	
<b>CONTRACTS PAYABLE</b>										
Governmental Fund Type:										
US Corps of Engineers	\$ 2,570	\$ -	\$ 2,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Contracts	\$ 2,570	\$ -	\$ 2,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
<b>CAPITAL LEASES</b>										
Governmental Fund Type:										
Field Maintenance Equipment - Community Services	\$ 59	\$ -	\$ 18	\$ -	\$ -	\$ -	\$ 41	\$ 41	\$ -	2016
Copier Equipment - Administrative Services	41	-	41	-	-	-	-	-	-	2014
Copier Equipment - Administrative Services	40	-	40	-	-	-	-	-	-	2014
Street Maintenance Equipment - Public Works	43	-	24	-	-	-	19	19	-	2015
Copier Equipment - Administrative Services-2014	-	296	27	-	-	-	269	269	-	2018
Total Capital Leases	\$ 183	\$ 296	\$ 150	\$ -	\$ -	\$ -	\$ 329	\$ 329	\$ -	
<b>SERVICE CONCESSION ARRANGEMENTS</b>										
Governmental Fund Type:										
Bureau of Reclamation\Westworld	\$ 1,519	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 1,439	\$ 1,439	\$ -	2032
Bureau of Reclamation\IPC	1,625	-	74	-	-	-	1,551	1,551	-	2035
Total Service Concession Arrangements	\$ 3,144	\$ -	\$ 154	\$ -	\$ -	\$ -	\$ 2,990	\$ 2,990	\$ -	
TOTAL BONDS, CONTRACTS, CAPITAL LEASES, AND SERVICE CONCESSION ARRANGEMENTS	\$ 1,342,713	\$ 14,869	\$ 64,312	\$ 118,054	\$ 108,083	\$ (4,852)	\$ 1,298,389	\$ 967,224	\$ 331,165	
Compensated Absences								24,881	3,085	
Other Post-Employment Benefit - Explicit Subsidy								627	-	
Risk Management Claims								15,663	-	
Total Long-Term Debt							\$ 1,008,395	\$ 334,250		

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



## Statistical Section

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### Page

#### Financial Trends

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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

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These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.

#### Debt Capacity

160

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

166

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

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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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 1,877,955	\$ 2,029,375	\$ 2,198,130	\$ 2,353,573	\$ 2,586,731	\$ 2,729,334	\$ 2,704,433	\$ 2,800,451	\$ 2,756,186	\$ 2,685,105
Restricted	78,794	102,293 <sup>(1)</sup>	108,686	189,540	131,732	97,950	91,862	100,275	100,472	109,615
Unrestricted	195,887	172,530 <sup>(1)</sup>	206,386	90,632	83,884	87,698	108,799	74,124	133,897	180,942
Total Governmental Activities Net Position	\$ 2,152,636	\$ 2,304,198	\$ 2,513,202	\$ 2,633,745	\$ 2,802,347	\$ 2,914,982	\$ 2,905,094	\$ 2,974,850	\$ 2,990,555 <sup>(2)</sup>	\$ 2,975,662 <sup>(3)</sup>
Business-Type Activities										
Net Investment in Capital Assets	\$ 756,433	\$ 806,749	\$ 895,636	\$ 909,632	\$ 991,390	\$ 941,884	\$ 1,009,973	\$ 1,036,985	\$ 1,058,880	\$ 1,046,345
Restricted	23,472	27,000	33,649	26,147	26,568	32,244	36,287	38,576	41,545	47,101
Unrestricted	212,957	239,535	224,607	293,090	239,103	307,279	258,395	243,067	242,763	273,321
Total Business-Type Activities Net Position	\$ 992,862	\$ 1,073,284	\$ 1,153,892	\$ 1,228,869	\$ 1,257,061	\$ 1,281,407	\$ 1,304,655	\$ 1,318,628	\$ 1,343,188	\$ 1,366,767 <sup>(3)</sup>
Primary Government										
Net Investment in Capital Assets	\$ 2,634,388	\$ 2,836,124	\$ 3,093,766	\$ 3,263,205	\$ 3,578,121	\$ 3,671,218	\$ 3,714,406	\$ 3,837,436	\$ 3,815,066	\$ 3,731,450
Restricted	102,266	129,293	142,335	215,687	158,300	130,194	128,149	138,851	142,017	156,716
Unrestricted	408,844	412,065	430,993	383,722	322,987	394,977	367,194	317,191	376,660	454,263
Total Primary Government Net Position	\$ 3,145,498	\$ 3,377,482	\$ 3,667,094	\$ 3,862,614	\$ 4,059,408	\$ 4,196,389	\$ 4,209,749	\$ 4,293,478	\$ 4,333,743	\$ 4,342,429

<sup>(1)</sup>Restated restricted and unrestricted net position related to the classification of unspent bond proceeds.

<sup>(2)</sup>In FY 2013, beginning net position was restated due to the implementation of GASB Statements 60 and 62.

<sup>(3)</sup>In FY 2014, beginning net position was restated due to the implementation of GASB Statement 65.

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

Table IIa

	2005 <sup>(1)</sup>	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011 <sup>(3)</sup>	2012 <sup>(4)</sup>	2013	2014 <sup>(5)</sup>
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 30,943	\$ 42,729	\$ 45,682	\$ 40,698	\$ 20,646	\$ 24,351	\$ 21,495	\$ 18,964	\$ 20,985	\$ 21,084
Public Works	-	-	-	-	-	37,143	35,605	34,416	36,405	43,597
Community and Economic Development	-	-	-	-	-	-	134,221	126,622	147,514	134,626
Public Safety	-	-	-	-	-	116,155	111,227	115,740	118,033	127,026
Human Resources	3,333	3,615	3,800	4,790	3,545	3,717	3,047	-	-	-
Community Services	57,519	57,931	70,527	78,285	78,523	53,596	51,974	54,442	56,382	55,190
Information Technology	-	-	-	-	-	14,876	13,491	-	-	-
Administrative Services	-	-	-	-	-	1,917	2,905	17,318	16,863	17,552
Citizen and Neighborhood Resources	3,496	3,419	3,727	3,663	3,802	-	-	-	-	-
Economic Vitality	8,026	7,549	9,475	9,711	8,553	20,676	-	-	-	-
Finance and Accounting	-	-	-	-	-	5,848	-	-	-	-
Financial Services	8,315	8,343	9,843	10,930	9,913	-	-	-	-	-
Fire	28,620	26,943	28,054	31,943	31,174	-	-	-	-	-
Information Services	7,941	14,589	13,329	13,704	13,723	-	-	-	-	-
Municipal Services	16,520	14,746	17,698	20,153	22,887	-	-	-	-	-
Planning and Development	12,522	12,883	15,133	31,933	29,029	-	-	-	-	-
Planning, Neighborhood and Transportation	-	-	-	-	-	114,530	-	-	-	-
Police	63,076	74,408	81,375	91,102	92,530	-	-	-	-	-
The Downtown Group	-	-	-	-	4,595	-	-	-	-	-
Transportation	85,835	82,047	95,214	90,039	87,552	-	-	-	-	-
WestWorld	-	-	-	-	595	-	-	-	-	-
Streetlight and Service Districts	1,094	617	597	712	631	538	578	572	569	576
Interest on Long-Term Debt	32,466	37,192	38,981	39,457	42,242	39,405	40,358	40,647	38,389	35,486
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	998
Total Governmental Activities Expenses	<u>359,706</u>	<u>387,011</u>	<u>433,435</u>	<u>467,120</u>	<u>449,940</u>	<u>432,752</u>	<u>414,901</u>	<u>408,721</u>	<u>435,140</u>	<u>436,135</u>
Business-Type Activities:										
Water Utility	59,723	53,961	64,915	71,140	81,391	76,178	83,888	90,829	90,205	91,496
Sewer Utility	28,324	27,854	26,089	26,947	33,509	33,274	34,533	41,218	43,169	45,421
Airport	3,346	2,922	2,958	3,343	3,482	3,120	3,680	3,681	3,785	4,014
Solid Waste	15,508	16,412	17,895	18,772	19,650	18,889	18,853	17,671	19,146	19,608
Total Business-Type Activities Expenses	<u>106,901</u>	<u>101,149</u>	<u>111,857</u>	<u>120,202</u>	<u>138,032</u>	<u>131,461</u>	<u>140,954</u>	<u>153,399</u>	<u>156,305</u>	<u>160,539</u>
Total Primary Government Expenses	<u>\$ 466,607</u>	<u>\$ 488,160</u>	<u>\$ 545,292</u>	<u>\$ 587,322</u>	<u>\$ 587,972</u>	<u>\$ 564,213</u>	<u>\$ 555,855</u>	<u>\$ 562,120</u>	<u>\$ 591,445</u>	<u>\$ 596,674</u>

<sup>(1)</sup>Increase from prior year was caused by the purchase of equipment, furnishing and clothing needed to start the City's Fire Department on July 1, 2005.

<sup>(2)</sup>In FY2010, the City's Governmental Activities were restructured from Departments to Divisions, which resulted in the shift of reporting associated expenses.

<sup>(3)</sup>In FY2011, Economic Vitality merged with Planning, Neighborhood and Transportation, to become the Community and Economic Development Division. In addition, Finance and Accounting was merged into General Government.

