



# Comprehensive Annual Financial Report

City of Scottsdale, Arizona

For the Fiscal Year Ended June 30, 2016





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**City of Scottsdale, Arizona**

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**Comprehensive Annual Financial Report**  
for the fiscal year ended June 30, 2016

**Prepared by:**

City Treasurer's Office  
Jeffery M. Nichols, CPA  
City Treasurer/Chief Financial Officer  
Joyce L. Gilbride, CPA  
Accounting Director

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# CITY OF SCOTTSDALE, ARIZONA

## Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2016

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**Letter of Transmittal**  
**For the Fiscal Year Ended June 30, 2016**

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October 27, 2016

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, 2016 is submitted in accordance with City Charter and state statute. Both require that the City issue an annual 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 contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of 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.

Heinfeld, Meech & Co., P.C., a firm of Certified Public Accountants, performed the annual independent audit and expressed an opinion that the City's financial statements for the fiscal year ended June 30, 2016 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 or "clean" opinion. The independent auditor's report is located at the front of the financial section of this report. Additionally, Heinfeld, Meech & Co., P.C. 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 from the City's website.

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 auditor's report and provides a narrative introduction, overview and analysis of the City's basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **CITY OF SCOTTSDALE PROFILE**

### **History**

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



## **Current Profile**

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing 184.5 square miles, stretching 31 miles from north to south, and 11.4 miles at its widest point. The City is bordered on the west by Phoenix, the state capital, by Tempe on the south, 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 2,021 residents, and the 2010 census reporting 217,365. At July 1, 2016 the City's population was estimated at 231,200 residents, making it the seventh largest municipality by population in Arizona.

## **Government and Organization**

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

## **Budgetary Controls**

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption in order to obtain taxpayer comments. Each year in June, the budget is legally enacted through passage of an ordinance. The ordinance sets the maximum legal expenditure limit for the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year 2015/16, 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 has a diverse economy built on medical research, high-tech innovation, tourism and corporate headquarters. The Scottsdale Airpark is one of the largest employment centers in the State of Arizona with more than 2,900 businesses and 51,000 employees in over 2 million square feet of commercial space. 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 Scottsdale is home to a number of technology and healthcare companies and one of the most successful shopping centers in the southwest United States – Scottsdale Fashion Square. 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 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's applied tax rate. The City continues to experience growth in its municipal sales tax revenues with a year-over-year increase of 4.3 percent in fiscal year 2015/16, with the highest increases occurring in the rentals, miscellaneous retail, other taxable activities, and automotive categories.

The Arizona Legislature passed a bill that required local municipal transaction privilege and affiliated excise taxes to be collected and administered by the Arizona Department of Revenue (ADOR) effective January 1, 2015; however, full implementation has been delayed until January 2017. When this does occur, the change may result in a temporary cash-flow impact to Scottsdale during the transition from the City's administration and collection of the taxes to the ADOR.

## **Property Values**

Scottsdale is a safe, family-friendly community and benefits from a robust assessed valuation of the properties contained within its boundaries. These strong assessed valuations contribute to Scottsdale residents experiencing lower property tax rates and higher median housing values than many of the surrounding municipalities in the Phoenix metropolitan area. Scottsdale property owners will see a reduction in the City's portion of their property tax bill in the coming year. This reduction is achieved mainly through a decrease in tort recovery.

## **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 several years with a continued focus on efficient spending to maintain essential City services to the community such as police, fire, transportation and social services.

## **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 that 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; and statutory limitations and market factors affecting interest costs. In all cases, a long-term analysis is made considering the debt capacity that fits the financial wherewithal (and willingness) of 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 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, 2016

	Moody's Investors Service	Standard and Poor's Rating Group	Fitch Investors Services
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+

## ACCOMPLISHMENTS AND PRIORITIES

Highlights of activities and accomplishments for the fiscal year ended June 30, 2016 include the following:

- Celebrated Scottsdale's 65th birthday and the 40th anniversary of both Scottsdale Center for the Performing Arts and Scottsdale Public Art.
- Increased diversion of recyclable materials from residential single-family homes to 28% (highest rate of any large Valley city).
- Opened 7.5 miles of new trails in the northern preserve region.
- Reconstructed wheelchair accessible (ADA) ramps at 293 intersections.
- Created a new after school and summer Police P.L.A.Y. Program where Scottsdale youth interact with Police Officers through arts and crafts and recreational activities.
- Attracted or expanded 9 businesses with 1,183 jobs and an average wage of \$67,085.

The City of Scottsdale's adopted fiscal year 2016/17 budget incorporates the priorities and policy direction expressed by the City Council over the past year. It balances modest projected increases in revenue with additional expenses in priority areas like Downtown Scottsdale and employee compensation and benefits including:

- Providing \$0.3 million in funding for Downtown Events and an additional \$0.5 million in tourism funds to install conduit and electrical outlets on existing city poles to expand seasonal lighting throughout Downtown.
- An additional \$1.1 million in the Fire Department to address fire fighter compensation and to remain competitive in the local market.
- Addressing rising employee health care costs by including an additional \$1.4 million to cover the City's portion of the increase.

## **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 for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015, marking the forty-third 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.

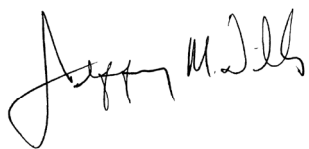
Additionally, the City received the Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2015 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and we expect to receive this award again for the fiscal year beginning July 1, 2016.

Lastly, the City was awarded a Certificate of Excellence in September 2016 from the International City/County Management Association (ICMA) for exceeding standards set by the ICMA in the identification and public reporting of key outcome measures, surveying of both residents and employees and the pervasiveness of performance management in the City's culture.

### **Acknowledgments**

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

Respectfully submitted,



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, 2015**

Executive Director/CEO

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# Comprehensive Annual Financial Report

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For the Fiscal Year Ended June 30, 2016



## City of Scottsdale, Arizona

### List of Elected and Appointed Officials

#### City Council

W.J. "Jim" Lane, Mayor  
Suzanne Klapp  
Virginia Korte  
Kathy Littlefield  
Linda Milhaven  
Guy Phillips  
David N. Smith

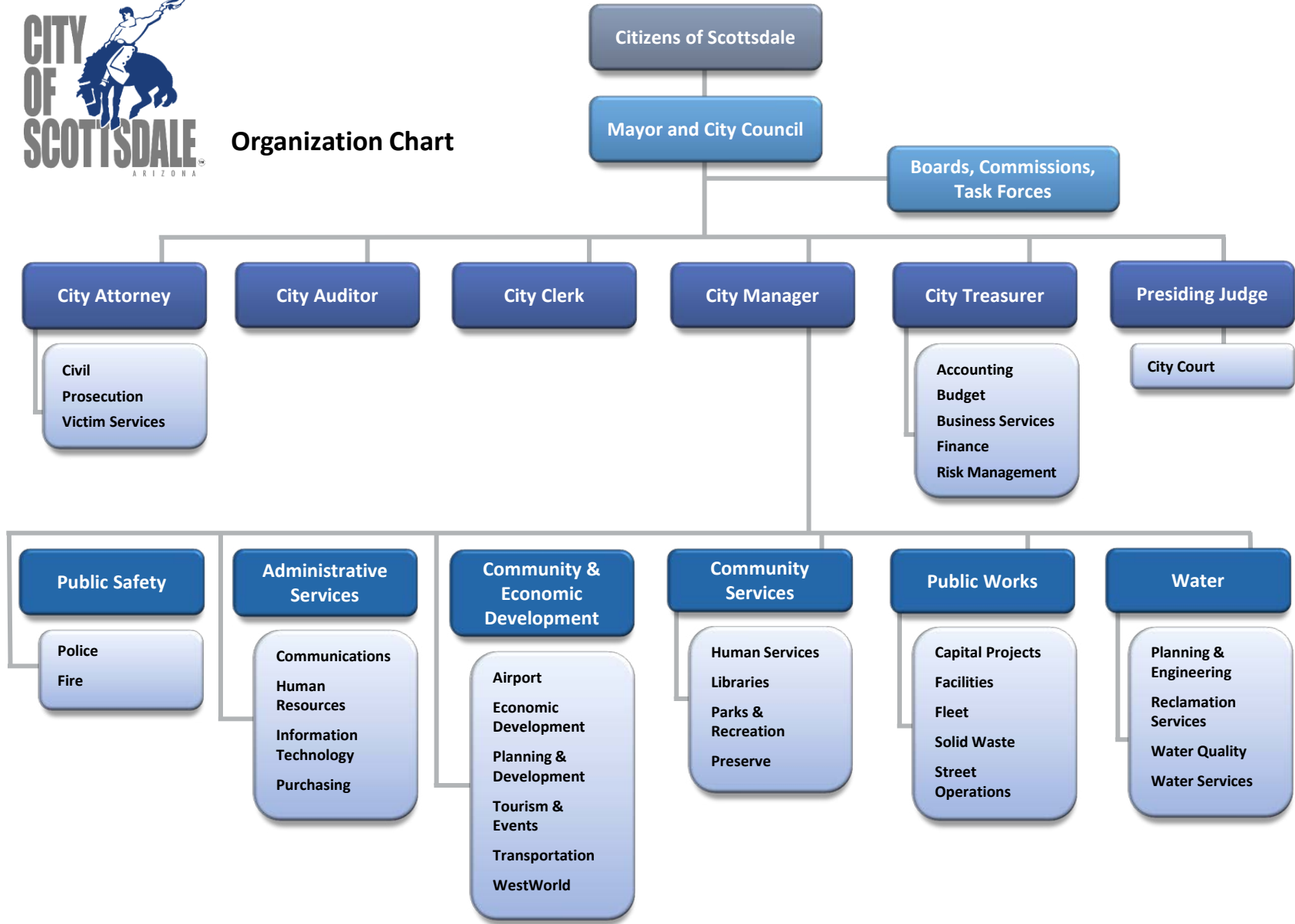
#### Charter Officers

Brian Biesemeyer, Acting 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

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## Organization Chart







## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of 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 City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2016, 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.

### ***Auditor's 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 auditor's 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 entity'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 entity'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, 2016, 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.

### ***Change in Accounting Principle***

As described in Note I.E., the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and net pension liability and other post employment benefit plan information, as listed in the table of contents, 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.

#### ***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 Introductory Section, Combining and Individual Fund Statements and Schedules, Other Supplementary Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Statements and Schedules and Other Supplementary Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we 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 27, 2016, on our consideration of City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scottsdale, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
October 27, 2016



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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

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, 2016 and 2015. 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 City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of fiscal years 2016 and 2015 by \$4.89 billion and \$4.10 billion (*net position*), respectively. Of these amounts, \$251.8 million and \$233.6 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 in fiscal year 2016 by \$123.6 million compared to a decrease in net position of \$16.9 million during fiscal year 2015. Total revenues exceeded total expenses in the current year due primarily to an increase in capital grants and contributions, charges for services and business taxes received, and a decrease in depreciation expense resulting from the reclassification of City assets.
- As of June 30, 2016 and 2015, the City's governmental funds reported combined ending fund balances of \$229.2 million and \$213.2 million, respectively. Approximately 26 percent of the current year amount (\$59.6 million) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (*the total of the committed, assigned and unassigned components of fund balance*) for the General Fund was \$65.3 million or approximately 27 percent of total General Fund expenditures of \$241.2 million.
- The City's total long-term liabilities decreased by \$54.5 million to \$1.56 billion during the fiscal year due primarily to the City making scheduled principal payments on its debt.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

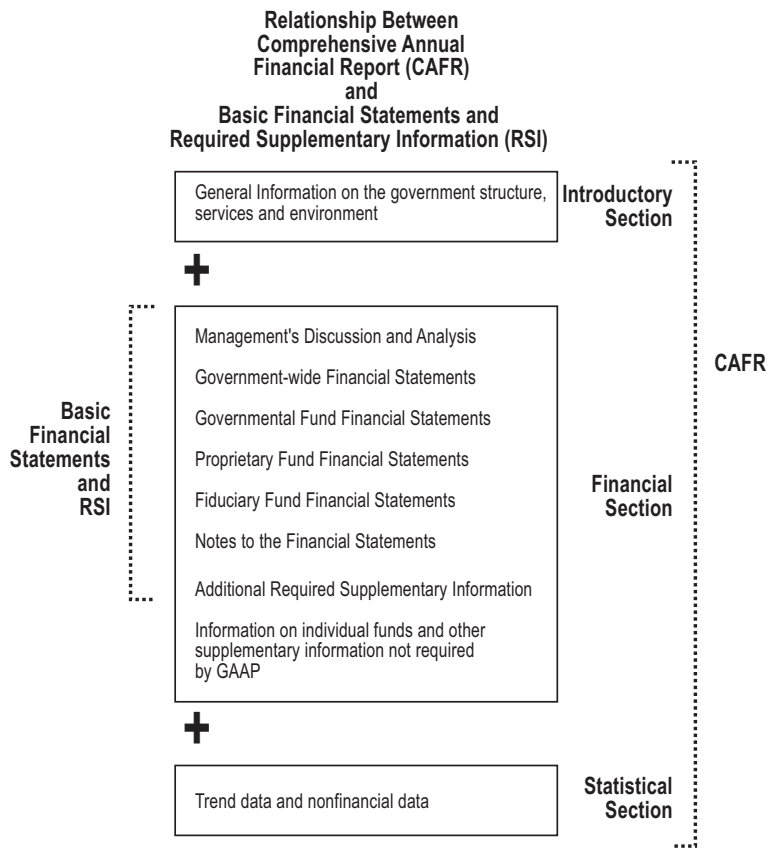
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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

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, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether 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.



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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

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 and sewer utility, solid waste management and airport operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the operations of the City of Scottsdale Municipal Property Corporation (MPC), 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 36 and 38 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. This comparison highlights the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

The City maintains several individual governmental funds organized according to their purpose (general, special revenue, debt service and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, General Obligation Bond Debt Service Fund, 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 39-47 of this report.

## Proprietary Funds

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

**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste and aviation services. All enterprise funds are considered 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 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 propriety fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in a separate section of this report.

The basic proprietary fund financial statements can be found on pages 48-54 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 two 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 55-56 of this report.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

## 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 57-124 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's portion of the net pension liability, schedule of contributions to the pension plans and progress in funding its obligation to provide other post-employment benefits (OPEB). Required supplementary information can be found on pages 125-133 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 135-166.

## 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 167-170.

## Statistical Information

The statistical section, found on pages 171-200, 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 change in net position. The change in net position reflects whether the financial position of the City, as a whole, has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

## Analysis of Net Position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.89 billion and \$4.10 billion at the close of the fiscal years 2016 and 2015, respectively.

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

### Net Position

June 30, 2016 and 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Current and other assets	\$ 517,700	\$ 489,053	\$ 436,957	\$ 425,957	\$ 954,657	\$ 915,010
Capital assets	4,263,858	3,574,505	1,370,730	1,358,970	5,634,588	4,933,475
Total assets	4,781,558	4,063,558	1,807,687	1,784,927	6,589,245	5,848,485
Total deferred outflows of resources	71,239	75,785	9,852	11,043	81,091	86,828
<b>Total assets and deferred outflows of resources</b>	<b>4,852,797</b>	<b>4,139,343</b>	<b>1,817,539</b>	<b>1,795,970</b>	<b>6,670,336</b>	<b>5,935,313</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
Long-term liabilities outstanding	1,125,847	1,170,661	398,594	405,677	1,524,441	1,576,338
Other liabilities	188,214	175,711	54,006	48,243	242,220	223,954
Total liabilities	1,314,061	1,346,372	452,600	453,920	1,766,661	1,800,292
Total deferred inflows of resources	12,507	31,681	2,914	5,390	15,421	37,071
<b>Total liabilities and deferred inflows of resources</b>	<b>1,326,568</b>	<b>1,378,053</b>	<b>455,514</b>	<b>459,310</b>	<b>1,782,082</b>	<b>1,837,363</b>
<b>NET POSITION</b>						
Net investment in capital assets	3,406,976	2,663,269	1,059,001	1,036,650	4,465,977	3,699,919
Restricted	122,932	117,485	47,521	46,901	170,453	164,386
Unrestricted	(3,679)	(19,464)	255,503	253,109	251,824	233,645
<b>Total net position</b>	<b>\$ 3,526,229</b>	<b>\$ 2,761,290</b>	<b>\$ 1,362,025</b>	<b>\$ 1,336,660</b>	<b>\$ 4,888,254</b>	<b>\$ 4,097,950</b>

The largest portion (91.4 percent) of the City's net position reflects its net investment in capital assets (e.g., land, buildings, water and sewer system, and streets and storm drains) less any related outstanding debt used to acquire those assets. These amounted to \$4.47 billion and \$3.70 billion at June 30, 2016 and 2015, 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 (3.5 percent) of the City's net position (\$170.5 million at June 30, 2016 and \$164.4 million at June 30, 2015) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (5.1 percent of the City's total net position at June 30, 2016 and 5.7 percent at June 30, 2015), \$251.8 million and \$233.6 million, respectively, may be used to meet the government's ongoing obligations to its citizens and creditors.