<sup>(4)</sup>In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

<sup>(5)</sup>In FY2014, the City adopted GASB Statement 65, which mandated the expensing of bond issuance costs as opposed to the previous practice of capitalizing such costs.



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

Table IIB

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Program Revenue</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 12,106	\$ 13,783	\$ 14,102	\$ 15,581	\$ 14,670	\$ 13,982	\$ 4,777	\$ 3,965	\$ 4,340	\$ 4,282
Public Works	-	-	-	-	-	-	4,666	3,543	1,498	1,580
Community and Economic Development	-	-	-	-	-	-	9,604 <sup>(4)</sup>	10,958	14,736	17,981
Public Safety	-	-	-	-	-	12,655	9,917	10,102	9,139	10,268
Human Resources	-	-	-	-	-	-	973	-	-	-
Community Services	3,914	4,028	4,388	4,637	4,619	5,773	4,617	5,573	5,523	5,914
Information Technology	-	-	-	-	-	-	2,485	-	-	-
Administrative Services	-	-	-	-	-	-	635	2,549	3,155	2,890
Planning, Neighborhood, and Transportation	-	-	-	-	-	6,837	-	-	-	-
Citizen and Neighborhood Resources	-	163	228	21	-	-	-	-	-	-
Economic Vitality	-	-	-	-	-	2,552	-	-	-	-
Fire	-	1,010 <sup>(1)</sup>	1,155	1,095	2,275	-	-	-	-	-
Planning and Development	18,188	20,515	16,128	12,800	6,393	-	-	-	-	-
Police	11,514	9,938	15,071	16,664	5,703	-	-	-	-	-
Transportation	-	277	326	-	-	-	-	-	-	-
WestWorld	-	-	-	-	2,682	-	-	-	-	-
Streetlight and Service Districts	998	511	546	595	599	289	478	551	551	400
Operating Grants and Contributions	26,865	26,355	29,293	28,409	26,272	29,319	32,205	28,144	31,255	27,710
Capital Grants and Contributions	73,092	136,745 <sup>(2)</sup>	211,707 <sup>(3)</sup>	157,808	240,289	190,279	41,072	112,163	66,917	38,817
Total Governmental Activities Program Revenues	<u>146,677</u>	<u>213,325</u>	<u>292,944</u>	<u>237,610</u>	<u>303,502</u>	<u>261,686</u>	<u>111,429</u>	<u>177,548</u>	<u>137,114</u>	<u>109,842</u>
Business-Type Activities:										
Charges for Services:										
Water Utility	72,612	81,517	84,381	90,741	91,546	94,199	94,056	97,944	100,615	104,722
Sewer Utility	27,503	27,119	32,250	33,930	34,198	35,027	34,533	36,032	36,939	39,917
Airport	3,162	3,342	3,451	3,380	2,813	2,879	2,816	3,248	3,552	3,635
Solid Waste	16,984	17,163	18,490	19,824	20,049	20,269	20,940	20,744	20,458	20,162
Capital Grants and Contributions	38,313	55,580	55,111	50,679	22,067	9,268	17,889	8,607	25,638	22,019
Total Business-Type Activities Revenues	<u>158,574</u>	<u>184,721</u>	<u>193,683</u>	<u>198,554</u>	<u>170,673</u>	<u>161,642</u>	<u>170,234</u>	<u>166,575</u>	<u>187,202</u>	<u>190,455</u>
Total Primary Government Revenues	<u>\$ 305,251</u>	<u>\$ 398,046</u>	<u>\$ 486,627</u>	<u>\$ 436,164</u>	<u>\$ 474,175</u>	<u>\$ 423,328</u>	<u>\$ 281,663</u>	<u>\$ 344,123</u>	<u>\$ 324,316</u>	<u>\$ 300,297</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (213,029)	\$ (173,686)	\$ (140,491)	\$ (229,510)	\$ (146,438)	\$ (171,066)	\$ (303,472)	\$ (231,173)	\$ (298,026)	\$ (326,293)
Business-Type Activities	51,673	83,572	81,826	78,352	32,641	30,181	29,280	13,176	30,897	29,916
Total Primary Government Net Expense	<u>\$ (161,356)</u>	<u>\$ (90,114)</u>	<u>\$ (58,665)</u>	<u>\$ (151,158)</u>	<u>\$ (113,797)</u>	<u>\$ (140,885)</u>	<u>\$ (274,192)</u>	<u>\$ (217,997)</u>	<u>\$ (267,129)</u>	<u>\$ (296,377)</u>

<sup>1)</sup> The City's Fire Department was formed on July 1, 2005. Prior to this time the City contracted with an external fire service provider.

<sup>2)</sup> Developer contributions increased significantly due to the increase in the assets donated and their valuation (increase in construction costs and land values).

<sup>3)</sup> Developer contributions increased significantly due to the increase in the assets donated and their valuation (increase in construction costs).

<sup>4)</sup> In FY2011, Economic Vitality was merged with Planning, Neighborhood and Transportation, to become the Community and Economic Development Division.

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

Table IIc

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes	\$ 217,325 <sup>(1)</sup>	\$ 240,731	\$ 249,411	\$ 246,330	\$ 221,272	\$ 208,083	\$ 222,118	\$ 227,963	\$ 234,582	\$ 248,642
Intergovernmental	48,346	54,481	60,520	65,933	64,145	56,830	49,190	44,035	49,054	52,715
Interest and Investment Income	6,765	13,714	23,013	19,187	14,653	1,368	248	1,063	985	1,274
Miscellaneous and Special Items	4,100	5,786	5,377	7,606	5,038	6,730	11,849	20,502	12,557	8,422
Transfers	9,567	10,536	11,174	10,997	9,932	10,690	10,179	7,366	7,244	6,202
Total Governmental Activities	<u>286,103</u>	<u>325,248</u>	<u>349,495</u>	<u>350,053</u>	<u>315,040</u>	<u>283,701</u>	<u>293,584</u>	<u>300,929</u>	<u>304,422</u>	<u>317,255</u>
Business-Type Activities:										
Taxes	-	119	195	195	117	130	134	132	144	154
Interest and Investment Income	4,288	6,581	9,265	6,910	4,958	4,295	2,658	421	763	964
Miscellaneous	(156)	686	496	517	408	430	1,355	7,610	-	-
Transfers	(9,567)	(10,536)	(11,174)	(10,997)	(9,932)	(10,690)	(10,179)	(7,366)	(7,244)	(6,202)
Total Business-Type Activities:	<u>(5,435)</u>	<u>(3,150)</u>	<u>(1,218)</u>	<u>(3,375)</u>	<u>(4,449)</u>	<u>(5,835)</u>	<u>(6,032)</u>	<u>797</u>	<u>(6,337)</u>	<u>(5,084)</u>
Total Primary Government	<u>\$ 280,668</u>	<u>\$ 322,098</u>	<u>\$ 348,277</u>	<u>\$ 346,678</u>	<u>\$ 310,591</u>	<u>\$ 277,866</u>	<u>\$ 287,552</u>	<u>\$ 301,726</u>	<u>\$ 298,085</u>	<u>\$ 312,171</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 73,074	\$ 151,562	\$ 209,004	\$ 120,543	\$ 168,602	\$ 112,635	\$ (9,888)	\$ 69,756	\$ 6,396	\$ (9,038)
Business-Type Activities	46,238	80,422	80,608	74,977	28,192	24,346	23,248	13,973	24,560	24,832
Total Primary Government	<u>\$ 119,312</u>	<u>\$ 231,984</u>	<u>\$ 289,612</u>	<u>\$ 195,520</u>	<u>\$ 196,794</u>	<u>\$ 136,981</u>	<u>\$ 13,360</u>	<u>\$ 83,729</u>	<u>\$ 30,956</u>	<u>\$ 15,794</u>

<sup>(1)</sup>In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

**City of Scottsdale, Arizona**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table III

	2005	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014
General Fund										
Nonspendable							\$ 247	\$ 264	\$ 265	\$ 266
Restricted							281	260	-	-
Committed							-	-	-	-
Assigned							-	-	-	-
Unassigned							53,199	52,105	48,679	52,354
Reserved	\$ 872	\$ 805	\$ 754	\$ 924	\$ 835	\$ 586	-	-	-	-
Unreserved	72,772	93,243	89,534	61,379	59,587	51,518	-	-	-	-
Total General Fund	<u>\$ 73,644</u>	<u>\$ 94,048</u>	<u>\$ 90,288</u>	<u>\$ 62,303</u>	<u>\$ 60,422</u>	<u>\$ 52,104</u>	<u>\$ 53,727</u>	<u>\$ 52,629</u>	<u>\$ 48,944</u>	<u>\$ 52,620</u>
All Other Governmental Funds										
Nonspendable							\$ 3,000	\$ 2,980	\$ -	\$ -
Restricted							104,284	108,073	114,676	105,837
Committed							6,221	7,345	16,298	20,848
Assigned							36,609	37,183	39,666	7,362
Unassigned, Reported in:										
Special Revenue Funds							(640)	(447)	(1,394)	(1,194)
Reserved	\$ 10,613	\$ 23,142	\$ 21,249	\$ 25,600	\$ 27,236	\$ 20,193	-	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	31,873	40,952	52,484	35,179	30,710	30,963	-	-	-	-
Capital Project Funds	148,626	189,905	179,477	212,676	102,898	102,490	-	-	-	-
Total All Other Governmental Funds	<u>\$ 191,112</u>	<u>\$ 253,999</u>	<u>\$ 253,210</u>	<u>\$ 273,455</u>	<u>\$ 160,844</u>	<u>\$ 153,646</u>	<u>\$ 149,474</u>	<u>\$ 155,134</u>	<u>\$ 169,246</u>	<u>\$ 132,853</u>

<sup>(1)</sup>In FY2011, fund balances were stated in classifications required by GASB54.

**City of Scottsdale, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table IVa

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes - Local	\$ 218,189	\$ 239,478	\$ 251,017	\$ 246,175	\$ 219,846	\$ 204,040	\$ 221,236	\$ 228,823	\$ 236,652	\$ 249,289
Taxes - Intergovernmental	61,948	69,413	76,545	81,246	77,408	69,336	61,754	53,834	59,813	63,816
Business and Liquor Licenses	1,633	1,572	1,626	1,761	1,733	1,787	1,745	1,805	1,763	1,782
Charges for Current Services	23,300	27,260	23,291	20,376	15,719	15,322	15,119	16,985	20,870	24,078
Fines, Fees, and Forfeitures	9,649	10,260	14,779	15,210	11,459	11,637	8,579	9,133	8,472	8,343
Special Assessments	2,029	1,106	1,825	895	821	765	733	719	591	-
Property Rental	3,617	4,173	3,868	3,733	3,527	3,353	4,204	4,630	4,232	4,270
Interest Earnings	6,053	12,518	21,083	17,298	13,491	5,014	2,705	2,837	2,624	2,974
Investment Income	-	-	-	-	-	(4,696)	(3,397)	(1,403)	(1,639)	(1,700)
Intergovernmental	11,771	13,129	15,763	15,552	31,813	17,756	52,300	67,725	53,462	40,116
Developer Contributions	4,708	392	2,024	7,775	9,425	2,518	254	101	203	64
Streetlight and Services Districts	998	511	546	595	599	289	478	551	551	400
Contributions and Donations	917	835	1,878	1,673	1,519	1,275	1,157	2,521	2,813	2,178
Reimbursements from Outside Sources	461	969	568	1,824	1,210	2,852	4,673	12,642	5,934	2,446
Indirect Costs	8,635	9,898	10,208	11,577	14,917	14,159	14,800	9,096	7,595	7,102
Other	9,079	644	700	934	991	644	1,892	3,265	2,438	1,652
<b>Total Revenues</b>	<b>\$ 362,987</b>	<b>\$ 392,158</b>	<b>\$ 425,721</b>	<b>\$ 426,624</b>	<b>\$ 404,478</b>	<b>\$ 346,051</b>	<b>\$ 388,232</b>	<b>\$ 413,264</b>	<b>\$ 406,374</b>	<b>\$ 406,810</b>

**City of Scottsdale, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table IVb

	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011 <sup>(3)</sup>	2012 <sup>(4)</sup>	2013	2014
<b>Expenditures</b>										
General Government	\$ 21,793	\$ 23,516	\$ 24,938	\$ 26,633	\$ 19,216	\$ 17,030	\$ 19,783	\$ 18,523	\$ 19,695	\$ 19,730
Public Works	-	-	-	-	-	31,391	31,463	27,307	29,658	33,381
Community and Economic Development	-	-	-	-	-	-	42,357	38,369	70,351	41,063
Public Safety	-	-	-	-	-	111,459	108,003	107,934	111,960	119,159
Human Resources	3,261	3,507	3,855	3,854	3,465	3,657	3,013	-	-	-
Community Services	49,941	53,535	61,778	69,200	70,807	45,655	43,967	44,762	45,346	45,035
Information Technology	-	-	-	-	-	9,469	9,357	-	-	-
Administrative Services	-	-	-	-	-	1,859	3,031	14,450	14,141	14,950
Finance and Accounting	-	-	-	-	-	6,059	-	-	-	-
Economic Vitality	6,506	7,510	9,016	9,373	8,246	17,110	-	-	-	-
Planning, Neighborhood, and Transportation	-	-	-	-	-	27,447	-	-	-	-
Planning and Development	12,111	12,436	14,331	15,012	16,671	-	-	-	-	-
WestWorld	-	-	-	-	3,704	-	-	-	-	-
Information Systems	7,674	8,253	8,931	10,149	9,904	-	-	-	-	-
The Downtown Group	-	-	-	-	4,627	-	-	-	-	-
Fire	21,320	24,296	26,614	29,785	30,767	-	-	-	-	-
Police	59,874	66,278	78,261	89,725	89,802	-	-	-	-	-
Financial Services	7,631	7,769	9,080	9,433	9,701	-	-	-	-	-
Transportation	8,760	10,099	13,439	14,301	15,580	-	-	-	-	-
Municipal Services	11,813	8,850	9,692	19,140	18,800	-	-	-	-	-
Citizen and Neighborhood Resources	2,831	3,070	3,254	3,621	3,732	-	-	-	-	-
Streetlight and Services Districts	1,094	617	597	712	632	538	578	572	569	576
Debt Service:										
Principal	33,173	27,632	34,252	33,043	31,308	33,701	37,677	44,700	63,234	59,387
Interest and Fiscal Charges	31,948	36,382	38,279	38,651	41,612	38,782	40,091	40,487	38,789	37,323
Bond Issuance Costs	878	351	735	1,028	-	497	1,057	774	1,915	998
Capital Outlay	213,585 <sup>(1)</sup>	218,897	147,367	196,976	155,358	77,929	107,448	129,025	181,189	99,722
<b>Total Expenditures</b>	<b>\$ 494,193</b>	<b>\$ 512,998</b>	<b>\$ 484,419</b>	<b>\$ 570,636</b>	<b>\$ 533,932</b>	<b>\$ 422,583</b>	<b>\$ 447,825</b>	<b>\$ 466,903</b>	<b>\$ 576,847</b>	<b>\$ 471,324</b>
Deficit of Revenues under Expenditures	\$ (131,206)	\$ (120,840)	\$ (58,698)	\$ (144,012)	\$ (129,454)	\$ (76,532)	\$ (59,593)	\$ (53,639)	\$ (170,473)	\$ (64,514)

<sup>(1)</sup>The increase from prior period was caused by land purchases related to capital improvement projects.

<sup>(2)</sup>In FY2010, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated expenditures.

<sup>(3)</sup>In FY2011, Economic Vitality merged with Planning, Neighborhood and Transportation, to become the Community and Economic Development Division. In addition, Finance and Accounting was merged into General Government.

<sup>(4)</sup>In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

**City of Scottsdale, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table IVc

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 141,783	\$ 147,643	\$ 162,965	\$ 195,170	\$ 160,319	\$ 108,066	\$ 79,592	\$ 81,579	\$ 78,171	\$ 89,669
Transfers Out	(133,284)	(140,513)	(155,295)	(185,082)	(145,357)	(98,693)	(69,378)	(75,826)	(70,919)	(82,696)
Capital Lease Acquisitions	-	-	175	-	-	-	-	-	-	296
Issuance of Refunding Bonds	74,630	-	55,450	-	-	-	87,985	-	111,250	105,885
Issuance of Long-Term Capital-Related Debt	68,355	191,500	42,500	123,805	-	50,800	42,525	50,000	140,000	14,000
Premium on Long-Term Debt Issued	4,536	5,501	7,199	2,379	-	843	10,047	2,448	22,082	12,742
Payment to Refunded Bonds Escrow Agent	(77,584)	-	(61,845)	-	-	-	(94,818)	-	(99,684)	(108,099)
Proceeds from Notes Payable	-	-	3,000	-	-	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	-	-	1,091	-	-	-
<b>Total Other Financing Sources and (Uses)</b>	<b>78,436</b>	<b>204,131</b>	<b>54,149</b>	<b>136,272</b>	<b>14,962</b>	<b>61,016</b>	<b>57,044</b>	<b>58,201</b>	<b>180,900</b>	<b>31,797</b>
<b>Net Change in Fund Balances</b>	<b>\$ (52,770)<sup>(1)</sup></b>	<b>\$ 83,291</b>	<b>\$ (4,549)</b>	<b>\$ (7,740)</b>	<b>\$ (114,492)</b>	<b>\$ (15,516)</b>	<b>\$ (2,549)</b>	<b>\$ 4,562</b>	<b>\$ 10,427</b>	<b>\$ (32,717)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>23.2%</b>	<b>21.8%</b>	<b>21.5%</b>	<b>19.2%</b>	<b>19.3%</b>	<b>21.0%</b>	<b>22.8%</b>	<b>25.2%</b>	<b>25.8%</b>	<b>26.0%</b>

<sup>(1)</sup>The change from the prior period was caused by the increase in spending for capital improvement projects.