## Analysis of Changes in Net Position

The City restated fiscal year 2016 beginning net position for both governmental and business-type activities due to a depreciation adjustment to capital assets and recording of a joint venture. More information on these adjustments can be found in Note I. F. on page 67 of this report.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Total revenues exceeded total expenses in the current year, resulting in an increase in the City's total net position of \$123.6 million in fiscal year 2016 compared to a decrease in net position of \$16.9 million during fiscal year 2015. The reasons for this overall increase are explained in the governmental and business-type activities discussion herein and are due primarily to an increase in capital grants and contributions, charges for services and business taxes received, and a decrease in depreciation expense. Such amounts are included in the table that follows.

## Changes in Net Position

For the fiscal years ended June 30, 2016 and 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 48,814	\$ 45,656	\$ 174,825	\$ 162,288	\$ 223,639	\$ 207,944
Operating grants and contributions	29,708	28,397	-	-	29,708	28,397
Capital grants and contributions	82,162	14,831	22,545	11,726	104,707	26,557
General revenues:						
Property taxes	63,221	66,229	-	-	63,221	66,229
Business taxes	202,195	191,631	145	169	202,340	191,800
Intergovernmental - taxes	46,820	46,183	-	-	46,820	46,183
Intergovernmental - other	10,810	10,133	-	-	10,810	10,133
Interest and investment income	2,955	1,372	2,531	1,346	5,486	2,718
Other	9,987	13,829	-	-	9,987	13,829
Total revenues	<u>496,672</u>	<u>418,261</u>	<u>200,046</u>	<u>175,529</u>	<u>696,718</u>	<u>593,790</u>
<b>EXPENSES</b>						
General government						
Mayor and City Council	813	790	-	-	813	790
City Clerk	1,129	927	-	-	1,129	927
City Attorney	6,893	6,103	-	-	6,893	6,103
City Auditor	821	792	-	-	821	792
City Court	4,964	5,682	-	-	4,964	5,682
City Manager	1,974	1,828	-	-	1,974	1,828
City Treasurer	5,658	5,088	-	-	5,658	5,088
Public Works	38,291	40,631	-	-	38,291	40,631
Community and Economic Development	102,892	138,899	-	-	102,892	138,899
Public Safety	136,261	135,647	-	-	136,261	135,647
Community Services	53,322	55,134	-	-	53,322	55,134
Administrative Services	20,264	17,849	-	-	20,264	17,849
Streetlight and Services Districts	589	583	-	-	589	583
Interest on Long-Term Debt	31,665	34,134	-	-	31,665	34,134
Bond Issuance Costs	-	1,643	-	-	-	1,643
Water Utility	-	-	100,854	95,958	100,854	95,958
Sewer Utility	-	-	42,058	44,352	42,058	44,352
Airport	-	-	3,894	3,703	3,894	3,703
Solid Waste	-	-	20,786	20,911	20,786	20,911
Total expenses	<u>405,536</u>	<u>445,730</u>	<u>167,592</u>	<u>164,924</u>	<u>573,128</u>	<u>610,654</u>
Increase (decrease) in net position before transfers	91,136	(27,469)	32,454	10,605	123,590	(16,864)
Transfers	7,174	6,579	(7,174)	(6,579)	-	-
Change in net position	<u>98,310</u>	<u>(20,890)</u>	<u>25,280</u>	<u>4,026</u>	<u>123,590</u>	<u>(16,864)</u>
Net position - beginning	2,761,290	2,975,662	1,336,660	1,366,767	4,097,950	4,342,429
Net effect of prior period adjustments	666,629	(193,482)	85	(34,133)	666,714	(227,615)
Net position - beginning restated	<u>3,427,919</u>	<u>2,782,180</u>	<u>1,336,745</u>	<u>1,332,634</u>	<u>4,764,664</u>	<u>4,114,814</u>
Net position - ending	<u>\$ 3,526,229</u>	<u>\$ 2,761,290</u>	<u>\$ 1,362,025</u>	<u>\$ 1,336,660</u>	<u>\$ 4,888,254</u>	<u>\$ 4,097,950</u>

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

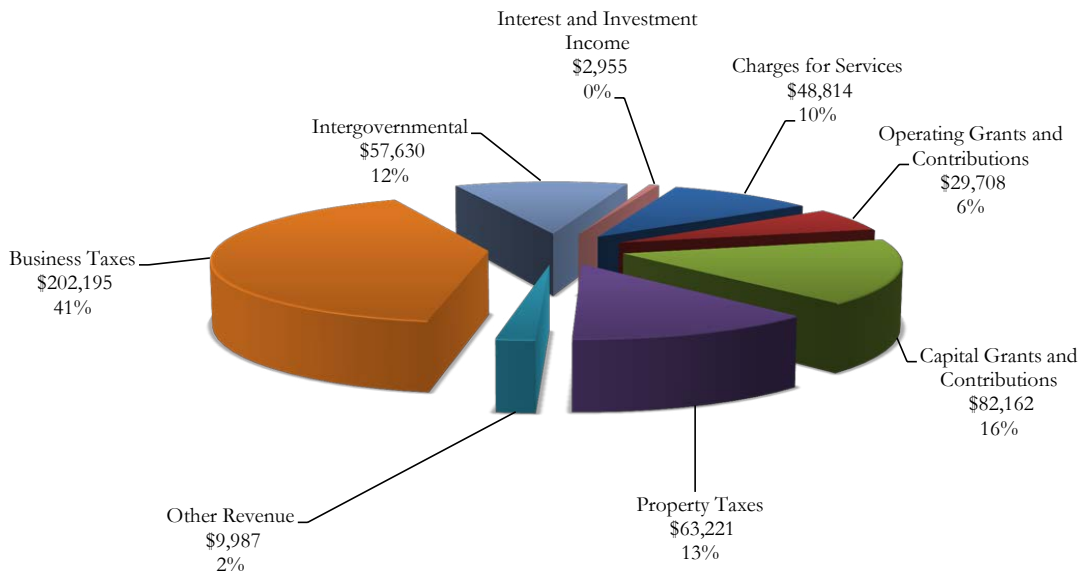
## Governmental Activities

Net position for governmental activities increased \$98.3 million after transfers during fiscal year 2016 compared to a decrease of \$20.9 million after transfers in fiscal year 2015. Total revenues increased \$78.4 million or 18.7 percent from the prior fiscal year and expenses decreased \$40.2 million or 9.0 percent. Overall, revenues exceeded expenses resulting in an increase in net position. A significant reason for the positive change in net position before transfers for governmental activities was a \$67.3 million increase in capital grants and contributions over the prior year. Also contributing, as noted earlier in the discussion of the analysis of change in net position, was a decrease in annual depreciation expense of \$37.3 million resulting from the reclassification of assets from streets to land. More information on this prior period adjustment can be found on page 67.

General revenues such as property, franchise and privilege taxes are not shown by program, but are used to support program activities citywide. Total general revenues were \$6.6 million or 2.0 percent higher in fiscal year 2016 compared with fiscal year 2015. Property taxes were slightly lower in fiscal year 2016 at \$63.2 million compared to \$66.2 million in fiscal year 2015. Business taxes, which include sales, use and franchise taxes, increased \$10.6 million or 5.5 percent from the previous year. This was due primarily to several large commercial building sales and one-time privilege tax audit payments.

For governmental activities overall, without regard to program, business taxes, which includes sales and use taxes and franchise taxes (41 percent), are the largest single source of funds, followed by capital grants and contributions (16 percent), property taxes (13 percent), intergovernmental revenues (including state shared revenues) (12 percent), and charges for services (10 percent).

**Governmental Activities  
Revenues by Source  
Fiscal Year 2015/16  
(in thousands)**





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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

The Public Safety Division, which is comprised of the Police and Fire Departments, is the largest expense function (34 percent), followed by the Community and Economic Development Division (25 percent), and Community Services Division (13 percent).

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 \$0.6 million or 0.5 percent during fiscal year 2016 due primarily to increased personnel costs in the Fire Department.

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. The division has six departments: Airport, Economic Development, Planning & Development, Tourism & Events, Transportation and WestWorld. Overall, expenses decreased by \$36.0 million or 25.9 percent during fiscal year 2016, due primarily to a decrease in annual depreciation expense resulting from the reclassification of assets from streets to land.

The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, 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. The division has four departments: Parks & Recreation, Human Services, Library Systems and Preserve Management. Overall, expenses were \$1.8 million or 3.3 percent lower than the prior fiscal year due primarily to a decrease in capital related expenses.

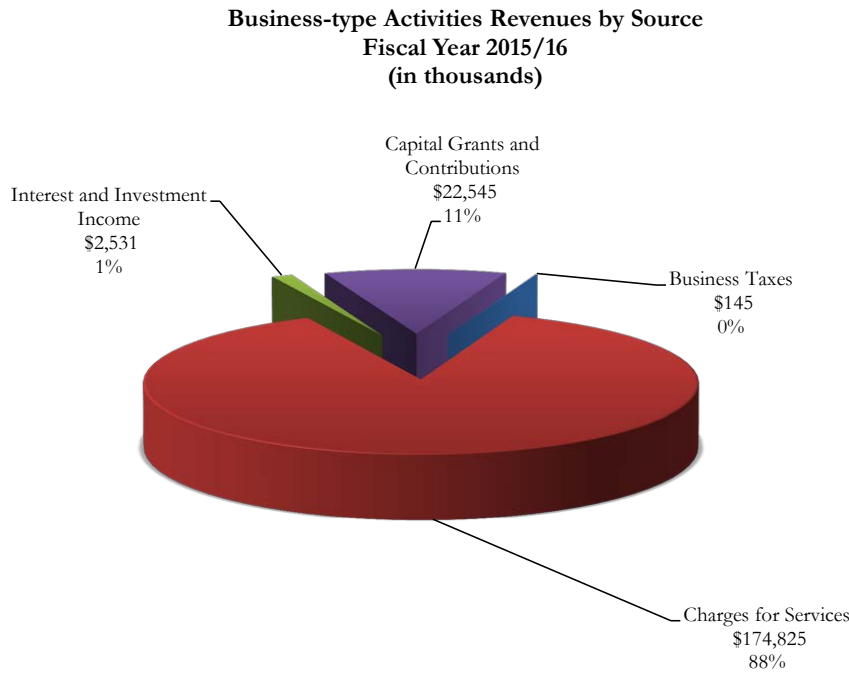
### **Business-type Activities**

Net position for business-type activities increased by \$25.3 million after transfers during fiscal year 2016 compared to \$4.0 million after transfers in fiscal year 2015. Total revenues increased by \$24.5 million or 14.0 percent due primarily to increases in charges for services and capital grants and contributions received. The \$12.5 million increase in charges for services was driven by an increase in water service fees (\$6.3 million) due to increased sales volume in the single family and multi-family categories; other revenues (\$5.4 million increase) received for future expansion of infrastructure and higher volume charges for non-potable water fees (\$0.8 million increase). Capital grants and contributions, which are chiefly made up of utility development fees and contributed capital from developers, increased \$10.8 million, which includes airport federal and state aid (\$5.6 million increase), non-cash developer contributions in the Water Fund (\$2.5 million increase) and developer contributions in the Sewer Fund (\$2.7 million increase). Overall, total revenues exceeded expenses resulting in an increase in net position for the fiscal year.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

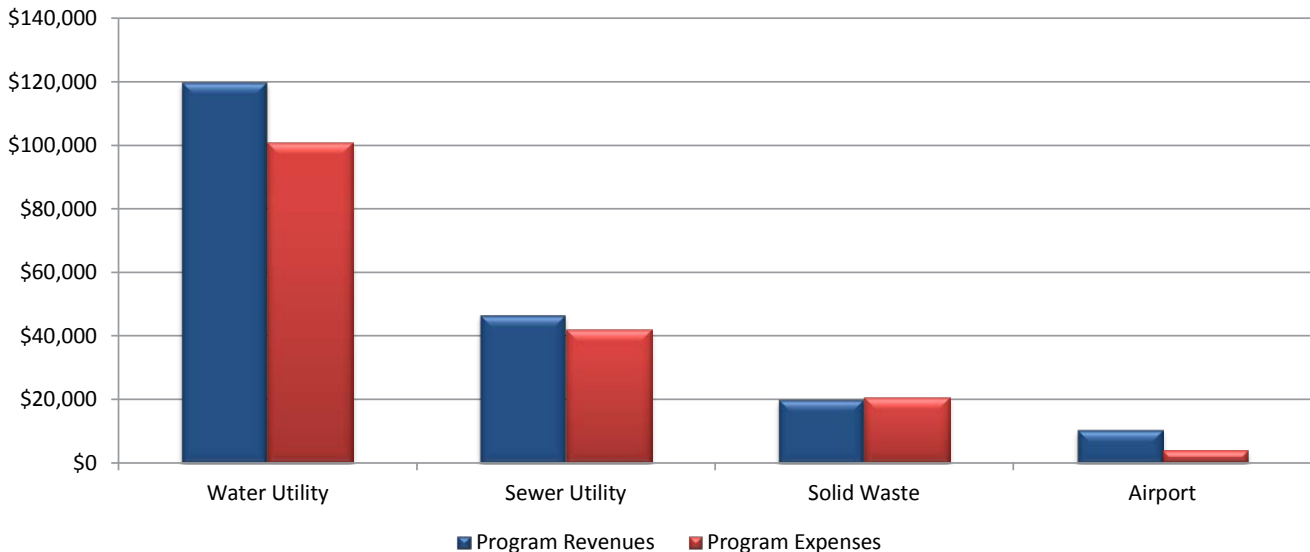
As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues (88 percent) followed by capital grants and contributions (11 percent).



As shown below in the *Business-type Activities Program Revenues and Expenses* chart, the largest of the City's business-type activities, water and sewer utilities, had expenses of \$100.9 million and \$42.1 million, respectively, in fiscal year 2016, followed by solid waste with \$20.8 million and airport with \$3.9 million.

## Business-type Activities Program Revenues and Expenses

Fiscal Year 2015/16  
(in thousands)



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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

The Water and Sewer Utility's combined expenses increased by 1.9 percent in fiscal year 2016 compared to fiscal year 2015. The increase was primarily driven by higher personnel, pension and other professional services expenses offset by lower indirect charges and net capital improvement expenses. 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 89,596 water service connections to customers in fiscal year 2016.

Total Solid Waste program expenses were relatively unchanged in fiscal year 2016 compared to fiscal year 2015. The Solid Waste Department provided delivery of safe, efficient and environmentally sound refuse collection services to 81,187 residential customers in fiscal year 2016.

The Airport's total expenses increased by 5.2 percent in fiscal year 2016 compared to fiscal year 2015. The increase was primarily driven by higher depreciation, personnel, pension and other professional services costs. 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 162,000 take-offs and landings occurred in fiscal year 2016 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 \$229.2 million, an increase of \$16.0 million in comparison to the balance at June 30, 2015 of \$213.2 million. Approximately 26 percent or \$59.6 million of this amount at June 30, 2016 constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted or committed to indicate that it is not available for new spending.

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

Revenues for governmental functions totaled \$408.4 million in fiscal year 2016, a decrease of 0.9 percent (\$3.6 million) from the previous year total of \$412.0 million. In fiscal year 2016, expenditures for governmental functions totaled \$403.1 million, a decrease of 16.1 percent (\$77.6 million) from the fiscal year 2015 total of \$480.7 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$5.2 million compared to a \$68.7 million deficiency in fiscal year 2015.

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 \$65.3 million, while the total fund balance was \$65.6 million; the unassigned and total balances for the General Fund at the end of fiscal year 2015 were \$56.0 million and \$56.2 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 27.1 percent of the total General Fund expenditures of \$241.2 million in fiscal year 2016 and represented 23.8 percent of the total General Fund expenditures of \$235.2 million in fiscal year 2015. Total fund balance represented 27.2 percent and 23.9 percent of total fund expenditures for fiscal years 2016 and 2015, respectively.

Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2016 by \$15.8 million. Key contributors to the positive variance were increases in transaction privilege tax, franchise fees, state shared revenues and interest and investment earnings. The fund balance of the City's General Fund increased in fiscal year 2016 by \$9.4 million. The higher revenue received and lower other financing uses this 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 \$11.5 million, a decrease of approximately \$0.7 million from the \$12.2 million as of June 30, 2015. The decrease in fund balance was due primarily to lower property tax revenue.

The General CIP Construction Capital Projects Fund accounts for the resources used to acquire, construct and improve major capital facilities from amounts transferred from the City's General Fund. This fund also represents other City Council approved capital programs including transfers for tourism related capital projects and activity for the capital in-lieu parking and in-lieu stormwater. Previously this fund also accounted for activity funded from external resources, but in 2016 the City created a new "External Sources" fund to separately account for projects not financed by the General Fund. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$30.1 million, an increase of \$3.9 million from the \$26.2 million at June 30, 2015. Lower capital outlay was the primary contributor to the increase resulting from the newly created fund. Capital outlays in 2016 and 2015 were \$8.0 million and \$18.2 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.

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

At the end of the fiscal years 2016 and 2015, the unrestricted net position for the Water and Sewer Utility Fund was \$243.6 million and \$238.7 million, respectively; the Airport Fund was \$5.8 million and \$8.0 million, respectively; and the Solid Waste Fund was \$4.6 million and \$5.4 million, respectively. The internal service funds, which are used to account for certain governmental activities, had unrestricted net position of \$15.5 million and \$14.0 million, respectively.

The total growth in net position for the enterprise funds was \$24.9 million and \$3.4 million for fiscal years 2016 and 2015, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

- Fire Department overtime
- City Clerk elections due to a bond initiative
- Scottsdale Cultural Council facility improvements

These contingency budget transfers were significantly offset by divisions achieving more vacancy savings than expected.

Revenues for fiscal year 2016 were \$6.1 million more than projected. Drivers of the greater than anticipated revenues were:

- Increased privilege sales tax due primarily to the sale of two apartment complexes, a commercial building and several large, one-time audit payments.
- An increase in miscellaneous reimbursements and revenue due to the sale of a City-owned vacant residential lot.
- Increased cable TV franchise fees primarily driven by aggressive cable TV campaigns to grow market share while facing a strong competition from online TV providers.
- Better than anticipated interest earnings.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Expenses were \$5.3 million less than the revised fiscal year 2016 budget largely due to the following:

- Newly hired positions Citywide often began at rates lower than the previous incumbents.
- More vacant positions and/or the length of time positions were held vacant occurred, which resulted in additional vacancy savings.
- Retirement was less than originally planned due primarily to more sworn Police personnel entering the Deferred Retirement Option Program (DROP) than anticipated as the City does not pay retirement costs for those employees in the program.
- Less unscheduled overtime usage than expected within the Police Department.
- The price of fuel was lower than the estimated average price of diesel and unleaded gasoline that was used to build the budget.
- Utilities were less than originally planned.
- The jail services and photo enforcement contracts within the Police Department were less than projected.

## Capital Assets and Debt Administration

### Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2016 and 2015 totaled \$5.63 billion and \$5.60 billion, respectively (net of accumulated depreciation). This investment in capital assets includes 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 increase in the City's capital assets (net of accumulated depreciation) between fiscal years 2016 and 2015 was 0.6 percent.

### Capital Assets, Net of Depreciation

June 30, 2016 and 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015*	2016	2015	2016	2015*
Land	\$ 3,034,137	\$ 2,977,381	\$ 50,325	\$ 50,325	\$ 3,084,462	\$ 3,027,706
Buildings and Land Improvements	397,352	414,435	24,338	15,813	421,690	430,248
Streets and Storm Drains	739,790	757,650	-	-	739,790	757,650
Machinery and Equipment	37,775	37,503	3,506	2,946	41,281	40,449
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	766,962	774,006	766,962	774,006
Sewer System	-	-	403,674	405,116	403,674	405,116
Motor Vehicles	37,183	34,538	115	157	37,298	34,695
Furniture, Fixtures, and Office Equipment	-	-	214	29	214	29
Construction in Progress	17,621	18,307	34,425	23,407	52,046	41,714
<b>Total</b>	<b>\$ 4,263,858</b>	<b>\$ 4,239,814</b>	<b>\$ 1,370,730</b>	<b>\$ 1,358,970</b>	<b>\$ 5,634,588</b>	<b>\$ 5,598,784</b>

\*The June 30, 2015 Land asset category was increased by \$1,118,512,723 and the Streets and Storm Drains category was decreased by \$1,118,512,723 with accumulated depreciation of \$666,566,315 due to a prior period adjustment. Additionally, the Machinery and Equipment category was restated due to a prior period adjustment to decrease cost by \$1,267,932 with accumulated depreciation of \$10,556.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Major capital asset events during fiscal year 2015/16 included the following:

- Vehicles: \$1.2 million for 2 Fire Pumper trucks and \$1.2 million for 7 Solid Waste Loader vehicles.
- Land: \$56.0 million for land donated by developers that coincides with public street improvements for finalized permits.
- Streets: \$13.9 million related to streets, traffic control, sidewalks and storm drains and \$18.9 million for new road improvements donated by developers.

Additional information on the City's capital assets can be found in Note IV.C. on pages 85-87 of this report.

## Debt Administration

At the end of the fiscal years 2016 and 2015, the City had total long-term liabilities of \$1,562.3 million and \$1,616.8 million, respectively. Of these amounts, \$551.5 million and \$586.9 million, for fiscal years 2016 and 2015 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 bonds, Scottsdale Preserve Authority bonds, certificates of participation, net pension liability and other obligations of \$1,010.8 million and \$1,029.9 million for fiscal years 2016 and 2015, respectively.

The State constitution imposes debt limitations on the City equal to 6 percent and 20 percent of the assessed valuation of properties within the City. The City's available debt margin at June 30, 2016 and 2015 is \$272.0 million and \$256.6 million, respectively, in the 6 percent capacity and \$518.6 million and \$502.5 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 XVIb in the Statistical Section of this report.

## Long-Term Liabilities

June 30, 2016 and 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 551,515	\$ 586,910	\$ -	\$ -	\$ 551,515	\$ 586,910
Water and Sewer Revenue Bonds	-	-	26,280	29,335	26,280	29,335
Municipal Property Corporation Bonds	209,028	217,483	274,682	286,442	483,710	503,925
Scottsdale Preserve Authority Bonds	40,025	44,365	-	-	40,025	44,365
Certificates of Participation	9,546	11,762	-	-	9,546	11,762
Community Facilities Districts General						
Obligation Bonds	24,125	26,805	-	-	24,125	26,805
Issuance Premiums	62,391	67,810	23,021	24,891	85,412	92,701
Total Bonds Payable	<u>896,630</u>	<u>955,135</u>	<u>323,983</u>	<u>340,668</u>	<u>1,220,613</u>	<u>1,295,803</u>
Capital Lease	156	229	-	-	156	229
Service Concession Arrangements	2,683	2,837	-	-	2,683	2,837
Risk Management Claims	17,582	15,939	-	-	17,582	15,939
Compensated Absences	25,515	25,690	3,491	3,298	29,006	28,988
Net Other Postemployment Benefit	1,237	915	-	-	1,237	915
Net Pension Liabilities	257,337	241,311	33,722	30,821	291,059	272,132
Total Long-Term Liabilities	<u>\$ 1,201,140</u>	<u>\$ 1,242,056</u>	<u>\$ 361,196</u>	<u>\$ 374,787</u>	<u>\$ 1,562,336</u>	<u>\$ 1,616,843</u>

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## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

During fiscal year 2016, the City's total long-term liabilities decreased overall by \$54.5 million due primarily to the City making scheduled principal payments on its debt.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the City's proportionate share of its unfunded pension liabilities for pension plans in which it participates is also included in its outstanding long-term liabilities. The City's net pension liabilities at the end of fiscal years 2016 and 2015 were \$291.0 million and \$272.1 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 91-101 of this report.

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

The local economy is showing steady economic growth; however, the City's long-term financial plan is still taking a conservative approach to spending. This is reflected in the fiscal year 2016/17 budget which includes the following priorities and policy given by City Council:

- Preserve Meaningful Open Space
- Support Economic Vitality
- Enhance Neighborhoods
- Advance Transportation
- Seek Sustainability
- Value Scottsdale's Unique Lifestyle and Character

A separate, key component of the annual financial plan is the City's five-year Capital Improvement Plan for infrastructure and public facilities including roads, water and sewer improvements, parks, buildings and information technology. The City is projecting to spend up to \$251 million for capital improvements in fiscal year 2016/17. Some notable projects include:

- Build/Rebuild Fire Stations
- Downtown Sidewalk, Lighting and Restroom
- Frank Lloyd Wright Waterline & Booster Stations Modifications
- Granite Reef Watershed Drainage Improvements
- Pavement Replacement
- Raintree Drive: Scottsdale Road to Hayden Road



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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2016

Beginning in fiscal year 2016/17, the amount collected for the 1.1 percent sales tax on food for home consumption will be transferred to the Capital Improvement Plan in an effort to ensure the City's assets are properly maintained.

Also, in fiscal year 2016/17 citizen tax bills will reflect an estimated combined property tax rate of \$1.1290 which is \$0.0247 less than the adopted combined fiscal year 2015/16 rate of \$1.1537.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Scottsdale City Treasurer's Office, 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

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

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# Basic Financial Statements

## Statement of Net Position

June 30, 2016 (in thousands)

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and Investments	\$ 273,026	\$ 186,748	\$ 459,774
Cash with Fiscal Agent	70,258	28,056	98,314
Receivables (net of allowance for uncollectibles)			
Property Taxes and Penalties	12,326	-	12,326
Other Local Taxes	26,724	18	26,742
Charges for Services	-	16,804	16,804
Intergovernmental	23,403	323	23,726
Interest and Other	9,474	3,817	13,291
Internal Balances	(1,452)	1,452	-
Supplies Inventory	996	-	996
Prepaid Items	-	159	159
Restricted Cash, Cash Equivalents, and Investments			
Customer Advances and Deposits	-	1,044	1,044
Other Restricted Assets			
Joint Venture Construction Deposits	-	4,108	4,108
Total Current Assets	<u>414,755</u>	<u>242,529</u>	<u>657,284</u>
<b>Noncurrent Assets</b>			
Equity in Joint Ventures	2,430	96,258	98,688
Prepayments	29,533	-	29,533
Pollution Remediation Recoveries	-	50,049	50,049
Service Concession Arrangements	70,982	-	70,982
Restricted Cash, Cash Equivalents, and Investments			
Advanced Construction Payments	-	3,141	3,141
Advanced Lease Payments	-	1,567	1,567
Water and Sewer System Replacement	-	38,721	38,721
Revenue Bond Reserve	-	4,692	4,692
Capital Assets			
Land, Water Rights, and Construction in Progress	3,051,758	171,921	3,223,679
Facilities, Infrastructure, and Equipment (net of accumulated depreciation)	<u>1,212,100</u>	<u>1,198,809</u>	<u>2,410,909</u>
Total Capital Assets (net of accumulated depreciation)	<u>4,263,858</u>	<u>1,370,730</u>	<u>5,634,588</u>
Total Noncurrent Assets	<u>4,366,803</u>	<u>1,565,158</u>	<u>5,931,961</u>
Total Assets	<u>4,781,558</u>	<u>1,807,687</u>	<u>6,589,245</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refundings	27,141	6,569	33,710
Pensions	44,098	3,283	47,381
Total Deferred Outflows of Resources	<u>\$ 71,239</u>	<u>\$ 9,852</u>	<u>\$ 81,091</u>

(continued)

## Statement of Net Position

June 30, 2016 (in thousands)

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 14,671	\$ 11,786	\$ 26,457
Accrued Payroll and Benefits	10,355	1,445	11,800
Accrued Compensated Absences - Current	137	1	138
Accrued Compensated Absences - Due within one year	11,513	1,524	13,037
Claims Payable - Due within one year	6,903	-	6,903
Due to Other Governments	4,196	-	4,196
Customer Advances and Deposits	2,871	1,044	3,915
Matured Bonds, Loans, and Other Payables	51,978	14,815	66,793
Matured Bonds, Loans, and Other Interest Payable	17,230	7,556	24,786
Bonds, Loans, and Other Payables - Due within one year	56,877	15,835	72,712
Unearned Revenue	8,246	-	8,246
Other Liabilities	3,237	-	3,237
Total Current Liabilities	<u>188,214</u>	<u>54,006</u>	<u>242,220</u>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences - Due in more than one year	14,002	1,967	15,969
Advanced Construction Payments	-	3,141	3,141
Advanced Lease Payments	-	1,567	1,567
Net Other Post Employment Benefit	1,237	-	1,237
Net Pension Liabilities	257,337	33,722	291,059
Bonds, Loans, and Other Payables - Due in more than one year	853,271	308,148	1,161,419
Pollution Remediation Obligation	-	50,049	50,049
Total Noncurrent Liabilities	<u>1,125,847</u>	<u>398,594</u>	<u>1,524,441</u>
Total Liabilities	<u>1,314,061</u>	<u>452,600</u>	<u>1,766,661</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	<u>12,507</u>	<u>2,914</u>	<u>15,421</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,406,976	1,059,001	4,465,977
Restricted			
Debt Service	35,518	4,692	40,210
Transportation and Preserve Privilege Tax Activities	49,471	-	49,471
Capital Projects	31,796	-	31,796
Grants	2,177	-	2,177
Special Programs	3,958	-	3,958
Streetlight and Services District	12	-	12
Repair and Replacement	-	38,721	38,721
Joint Venture Construction Deposits	-	4,108	4,108
Unrestricted	(3,679)	255,503	251,824
Total Net Position	<u>\$ 3,526,229</u>	<u>\$ 1,362,025</u>	<u>\$ 4,888,254</u>

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

**Statement of Activities**

For the Fiscal Year Ended June 30, 2016 (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	\$ 813	\$ 155	\$ 7	\$ -	\$ (651)	\$ -	\$ (651)
City Clerk	1,129	148	-	-	(981)	-	(981)
City Attorney	6,893	656	4	-	(6,233)	-	(6,233)
City Auditor	821	176	-	-	(645)	-	(645)
City Court	4,964	-	5	-	(4,959)	-	(4,959)
City Manager	1,974	225	871	-	(878)	-	(878)
City Treasurer	5,658	2,610	-	-	(3,048)	-	(3,048)
Public Works	38,291	6,149	192	335	(31,615)	-	(31,615)
Community and Economic Development	102,892	17,464	15,041	79,700	9,313	-	9,313
Public Safety	136,261	11,459	3,042	255	(121,505)	-	(121,505)
Community Services	53,322	6,269	10,546	1,872	(34,635)	-	(34,635)
Administrative Services	20,264	2,926	-	-	(17,338)	-	(17,338)
Streetlight and Services Districts	589	577	-	-	(12)	-	(12)
Interest on Long-Term Debt	31,665	-	-	-	(31,665)	-	(31,665)
Total Governmental Activities	405,536	48,814	29,708	82,162	(244,852)	-	(244,852)
Business-type Activities							
Water Utility	100,854	110,560	-	9,305	-	19,011	19,011
Sewer Utility	42,058	39,741	-	6,999	-	4,682	4,682
Airport	3,894	4,404	-	6,241	-	6,751	6,751
Solid Waste	20,786	20,120	-	-	-	(666)	(666)
Total Business-Type Activities	167,592	174,825	-	22,545	-	29,778	29,778
Total Government	\$ 573,128	\$ 223,639	\$ 29,708	\$ 104,707	(244,852)	29,778	(215,074)
General Revenues							
Taxes							
Property Taxes					63,221	-	63,221
Sales and Use Taxes					189,517	145	189,662
Franchise Taxes					12,678	-	12,678
Intergovernmental							
State Shared Sales					20,647	-	20,647
State Revenue Sharing					26,173	-	26,173
Other					10,810	-	10,810
Interest and Investment Income					2,955	2,531	5,486
Other Revenue					9,987	-	9,987
Transfers					7,174	(7,174)	-
Total General Revenues and Transfers					343,162	(4,498)	338,664
Change in Net Position					98,310	25,280	123,590
Net Position - Beginning, restated					3,427,919	1,336,745	4,764,664
Net Position - Ending					\$ 3,526,229	\$ 1,362,025	\$ 4,888,254

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

# Balance Sheet

## Governmental Funds

June 30, 2016 (in thousands)

ASSETS	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 66,027	\$ 11,109	\$ 28,404	\$ 127,235	\$ 232,775
Cash with Fiscal Agent	1,266	46,124	-	22,868	70,258
Receivable (net of allowance for uncollectibles)					
Interest	352	-	85	160	597
Privilege Tax	15,037	-	-	4,351	19,388
Transient Occupancy Tax	-	-	-	861	861
Property Tax	835	985	-	97	1,917
State Shared Sales Tax	1,770	-	-	-	1,770
Franchise Fee	2,903	-	-	50	2,953
Court Receivable	10,409	-	-	-	10,409
Library Receivable	571	-	-	-	571
Highway User Tax	-	-	-	1,303	1,303
Auto Lieu Tax	449	-	-	-	449
Intergovernmental	-	-	-	22,063	22,063
Grants	-	-	-	1,340	1,340
Miscellaneous	3,304	-	2,565	2,256	8,125
Due from Other Funds	1,974	-	-	-	1,974
Supplies Inventory	249	-	-	-	249
Total Assets	\$ 105,146	\$ 58,218	\$ 31,054	\$ 182,584	\$ 377,002

(continued)

# Balance Sheet

## Governmental Funds

June 30, 2016 (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 (DEFICITS)</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 5,370	\$ -	\$ 983	\$ 5,966	\$ 12,319
Accrued Payroll and Benefits	9,658	-	16	581	10,255
Due to Other Funds	-	-	-	1,974	1,974
Matured Bond Interest Payable	158	10,729	-	6,343	17,230
Matured Bonds Payable	1,108	35,395	-	15,475	51,978
Unearned Revenue					
Intergovernmental	-	-	-	6,451	6,451
Other	751	-	5	1,039	1,795
Due to Other Governments	4,192	-	-	4	4,196
Guaranty and Other Deposits	2,866	-	-	5	2,871
Other	3,223	-	-	14	3,237
Total Liabilities	<u>27,326</u>	<u>46,124</u>	<u>1,004</u>	<u>37,852</u>	<u>112,306</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	12,224	565	-	22,686	35,475
Total Liabilities and Deferred Inflows of Resources	<u>39,550</u>	<u>46,689</u>	<u>1,004</u>	<u>60,538</u>	<u>147,781</u>
<b>Fund Balances (Deficits)</b>					
Nonspendable	249	-	-	-	249
Restricted	-	11,529	-	105,318	116,847
Committed	-	-	30,050	22,458	52,508
Unassigned	65,347	-	-	(5,730)	59,617
Total Fund Balances (Deficits)	<u>65,596</u>	<u>11,529</u>	<u>30,050</u>	<u>122,046</u>	<u>229,221</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 105,146</u>	<u>\$ 58,218</u>	<u>\$ 31,054</u>	<u>\$ 182,584</u>	<u>\$ 377,002</u>