**City of Scottsdale, Arizona**  
**Tax Revenues By Source**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(in thousands)

Table V

Fiscal Year	Property	Sales and Use Taxes				
		Privilege and Use - General	Privilege and Use - McDowell Mtn <sup>(1)</sup>	Privilege and Use - Transportation	Privilege and Use - Public Safety <sup>(1)</sup>	Transient Occupancy
2005	\$ 48,249	\$ 94,302	\$ 31,301	\$ 18,115	\$ 8,491	\$ 7,939
2006	49,651	104,949	35,483	20,020	9,978	8,970
2007	50,732	110,225	37,281	20,910	10,578	9,723
2008	53,778	104,673	35,604	19,823	10,145	9,621
2009	60,493	85,829	29,121	16,141	8,289	7,577
2010	58,354	77,878	26,416	14,608	7,541	7,113
2011	65,970	80,119	27,199	15,042	7,765	13,126 <sup>(2)</sup>
2012	65,089	84,633	28,809	15,985	8,231	13,430
2013	64,908	89,002	30,376	16,852	8,679	13,852
2014	64,914	95,604	32,655	18,116	9,330	15,303

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other
2005	\$ 2,859	\$ 5,596	\$ 18,779	\$ 18,634	\$ 1,337
2006	3,157	6,308	21,664	21,223	962
2007	3,355	7,284	22,312	26,653	929
2008	3,544	8,030	21,575	33,037	957
2009	3,606	7,831	18,677	35,103	959
2010	3,317	7,834	17,227	30,309	979
2011	3,163	7,842	17,844	22,849	1,010
2012	3,445	8,115	16,987	18,347	1,086
2013	3,461	8,424	17,793	22,205	838
2014	3,722	8,477	18,922	24,230	900

<sup>(1)</sup>In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

<sup>(2)</sup>The Transient Occupancy tax rate increased from 3% to 5%, effective July 1, 2010.

**City of Scottsdale, Arizona**  
**Taxable Sales Subject to Privilege (Sales) Tax by Category**  
**Last Ten Fiscal Years**  
(dollars in thousands)

Table VI

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Automotive	\$ 1,557,909	\$ 1,662,604	\$ 1,622,601	\$ 1,370,365	\$ 918,219	\$ 818,517	\$ 862,091	\$ 950,450	\$ 1,074,591	\$ 1,209,388
Construction	1,703,826	2,046,791	2,208,957	1,932,043	1,251,432	754,583	718,652	786,402	861,934	1,073,279
Food Stores	562,877	584,706	626,083	652,226	624,917	611,083	611,825	626,883	639,362	655,787
Hotel/Motel	432,006	497,804	533,055	529,862	416,216	395,229	401,413	420,494	440,522	488,117
Major Department Stores	959,361	1,012,906	1,011,240	974,330	864,676	865,614	882,376	897,617	907,857	917,406
Miscellaneous Retail Stores	1,248,228	1,413,445	1,478,112	1,364,347	1,078,674	1,107,272	1,194,790	1,299,083	1,321,572	1,450,611
Other Taxable Activity	457,819	513,553	551,095	532,751	556,842	449,455	502,739	525,480	626,171	666,504
Rentals	1,054,666	1,102,152	1,211,551	1,308,247	1,217,688	1,144,939	1,113,821	1,134,785	1,189,304	1,210,218
Restaurants	661,542	726,122	774,598	754,103	684,188	670,311	713,420	799,231	794,034	844,186
Utilities	380,043	398,204	418,460	435,415	432,570	436,010	429,035	430,169	432,356	435,579
<b>Total</b>	<b>\$ 9,018,277</b>	<b>\$ 9,958,287</b>	<b>\$ 10,435,752</b>	<b>\$ 9,853,689</b>	<b>\$ 8,045,422</b>	<b>\$ 7,253,013</b>	<b>\$ 7,430,162</b>	<b>\$ 7,870,594</b>	<b>\$ 8,287,703</b>	<b>\$ 8,951,075</b>
City Sales Tax	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%



City of Scottsdale, Arizona  
Direct and Overlapping Sales Tax Rates  
Last Ten Fiscal Years

Table VII

Privilege (Sales) Tax Rates				Use Tax Rates			
City Direct				City Direct			
Fiscal Year	Rate	County Rate	State Rate	Fiscal Year	Rate	County Rate	State Rate
2005	1.65%	0.70%	5.60%	2005	1.45%	0.00%	5.60%
2006	1.65%	0.70%	5.60%	2006	1.45%	0.00%	5.60%
2007	1.65%	0.70%	5.60%	2007	1.45%	0.00%	5.60%
2008	1.65%	0.70%	5.60%	2008	1.45%	0.00%	5.60%
2009	1.65%	0.70%	5.60%	2009	1.45%	0.00%	5.60%
2010	1.65%	0.70%	6.60% <sup>(1)</sup>	2010	1.45%	0.00%	6.60% <sup>(1)</sup>
2011	1.65%	0.70%	6.60%	2011	1.45%	0.00%	6.60%
2012	1.65%	0.70%	6.60%	2012	1.45%	0.00%	6.60%
2013	1.65%	0.70%	5.60% <sup>(3)</sup>	2013	1.45%	0.00%	5.60% <sup>(3)</sup>
2014	1.65%	0.70%	5.60%	2014	1.45%	0.00%	5.60%

Transient Occupancy Tax Rates				Jet Fuel Tax Rates (cents per gallon)			
City Direct				City Direct			
Fiscal Year	Rate	County Rate	State Rate	Fiscal Year	Rate	County Rate	State Rate
2005	3.00%	1.77%	5.50%	2005	1.80%	0.46%	2.90%
2006	3.00%	1.77%	5.50%	2006	1.80%	0.46%	2.90%
2007	3.00%	1.77%	5.50%	2007	1.80%	0.46%	2.90%
2008	3.00%	1.77%	5.50%	2008	1.80%	0.46%	2.90%
2009	3.00%	1.77%	5.50%	2009	1.80%	0.46%	2.90%
2010	3.00%	1.77%	6.50% <sup>(1)</sup>	2010	1.80%	0.46%	2.90%
2011	5.00%	1.77%	6.50% <sup>(2)</sup>	2011	1.80%	0.46%	2.90%
2012	5.00%	1.77%	6.50%	2012	1.80%	0.46%	2.90%
2013	5.00%	1.77%	5.50% <sup>(3)</sup>	2013	1.80%	0.46%	2.90%
2014	5.00%	1.77%	5.50%	2014	1.80%	0.46%	2.90%

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.

<sup>(1)</sup>The state tax rate increased, with the exception of jet fuel, on 6/1/2010 due to approval from the voters in the May 2010 election.

<sup>(2)</sup>The transient occupancy tax rate increased from 3% to 5%, effective July 1, 2010.

<sup>(3)</sup>The state tax rate decreased, with the exception of jet fuel, on 6/1/2013 due to approval from the voters in the May 2010 election.

**City of Scottsdale, Arizona**  
**Sales Tax Revenue Payers by Industry**  
**Current Year and Nine Years Ago**  
(dollars in thousands)

Table VIII

	Fiscal Year 2014				Fiscal Year 2005			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	535	2.39%	\$ 20,399	13.09%	691	2.87%	\$ 25,096	16.49%
Construction	7,465	33.32%	18,272	11.73%	7,805	32.39%	28,770	18.90%
Food Stores	179	0.80%	10,847	6.96%	190	0.79%	9,601	6.31%
Hotel/Motel	82	0.37%	8,247	5.29%	72	0.30%	7,297	4.79%
Major Department Stores	27	0.12%	15,213	9.77%	28	0.12%	12,246	8.04%
Miscellaneous Retail Stores	4,837	21.59%	26,296	16.88%	6,973	28.94%	23,227	15.26%
Other Taxable Activity	3,875	17.30%	14,605	9.38%	3,428	14.22%	11,373	7.47%
Rentals	4,139	18.48%	20,557	13.20%	3,651	15.15%	17,320	11.38%
Restaurants	970	4.33%	14,049	9.02%	997	4.14%	10,895	7.16%
Utilities	291	1.30%	7,294	4.68%	260	1.08%	6,399	4.20%
<b>Total</b>	<b>22,400</b>	<b>100.00%</b>	<b>\$ 155,779</b>	<b>100.00%</b>	<b>24,095</b>	<b>100.00%</b>	<b>\$ 152,224</b>	<b>100.00%</b>

**Note:** Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories are intended to provide alternative information regarding the sources of the city's revenue. The "Other Taxable Activity" category includes all license fees, penalties, and interest.