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



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

June 30, 2016 (in thousands)

Fund Balances - Total Governmental Funds	\$ 229,221
<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 financial resources; therefore are not reported in the funds.	4,215,670
Change in equity in joint venture are not financial resources; therefore are not reported in the funds.	2,427
Prepayments and service concession arrangements are not financial resources; therefore are not reported in the funds.	100,515
Deferred outflows relating to deferred amounts on refunding and pensions are not financial resources; therefore are not reported in the funds.	70,744
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds.	(1,178,020)
Deferred inflows relating to pensions represent a future acquisition of net position that is not reported in the funds. Also, because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds.	23,410
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>62,262</u>
Net Position of Governmental Activities	<u><u>\$ 3,526,229</u></u>

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

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

## Governmental Funds

For the Fiscal Year Ended June 30, 2016 (in thousands)

<u>REVENUES</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>
Taxes - Local					
Property	\$ 25,868	\$ 32,098	\$ -	\$ 3,990	\$ 61,956
Transaction Privilege	115,289	-	-	55,967	171,256
Transient Occupancy	-	-	-	17,397	17,397
Light and Power Franchise	8,552	-	-	274	8,826
Cable TV Franchise	3,816	-	-	-	3,816
Salt River Project In-Lieu	250	-	-	-	250
Other Taxes	913	-	-	-	913
Taxes - Intergovernmental					
State Shared Sales	20,647	-	-	-	20,647
State Revenue Sharing	26,173	-	-	-	26,173
Auto Lieu Tax	8,991	-	-	-	8,991
Highway User Tax	-	-	-	14,060	14,060
Local Transportation Assistance Fund	-	-	-	655	655
Business and Liquor Licenses	1,838	-	-	56	1,894
Charges for Current Services					
Building and Related Permits	13,219	-	74	-	13,293
Recreation Fees	4,146	-	-	1,818	5,964
WestWorld Equestrian Facility Fees	4,243	-	-	-	4,243
Fire Fees	904	-	-	-	904
Fines, Fees, and Forfeitures					
Court	4,069	-	-	172	4,241
Parking	302	-	-	-	302
Photo Radar	3,081	-	-	-	3,081
Court Enhancement	-	-	-	2,051	2,051
Library	339	-	-	146	485
Police Fees	-	-	-	457	457
Property Rental	2,880	-	-	2,042	4,922
Interest Earnings	1,467	-	198	708	2,373
Investment Income	413	-	35	134	582
Intergovernmental					
Federal Grants	-	-	28	9,005	9,033
State Grants	-	-	-	210	210
Miscellaneous	1,271	-	-	5,556	6,827
Developer Contributions	16	-	-	303	319
Streetlight and Services Districts	-	-	-	577	577
Contributions and Donations	-	-	-	2,268	2,268
Reimbursements from Outside Sources	1,529	-	-	413	1,942
Indirect Costs	5,966	-	-	535	6,501
Other	883	-	1	70	954
Total Revenues	<u>\$ 257,065</u>	<u>\$ 32,098</u>	<u>\$ 336</u>	<u>\$ 118,864</u>	<u>\$ 408,363</u>

(continued)

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

## Governmental Funds

For the Fiscal Year Ended June 30, 2016 (in thousands)

<b>EXPENDITURES</b>	<b>General</b>	<b>General Obligation Bond Debt Service</b>	<b>General CIP Construction Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Current</b>					
General Government					
Mayor and City Council	\$ 742	\$ -	\$ -	\$ 76	\$ 818
City Clerk	1,138	-	-	-	1,138
City Attorney	7,118	-	-	-	7,118
City Auditor	824	-	-	-	824
City Court	4,042	-	-	933	4,975
City Manager	1,094	-	-	871	1,965
City Treasurer	5,670	-	-	115	5,785
Public Works	18,244	-	-	14,606	32,850
Community and Economic Development	23,180	-	-	19,555	42,735
Public Safety	126,077	-	-	2,450	128,527
Community Services	34,523	-	-	10,985	45,508
Administrative Services	15,648	-	-	-	15,648
Streetlight and Services Districts	-	-	-	589	589
Debt Service					
Principal	2,443	35,395	-	15,475	53,313
Interest and Fiscal Charges	483	21,464	-	12,717	34,664
Capital Outlay	-	-	8,011	18,663	26,674
Total Expenditures	<u>241,226</u>	<u>56,859</u>	<u>8,011</u>	<u>97,035</u>	<u>403,131</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>15,839</u>	<u>(24,761)</u>	<u>(7,675)</u>	<u>21,829</u>	<u>5,232</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	11,760	24,118	9,606	39,596	85,080
Transfers Out	(23,053)	-	(59)	(55,967)	(79,079)
Sale of General Capital Assets	4,806	-	-	-	4,806
Total Other Financing Sources (Uses)	<u>(6,487)</u>	<u>24,118</u>	<u>9,547</u>	<u>(16,371)</u>	<u>10,807</u>
Net Change in Fund Balances (Deficits)	9,352	(643)	1,872	5,458	16,039
Fund Balances - Beginning, Restated *	56,244	12,172	28,178	116,588	213,182
Fund Balances - Ending	<u>\$ 65,596</u>	<u>\$ 11,529</u>	<u>\$ 30,050</u>	<u>\$ 122,046</u>	<u>\$ 229,221</u>

\*Restated the General CIP Construction Capital Projects Fund by a deficit of \$1,947,000 for the creation of the External Sources Nonmajor Capital Projects Fund.

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, 2016 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$	16,039
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 capital outlay exceeded depreciation in the current period.		(54,810)
Donations of capital assets and changes in joint venture equity interest are not capitalized on the governmental fund statements, but are shown in the statement of activities.		76,910
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.		(25,984)
Current-year pension contributions are reclassified from expenditures in the governmental funds to deferred outflows of resources in the government-wide statements.		21,185
Current-year joint venture contributions are reclassified from expenditures in the governmental funds to increase the joint venture asset in the government-wide statements.		817
Amounts provided by the State Treasurer directly to the Public Safety Personnel Retirement System on behalf of the City are not recognized in the governmental fund statements, but are shown in the statement of activities.		1,606
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,016
Prepayments are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position. This is the amount of the amortization expense in the current period.		(967)
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.		53,313
Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refunding.		2,999
The change in net position of the Internal Service Funds is attributed to governmental activities.		4,186
Change in Net Position of Governmental Activities	\$	<u>98,310</u>

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

# General Fund

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

For the Fiscal Year Ended June 30, 2016 (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	\$ 26,010	\$ 26,010	\$ 25,868	\$ -	\$ 25,868	\$ (142)
Transaction Privilege	110,028	110,028	115,289	-	115,289	5,261
Light and Power Franchise	8,325	8,325	8,552	-	8,552	227
Cable TV Franchise	3,415	3,415	3,816	-	3,816	401
Salt River Project In-Lieu	244	244	250	-	250	6
Other Taxes	907	907	913	-	913	6
Taxes - Intergovernmental						
State-Shared Sales	20,767	20,767	20,647	-	20,647	(120)
State Revenue Sharing	26,173	26,173	26,173	-	26,173	-
Auto Lieu Tax	8,592	8,592	8,991	-	8,991	399
Business and Liquor Licenses	1,846	1,846	1,838	-	1,838	(8)
Charges for Current Services						
Building and Related Permits	14,276	14,276	13,219	-	13,219	(1,057)
Recreation Fees	3,587	3,587	4,146	-	4,146	559
WestWorld Equestrian Facility Fees	5,061	5,061	4,243	-	4,243	(818)
Fire Fees	756	756	904	-	904	148
Fines, Fees, and Forfeitures						
Court	3,904	3,904	4,069	-	4,069	165
City Attorney Service Enhancement	303	303	-	-	-	(303)
Parking	222	222	302	-	302	80
Photo Radar	2,879	2,879	3,081	-	3,081	202
Library	305	305	339	-	339	34
Property Rental	3,050	3,050	2,880	-	2,880	(170)
Interest Earnings	885	885	1,467	-	1,467	582
Investment Income	-	-	-	413	413	-
Intergovernmental						
Miscellaneous	1,214	1,214	1,271	-	1,271	57
Developer Contributions	-	-	16	-	16	16
Reimbursements from Outside Sources	1,147	1,147	1,529	-	1,529	382
Indirect Costs	5,966	5,966	5,966	-	5,966	-
Other	733	733	883	-	883	150
Total Revenues	\$ 250,595	\$ 250,595	\$ 256,652	\$ 413	\$ 257,065	\$ 6,057

(continued)

# General Fund

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

For the Fiscal Year Ended June 30, 2016 (in thousands)

EXPENDITURES	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>Current</b>						
General Government						
Mayor and City Council	\$ 760	\$ 753	\$ 735	\$ 7	\$ 742	\$ 18
City Clerk	719	1,139	1,134	4	1,138	5
City Attorney	6,353	6,628	7,081	37	7,118	(453)
City Auditor	873	884	819	5	824	65
City Court	4,328	4,125	4,028	14	4,042	97
City Manager	1,279	1,104	1,088	6	1,094	16
City Treasurer	5,899	5,794	5,627	43	5,670	167
Public Works	18,260	18,176	18,232	12	18,244	(56)
Community and Economic Development	24,217	24,514	23,085	95	23,180	1,429
Public Safety	128,009	128,647	125,398	679	126,077	3,249
Community Services	35,038	34,979	34,390	133	34,523	589
Administrative Services	17,088	15,710	15,483	165	15,648	227
Debt Service						
Principal	2,370	2,370	2,443	-	2,443	(73)
Interest and Fiscal Charges	475	475	483	-	483	(8)
Total Expenditures	<u>245,668</u>	<u>245,298</u>	<u>240,026</u>	<u>1,200</u>	<u>241,226</u>	<u>5,272</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>4,927</u>	<u>5,297</u>	<u>16,626</u>	<u>(787)</u>	<u>15,839</u>	<u>11,329</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	9,089	9,089	11,760	-	11,760	2,671
Transfers Out	(18,144)	(18,144)	(23,053)	-	(23,053)	(4,909)
Sale of General Capital Assets	4,193	4,193	4,806	-	4,806	613
Total Other Financing Sources (Uses)	<u>(4,862)</u>	<u>(4,862)</u>	<u>(6,487)</u>	<u>-</u>	<u>(6,487)</u>	<u>(1,625)</u>
Net Change in Fund Balances	65	435	10,139	(787)	9,352	9,704
Fund Balance - Beginning	<u>46,216</u>	<u>65,937</u>	<u>65,937</u>	<u>(9,693)</u>	<u>56,244</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 46,281</u>	<u>\$ 66,372</u>	<u>\$ 76,076</u>	<u>\$ (10,480)</u>	<u>\$ 65,596</u>	<u>\$ 9,704</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, 2016 (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>\$ 413</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>1,200</u>
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Net Decrease in Fund Balance - Budget to GAAP

<u>\$ (787)</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, 2016 (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	\$ 167,372	\$ 7,149	\$ 12,227	\$ 186,748	\$ 40,251
Cash with Fiscal Agent	28,056	-	-	28,056	-
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	16	2	18	-
Charges for Services	15,023	-	1,781	16,804	-
Intergovernmental	-	323	-	323	-
Interest	279	11	18	308	-
Miscellaneous	3,015	437	57	3,509	181
Supplies Inventory	-	-	-	-	747
Restricted Cash, Cash Equivalents, and Investments					
Customer Advances and Deposits	949	95	-	1,044	-
Prepaid Expenses	159	-	-	159	-
Other Restricted Assets					
Joint Venture Construction Deposits	4,108	-	-	4,108	-
<b>Total Current Assets</b>	<b>218,961</b>	<b>8,031</b>	<b>14,085</b>	<b>241,077</b>	<b>41,179</b>
Noncurrent Assets					
Equity in Joint Ventures	96,214	4	40	96,258	3
Pollution Remediation Recoveries	50,049	-	-	50,049	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	3,141	-	-	3,141	-
Advanced Lease Payments	-	1,567	-	1,567	-
Water and Sewer System Replacement	38,721	-	-	38,721	-
Revenue Bond Reserve	4,692	-	-	4,692	-
Capital Assets					
Land	39,650	9,564	1,111	50,325	-
Water Rights	87,171	-	-	87,171	-
Water System	1,196,990	-	-	1,196,990	-
Sewer System	606,933	-	-	606,933	-
Buildings and Improvements	-	32,439	5,004	37,443	12,887
Motor Vehicles	-	628	-	628	75,327
Machinery and Equipment	4,955	861	490	6,306	1,751
Furniture and Fixtures	350	4	23	377	-
Construction in Progress	28,883	5,536	6	34,425	76
Less Accumulated Depreciation	(635,421)	(11,746)	(2,701)	(649,868)	(41,853)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>1,329,511</b>	<b>37,286</b>	<b>3,933</b>	<b>1,370,730</b>	<b>48,188</b>
<b>Total Noncurrent Assets</b>	<b>1,522,328</b>	<b>38,857</b>	<b>3,973</b>	<b>1,565,158</b>	<b>48,191</b>
<b>Total Assets</b>	<b>1,741,289</b>	<b>46,888</b>	<b>18,058</b>	<b>1,806,235</b>	<b>89,370</b>
<b>Deferred Outflows of Resources</b>					
Deferred Amounts on Refunding	6,569	-	-	6,569	-
Pensions	2,359	146	778	3,283	495
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,750,217</b>	<b>\$ 47,034</b>	<b>\$ 18,836</b>	<b>\$ 1,816,087</b>	<b>\$ 89,865</b>

(continued)



## Statement of Fund Net Position

### Proprietary Funds

June 30, 2016 (in thousands)

LIABILITIES	Water and Sewer			Total	Governmental Activities - Internal Service Funds
	Utility	Airport	Solid Waste		
<b>Current Liabilities</b>					
Accounts Payable	\$ 10,961	\$ 426	\$ 399	\$ 11,786	\$ 2,352
Accrued Payroll and Benefits	1,052	54	339	1,445	237
Accrued Compensated Absences - Current	-	1	-	1	-
Accrued Compensated Absences - Due within one year	1,121	71	332	1,524	198
Claims Payable - Due within one year	-	-	-	-	6,903
Customer Advances and Deposits	949	95	-	1,044	-
Matured Bonds Payable	14,815	-	-	14,815	-
Matured Bond Interest Payable	7,556	-	-	7,556	-
Bonds Payable and Other Payables - Due within one year	15,835	-	-	15,835	-
Total Current Liabilities	<u>52,289</u>	<u>647</u>	<u>1,070</u>	<u>54,006</u>	<u>9,690</u>
<b>Noncurrent Liabilities</b>					
Accrued Compensated Absences - Due in more than one year	1,423	109	435	1,967	229
Advanced Construction Payments	3,141	-	-	3,141	-
Advanced Lease Payments	-	1,567	-	1,567	-
Net Pension Liabilities	24,156	1,490	8,076	33,722	5,111
Bonds, Loans, and Other Payables - Due in more than one year	308,148	-	-	308,148	10,679
Pollution Remediation Obligation	50,049	-	-	50,049	-
Total Noncurrent Liabilities	<u>386,917</u>	<u>3,166</u>	<u>8,511</u>	<u>398,594</u>	<u>16,019</u>
Total Liabilities	<u>439,206</u>	<u>3,813</u>	<u>9,581</u>	<u>452,600</u>	<u>25,709</u>
<b>Deferred Inflows of Resources</b>					
Pensions	2,087	129	698	2,914	442
Total Liabilities and Deferred Inflows of Resources	<u>441,293</u>	<u>3,942</u>	<u>10,279</u>	<u>455,514</u>	<u>26,151</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,017,782	37,286	3,933	1,059,001	48,191
Restricted for Water and Sewer System Replacement	38,721	-	-	38,721	-
Restricted for Debt Service	4,692	-	-	4,692	-
Restricted for Joint Venture Construction Deposits	4,108	-	-	4,108	-
Unrestricted	243,621	5,806	4,624	254,051	15,523
Total Net Position	<u>\$ 1,308,924</u>	<u>\$ 43,092</u>	<u>\$ 8,557</u>	<u>\$ 1,360,573</u>	<u>\$ 63,714</u>

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

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

June 30, 2016 (in thousands)

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Total Enterprise Fund Net Position	\$ 1,360,573
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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.