City of Scottsdale, Arizona  
 Property Tax Rates  
 Direct and Overlapping Governments  
 Last Ten Fiscal Years

Table IX

Fiscal Year	City Direct Rate			Overlapping Rates			
	Operating	Debt Service	Total City	Scottsdale Unified School District			
				Operating	Debt Service	EVIT	Total School
2005	\$ 0.45	\$ 0.62	\$ 1.07	\$ 3.77	\$ 1.26	\$ 0.10	\$ 5.13
2006	0.44	0.60	1.04	3.46	1.22	0.06	4.74
2007	0.42	0.55	0.97	3.45	1.26	0.05	4.76
2008	0.38	0.41	0.79	3.42	1.26	0.05	4.73
2009	0.35	0.43	0.78	2.82	1.07	0.05	3.94
2010	0.36	0.38	0.74	2.44	1.34	0.05	3.83
2011	0.38	0.51	0.89	2.40	1.35	0.05	3.80
2012	0.44	0.65	1.09	2.75	1.25	0.05	4.05
2013	0.50	0.72	1.22	3.09	1.34	0.05	4.48
2014	0.53	0.76	1.29	3.35	1.22	0.05	4.62

Fiscal Year	Overlapping Rates									
	County-Wide Jurisdictions									
	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
2005	\$ 1.21	\$ 1.04	\$ 0.21	\$ 0.46	\$ 0.01	\$ 0.12	\$ 0.05	\$ -	\$ 3.10	\$ 9.30
2006	1.20	1.03	0.21	0.44	0.01	0.12	0.05	0.12	3.18	8.96
2007	1.18	1.06	0.20	-	0.01	0.12	0.05	0.12	2.74	8.47
2008	1.10	0.98	0.15	-	0.01	0.10	0.04	0.09	2.47	7.99
2009	1.03	0.94	0.14	-	0.01	0.10	0.04	0.09	2.35	7.07
2010	0.99	0.88	0.14	0.33	0.01	0.10	0.04	0.09	2.58	7.15
2011	1.05	0.97	0.15	0.36	0.01	0.10	0.04	0.11	2.79	7.48
2012	1.24	1.21	0.18	0.43	0.01	0.10	0.05	0.15	3.37	8.51
2013	1.24	1.38	0.18	0.47	0.01	0.10	0.05	0.17	3.60	9.30
2014	1.28	1.53	0.14	0.51	0.01	0.14	0.04	0.19	3.84	9.75

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2013"

Note: The City has Community Facilities Districts (CFD) that levy property taxes independent of the City to property owners within a designated area. For FY 2013/14 the rates were as follows: Scottsdale Mountain CFD - \$1.4895, McDowell Mountain CFD - \$.8177, DC Ranch CFD - \$0.5289, Via Linda Road CFD - \$0.7082 and the Waterfront Commercial CFD - \$4.7797.

**City of Scottsdale, Arizona**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
(dollars in thousands)

Table X

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 60,718	1	1.258%	\$ 47,752	1	1.10%
Scottsdale Fashion Square LLC	41,655	2	0.863%	41,698	2	0.96%
Excel Promenade LLC	14,876	3	0.308%	-	-	-
Gainey Drive Associates	14,098	4	0.292%	18,792	6	0.43%
Qwest Corporation*	13,934	5	0.289%	36,168	4	0.83%
Portales Corporate Center LLC/Etal	13,137	6	0.272%	-	-	-
SDQ FEE LLC	12,904	7	0.267%	-	-	-
WJ Small Grandchildrens Trust	11,883	8	0.246%	-	-	-
Scottsdale Fiesta Retail Center	10,180	9	0.211%	-	-	-
Southwest Gas Corporation	10,120	10	0.210%	13,639	8	0.31%
DC Ranch, LLC	-	-	-	38,571	3	0.89%
First American	-	-	-	25,008	5	0.58%
Scottsdale Acquisition LLC	-	-	-	15,497	7	0.36%
Marvin F Poer & Co	-	-	-	10,371	9	0.24%
Pederson/BVT Promenade Associates	-	-	-	10,336	10	0.24%
<b>Total</b>	<b>\$ 203,505</b>		<b>4.216%</b>	<b>\$ 257,832</b>		<b>5.94%</b>

**Source:** The Maricopa County Assessor's Office.

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 2013/14 secondary assessed valuation of the SRP within the City is \$20,709,006 as provided by SRP.

\*Qwest Corporation was operating under the name Qwest Communications, Inc. in 2005.

**City of Scottsdale, Arizona**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
(dollars in thousands)

Table XI

Fiscal Year Ended June 30th	Real Property				Personal Property	Less Tax	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land	Historic and Special Use	Assessed Value	Exempt Property		
2005 P	\$ 2,370,252	\$ 1,071,915	\$ 572,909	\$ 1,374	\$ 257,783	\$ (285,524)	\$ 3,988,709	\$ 0.45
2005 S	2,460,307	1,203,844	809,560	2,214	277,482	(409,953)	4,343,454	0.62
2006 P	2,622,605	1,220,872	614,301	1,507	225,683	(320,326)	4,364,642	0.44
2006 S	2,792,337	1,309,263	784,962	2,136	246,619	(404,264)	4,731,053	0.60
2007 P	2,846,492	1,347,926	674,315	1,474	238,279	(322,012)	4,786,474	0.42
2007 S	2,919,838	1,545,559	921,888	1,797	240,843	(420,481)	5,209,444	0.55
2008 P	3,358,045	1,406,676	787,106	1,645	388,502	(442,551)	5,499,423	0.38
2008 S	4,583,036	1,711,178	1,193,455	1,888	402,675	(648,410)	7,243,822	0.41
2009 P	3,947,876	1,584,811	950,456	1,727	403,064	(559,516)	6,328,418	0.35
2009 S	5,237,939	1,987,377	1,505,737	2,073	427,495	(888,204)	8,272,417	0.43
2010 P	4,409,444	1,879,139	1,177,944	1,845	259,145	(717,210)	7,010,307	0.36
2010 S	4,989,883	2,436,470	1,765,907	2,070	259,145	(1,047,474)	8,406,001	0.38
2011 P	4,212,414	1,980,853	1,170,054	4,822	242,654	(724,635)	6,886,162	0.38
2011 S	4,261,972	2,312,814	1,458,512	5,622	242,654	(906,165)	7,375,409	0.51
2012 P	3,521,958	1,615,176	969,618	4,217	224,822	(665,901)	5,669,890	0.44
2012 S	3,524,902	1,623,645	1,021,533	4,300	224,822	(707,211)	5,691,991	0.65
2013 P	3,232,809	1,402,569	845,953	3,133	228,843	(643,724)	5,069,583	0.50
2013 S	3,236,951	1,405,867	856,609	3,133	228,843	(651,408)	5,079,995	0.72
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

Source: Arizona Department of Revenue Abstract of the Assessment Roll.

Under Arizona law, there are two property valuation bases: PRIMARY (P) and SECONDARY (S). The primary (limited assessed) valuation is used when levying for maintenance and operation of cities, school districts, community college districts, counties, and the state. The secondary (full cash) assessed valuation is used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

**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
2005	\$ 44,879	\$ 43,688	97.3%	\$ 656	\$ 44,344	98.8%
2006	47,809	46,431	97.1%	942	47,373	99.1%
2007	48,778	47,105	96.6%	1,058	48,163	98.7%
2008	50,838	49,408	97.2%	1,277	50,685	99.7%
2009	58,179	55,876	96.0%	1,767	57,643	99.1%
2010	57,380	55,221	96.2%	1,622	56,843	99.1%
2011	64,327	62,237	96.8%	746	62,983	97.9%
2012	62,033	60,309	97.2%	698	61,007	98.3%
2013	62,187	60,630	97.5%	887	61,517	98.9%
2014	62,367	61,227	98.2%	-	61,227	98.2%

**Source:** "Total Tax Levy Amount for Fiscal Year" = 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 the Self-Insurance Funds.

City of Scottsdale, Arizona  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(dollars in thousands)

Table XIII

**Governmental Activities**

Fiscal Year Ended June 30	General Obligation Bonds		Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Capital Lease	Service Concession Arrangements
		Revenue Bonds								
2005	\$ 371,499	\$ 5,815	\$ 62,684	\$ 82,987	\$ 6,340	\$ 7,650	\$ 43,193	\$ 14,324	\$ -	\$ -
2006	501,614	2,990	112,209	80,199	5,505	7,090	41,708	13,136	-	-
2007	478,369	-	155,200	77,251	4,670	6,401	40,143	19,819	172	-
2008	578,894	-	154,879	74,158	3,835	5,689	42,313	17,875	141	-
2009	555,701	-	154,837	70,915	3,000	4,954	40,578	16,828	-	-
2010	583,071	-	153,582	67,567	2,250	4,194	38,725	15,732	-	-
2011	579,972	-	152,578	64,309	1,500	23,409	36,762	14,582	-	-
2012	603,426	-	149,983	60,304	750	18,031	34,685	13,375	-	-
2013	651,224	-	222,403	56,154	-	16,003	32,083	2,570	183	3,144
2014	647,859	-	218,942	53,100	-	13,914	30,090	-	329	2,990

**Business-Type Activities**

Fiscal Year Ended June 30	General Obligation Bonds		Municipal Property Corporation Bonds	Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds						
2005	\$ 6,515	\$ 65,719	\$ 83,975	\$ -	\$ 750,701	7.95%	3,428
2006	-	62,401	169,901	179	996,932	10.32%	4,510
2007	-	58,933	165,154	139	1,006,251	10.47%	4,555
2008	-	55,553	269,802	97	1,203,236	11.54%	5,444
2009	-	51,629	262,391	53	1,160,886	12.13%	5,267
2010	-	48,250	332,216	7	1,245,594	11.62%	5,691
2011	-	44,776	323,107	-	1,240,995	11.77%	5,709
2012	-	41,157	313,505	-	1,235,216	11.09%	5,667
2013	-	37,803	303,793	-	1,325,360	11.63%	5,965
2014	-	34,747	296,418	-	1,298,389	11.43%	5,776

**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

<b>Fiscal Year Ended</b> <b>June 30</b>	<b>Governmental</b> <b>Activities - General</b> <b>Obligation Bonds</b>	<b>Business-Type</b> <b>Activities - General</b> <b>Obligation Bonds</b>	<b>Less: Amounts</b> <b>Available in Debt</b> <b>Service Fund</b>	<b>Net</b> <b>General</b> <b>Bonded</b> <b>Debt</b>	<b>Percentage of Total</b> <b>Taxable Assessed</b> <b>Value of Property <sup>(1)</sup></b>	<b>Per Capita</b>
2005	\$ 371,499	\$ 6,515	\$ 5,602	\$ 372,412	8.6%	\$ 1,701
2006	501,614	-	12,436	489,178	10.3%	2,213
2007	478,369	-	9,383	468,986	9.0%	2,123
2008	578,894	-	9,520	569,374	7.9%	2,576
2009	555,701	-	10,841	544,860	6.6%	2,472
2010	583,071	-	4,932	578,139	6.9%	2,641
2011	579,972	-	6,787	573,185	7.8%	2,637
2012	603,426	-	5,789	597,637	10.5%	2,742
2013	651,224	-	10,105	641,119	12.6%	2,885
2014	647,859	-	9,369	638,490	13.2%	2,840

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Table XI for property value data.

See the Schedule of Demographic and Economic Statistics (Table XVIII) for population data.

<sup>(1)</sup>Percentage of Total Taxable Assessed Value of Property was corrected using the information from table XI for years Fiscal Years 2006-2010.



**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2014**  
(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	\$ 712,375	14.9798%	\$ 106,712
Tempe Elementary School District No. 3	97,230	0.0002%	-
Balsz Elementary School District No. 31	15,105	5.8069%	877
Scottsdale Unified School District No. 48	262,079	70.0601%	183,613
Paradise Valley Unified School District No. 69	273,525	31.2013%	85,343
Cave Creek Unified School District No. 93	14,975	62.4632%	9,354
Fountain Hills Unified School District No. 98	8,505	3.5953%	306
Phoenix Union High School District No. 210	246,635	0.3591%	886
Tempe Union High School District No 213	80,225	0.0001%	-
Subtotal, overlapping debt			387,091
<b>City direct debt</b>	967,224	100.0000%	967,224
<b>Total direct and overlapping debt</b>			<u>\$ 1,354,315</u>

**Source:** Maricopa County Assessor's Office

**Note:** 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 percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

**City of Scottsdale, Arizona**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(dollars in thousands)

Table XVIa

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b><u>20% Limitation</u></b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 868,691	\$ 947,151	\$ 1,041,889	\$ 1,448,765	\$ 1,654,483	\$ 1,681,200	\$ 1,475,082	\$ 1,138,398	\$ 1,015,999	\$ 965,570
Total Net Debt Applicable to 20% Limit	<u>313,786</u>	<u>372,545</u>	<u>363,455</u>	<u>424,865</u>	<u>413,095</u>	<u>499,945</u>	<u>498,490</u>	<u>524,675</u>	<u>561,126</u>	<u>553,121</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 554,905</u>	<u>\$ 574,606</u>	<u>\$ 678,434</u>	<u>\$ 1,023,900</u>	<u>\$ 1,241,388</u>	<u>\$ 1,181,255</u>	<u>\$ 976,592</u>	<u>\$ 613,723</u>	<u>\$ 454,873</u>	<u>\$ 412,449</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	36.12%	39.33%	34.88%	29.33%	24.97%	29.74%	33.79%	46.09%	55.23%	57.28%
<b><u>6% Limitation</u></b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 260,607	\$ 284,145	\$ 312,567	\$ 434,629	\$ 496,345	\$ 504,360	\$ 442,524	\$ 341,519	\$ 304,799	\$ 289,671
Total Net Debt Applicable to 6% Limit	<u>64,799</u>	<u>126,820</u>	<u>112,745</u>	<u>149,580</u>	<u>138,360</u>	<u>78,245</u>	<u>74,250</u>	<u>69,750</u>	<u>78,009</u>	<u>65,944</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 195,808</u>	<u>\$ 157,325</u>	<u>\$ 199,822</u>	<u>\$ 285,049</u>	<u>\$ 357,985</u>	<u>\$ 426,115</u>	<u>\$ 368,274</u>	<u>\$ 271,769</u>	<u>\$ 226,790</u>	<u>\$ 223,727</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	24.86%	44.63%	36.07%	34.42%	27.88%	15.51%	16.78%	20.42%	25.59%	22.77%

**City of Scottsdale, Arizona**  
**Legal Debt Margin Information**  
**As of June 30, 2014**  
(in thousands)

Table XVIb

**Legal Debt Margin Calculation for Fiscal Year 2014**

Net Secondary Assessed Valuation as of June 30, 2014	\$ 4,827,850
<b><u>20% Limitation</u></b>	
Debt Limit Equal to 20% of Assessed Valuation	\$ 965,570
Debt applicable to limit:	
General Obligation Bonds	553,121
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 412,449
<b><u>6% Limitation</u></b>	
Debt Limit Equal to 6% of Assessed Valuation	\$ 289,671
Debt applicable to limit:	
General Obligation Bonds	65,944
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 223,727

**Source:** City of Scottsdale City Treasurer

Under Arizona law, cities can issue general obligation bonds for purposes of water, sewer, light, parks, open space purposes, public safety, and transportation facilities but outstanding bonds issued for such purposes may not exceed 20 percent of the City's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of the City's net secondary 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

Water and Sewer Revenue Bonds									Highway User Revenue Bonds			
Fiscal Year Ended June 30	Operating Revenue <sup>(1)</sup>	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service Principal	Debt Service Interest	Coverage	Highway User Tax Revenue	Debt Service Principal	Debt Service Interest	Coverage
2005	\$ 105,078	\$ 56,413	\$ 48,665	\$ 20,155	\$ 68,820	\$ 2,630	\$ 3,570	11.10	\$ 14,738	\$ 2,660	\$ 460	4.72
2006	115,374	56,329	59,045	24,071	83,116	3,330	3,182	12.76	15,708	2,825	317	5.00
2007	125,880	64,089	61,791	17,878	79,669	3,475	2,997	12.31	16,778	2,990	165	5.32
2008	131,553	66,077	65,476	15,280	80,756	3,640	2,582	12.98	16,123	-	-	N/A
2009	130,782	71,236	59,546	3,043	62,589	3,660	2,507	10.15	14,083	-	-	N/A
2010	133,624	70,165	63,459	3,126	66,585	3,115	2,351	12.18	13,342	-	-	N/A
2011	132,441	77,456	54,985	3,859	58,844	3,220	2,199	10.86	13,396	-	-	N/A
2012	134,336	78,837	55,499	3,073	58,572	3,380	2,056	10.77	10,885	-	-	N/A
2013	138,224	73,647	64,577	12,213	76,790	3,115	1,891	15.34	11,903	-	-	N/A
2014	142,066	77,891	64,175	15,139	79,314	3,240	1,738	15.93	12,268	-	-	N/A

Special Assessment Bonds					Scottsdale Preserve Authority Bonds					Municipal Property Corporation Bonds				
Fiscal Year Ended June 30	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage <sup>(2)</sup>	0.2 % and 0.15% Sales Tax <sup>(3)</sup>	Debt Service Principal	Debt Service Interest	Coverage	Debt Service Principal <sup>(4)</sup>	Debt Service Interest <sup>(4)</sup>	Includes Transient Occupancy Tax (6)		Excludes Transient Occupancy Tax (7)	
											Excise Tax <sup>(5)</sup>	Coverage	Excise Tax <sup>(5)</sup>	Coverage
2005	\$ 2,016	\$ 2,448	\$ 360	0.72	\$ 31,301	\$ 2,595	\$ 4,437	4.45	\$ 8,265	\$ 6,413	\$ 180,005	12.26	\$ -	N/A
2006	1,106	851	275	0.98	35,483	2,815	3,997	5.21	5,995	10,017	202,081	12.62	-	N/A
2007	1,825	848	235	1.69	37,281	2,965	3,843	5.48	5,305	10,057	218,205	14.20	-	N/A
2008	895	846	197	0.86	35,604	3,110	3,676	5.25	5,584	13,988	216,066	11.04	-	N/A
2009	821	845	158	0.82	29,121	3,260	3,502	4.31	7,570	19,482	185,801	6.87	-	N/A
2010	765	757	121	0.87	26,416	3,365	3,374	3.92	9,715	18,415	170,638	6.07	-	N/A
2011	733	757	86	0.87	27,199	3,470	2,471	4.58	9,785	22,185	168,641	5.27	155,515	4.86
2012	719	755	52	0.89	28,809	3,655	2,835	4.44	11,841	21,141	171,075	5.19	157,645	4.78
2013	591	755	17	0.77	30,376	3,800	2,680	4.69	12,355	21,480	184,079	5.44	170,227	5.03
2014	-	-	-	N/A	32,655	3,960	2,508	5.05	18,200	22,994	198,679	4.82	183,376	4.45

<sup>(1)</sup>Includes investment income.

<sup>(2)</sup>Coverage ratio is less than 1.0 due to prepayment of amounts that are currently in fund balance.

<sup>(3)</sup>In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax. This tax was effective July 1, 2004.

<sup>(4)</sup>Includes debt service payments paid out of revenue from the Water and Sewer Fund.

<sup>(5)</sup>Excise Tax was recalculated for prior years using correct items from Table V and the Statement of Revenue, Expenditures, and Changes in Fund Balances for the Governmental Funds.

<sup>(6)</sup>Includes Transient Occupancy taxes which are pledged revenues for MPC bonds issued prior to July 1, 2010.

<sup>(7)</sup>Excludes Transient Occupancy taxes that are no longer pledged revenues for MPC bonds issued on or after July 1, 2010.