<u>1,452</u>
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Net Position of Business-type Activities	<u>\$ 1,362,025</u>
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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, 2016 (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	\$ 91,687	\$ -	\$ -	\$ 91,687	\$ -
Sewer Service Fees	38,843	-	-	38,843	-
Proprietary - Non-potable water fees	12,147	-	-	12,147	-
Solid Waste Fees	-	-	20,120	20,120	-
Airport Fees	-	4,254	-	4,254	-
Other Services	-	-	-	-	56,783
Other	7,624	147	-	7,771	1,494
Total Operating Revenues	<u>150,301</u>	<u>4,401</u>	<u>20,120</u>	<u>174,822</u>	<u>58,277</u>
<b>OPERATING EXPENSES</b>					
Costs for Sales and Services					
Water Operations	57,849	-	-	57,849	-
Sewer Operations	19,294	-	-	19,294	-
Solid Waste Operations	-	-	19,341	19,341	-
Airport Operations	-	2,348	-	2,348	-
Other Services	-	-	-	-	51,630
Indirect Costs	4,443	478	1,580	6,501	-
Depreciation	49,120	1,072	180	50,372	6,128
Total Operating Expenses	<u>130,706</u>	<u>3,898</u>	<u>21,101</u>	<u>155,705</u>	<u>57,758</u>
Operating Income (Loss)	<u>19,595</u>	<u>503</u>	<u>(981)</u>	<u>19,117</u>	<u>519</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Transaction Privilege Tax	-	145	-	145	-
Property Tax	-	-	-	-	1,313
Investment Income	2,311	92	128	2,531	-
Interest Expense	(12,252)	-	-	(12,252)	-
Gain(Loss) on Sale of Capital Assets	(39)	3	-	(36)	356
Net Non-Operating Revenue (Expenses)	<u>(9,980)</u>	<u>240</u>	<u>128</u>	<u>(9,612)</u>	<u>1,669</u>
Income Before Contributions and Transfers	<u>9,615</u>	<u>743</u>	<u>(853)</u>	<u>9,505</u>	<u>2,188</u>
Capital Contributions	16,304	6,241	-	22,545	1,229
Transfers In	-	-	-	-	1,196
Transfers Out	(7,133)	(4)	(37)	(7,174)	(23)
Change in Net Position	<u>18,786</u>	<u>6,980</u>	<u>(890)</u>	<u>24,876</u>	<u>4,590</u>
Total Net Position - Beginning as Restated	<u>1,290,138</u>	<u>36,112</u>	<u>9,447</u>	<u>1,335,697</u>	<u>59,124</u>
Total Net Position - Ending	<u>\$ 1,308,924</u>	<u>\$ 43,092</u>	<u>\$ 8,557</u>	<u>\$ 1,360,573</u>	<u>\$ 63,714</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 in Fund Net Position to the Statement of Activities

For the Fiscal Year Ended June 30, 2016 (in thousands)

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Net Change in Total Enterprise Fund Net Position	\$ 24,876
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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>\$ 25,280</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, 2016 (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	\$ 140,567	\$ 3,978	\$ 20,204	\$ 164,749	\$ 56,993
Cash Payments to Suppliers for Goods/Services	(51,774)	(1,415)	(13,354)	(66,543)	(44,608)
Cash Payments to Employees for Services	(21,850)	(1,315)	(7,304)	(30,469)	(4,685)
Other Cash Receipts	10,166	147	-	10,313	1,494
Net Cash Provided by (Used for) Operating Activities	<u>77,109</u>	<u>1,395</u>	<u>(454)</u>	<u>78,050</u>	<u>9,194</u>
<b>Cash Flows from Non-Capital Financing Activities</b>					
Property Tax	-	-	-	-	1,313
Transaction Privilege Tax	-	145	-	145	-
Transfers In	-	-	-	-	1,196
Transfers Out	(7,133)	(4)	(37)	(7,174)	(23)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(7,133)</u>	<u>141</u>	<u>(37)</u>	<u>(7,029)</u>	<u>2,486</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Contributions from:					
Water and Sewer Development Fees	5,469	-	-	5,469	-
Capital Grants	-	6,013	-	6,013	-
Acquisition and Construction of Property and Equipment	(40,699)	(10,208)	(73)	(50,980)	(8,161)
Water and Sewer Development Fee Credit Agreements	(313)	-	-	(313)	-
Principal Payments on Capital Debt and Other Payables	(13,490)	-	-	(13,490)	-
Interest Paid on Capital Debt	(13,338)	-	-	(13,338)	-
Investment in Joint Venture and CIP deposit	1,462	-	-	1,462	(1)
Sale of Capital Assets	(39)	3	-	(36)	636
Net Cash Used for Capital and Related Financing Activities	<u>(60,948)</u>	<u>(4,192)</u>	<u>(73)</u>	<u>(65,213)</u>	<u>(7,526)</u>
<b>Cash Flows from Investing Activities</b>					
Income Received on Investments	2,211	86	122	2,419	-
Net Cash Provided by Investing Activities	<u>2,211</u>	<u>86</u>	<u>122</u>	<u>2,419</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,239	(2,570)	(442)	8,227	4,154
Cash and Cash Equivalents at Beginning of Year	<u>231,692</u>	<u>11,381</u>	<u>12,669</u>	<u>255,742</u>	<u>36,097</u>
Cash and Cash Equivalents at End of Year	<u>\$ 242,931</u>	<u>\$ 8,811</u>	<u>\$ 12,227</u>	<u>\$ 263,969</u>	<u>\$ 40,251</u>

(continued)

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2016 (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	\$ 167,372	\$ 7,149	\$ 12,227	\$ 186,748	\$ 40,251
Cash with Fiscal Agent	28,056	-	-	28,056	-
Restricted Cash and Investments	47,503	1,662	-	49,165	-
Total Cash and Cash Equivalents	<u>\$ 242,931</u>	<u>\$ 8,811</u>	<u>\$ 12,227</u>	<u>\$ 263,969</u>	<u>\$ 40,251</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ 19,595	\$ 503	\$ (981)	\$ 19,117	\$ 519
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Depreciation/Amortization	49,120	1,072	180	50,372	6,128
Pension Expense	2,469	131	732	3,332	487
Current Year Pension Contributions	(1,620)	(101)	(531)	(2,252)	(338)
Change in Equity in Joint Venture RWC	(20)	(1)	(11)	(32)	-
Change in Equity in Joint Venture SROG	2,887	-	-	2,887	-
Change in Accounts Receivable	(1,342)	(216)	84	(1,474)	-
Change in Miscellaneous Receivable	(533)	-	-	(533)	209
Change in Inventories	-	-	-	-	65
Change in Prepaid Expense	904	-	-	904	-
Change in Customer Deposits	(247)	41	-	(206)	-
Change in Accounts Payable	3,062	41	23	3,126	398
Change in Accrued Payroll and Compensated Absences	292	25	50	367	83
Change in Claims Payable	-	-	-	-	1,643
Change in Advanced Construction Payments	2,542	-	-	2,542	-
Change in Advanced Lease Payments	-	(100)	-	(100)	-
Total Adjustments	<u>57,514</u>	<u>892</u>	<u>527</u>	<u>58,933</u>	<u>8,675</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 77,109</u>	<u>\$ 1,395</u>	<u>\$ (454)</u>	<u>\$ 78,050</u>	<u>\$ 9,194</u>
<b>Supplemental Disclosure of Non-cash Financing Activities</b>					
Additions to Property, Plant, and Equipment					
Contributions from Developers	\$ 11,151	\$ -	\$ -	\$ 11,151	\$ -
Contributions from Others	-	-	-	-	1,229
Change in Equity in Joint Venture RWC	(20)	(1)	(11)	(32)	-
Change in Equity in Joint Venture SROG	2,887	-	-	2,887	-
Total Non-Cash Financing Activities	<u>\$ 14,018</u>	<u>\$ (1)</u>	<u>\$ (11)</u>	<u>\$ 14,006</u>	<u>\$ 1,229</u>

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

## Statement of Fiduciary Net Position

### Fiduciary Funds

June 30, 2016 (in thousands)

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 8	\$ 1,503
Total Assets	\$ 8	\$ 1,503
<b>LIABILITIES</b>		
Escrow Payable Vouchers	\$ -	\$ 88
State Land Department Rebate	-	1,415
Total Liabilities	-	\$ 1,503
<b>NET POSITION</b>		
Held in Trust for Other Purposes	\$ 8	

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, 2016 (in thousands)

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Private Donations	<u>\$ 4</u>
Total Additions	<u>4</u>
<b>DEDUCTIONS</b>	
Scholarships / Program Activities	<u>6</u>
Total Deductions	<u>6</u>
Change in Net Position	(2)
Total Net Position - Beginning	<u>10</u>
Total Net Position - Ending	<u><u>\$ 8</u></u>

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



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Component Unit	Description and Criteria for Inclusion	Reporting Method	For Separate Financial Statements
City of Scottsdale Municipal Property Corporation (MPC)	<ul style="list-style-type: none"> <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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

Component Unit	Description and Criteria for Inclusion	Reporting Method	For Separate Financial Statements
McDowell Mountain Ranch Community Facilities District (CFD)	<ul style="list-style-type: none"> <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>	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
DC Ranch Community Facilities District (CFD)	<ul style="list-style-type: none"> <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>	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Via Linda Road Community Facilities District (CFD)	<ul style="list-style-type: none"> <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>	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251
Waterfront Commercial Community Facilities District (CFD)	<ul style="list-style-type: none"> <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>	Blended	City of Scottsdale City Treasurer's Office 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

### 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. 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. Agency funds do not have a measurement focus but utilize the accrual basis of accounting for reporting their assets and liabilities.

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

Property taxes, other local taxes and licenses available within the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues 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 to expenditures for the payment of long-term obligation debt principal, interest and related costs.

The *General CIP Construction Capital Projects Fund* is used to account for and report financial resources that are committed to expenditures for capital outlays including the acquisition, construction and improvements to major capital facilities or capital equipment from amounts transferred from the City's General Fund in accordance with the City's comprehensive financial policies adopted by the City Council annually. The Capital Management policy requires a minimum of twenty five percent of all capital improvement projects be financed for each five-year planning period, excluding preservation and enterprise. This fund also represents other City Council approved capital programs including transfers for tourism related capital projects as well as activity for the capital in-lieu parking and in-lieu stormwater. The City created a new fund titled "External Sources" for fiscal year ending June 30, 2016 to account for project activity financed by outside sources. This activity was previously accounted for in the General CIP Construction Fund. The "External Sources" fund is presented separately as a non-major capital project fund. 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 and the Crossroads East Development Agreement.

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.

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

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**

The City considers all highly liquid investments (including restricted assets) in mutual funds, demand deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury bills with an original maturity of three months or less to be cash equivalents. For the purposes of the statements of cash flows, all pooled cash and investments are also considered to be cash equivalents, although there are investments with maturities in excess of three months when purchased in the portfolio. This is due to the fact that the Proprietary funds may deposit or withdraw cash at any time without prior notice or penalty, having the characteristics of demand deposits.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The City has elected to report all investments at fair value. The City's policy is to invest in certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper (A-1, P-1), 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 Office of the Arizona State Treasurer.

### **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."

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

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

### **3. Inventories, Prepayments and Prepaid Items**

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

Prepayments of the governmental funds, which are prepared using the modified accrual basis of accounting, are recorded under the 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 and proprietary fund financial statements. The cost of a prepaid item is recorded as an expense when consumed rather than purchased.

### **4. Restricted Assets**

Certain proceeds of the City's 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 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.

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## 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 acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. Pensions

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

### 7. Compensated Absences

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

Vacation pay is calculated based on vacation used and the medical leave conversion is based on an actuarial valuation dated January 1, 2016. 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, 2016, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2016, that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. There is no long-term liability for compensated absences in the governmental funds.

### 8. Long-term Obligations

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.



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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

## 9. Deferred Outflows/Inflows of Resources

In addition to assets, the government-wide financial statements and the proprietary fund financial statements include a section for deferred outflows of resources. This represents a consumption of net 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 two items that qualify for this category: deferred amounts on refunding and pension-related amounts. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension-related amounts result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, changes in proportion and differences between employer contributions and proportionate share of contributions, and contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period. With the exception of the difference between projected and actual investment earnings and contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period, the pension-related deferred outflows of resources should be recognized in pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period. The deferred outflows of resources relating to the difference between projected and actual investment earnings should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The deferred outflow of resources relating to contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period will reduce the beginning net pension liability in the following fiscal year.

In addition to liabilities, the government-wide and fund financial statements include a section for deferred inflows of resources. This represents an acquisition of fund balance or net position 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 two items that qualify for this category: unavailable revenue and pension-related amounts. Unavailable revenue, which arises only under the modified accrual basis of accounting, is recognized as an inflow of resources in the period that the related amounts become available. The pension-related amounts result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions. With the exception of the difference between projected and actual investment earnings, the pension-related deferred inflows of resources should be recognized in pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period. The deferred inflows of resources relating to the difference between projected and actual investment earnings should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

### 10. Development Impact Fee Revenue

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

### 11. Fund Balance Policies

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

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

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

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

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

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

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

### 12. Net Position

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

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

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. 72

The City adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. This statement generally requires investments to be measured at fair value and requires disclosures to be made about fair value measurements including the level of fair value hierarchy and the valuation techniques utilized by the government.

### 2. Governmental Accounting Standards Board Statement No. 76

The City adopted the provisions of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply. This pronouncement did not impact the preparation of these financial statements.

### 3. Governmental Accounting Standards Board Statement No. 82

The City adopted the provisions of GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised during the implementation of the three standards listed above. One of the significant changes included in this statement clarified the presentation of covered payroll in the required supplementary information to reflect the amount of payroll on which contributions made to the pension plan are based.

## F. Prior Period Adjustment

Annually, the City receives capital contributions from developers that dedicate streets and the underlying land to the City. Prior to fiscal year ending June 30, 2006, the City recorded the entire capital contribution to the street category in the capital asset records. This correction moves the portion of the asset attributable to land from the street category to the land category. Although, the City's capital assets as a whole remain the same, net position increased \$666,566,315 for prior year depreciation expense attributable to the land, which is a non-depreciable asset.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

On October 20, 2009 the City entered into an intergovernmental agreement to join the Regional Wireless Cooperative (RWC) forming an unincorporated association of other municipalities to plan, design, construct, operate, maintain, and finance a regional wireless cooperative public safety communications network. In reviewing the components of the agreement, the City determined it met all requirements to be accounted for as a joint venture. The City has contributed \$1,267,932 to the RWC that was previously accounted for in the City's capital assets and therefore the beginning balance of the capital assets equipment category was reduced by this amount and \$10,566 of accumulated depreciation from the asset was removed. Additionally, the City recorded equity in the joint venture of \$1,405,305 to the participating funds between the governmental and business-type activities in accordance with the payments made.

The following table shows a summary of all adjustments (in thousands):

	Government-Wide Statement of Net Position		Statements of Fund Net Position			
	Governmental Activities	Business-type Activities	Water and Sewer Utility	Airport	Solid Waste	Fleet Management
Net position at June 30, 2015, as previously reported	\$ 2,761,290	\$ 1,336,660	\$ 1,290,084	\$ 36,109	\$ 9,419	\$ 52,131
Land and street - depreciation adjustment	666,566	-	-	-	-	-
Joint venture - net asset adjustment	(1,257)	-	-	-	-	-
Joint venture - equity adjustment	1,320	85	54	3	28	2
Net position at July 1, 2015, as restated	<u>\$ 3,427,919</u>	<u>\$ 1,336,745</u>	<u>\$ 1,290,138</u>	<u>\$ 36,112</u>	<u>\$ 9,447</u>	<u>\$ 52,133</u>

## 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, \$229,221,000 differs from net position of governmental activities, \$3,526,229,000 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.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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

	Total Governmental Funds	Long-Term Assets & Deferred Outflows/ Liabilities and Deferred Inflows <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	\$ 232,775	\$ -	\$ 40,251	\$ -	\$ 273,026
Cash with Fiscal Agent	70,258	-	-	-	70,258
Receivables (net of allowance for uncollectibles)					
Interest	597	-	-	-	597
Privilege Tax	19,388	-	-	-	19,388
Transient Occupancy Tax	861	-	-	-	861
Property Tax	1,917	-	-	-	1,917
State Shared Sales Tax	1,770	-	-	-	1,770
Franchise Fee	2,953	-	-	-	2,953
Court Receivable	10,409	-	-	-	10,409
Library Receivable	571	-	-	-	571
Highway User Tax	1,303	-	-	-	1,303
Auto Lieu Tax	449	-	-	-	449
Intergovernmental	22,063	-	-	-	22,063
Grants	1,340	-	-	-	1,340
Miscellaneous	8,125	-	181	-	8,306
Due from Other Funds	1,974	-	-	(1,974)	-
Supplies Inventory	249	-	747	-	996
Capital Assets (net of accumulated depreciation)	-	4,215,670	48,188	-	4,263,858
Equity in Joint Ventures	-	2,427	3	-	2,430
Prepayments	-	29,533	-	-	29,533
Service Concession Arrangements	-	70,982	-	-	70,982
Total Assets	<u>377,002</u>	<u>4,318,612</u>	<u>89,370</u>	<u>(1,974)</u>	<u>4,783,010</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	-	27,141	-	-	27,141
Pension-Related Amounts	-	43,603	495	-	44,098
Total Deferred Outflows of Resources	<u>-</u>	<u>70,744</u>	<u>495</u>	<u>-</u>	<u>71,239</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 377,002</u>	<u>\$ 4,389,356</u>	<u>\$ 89,865</u>	<u>\$ (1,974)</u>	<u>\$ 4,854,249</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION</b>					
Liabilities					
Accounts Payable	\$ 12,319	\$ -	\$ 2,352	\$ -	\$ 14,671
Accrued Payroll and Benefits	10,255	(137)	237	-	10,355
Due to Other Funds	1,974	-	1,452	(1,974)	1,452
Accrued Compensated Absences - Current	-	137	-	-	137
Accrued Compensated Absences - Due within one year	-	11,315	198	-	11,513
Accrued Compensated Absences - Due in more than one year	-	13,773	229	-	14,002
Claims Payable - Due within one year	-	-	6,903	-	6,903
Matured Bond Interest Payable	17,230	-	-	-	17,230
Matured Bonds Payable	51,978	-	-	-	51,978
Unearned Revenue					
Intergovernmental	6,451	-	-	-	6,451
Other	1,795	-	-	-	1,795
Due to Other Governments	4,196	-	-	-	4,196
Guaranty and Other Deposits	2,871	-	-	-	2,871
Other	3,237	-	-	-	3,237
Bonds, Loans, Capital Leases, and Other Payables	-	1,152,932	15,790	-	1,168,722
Total Liabilities	<u>112,306</u>	<u>1,178,020</u>	<u>27,161</u>	<u>(1,974)</u>	<u>1,315,513</u>
Deferred Inflows of Resources					
Unavailable Revenue	35,475	(35,475)	-	-	-
Pension-Related Amounts	-	12,065	442	-	12,507
Total Deferred Inflows of Resources	<u>35,475</u>	<u>(23,410)</u>	<u>442</u>	<u>-</u>	<u>12,507</u>
Total Liabilities and Deferred Inflows of Resources	<u>147,781</u>	<u>1,154,610</u>	<u>27,603</u>	<u>(1,974)</u>	<u>1,328,020</u>
Fund Balances/Net Position					
Total Fund Balances/Net Position	<u>229,221</u>	<u>3,234,746</u>	<u>62,262</u>	<u>-</u>	<u>3,526,229</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	<u>\$ 377,002</u>	<u>\$ 4,389,356</u>	<u>\$ 89,865</u>	<u>\$ (1,974)</u>	<u>\$ 4,854,249</u>

# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2016

### 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	\$ 5,547,745
Accumulated depreciation	(1,332,075)
	\$ 4,215,670

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

\$ 2,427

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 7/1/15	\$ 30,500
Amortization of prepayments	(967)
	\$ 29,533
SCAs at 7/1/15	\$ 74,417
Land improvements additions for SCAs	818
Amortization of SCAs	(4,253)
	\$ 70,982

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

Deferred amounts on refundings	\$ 27,141
Pensions	43,603
	\$ 70,744

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, 2016, were:

Capital leases payable	\$ (156)
Bonds payable	(834,239)
Service concession arrangements	(2,683)
Issuance premium	(62,391)
Accrued vacation and sick leave pay	(25,088)
Post employment - implicit subsidy	(1,237)
Net pension liabilities	(252,226)
	\$ (1,178,020)

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	\$ 560
Unavailable court revenue	3,724
Unavailable property tax revenue	1,078
Unavailable privilege tax revenue	6,064
Unavailable transient occupancy tax revenue	46
Unavailable intergovernmental revenue	22,502
Unavailable other revenue	1,501
	\$ 35,475

Deferred inflows represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions may result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions.

\$ (12,065)

(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.

\$ 62,262

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

**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, \$16,039,000 differs from the change in net position for the governmental activities, \$98,310,000 reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated in the next table.

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

(in thousands)

	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	\$ 61,956	\$ (48)	\$ -	\$ 1,313	\$ -	\$ -	\$ 63,221
Transaction Privilege	171,256	872	-	-	-	-	172,128
Transient Occupancy	17,397	(8)	-	-	-	-	17,389
Light and Power Franchise	8,826	-	-	-	-	-	8,826
Cable TV Franchise	3,816	36	-	-	-	-	3,852
Salt River Project In-Lieu	250	-	-	-	-	-	250
Other Taxes	913	1	-	-	-	-	914
Taxes - Intergovernmental							
State-Shared Sales	20,647	-	-	-	-	-	20,647
State Revenue Sharing	26,173	-	-	-	-	-	26,173
Auto Lieu Tax	8,991	-	-	-	-	-	8,991
Highway User Tax	14,060	-	-	-	-	-	14,060
Local Transportation Assistance Fund	655	-	-	-	-	-	655
Business and Liquor Licenses	1,894	6	-	-	-	-	1,900
Charges for Current Services							
Building and Related Permits	13,293	55	-	-	(19)	-	13,329
Recreation Fees	5,964	1	-	-	-	-	5,965
WestWorld Equestrian Facility Fees	4,243	(108)	-	-	-	-	4,135
Fire Fees	904	(37)	-	-	-	-	867
Fines and Forfeitures							
Court	4,241	(38)	-	-	-	-	4,203
Parking	302	(9)	-	-	-	-	293
Photo Radar	3,081	(2)	-	-	-	-	3,079
Court Enhancement	2,051	-	-	-	-	-	2,051
Library	485	(181)	-	-	-	-	304
Police Fees	457	-	-	-	-	-	457
Property Rental	4,922	187	-	-	-	-	5,109
Interest Earnings	2,373	-	-	-	-	-	2,373
Investment Income	582	-	-	-	-	-	582
Intergovernmental							
Federal Grants	9,033	1,271	-	-	-	-	10,304
State Grants	210	(39)	-	-	-	-	171
Miscellaneous	6,827	970	-	-	-	-	7,797
Developer Contributions	319	-	-	-	-	-	319
Streetlight and Services Districts	577	-	-	-	-	-	577
Contributions and Donations	2,268	(2)	-	-	-	-	2,266
Reimbursements from Outside Sources	1,942	100	-	-	-	-	2,042
Indirect Costs	6,501	-	-	-	-	-	6,501
Other	954	1,601	292	-	(11)	-	2,836
Total Revenues	\$ 408,363	\$ 4,628	\$ 292	\$ 1,313	\$ (30)	\$ -	\$ 414,566

(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	\$ 818	\$ (8)	\$ -	\$ 3	\$ -	\$ -	\$ 813
City Clerk	1,138	(12)	2	1	-	-	1,129
City Attorney	7,118	(246)	-	21	-	-	6,893
City Auditor	824	(5)	-	2	-	-	821
City Court	4,975	(60)	39	10	-	-	4,964
City Manager	1,965	(12)	22	(1)	-	-	1,974
City Treasurer	5,785	(146)	12	18	(11)	-	5,658
Public Works	32,850	(356)	6,299	(92)	(410)	-	38,291
Community and Economic Development	42,735	3,851	56,772	(17)	(449)	-	102,892
Public Safety	128,527	2,980	4,855	(59)	(42)	-	136,261
Community Services	45,508	(4)	7,840	(10)	(12)	-	53,322
Administrative Services	15,648	(1,036)	5,643	9	-	-	20,264
Streetlight and Services Districts	589	-	-	-	-	-	589
Debt Service							
Principal	53,313	-	-	-	-	(53,313)	-
Interest and Fiscal Charges	34,664	-	-	-	-	(2,999)	31,665
Capital Outlay	26,674	-	(26,674)	-	-	-	-
Total Expenditures/Expenses	\$ 403,131	\$ 4,946	\$ 54,810	\$ (115)	\$ (924)	\$ (56,312)	\$ 405,536
<b>OTHER FINANCING USES/ CHANGES IN NET POSITION</b>							
Net Transfers from Other Funds	\$ 6,001	\$ -	\$ -	\$ 1,173	\$ -	\$ -	\$ 7,174
Capital Contributions	-	-	76,618	1,229	(894)	-	76,953
Proceeds from Sale of Assets	4,806	(9)	-	356	-	-	5,153
Total	10,807	(9)	76,618	2,758	(894)	-	89,280
Net Change for the Year	\$ 16,039	\$ (327)	\$ 22,100	\$ 4,186	\$ -	\$ 56,312	\$ 98,310

(continued)

**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	\$ (48)
Court revenue	(42)
Library revenue	(181)
Privilege tax revenue	872
Transient occupancy tax revenue	(8)
Intergovernmental revenue	2,202
Other receivable revenue	221
	<u>\$ 3,016</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	\$ 212
Accrual for long-term post employment implied subsidy	(322)
Pension expense	(21,621)
Amortization of service concession arrangements (SCAs)	(4,253)
	<u>\$ (25,984)</u>

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

	<u>\$ 21,185</u>
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Current-year joint venture contributions are reclassified to an increase of the joint venture asset on the statement of net position, and are therefore not a reduction of net position.

	<u>\$ 817</u>
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The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System (PSPRS) that is used to offset the contributions required to be made by the City to the PSPRS. This amount is recognized as revenue by the City although no cash is received directly from the State Treasurer.

	<u>\$ 1,606</u>
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(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 decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	\$ 26,674
Miscellaneous net capital expenditures	(1,854)
Depreciation expense	(76,997)
Loss on disposal of capital assets	(2,633)
	<u>\$ (54,810)</u>

Donations of capital assets and investment in joint venture activity are not capitalized on the governmental fund statements, but are included in the assets of the City. On the statement of activities, the donations are shown as capital contributions; the joint venture activity is included as an operating revenue/expense.

Change in equity interest for joint venture	\$ 292
Capital contributions	76,618
	<u>\$ 76,910</u>

(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 fleet management 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	\$ 4,590
Internal payable to Enterprise Fund	(404)
	\$ 4,186

(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	\$ (924)
Reduction in expenditures/expenses - Governmental Funds	924
	\$ -

(7) Repayment of bond principal is reported as an expenditure 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	\$ 53,313

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional interest was calculated for the amortization of deferred refunding costs, and reductions of interest expense were recognized due to the amortization of bond premiums which are expended within the fund statements.

Amortization of deferred charges on refundings	\$ (2,420)
Amortization of bond premium and discounts	5,419
	\$ 2,999

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budget and Budgetary Accounting

The City prepared an annual budget that covered Fiscal Year 2015/16. The Fiscal Year 2015/16 budget appropriation is established and reflected in the financial statements as follows:

The City prepares its budget on a basis generally consistent with GAAP, with such exceptions as eliminating the adjustments for fair market value of investments, 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, certain Special Revenue Funds (Transportation, Community Development Block Grant, HOME, Grants, Section 8, Preserve Privilege Tax, Streetlight Districts, Special Programs and Tourism Development), and Debt Service Funds (except for the Community Facilities Districts Debt Service Funds); therefore, these funds have appropriated budgets, and budget to actual information is presented.

Community Facilities Districts Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, and 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 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 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 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 2015/16, 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

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 Preserve Privilege Tax Special Revenue Fund and the Scottsdale Preserve Authority Bond Debt Service Fund exceeded their expenditure appropriation by \$3,000 and \$1,000 respectively. The additional expenditures incurred were funded by available fund balance or other financing sources within the fund.

### **C. Deficit Fund Equity**

The Community Development Block Grant Special Revenue Fund, Grants Special Revenue Fund and the External Sources Capital Projects Fund had deficit ending fund balances of \$128,000, \$431,000, and \$2,612,000, respectively. These deficits were caused by certain grant reimbursements and pending reimbursements from intergovernmental agreements related to capital projects the City is required to fund, not being available at the end of the fiscal year. 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.

The Preserve Privilege Tax Capital Projects Fund had a deficit ending fund balance of \$7,000 due to timing differences of cash transfers for the payroll accrual.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## D. Fund Balance Classifications

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

(In thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Inventory	\$ 249	\$ -	\$ -	\$ -	\$ 249
Total Nonspendable	<u>249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249</u>
<b>Restricted</b>					
Property Tax for Debt Service	-	11,529	-	-	11,529
Transaction Privilege & Highway User Tax for Transportation Improvements	-	-	-	11,169	11,169
Federal Grants for CDBG	-	-	-	29	29
Federal Grants for Section 8 Housing	-	-	-	368	368
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	38,258	38,258
Property Tax for Community Facility Districts	-	-	-	945	945
Street Light Districts	-	-	-	12	12
General Government-Mayor and City Council Special Programs	-	-	-	6	6
General Government-City Court Special Programs	-	-	-	2,194	2,194
Public Works Special Programs	-	-	-	50	50
Community and Economic Development Special Programs	-	-	-	46	46
Public Safety Special Programs	-	-	-	1,337	1,337
Community Services Special Programs	-	-	-	325	325
Sales Tax Rebate for District Debt Service	-	-	-	321	321
Stadium Surcharge for Debt Service	-	-	-	1,919	1,919
Maricopa County Stadium District Contract for Debt Service	-	-	-	3,456	3,456
State Tourism Authority Contract for Debt Service	-	-	-	322	322
GO Bond Proceeds for Capital Improvements	-	-	-	12,645	12,645
Transaction Privilege Tax for Transportation Capital Improvements	-	-	-	29,732	29,732
MPC Bond Proceeds for Capital Improvements	-	-	-	118	118
Federal Grant Capital Improvement	-	-	-	2	2
Contributions for Stadium Capital Improvements	-	-	-	681	681
Contributions for Drainage Capital Improvements	-	-	-	1,054	1,054
Contributions for Transit Improvements	-	-	-	317	317
Contributions for Traffic Light Improvements	-	-	-	12	12
Total Restricted	<u>-</u>	<u>11,529</u>	<u>-</u>	<u>105,318</u>	<u>116,847</u>
<b>Committed</b>					
General Fund Contribution for Capital Improvements	-	-	27,325	-	27,325
Stadium Surcharge for Stadium Improvements	-	-	467	-	467
McCormick Railroad Park Improvements	-	-	2	-	2
In Lieu Parking Fees for Parking Projects	-	-	352	-	352
In Lieu Stormwater Fees for Drainage Improvements	-	-	73	-	73
Tourism Development Capital Projects	-	-	1,826	-	1,826
Court Enhancement Capital Projects	-	-	2	-	2
Risk Management Capital Contributions	-	-	3	-	3
General Government-City Court Special Programs	-	-	-	3,610	3,610
Community and Economic Development Special Programs	-	-	-	2,023	2,023
Public Safety Special Programs	-	-	-	94	94
Community Services Special Programs	-	-	-	1,598	1,598
Transient Occupancy Tax for Tourism Development	-	-	-	10,433	10,433
Excise Tax Debt Reserve	-	-	-	4,700	4,700
Total Committed	<u>-</u>	<u>-</u>	<u>30,050</u>	<u>22,458</u>	<u>52,508</u>
<b>Unassigned</b>					
	65,347	-	-	(5,730)	59,617
<b>Total Fund Balances</b>	<u>\$ 65,596</u>	<u>\$ 11,529</u>	<u>\$ 30,050</u>	<u>\$ 122,046</u>	<u>\$ 229,221</u>

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

The City Council has established a minimum fund balance policy of 10 percent of annual general governmental operating expenditures to be maintained in the General Fund and the Transportation, 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, 2016:

#### Net Position Restrictions (in thousands)

##### Water and Sewer

Restricted for System Replacement	\$	38,721
Restricted for Debt Service		4,692
Restricted for Joint Venture Construction Deposits		4,108
	\$	<u>47,521</u>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## 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 certificates of deposit, repurchase agreements, commercial paper (A-1, P-1), highly rated corporate bonds/notes, obligations of the U.S. Treasury, U.S. Government agencies, bankers' acceptances, mutual funds consisting of the foregoing, and the State of Arizona Local Government Investment Pool (LGIP).

#### Deposits

At June 30, 2016, the carrying amount of the City's deposits was \$284,557,693, and the bank balance was \$286,739,354. The \$2,181,661 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, 2016, in accordance with City policy, \$500,000 of the City's deposits were covered by federal depository insurance, \$37,420,543 were Certificates of Deposit Account Registry Service (CDARS) covered by federal depository insurance, \$150,504,398 were collateralized by securities held by the City's agent, and \$98,314,413 were 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.