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**City of Scottsdale, Arizona**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Table XVIII

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Personal Income<sup>(2)</sup> (in thousands)</b>	<b>Per Capita Personal Income<sup>(3)</sup></b>	<b>Median Age<sup>(4)</sup></b>	<b>Charter and Public School Enrollment<sup>(5)</sup></b>	<b>Year-End Average Unemployment Rate<sup>(6)</sup></b>
2005	218,984	\$ 9,448,722	\$ 43,148	41.0	26,559	3.2%
2006	221,030	9,661,884	43,713	41.0	27,000	3.0%
2007	220,907	9,611,884	43,511	41.0	26,653	2.6%
2008	221,031	10,428,464	47,181	41.0	26,567	2.3%
2009	220,410	9,573,949	43,437	41.0	27,029	3.9%
2010	218,888	10,715,662	48,955	45.4	27,093	6.8%
2011	217,365	10,542,637	48,502	45.4	27,116	7.2%
2012	217,965	11,135,832	51,090	45.4	28,177	6.8%
2013	222,200	11,393,527	51,276	45.4	27,816	5.8%
2014	224,800	11,358,020	50,525	45.1	27,191	5.6%

## Data Sources and Notes:

<sup>(1)</sup> July 1 Population estimate, State of Arizona Office of Employment and Population Statistics.

<sup>(2)</sup> Calculated by multiplying per capita personal income by total population divided by 1,000.

<sup>(3)</sup> Sites USA (estimate) 2003-2010; U.S. Census, American Community Survey, 5-Year Estimates used for FY 2011-2014 estimates.

<sup>(4)</sup> U.S. Census; 2003-2009 based on Census 2000; 2010-2012 based on Census 2010, 2013-2014 based on U.S. Census, American Community Survey, 5-Year Estimates.

<sup>(5)</sup> Arizona Department of Education. For 2014, Arizona Department of Education Oct. 1, 2013 total enrollment for 8 charter and 31 public schools located within Scottsdale city boundaries.

<sup>(6)</sup> Arizona Office of Employment and Population Statistics, in cooperation with the U.S. Dept of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics. For calendar year that ended within the fiscal year. For example, FY 2014 is for Calendar Year 2013.

**City of Scottsdale, Arizona  
Principal Employers  
Current Year and Nine Years Ago**

Table XIX

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>
Scottsdale Healthcare Corporation	6,134	1	5.31%	4,400	1	3.58%
General Dynamics C4 Systems	2,929	2	2.54%	4,000	2	3.26%
Scottsdale Unified School District <sup>(2)</sup>	2,583	3	2.24%	3,500	4	2.85%
City of Scottsdale	2,446	4	2.12%	2,191	5	1.78%
Vanguard	2,186	5	1.89%	1,120	10	0.91%
Mayo Clinic	1,851	6	1.60%	3,995	3	3.25%
Scottsdale Insurance Company	1,501	7	1.30%	1,300	8	1.06%
International Cruise and Excursion	1,350	8	1.17%	-	-	-
CVS - CareMark <sup>(3)</sup>	1,088	9	0.94%	1,636	6	1.33%
McKesson Corporation	1,000	10	0.87%	-	-	-
DMS Direct Marketing	-	-	-	1,500	7	1.22%
Fairmont Princess Resort	-	-	-	1,200	9	0.98%
<b>Total</b>	<b>23,068</b>		<b>19.98%</b>	<b>24,842</b>		<b>20.22%</b>

**Source:** City of Scottsdale Economic Trends Report, September 2005 and Economic Development Department communications with employers, July 2014.

<sup>(1)</sup> Annual Employment according to the Arizona Office of Employment and Population Statistics was 115,456 in June 2014, and was 122,749 in June 2005.

<sup>(2)</sup> Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2014 numbers only report Scottsdale-based employees. 2005 included all employees.

<sup>(3)</sup> CVS Caremark was known CareMark in 2005. Caremark was acquired by CVS in 2007.

City of Scottsdale, Arizona  
Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

Table XX

Function	2005	2006	2007	2008	2009	2010 <sup>(1)</sup>	2011	2012 <sup>(3)</sup>	2013	2014
Administrative Services					38.5	35.0	35.0	138.8	124.6	127.4
Aviation	12.4	13.0	15.0	15.0	16.0	14.0	14.0	14.0	14.0	14.0
Citizen and Neighborhood Resources	36.0	39.0	40.0							
Communications and Public Affairs			14.7							
Community and Economic Development							214.5	188.5	175.5	176.5
Community Services	512.6	559.4	580.3	546.1	543.1	489.3	487.6	459.5	454.2	454.2
Economic Vitality	10.0	11.0	40.0	77.0	54.0	47.0				
Financial Services	143.0	149.0	151.0	134.0	110.5					
Finance and Accounting						92.5	95.5	83.5	93.0	93.0
General Government	215.0	217.0	172.6	172.6	167.1	155.0	153.0	141.0	140.0	140.0
Human Resources <sup>(2)</sup>	35.5	35.5	36.5	53.5	35.5	30.0	30.5			
Information Technology <sup>(2)</sup>	78.8	80.8	83.8	91.8	81.8	78.8	75.8			
Municipal Services	139.7	151.7	170.5							
Planning and Development	140.0	144.0	167.0							
Planning/Neighborhood/Transportation				205.2	224.0	167.5				
Public Safety				999.6	981.6	953.6	957.6	933.6	924.6	934.6
Public Safety - Fire	260.7	259.0	268.0							
Public Safety - Police	630.1	676.1	705.6							
Public Works				248.5	233.0	197.0	206.0	205.0	204.0	204.0
Solid Waste	79.3	83.3	85.3	85.8	89.0	89.0	89.0	89.0	89.0	90.0
Transportation	25.0	27.0	30.0							
Water Resources	139.0	152.5	162.0	169.0	180.0	189.0	189.0	202.0	204.0	204.0
Total	<u>2,457.1</u>	<u>2,598.3</u>	<u>2,722.3</u>	<u>2,798.1</u>	<u>2,754.1</u>	<u>2,537.7</u>	<u>2,547.5</u>	<u>2,454.9</u>	<u>2,422.9</u>	<u>2,437.7</u>

Source: The City of Scottsdale, Arizona's Budget Department.

<sup>(1)</sup> In FY2010, the Full-time Equivalent Employees for prior years were restated to actual. In addition, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated Full-time Equivalent Employees.

<sup>(2)</sup> In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

<sup>(3)</sup> In FY2012, Meter Reading Operations was transferred from Finance and Accounting to Water Resources.

**City of Scottsdale, Arizona  
Operating Indicators by Division<sup>(1)</sup>  
Last Ten Fiscal Years**

Table XXI

Division	Fiscal Year									
	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014
<b>General Government</b>										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	30%	32%	34%	35%	34%	32%	40%	37%	37%	34%
<i>City Auditor</i>										
# of reports performed	10	15	10	11	13	16	17	14	14	14
<i>City Clerk</i>										
# of legal postings	651	1,011	1,138	1,173	1,158	1,301	1,241	1,185	1,124	1,080
# of minutes	79	99	90	90	71	87	66	63	63	65
<i>City Court</i>										
Charges filed /charges adjudicated (resolved)	136,747 / 134,793	156,051 / 132,096	201,866 / 216,000	221,400 / 219,980	115,319 / 137,887	107,720 / 113,382	104,301 / 108,003	102,953/ 100,929	93,306/ 90,016	99,063/ 83,441
<i>City Treasurer<sup>(3)</sup></i>										
# of Accounts Payable checks issued	37,954	41,194	42,000	38,000	36,442	33,620	45,592	45,112	33,599	32,865
# of customer contacts (utilities, taxes and licensing)	208,037	212,888	216,764	230,143	176,680	175,918	255,124	246,319	254,992	209,325
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent <sup>(4)</sup>	93%	No Survey	90%	No Survey	No Survey	No Survey	94%	No Survey	No Survey	98%
News releases, media updates, traffic alerts, construction updates released to news media	247	205	220	220	N/A	240	281	N/A	N/A	N/A
Total ad value equivalency generated <sup>(5)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20,000	78,861	64,931
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	2,600	138	251	648	25	399	2,001	4,419	6,400	2,365
<b>Administrative Services</b>										
<i>Human Resources</i>										
Citywide turnover	7.3%	11.1%	9.0%	12.0%	6.0%	9.5%	7.3%	7.1%	7.3%	6.0%
HR operating cost as a % of City payroll	2.3%	2.3%	2.0%	2.1%	2.1%	1.6%	1.8%	1.3%	1.7%	1.4%
<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)	2,319,000	25,400,000	654,100	1,200,000	2,200,000	2,100,000	1,775,000	1,870,000	1,588,935	1,335,869
Annual Disk Storage size (DAS, NAS, and SAN) (Terabytes)	7.0	30.0	30.0	80.0	147.8	170.0	266.0	266.0	167.3	45.8
<i>Purchasing</i>										
# of purchase orders	9,611	10,778	9,460	8,224	6,234	5,748	5,310	5,018	4,678	5,019
<b>Community Services</b>										
# attending Parks and Recreation facilities, Human Services facilities, and Libraries annually	7,573,369	7,877,216	7,838,000	7,940,283	8,747,495	8,634,522	8,855,120	8,471,649	8,223,148	7,765,110
# of square feet of medians and rights of way maintained	14,569,062	15,188,684	15,460,961	16,918,438	17,000,000	17,000,000	23,168,510	23,475,510	22,726,329	22,502,626