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## 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 (in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 2	2 - 3	3+
U.S. Government Securities	\$ 72,180	\$ 10,868	\$ 27,751	\$ 26,331	\$ 7,230
Federal Agency Securities	168,833	37,437	65,189	66,207	-
Corporate Notes	81,156	29,029	36,652	15,475	-
Municipal Obligations	2,020	2,020	-	-	-
<b>Total Investments</b>	<b>\$ 324,189</b>	<b>\$ 79,354</b>	<b>\$ 129,592</b>	<b>\$ 108,013</b>	<b>\$ 7,230</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. Credit risk is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). The City's investment policy limits its corporate debt investments to the top three rating categories by Moody's Investors Service or Standard and Poor's Corporation, its investments in municipal debt to the highest rating category by Moody's Investors Service or Standard and Poor's Corporation, and its investments in commercial paper to be rated P-1 by Moody's Investors Service and A-1 by Standard & Poor's. The City's investments in the investment types referenced above at June 30, 2016, meet the aforementioned criteria. Presented below is the rating as of June 30, 2016, for each investment type (in thousands):

Investment Type	Total	A-	A	A+	AA-	AA	AA+	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 72,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,180
Federal Agency Securities	168,833	-	-	-	-	-	168,833	-	-
Corporate Notes	81,156	8,530	26,075	5,685	21,913	4,656	10,678	3,619	-
Municipal Obligations	2,020	-	-	-	-	-	-	2,020	-
<b>Total Investments</b>	<b>\$ 324,189</b>	<b>\$ 8,530</b>	<b>\$ 26,075</b>	<b>\$ 5,685</b>	<b>\$ 21,913</b>	<b>\$ 4,656</b>	<b>\$ 179,511</b>	<b>\$ 5,639</b>	<b>\$ 72,180</b>

## Concentration of Credit Risk

The City investment guidelines place no limit on the amount that the City may invest in any one issuer of the US treasury obligations and the US agency obligations, however the overall percentage of callable securities is monitored. Supranational debt to an issuer is limited to 3 percent of the aggregate portfolio and investment in this sector class cannot exceed 10 percent of the portfolio. Certificates of deposit and medium-term corporate notes each have a per issuer limit of 5 percent of the aggregate portfolio and investment in each of these sectors is limited to 30 percent of the total portfolio. Commercial paper has a per issuer limit of 5 percent of the aggregate portfolio and investment in this sector is limited to 10 percent of the total portfolio.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

The following is a listing by issuer of the City's investments at June 30, 2016:

(dollars 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	\$ 72,180	22.26%
Federal Home Loan Bank (FHLB)	Federal Agency Securities	12,377	3.82%
Federal Home Loan Mortgage Corporation (FHLMC)	Federal Agency Securities	49,809	15.36%
Federal National Mortgage Association (FNMA)	Federal Agency Securities	106,647	32.90%
AZ School Facilities Board	Municipal Obligations	2,020	0.62%
American Express Co	Corporate Notes	5,774	1.78%
American Honda Finance	Corporate Notes	5,685	1.75%
Apple Inc	Corporate Notes	5,357	1.65%
Bank of New York Co Inc	Corporate Notes	5,631	1.74%
Berkshire Hathaway Inc	Corporate Notes	3,719	1.15%
Chevron Corp	Corporate Notes	2,795	0.86%
Cisco Systems Inc	Corporate Notes	8,828	2.72%
Coca-Cola Co	Corporate Notes	1,265	0.39%
Deere & Company	Corporate Notes	6,781	2.09%
Exxon Mobil Corp	Corporate Notes	5,321	1.64%
IBM Corp	Corporate Notes	5,597	1.73%
Johnson & Johnson	Corporate Notes	3,619	1.12%
JP Morgan Chase & Co	Corporate Notes	2,755	0.85%
PepsiCo Inc	Corporate Notes	5,008	1.55%
The Walt Disney Corporation	Corporate Notes	2,604	0.80%
Toyota Motor Corp	Corporate Notes	3,429	1.06%
Walmart Stores Inc	Corporate Notes	938	0.29%
Wells Fargo & Co	Corporate Notes	6,050	1.87%
	<b>Total Investments</b>	<u>\$ 324,189</u>	<u>100.00%</u>

## Investments

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

Cash on Hand	\$ 17
Carrying Amount of City Deposits	284,558
Investments	<u>324,189</u>
<b>Total Cash and Investments</b>	<u>\$ 608,764</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2016:

**Investments Measured at Fair Value**

(in thousands)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ -	\$ 72,180	\$ -
Federal Agency Securities	-	168,833	-
Corporate Notes	-	81,156	-
Municipal Obligations	-	2,020	-
	\$ -	\$ 324,189	\$ -

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on inputs such as yield curve analysis, pricing of comparable securities, and option adjusted spread valuations to generate a price for a security.

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

Primary Government	
Cash and Investments	\$ 459,774
Cash with Fiscal Agent	98,314
Restricted Cash	49,165
Handicap Scholarship Private Purpose Trust Fund	8
Family Self-Sufficiency Agency Fund	88
Crossroads East Development Agreement	1,415
<b>Total Cash and Investments</b>	<b>\$ 608,764</b>

Investment income comprises the following for the year ended June 30, 2016 (in thousands).

Net Interest and Dividends	\$ 4,469
Net Increase in the Fair Value of Investments	1,017
<b>Total Net Investment Income</b>	<b>\$ 5,486</b>

The net increase in the fair value of investments for the fiscal year was \$1,017,139. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the year.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## B. Receivables

Receivables as of June 30, 2016, 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

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
<b>Receivables</b>					
<b>Property Taxes and Penalties</b>					
Property	\$ 835	\$ 985	\$ -	\$ 97	\$ 1,917
Court	49,544	-	-	-	49,544
Subtotal Property Taxes and Penalties	<u>50,379</u>	<u>985</u>	<u>-</u>	<u>97</u>	<u>51,461</u>
<b>Other Local Taxes</b>					
Privilege	16,170	-	-	4,351	20,521
Transient Occupancy	-	-	-	861	861
State Shared Sales	1,770	-	-	-	1,770
Franchise Fee	2,903	-	-	50	2,953
Auto Lieu	449	-	-	-	449
Highway User	-	-	-	1,303	1,303
Subtotal Other Local Taxes	<u>21,292</u>	<u>-</u>	<u>-</u>	<u>6,565</u>	<u>27,857</u>
<b>Intergovernmental/Grants</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,403</u>	<u>23,403</u>
<b>Interest and Other</b>					
Interest	352	-	85	160	597
Library	1,840	-	-	-	1,840
Miscellaneous	3,304	-	2,565	2,437	8,306
Subtotal Interest and Other	<u>5,496</u>	<u>-</u>	<u>2,650</u>	<u>2,597</u>	<u>10,743</u>
Gross Receivable	77,167	985	2,650	32,662	113,464
Less: Allowances for Uncollectibles	<u>(41,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,537)</u>
<b>Net Total Receivables</b>	<u>\$ 35,630</u>	<u>\$ 985</u>	<u>\$ 2,650</u>	<u>\$ 32,662</u>	<u>\$ 71,927</u>

The City has an intergovernmental agreement with the Maricopa County Flood Control District to reimburse the City for capital expenditures of \$2,202,784 and is not expected to be collected within the next year.

The City has a development agreement relating to biomedical research activities with the Translational Genomics Research Institute (TGen) to repay \$2,580,000 with interest through February 2024.

Through the use of Community Development Block Grant (CDBG) funds, the City issues Green Housing Rehabilitation Program loans to qualified Scottsdale homeowners. As of June 30, 2016 the loan balances totaled \$1,738,814, of which the majority is not expected to be collected within the next year.

### Business-type Activities Enterprise Funds

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
<b>Receivables</b>				
Privilege Tax	\$ -	\$ 16	\$ 2	\$ 18
Charges for Services	15,023	-	1,781	16,804
Intergovernmental	-	323	-	323
Interest	279	11	18	308
Miscellaneous	3,047	439	61	3,547
Gross Receivable	18,349	789	1,862	21,000
Less: Allowances for Uncollectibles	<u>(32)</u>	<u>(2)</u>	<u>(4)</u>	<u>(38)</u>
<b>Net Total Receivables</b>	<u>\$ 18,317</u>	<u>\$ 787</u>	<u>\$ 1,858</u>	<u>\$ 20,962</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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	\$ 1,078	\$ -
Transient Occupancy Tax	46	-
Court	3,724	-
Library	560	-
Privilege Tax	6,064	-
Intergovernmental	22,502	6,451
Other	1,501	1,795
<b>Total</b>	<b>\$ 35,475</b>	<b>\$ 8,246</b>

## C. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows (in thousands):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated</b>				
Land*	\$ 2,977,381	\$ 58,099	\$ (1,343)	\$ 3,034,137
Construction in Progress	18,307	26,889	(27,575)	17,621
Total Capital Assets, not being depreciated	2,995,688	84,988	(28,918)	3,051,758
<b>Capital Assets, being depreciated</b>				
Buildings and Land Improvements	711,844	5,079	(3,659)	713,264
Streets and Storm Drains*	1,689,468	32,900	(1,000)	1,721,368
Motor Vehicles	69,755	8,390	(4,855)	73,290
Machinery and Equipment**	79,412	6,395	(7,701)	78,106
Total Capital Assets, being depreciated	2,550,479	52,764	(17,215)	2,586,028
<b>Less Accumulated depreciation for</b>				
Buildings and Land Improvements	297,409	20,934	(2,431)	315,912
Streets and Storm Drains*	931,818	50,722	(962)	981,578
Motor Vehicles	35,217	5,573	(4,683)	36,107
Machinery and Equipment**	41,909	5,896	(7,474)	40,331
Total Accumulated depreciation	1,306,353	83,125	(15,550)	1,373,928
Total Capital Assets, being depreciated, net	1,244,126	(30,361)	(1,665)	1,212,100
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 4,239,814</b>	<b>\$ 54,627</b>	<b>\$ (30,583)</b>	<b>\$ 4,263,858</b>

\*The Land category beginning balance was increased by \$1,118,512,723 and the Streets and Storm Drains category was decreased by \$1,118,512,723 and accumulated depreciation of \$666,566,315 due to a prior period adjustment.

\*\*The Machinery and Equipment category was restated due to a prior period adjustment to decrease cost by \$1,267,932 and accumulated depreciation of \$10,556.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated</b>				
Land	\$ 50,325	\$ -	\$ -	\$ 50,325
Water Rights	87,171	-	-	87,171
Construction in Progress	23,407	54,312	(43,294)	34,425
Total Capital Assets, not being depreciated	160,903	54,312	(43,294)	171,921
<b>Capital Assets, being depreciated</b>				
Water System	1,171,519	25,512	(41)	1,196,990
Sewer System	592,262	14,726	(55)	606,933
Buildings and Land Improvements	30,584	9,723	(2,864)	37,443
Machinery and Equipment	5,353	975	(22)	6,306
Motor Vehicles	628	-	-	628
Furniture, Fixtures, and Office Equipment	613	218	(454)	377
Total Capital Assets, being depreciated	1,800,959	51,154	(3,436)	1,848,677
<b>Less Accumulated depreciation for</b>				
Water System	397,513	32,539	(24)	430,028
Sewer System	187,146	16,145	(32)	203,259
Buildings and Land Improvements	14,771	1,198	(2,864)	13,105
Machinery and Equipment	2,407	415	(22)	2,800
Motor Vehicles	471	42	-	513
Furniture, Fixtures, and Office Equipment	584	33	(454)	163
Total Accumulated depreciation	602,892	50,372	(3,396)	649,868
Total Capital Assets, being depreciated, net	1,198,067	782	(40)	1,198,809
<b>Business-type Activities Capital Assets, net</b>	\$ 1,358,970	\$ 55,094	\$ (43,334)	\$ 1,370,730

During the fiscal year, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$1,538,265. Total interest expense in this fund before capitalization was \$15,112,462.

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

<b>Governmental Activities</b>	
City Clerk	\$ 2
City Court	39
City Manager	22
Public Works	7,294
Community and Economic Development	52,715
Public Safety	4,240
City Treasurer	56
Community Services	8,406
Administrative Services	4,223
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	6,128
Total Depreciation Expense - Government Activities	\$ 83,125

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## Business-type Activities

Water and Sewer System	\$	49,120
Airport		1,072
Solid Waste		180
Total Depreciation Expense - Business-type Activities	\$	<u>50,372</u>

## Construction Commitments

The City has active construction projects as of June 30, 2016. At year-end the government's commitments with contractors for specific projects are as follows (in thousands):

<u>Capital Project Program Classification</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aviation	\$ 5,310	\$ 2,973
Drainage and Flood Control	1,375	675
Fire Protection	254	269
Municipal Facilities	933	557
Neighborhood and Community	1,137	1,473
Parks	1,057	1,099
Preservation	728	1,280
Streets	3,154	1,392
Technology	128	253
Traffic	1,526	1894
Transit	1,469	7,609
Wastewater	5,852	3,479
Water	24,809	12,844
Total Construction Commitments	<u>\$ 47,732</u>	<u>\$ 35,797</u>
<b>Governmental Activities</b>		
General CIP Construction Capital Projects Fund	\$ 3,245	\$ 3,514
Nonmajor Governmental Funds	8,462	12,638
Internal Service Funds	19	158
Total Governmental Activities	<u>11,726</u>	<u>16,310</u>
<b>Business-type Activities</b>		
Water and Sewer Utility	30,668	16,389
Airport	5,310	2,973
Solid Waste	28	125
Total Business-type Activities	<u>36,006</u>	<u>19,487</u>
Total Construction Commitments	<u>\$ 47,732</u>	<u>\$ 35,797</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## 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, 2016, is as follows (in thousands):

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 1,974	Nonmajor Governmental Funds	\$ 1,974

The MPC Bonds Capital Project Fund had a deficit cash balance of \$2,002 due to a timing difference for the City to be reimbursed from the cash with fiscal agent. The External Sources Capital Project Fund had a deficit cash balance of \$1,928,591 due primarily to a pending reimbursement from an intergovernmental agreement. The Waterfront Commercial CFD Debt Service fund borrowed \$43,000 from the City on a promissory note with a maturity date of June 30, 2017.

### Interfund Transfers

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

#### Net Transfers (in thousands)

	Transfers Out	Transfers In
<b>Governmental Funds</b>		
General	\$ 23,053	\$ 11,760
Debt Service - General Obligation Bond	-	24,118
Capital Projects - General CIP Construction	59	9,606
Nonmajor Governmental Funds	55,967	39,596
Total Governmental Funds	79,079	85,080
<b>Enterprise Funds</b>		
Water and Sewer Utility	7,133	-
Airport	4	-
Solid Waste	37	-
Total Enterprise Funds	7,174	-
<b>Internal Service Funds</b>		
Fleet	18	-
Self-Insurance	5	1,196
Total Internal Service Funds	23	1,196
 <b>Total Transfers</b>	 \$ 86,276	 \$ 86,276



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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

### E. Leases

#### Operating Leases

##### *City as Lessee*

The City, as a lessee, has entered into lease agreements involving office space, park equipment, motor vehicles, a distributed antenna system, and a street sweeper and trailer. Payments relating to these leases totaled \$676,435, of which \$502,852 was the minimum and \$173,583 was contingent. The contingent payments were a percentage of the net revenues generated by the park equipment.

The distributed antenna system's lease increases annually by 3 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):

<b>Fiscal Year</b>		
<b><u>Ending June 30,</u></b>		
2017	\$	21
2018		6
2019		7
2020		<u>2</u>
Total	<u>\$</u>	<u>36</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 noncancellable operating leases at June 30, 2016, are as follows (in thousands):

<b>Fiscal Year</b>		
<b><u>Ending June 30,</u></b>		
2017	\$	3,089
2018		3,055
2019		2,890
2020		2,727
2021		1,935
Thereafter		<u>76,688</u>
Total	<u>\$</u>	<u>90,384</u>

The above amounts do not include contingent rentals, which totaled \$1,954,218 for the fiscal year ended June 30, 2016.

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## Notes to Financial Statements

### For the Fiscal Year Ended June 30, 2016

A summary of the assets leased to third parties under the City's operating lease agreements at June 30, 2016, is as follows (in thousands):

Cost	\$ 108,803
Less: Accumulated Depreciation	<u>(20,679)</u>
Carrying Value	<u><u>\$ 88,124</u></u>

#### Capital Leases

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 \$148,217. Current year amortization expense was \$59,287.

The present value of net minimum future lease payments under the capital lease agreement is as follows (in thousands):

<u>Fiscal Year</u> <u>Ending June 30,</u>	
2017	\$ 65
2018	66
2019	33
Less: Imputed	<u>(9)</u>
Total	<u><u>\$ 155</u></u>

#### F. Service Concession Arrangements

In 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, 2016, is \$1,279,365. 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 \$49,437,089 through the fiscal year ended June 30, 2016. 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 \$53,046,974 at year-end pursuant to the service concession arrangement.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

In 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, 2016, is \$1,403,682. 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 and an additional \$8,513,248 through the fiscal year ended June 30, 2016. 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 \$17,934,473 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, 2016. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2016.

#### 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, 2016, 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, 2016, 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. In addition, the City has \$28,850,000 of unissued various purpose GO bonds that were authorized in November 2015.

#### Municipal Property Corporation Bonds

The City of Scottsdale Municipal Property Corporation (MPC) is a non-profit corporation created by the City in 1967 to finance the construction or acquisition of certain capital improvement projects. The MPC issues its own bonds, which are repaid through the City's excise tax collections and other unrestricted revenues. The use of property taxes to repay these bonds is specifically prohibited by law. Most of these bonds are recorded as governmental activities long-term debt. A portion of the 2006 MPC refunding bonds, the 2008A MPC bonds, the 2010 MPC bonds, a portion of the 2015A MPC bonds, and a portion of the 2015 MPC refunding bonds are recorded in and paid out of the revenues of the Water and Sewer Enterprise Fund.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

The City of Scottsdale entered into an Intergovernmental Agreement with the Arizona Tourism and Sports Authority, doing business as the Arizona Sports and Tourism Authority (AZSTA) pertaining to the Scottsdale municipal spring training facility renovation project in March 2005. Per this agreement, City of Scottsdale MPC bonds were issued for \$20,000,000, with one third of the repayments provided by the City from funds received by the Maricopa County Stadium District (MCSD) and two thirds of the repayments provided to the City by the AZSTA.

The parties acknowledge that the exact amount of revenue accruing to the MCSD or the AZSTA may vary from year to year. Recognizing this, if funds accruing to either are insufficient to cover the estimated finance costs over the term of the bonds, then the parties agree to extend the repayment time as needed until the total amount is repaid. If the repayment time were extended, the City of Scottsdale would utilize excise taxes for the shortfall until such time as the parties fulfilled the full obligation.

The City has pledged to repay \$635,885,322 in MPC bonds issued from 2005 through June 30, 2015, payable through 2036. Bonds issued prior to July 1, 2010, were pledged by revenues that included transient occupancy tax while bonds issued after this date exclude transient occupancy tax. The coverage ratio (revenues to debt service) for 2016 for MPC bonds is 4.48 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$695,364,344. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$43,435,462 and \$194,560,000, respectively.