(continued on next page)



City of Scottsdale, Arizona  
Operating Indicators by Division<sup>(1)</sup>  
Last Ten Fiscal Years

Table XXI

Division	Fiscal Year									
	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014
<b>Community and Economic Development</b>										
<i>Planning and Development</i>										
Customer wait-time (in minutes) at One Stop Shop	25	15	20	20	7	7	6	6	12	15
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	98%	99%	99%	99%	100%	100%	100%	100%	100%	100%
# of new Code Enforcement cases processed per year	11,336	13,137	16,900	15,570	20,568	16,452	16,000	16,500	15,603	14,222
% increase of Neighborhood Watch groups annually <sup>(6)</sup>	37%	5%	5%	5%	-56%	5%	5%	5%	5%	2%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent <sup>(7)</sup>	89%	No Survey	90%	No Survey	No Survey	No Survey	91%	No Survey	No Survey	93%
<i>Transportation</i>										
Total citywide transit ridership	1,969,512	2,104,382	2,365,204	2,584,837	3,472,828	3,103,185	2,539,744	2,499,000	2,599,557	2,589,218
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) <sup>(8)</sup>	270	322	375	475	N/A	8,578	10,397	10,500	5,043	3,687
<i>Economic Development</i>										
Targeted job creation - number of companies / number of jobs <sup>(9)</sup>	10 / 1,443	11 / 1,275	7 / 1,800	5 / 1,374	7 / 394	10 / 731	7 / 450	8 / 1,595	36 / 1,593	16 / 1,069
<i>Tourism</i>										
Hotel/Motel average occupancy rate	60.0%	69.0%	69.0%	65.0%	59.2%	58.0%	58.8%	61.5%	63.0%	65.6%
Bed Tax growth (% annual change)	+5%	+5%	+9%	-2%	-21%	-6%	8%	5%	3%	10%
# of Downtown special events coordinated	58	62	71	65	100	110	95	119	126	275
<i>Aviation</i>										
Scottsdale Airport - Takeoffs and Landings	208,106	210,481	185,241	201,958	169,972	156,896	136,089	146,058	146,432	142,248
<i>WestWorld</i>										
# of special events at WestWorld	57	49	43	44	31	28	20	20	27	24
<b>Public Safety</b>										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) <sup>(10)</sup>										
Scottsdale	42.3	34.9	37.1	35.6	34.3	29.6	31.9	32.8	29.1	27.8
Valley Average	56.5	51.0	51.0	51.0	N/A	N/A	N/A	N/A	N/A	N/A
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	6:12	N/A	6:06	5:07	5:07	5:01	4:57	5:11	4:54	5:04
Provide initial contact to 100% of citizen traffic concerns within seven days	98%	98%	100%	100%	100%	100%	100%	100%	100%	100%
<i>Fire</i>										
Total incidents	23,102	23,952	22,894	22,936	23,953	23,996	25,586	26,344	27,075	28,544
Responses per capita	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.12	0.13
Travel time (en-route to on-scene)	4:23	4:20	4:15	4:21	4:23	4:28	4:22	4:18	4:26	4:27

(continued)

City of Scottsdale, Arizona  
Operating Indicators by Division<sup>(1)</sup>  
Last Ten Fiscal Years

Table XXI

Division	Fiscal Year									
	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014
<b>Public Works and Water Resources</b>										
<i>Public Works</i>										
Facility inventory maintained (square feet)	1,825,564	2,166,650	2,221,650	2,271,550	2,334,310	2,929,802	3,006,106	3,029,606	3,322,968	3,313,468
# of active Capital Projects	183	219	202	180	178	168	183	162	186	150
# of homes serviced by Residential Refuse Collection	74,850	76,300	77,206	78,024	78,607	79,006	79,508	79,787	80,013	80,354
# of citizens serviced annually by Household Hazardous Waste collection program <sup>(11)</sup>	1,718	2,000	2,100	2,200	1,923	1,497	2,573	2,591	2,691	2,905
<i>Water Resources</i>										
Water Service Connections	83,511	86,399	86,728	87,248	87,349	87,409	87,458	87,577	87,851	88,348
Drinking Water Supplied (million gallons per day)	67.7	73.1	72.1	73.7	69.4	68.4	67.9	69.2	67.6	70.2
Reclaimed Water Supplied (million gallons per day)	11.6	11.5	11.4	11.7	9.6	11.2	8.7	6.9	8.9	9.7
Sewer Service Connections	73,232	74,143	76,092	76,849	77,363	77,605	77,850	78,018	78,269	79,014
Sewage Treated (million gallons per day)	25.5	24.2	25.3	23.9	19.7	21.0	21.1	20.9	20.7	20.9
# of water meters read annually <sup>(12)</sup>	1,000,870	1,015,662	1,030,368	1,044,205	1,049,008	1,050,067	1,051,089	1,043,335	1,055,230	1,059,738

**Source:** The City of Scottsdale's Budget Office and applicable City divisions.

<sup>(1)</sup>This presentation is consistent with the organizational structure approved as part of the FY 2013/14 Budget. It has been noted where changes were approved by the City Council mid-year.

<sup>(2)</sup>In FY 2010, the indicators for prior years were restated to actuals.

<sup>(3)</sup>Effective December 2009, the City Council approved placing Financial Management under the control of the City Treasurer, renaming the department "Finance and Accounting," moving Payroll and Risk Management from Human Resources into the Finance and Accounting Department, and moving Tax Audit and Purchasing into a new division named Administrative Services.

<sup>(4)</sup>The complete results for the most recent survey, as well as archived copies of prior year surveys can be found at [http://www.scottsdaleaz.gov/CitizenSurvey/Citizen\\_Survey\\_Results](http://www.scottsdaleaz.gov/CitizenSurvey/Citizen_Survey_Results)

<sup>(5)</sup>Effective FY 2012 established more appropriate performance measures for Office of Communication activities and products (ad value equivalency).

<sup>(6)</sup>During FY 2008/09, the Neighborhood Watch program was reviewed; participants that were no longer eligible for the program were removed, thus reducing the numbers.

<sup>(7)</sup>The complete results for the most recent survey, as well as archived copies of prior year surveys can be found at [http://www.scottsdaleaz.gov/CitizenSurvey/Citizen\\_Survey\\_Results](http://www.scottsdaleaz.gov/CitizenSurvey/Citizen_Survey_Results)

<sup>(8)</sup>The statistic for 'Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)' has increased due to automation of the process. Prior to FY 2009/10 changing signal timing was a manual process.

Starting June 2009, the process was automated through the Traffic Management Center.

<sup>(9)</sup>Effective FY 2013/14, only jobs verified through employer to be created within the first 12 months were counted in annual metrics; total announced job creation is significantly higher.

<sup>(10)</sup>The crime per thousand increase reflects a recalculation in population with the Census 2010 as a basepoint, rather than an increase in crime. In addition, crime stats are for the prior calendar year end, rather than fiscal year end.

<sup>(11)</sup>The statistic for "# of citizens serviced annually by Household Hazardous Waste Collection program" number of events was restored in FY 2010/11. During FY 2008/09 and FY 2009/10 the number of events were reduced as a budget savings initiative.

<sup>(12)</sup>Effective July 2011, the City Council approved placing Meter Reading under the control of the Water Resources Division.

City of Scottsdale, Arizona  
Capital Asset Statistics by Function  
Last Ten Fiscal Years

Table XXII

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police:										
Stations	3	3	3	3	4	4	4	4	4	4
Police Vehicles	290	345	375	383	363	357	352	352	351	359
Fire Stations	13	13	13	13	14	14	15	15	15	15
Highways and Streets										
Square Yards of Pavement	19,231,553	19,660,273	20,393,288	20,562,017	20,644,388	20,873,951	20,828,414	20,852,234	20,859,993	20,748,525
Equivalent 12' Wide Lane Miles	2,732	2,793	2,897	2,921	2,932	2,965	2,959	2,962	2,963	2,947
Traffic Signals	262	276	276	285	295	289	289	300	303	297
Culture and Recreation										
Parks	40	40	40	43	41	41	41	42	42	42
Parks Acreage	849	879	937	911	940	941	941	974	975	975
Swimming Pools	3	3	4	4	4	4	4	4	4	4
Tennis Courts	49	49	51	55	55	55	55	55	55	55
Community Centers	6	6	5	5	5	5	5	5	6	6
Water										
Water Mains (miles)	1,897	1,933	1,997	2,030	2,044	2,061	2,059	2,064	2,070	2,079
Fire Hydrants	9,541	9,839	10,147	10,367	10,365	10,664	10,687	10,729	10,779	10,874
Sewer										
Sanitary Sewers (miles)	1,287.4	1309.0	1,350.0	1,352.6	1,360.0	1,421.0	1,421.0	1,422.0	1,424.0	1,429.0
Storm Sewers (miles)	142.8	148.0	153.5	157.2	166.9	164.0	163.0	168.0	169.0	187.7

Source: City of Scottsdale, Arizona divisions.



City of Scottsdale, Arizona  
City Treasurer's Office  
(480) 312-2437

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[www.ScottsdaleAZ.gov/Finance](http://www.ScottsdaleAZ.gov/Finance)