### **Scottsdale Preserve Authority Bonds**

The Scottsdale Preserve Authority (SPA) is a non-profit 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 \$44,870,000 in SPA bonds issued in 2010 and 2011. The bonds are payable through 2024. The coverage ratio (revenues to debt service) for 2016 is 5.56. The total principal and interest remaining to be paid on the bonds is \$49,694,425. Principal and interest paid for the current year and total sales tax were \$6,482,613 and \$36,029,000, 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, 2016, the funds restricted for this purpose were \$38,721,031.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

The City has pledged to repay \$35,290,000 in water and sewer revenue bonds issued in 2008. The bonds are payable through 2023. The coverage ratio (revenues to debt service) for 2016 is 16.77. The total principal and interest remaining to be paid on the bonds is \$32,035,113. Principal and interest for the current year and total customer net revenues were \$4,541,638 and \$76,182,000, 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 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.

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

Bonds payable at June 30, 2016, comprised of the following:

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

General Obligation Bonds	Bonds Outstanding (in thousands)
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.	\$ 5,030
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. On April 2, 2015, \$75,225,000 due 2019 through 2028 were refunded. Original issue amount \$100,000,000.	10,300
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. On April 2, 2015, \$14,625,000 due 2019 through 2034 were refunded. Original issue amount \$20,000,000.	1,275
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.	43,450
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.	19,475
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.	25,565
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.	75,440
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.	74,000
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.	12,990
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.	79,305
2015 Refunding Bonds (issued April 2, 2015) due in annual installments of \$500,000 to \$30,565,000 through July 1, 2034; interest at 3 percent to 4 percent. Original issue amount \$160,415,000.	154,685
Total General Obligation Bonds Outstanding	<u>\$ 551,515</u>

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

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

	<b>Bonds Outstanding (in thousands)</b>
<b>Municipal Property Corporation Bonds</b>	
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. On March 26, 2015, \$22,630,000 due 2016 through 2021 were refunded. Original issue amount \$19,945,322.	\$ 275
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. On March 26, 2015, \$2,350,000 due 2028 through 2031 were refunded. Original issue amount \$10,000,000.	340
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. On March 26, 2015, \$9,300,000 of 2028 through 2031 were refunded. Original issue amount \$32,500,000.	1,225
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.	23,535
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.	1,295
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.	33,535
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
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$12,200,000.	11,570
2015A Municipal Property Corporation Taxable Revenue Bonds (issued January 6, 2015) due in annual installments of \$275,000 to \$1,025,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$14,615,000.	13,770
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$1,460,000 to \$6,877,488 through July 1, 2035; interest at 3 percent to 5 percent. Original issue amount \$46,758,269.	45,298
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 209,028</u>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

	<b>Bonds Outstanding (in thousands)</b>
<b>Scottsdale Preserve Authority Bonds</b>	
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>7,170</u>
Total Scottsdale Preserve Authority Bonds	<u>40,025</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>9,546</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 percent to 4.7 percent. Original issue amount \$5,375,000.	615
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.	3,210
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.	11,625
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.	7,320
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>1,355</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>24,125</u>
<b>Total Bonds Payable Recorded in Governmental Activities</b>	<u><u>\$ 834,239</u></u>



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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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

	<b>Bonds Outstanding (in thousands)</b>
<b>Water and Sewer Revenue Bonds</b>	
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>\$ 26,280</u>
<b>Municipal Property Corporation Bonds</b>	
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.	103,165
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. On March 26, 2015, \$49,100,000 due 2019 through 2028 were refunded. Original issue amount \$105,875,000.	34,425
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.	72,750
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$310,000 to \$1,305,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$18,485,000	17,530
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$3,788,459 to \$5,822,479 through July 1, 2028; interest at 5 percent. Original issue amount \$46,811,731.	<u>46,812</u>
Total Municipal Property Corporation Bonds Outstanding	<u>274,682</u>
Total Bonds Payable Recorded in Business-type Activities	<u>300,962</u>
<b>Total Long-Term Bonds Payable</b>	<u><u>\$ 1,135,201</u></u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## 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 assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a city's 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's general obligation bonded debt borrowing capacity at June 30, 2016:

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	6% Constitutional Limit
\$ 1,032,346,225	\$ 309,703,867
Less General Obligation	Less General Obligation
20% Bonds Outstanding	6% Bonds Outstanding
<u>(513,767,656)</u>	<u>(37,747,344)</u>
<b>Available 20% Limitation</b>	<b>Available 6% Limitation</b>
<b>Borrowing Capacity</b>	<b>Borrowing Capacity</b>
<u><u>\$ 518,578,569</u></u>	<u><u>\$ 271,956,523</u></u>

## Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City's outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2016.

## 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 following table reflects refunded debt outstanding at June 30, 2016, net of any amounts to be paid or retired by the trustee on July 1, 2016 (in thousands):

Refunded Debt Outstanding	
2005C MPC Excise Tax Revenue Bonds	\$ 18,555
2008A MPC Excise Tax Revenue Bonds	49,100
2008 Various Purpose GO Bonds	<u>89,850</u>
	<u><u>\$ 157,505</u></u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## 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, 2016 (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	\$ 586,910	\$ -	\$ (35,395)	\$ 551,515	\$ 37,605
Municipal Property Corporation Bonds	217,483	-	(8,455)	209,028	9,831
Scottsdale Preserve Authority Bonds	44,365	-	(4,340)	40,025	4,175
Certificates of Participation	11,762	-	(2,216)	9,546	2,282
Community Facilities Districts General Obligation Bonds	26,805	-	(2,680)	24,125	2,770
Add Issuance Premiums	67,810	-	(5,419)	62,391	-
Total Bonds Payable	<u>955,135</u>	<u>-</u>	<u>(58,505)</u>	<u>896,630</u>	<u>56,663</u>
Capital Lease	229	-	(73)	156	60
Service Concession Arrangements	2,837	-	(154)	2,683	154
Risk Management Claims	15,939	34,987	(33,344)	17,582	6,903
Compensated Absences	25,690	10,866	(11,041)	25,515	11,513
Net Other Postemployment Benefit	915	322	-	1,237	-
Net Pension Liabilities	241,311	16,026	-	257,337	-
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 1,242,056</u>	<u>\$ 62,201</u>	<u>\$ (103,117)</u>	<u>\$ 1,201,140</u>	<u>\$ 75,293</u>

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, 2016, \$427,000 of accrued compensated absences is included in the above amount for Internal Service Funds. For the governmental activities, the General Fund, Special Revenue Funds, Capital Projects Funds, and Internal Service Funds generally liquidate accrued compensated absences, the net other postemployment benefit, and the net pension liabilities. The compensated absences presented in this note are net of the current liability of \$137,000 in the governmental funds and \$0 in the Internal Service funds.

Business-type 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					
Water and Sewer Revenue Bonds	\$ 29,335	\$ -	\$ (3,055)	\$ 26,280	\$ 3,195
Municipal Property Corporation Bonds	286,442	-	(11,760)	274,682	12,640
Add Issuance Premiums	24,891	-	(1,870)	23,021	-
Total Bonds Payable	<u>340,668</u>	<u>-</u>	<u>(16,685)</u>	<u>323,983</u>	<u>15,835</u>
Compensated Absences	3,298	1,552	(1,359)	3,491	1,524
Net Pension Liabilities	30,821	2,901	-	33,722	-
<b>Business-type Activities Long-Term Liabilities</b>	<u>\$ 374,787</u>	<u>\$ 4,453</u>	<u>\$ (18,044)</u>	<u>\$ 361,196</u>	<u>\$ 17,359</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2016:

**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
2017	\$ 25,974	\$ 18,777	\$ 44,751	\$ 11,631	\$ 1,162	\$ 12,793	\$ 37,605	\$ 19,939	\$ 57,544
2018	28,833	17,717	46,550	11,697	807	12,504	40,530	18,524	59,054
2019	30,091	16,651	46,742	10,469	437	10,906	40,560	17,088	57,648
2020	38,485	15,536	54,021	2,250	123	2,373	40,735	15,659	56,394
2021	39,545	13,995	53,540	1,700	55	1,755	41,245	14,050	55,295
2022-2026	203,385	46,896	250,281	-	-	-	203,385	46,896	250,281
2027-2031	104,890	16,983	121,873	-	-	-	104,890	16,983	121,873
2032-2036	42,565	3,069	45,634	-	-	-	42,565	3,069	45,634
<b>Total</b>	<b>\$ 513,768</b>	<b>\$ 149,624</b>	<b>\$ 663,392</b>	<b>\$ 37,747</b>	<b>\$ 2,584</b>	<b>\$ 40,331</b>	<b>\$ 551,515</b>	<b>\$ 152,208</b>	<b>\$ 703,723</b>

Fiscal Year	Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 9,831	\$ 9,316	\$ 19,147	\$ 4,175	\$ 1,936	\$ 6,111	\$ 60	\$ 5	\$ 65
2018	11,200	8,810	20,010	4,365	1,760	6,125	63	3	66
2019	14,157	8,369	22,526	4,540	1,602	6,142	33	1	34
2020	15,552	7,773	23,325	4,780	1,375	6,155	-	-	-
2021	10,952	7,042	17,994	5,015	1,157	6,172	-	-	-
2022-2026	55,030	27,499	82,529	17,150	1,839	18,989	-	-	-
2027-2031	62,237	14,190	76,427	-	-	-	-	-	-
2032-2036	29,990	2,904	32,894	-	-	-	-	-	-
Capital Appreciation **	79	(79)	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 209,028</b>	<b>\$ 85,824</b>	<b>\$ 294,852</b>	<b>\$ 40,025</b>	<b>\$ 9,669</b>	<b>\$ 49,694</b>	<b>\$ 156</b>	<b>\$ 9</b>	<b>\$ 165</b>

\*\*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
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	2,493	56	2,549	2,550	601	3,151
2021	-	-	-	2,650	519	3,169
2022-2026	-	-	-	8,315	1,503	9,818
2027-2031	-	-	-	2,510	371	2,881
2032-2036	-	-	-	300	18	318
<b>Total</b>	<b>\$ 9,546</b>	<b>\$ 649</b>	<b>\$ 10,195</b>	<b>\$ 24,125</b>	<b>\$ 5,315</b>	<b>\$ 29,440</b>

(continued)

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## Governmental Activities (in thousands)

Fiscal Year	Service Concession Arrangements			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 154	\$ 156	\$ 310	\$ 56,877	\$ 32,478	\$ 89,355
2018	154	172	326	61,217	30,231	91,448
2019	154	188	342	64,340	28,056	92,396
2020	154	205	359	66,264	25,669	91,933
2021	154	223	377	60,016	22,991	83,007
2022-2026	769	1,419	2,188	284,649	79,156	363,805
2027-2031	769	2,024	2,793	170,406	33,568	203,974
2032-2036	375	1,337	1,712	73,230	7,328	80,558
Capital Appreciation				79	(79)	
<b>Total</b>	<b>\$ 2,683</b>	<b>\$ 5,724</b>	<b>\$ 8,407</b>	<b>\$ 837,078</b>	<b>\$ 259,398</b>	<b>\$ 1,096,476</b>

## Business-type Activities (in thousands)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 3,195	\$ 1,354	\$ 4,549	\$ 12,640	\$ 13,052	\$ 25,692
2018	3,370	1,195	4,565	13,365	12,435	25,800
2019	3,540	1,026	4,566	13,979	11,792	25,771
2020	3,725	849	4,574	14,798	11,106	25,904
2021	3,930	654	4,584	15,558	10,381	25,939
2022-2026	8,520	677	9,197	79,915	40,035	119,950
2027-2031	-	-	-	80,707	21,267	101,974
2032-2036	-	-	-	43,720	5,762	49,482
<b>Total</b>	<b>\$ 26,280</b>	<b>\$ 5,755</b>	<b>\$ 32,035</b>	<b>\$ 274,682</b>	<b>\$ 125,830</b>	<b>\$ 400,512</b>

Fiscal Year	Total Business-type Activities		
	Principal	Interest	Total
2017	\$ 15,835	\$ 14,406	\$ 30,241
2018	16,735	13,630	30,365
2019	17,519	12,818	30,337
2020	18,523	11,955	30,478
2021	19,488	11,035	30,523
2022-2026	88,435	40,712	129,147
2027-2031	80,707	21,267	101,974
2032-2036	43,720	5,762	49,482
<b>Total</b>	<b>\$ 300,962</b>	<b>\$ 131,585</b>	<b>\$ 432,547</b>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## 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, and automobile and general liability. The City is self-insured for the first \$2,000,000 of public liability, the first \$100,000 of property coverage, the first \$325,000 of health benefits claims for an individual in a fiscal year, and the first \$1,000,000 of workers' compensation. Coverage in excess of these respective amounts is provided through the purchase of commercial insurance. As for claim expenditures, settlements for each of the past three fiscal years have not exceeded the City's excess insurance coverage amounts for any claims.

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

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. At June 30, 2016, the general liability claims payable totaled \$15,271,103 and the self-insured benefits claims payable totaled \$2,311,000. The City began to administer all self-insured health and dental plans in January of 2004.

(in thousands)	Years Ended June 30	
	2016	2015
Claims Payable, July 1	\$ 15,939	\$ 15,663
Current Year Claims Incurred	34,987	32,080
Current Year Claim Payments	<u>(33,344)</u>	<u>(31,804)</u>
<b>Claims Payable, June 30</b>	<b><u>\$ 17,582</u></b>	<b><u>\$ 15,939</u></b>

### 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 \$135,000 up to \$1,000,000 are probable, and \$40,000 up to \$10,000,000 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.

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

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, 2016, approximately \$897,000 in fee waivers had been applied.

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 sales tax is generated, collected and remitted to the City. As of June 30, 2016, this requirement has not been met under any of the agreements. The City's estimated contingent liability at June 30, 2016 is \$17,232,905.

### C. Subsequent Event

In September 2016 the City acquired 415 acres of land for its McDowell Sonoran Preserve at a cost of \$30.4 million. Funding will come from two dedicated sales taxes approved by Scottsdale voters in 1995 and 2004.

### D. Joint Ventures

#### Sub-Regional Operating Group (SROG)

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, 2015, (the latest audited information available from SROG), the City's net investment in SROG was \$101,036,000. SROG's net cash operating expenses for the year ended June 30, 2015, were \$35,105,846, of which the City's share was \$3,552,183, or 10.1 percent. For the year ended June 30, 2016, the City paid \$568,784 for SROG capital contributions and \$3,342,087 for SROG operating expenses, including adjustments to the operating and replacement reserves and prior year settlement.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, 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.

### **Regional Wireless Cooperative (RWC)**

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

The City records its share of contributions to the RWC, third party contributions paid to the RWC for the benefit of the City, and equity in the joint venture in the City's proprietary funds and government-wide financial statements. The City contributed \$856,248 and had \$410,645 contributed for its benefit by third parties for the fiscal year ended June 30, 2016. For the fiscal year ended June 30, 2015 (the latest audited information available from RWC), the City's net investment in RWC was \$1,405,305, or 1.47 percent of the RWC's total net position.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, for the RWC may be obtained from the Regional Wireless Cooperative, 200 West Washington Street, 12th Floor, Phoenix, Arizona, 85003-1611.

### **E. 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.



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

Following its investigation, the EPA identified three companies, Motorola Solutions, Inc. (MSI), SMI Holdings, LLC, formerly Siemens Corporation and GlaxoSmithKline Corporation, as the primary parties potentially responsible for causing the contamination and directed the companies to pay the costs associated with the cleanup. In 1991, the City, EPA, State of Arizona, Salt River Project, 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, nine projected cash flows, based on the prior nine years of historical costs and weighted equally, were used to calculate an average annual cost. In order to estimate the NGTF liability, three projected cash flows, based on the prior three years of historical costs and weighted equally, were used to calculate an average annual cost. These average costs were then projected over the remaining remediation period of 58 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 due in early calendar year 2017.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. Fiscal year 2015/16 reimbursable outlays for operating and monitoring the CGTF were \$519,802 and for the NGTF were \$257,104. 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.

### **F. Related Organization**

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

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## G. Retirement and Pension Plans

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

### Arizona State Retirement System

#### General Information about the Pension Plan

##### *Plan Description*

All benefitted City employees, except public safety personnel and the Mayor and City Council, participate in the Arizona State Retirement System ("ASRS"). ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. ASRS was established by the State of Arizona to provide pension benefits for employees of both the state and participating political subdivisions and school districts. ASRS is administered in accordance with Title 38, Chapter 5, Articles 2 and 2.1 of the Arizona Revised Statutes (ARS). ASRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ASRS, P. O. Box 33910, Phoenix, AZ 85067-3910, calling 1-800-621-3778, or by visiting <https://www.azasrs.gov/content/annual-reports>.

##### *Benefits Provided*

ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. A member may retire upon meeting the following age and service requirements:

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

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

<u>Years of Service</u>	<u>Multiplier</u>	<u>Membership Date</u>	<u>Average Monthly Compensation</u>
0.00-19.99 years	2.10%	Pre-July 1, 2011	36 consecutive months of highest compensation within final 120 months of service
20.00-24.99 years	2.15%		
25.00-29.99 years	2.20%		
30.00 or more years	2.30%	July 1, 2011 and after	60 consecutive months of highest compensation within final 120 months of service

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

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

1. A lump sum equal to the sum of (a) and (b):
  - a. the sum of the member's employee and employer balances, and accumulated interest and
  - b. the amount of the member's employee and employer accounts along with supplemental credits, if any, transferred from the System (closed portion of ASRS) to the Plan, with interest
2. The beneficiary may elect to receive a monthly income, in the single life form, which is actuarially equivalent to the lump sum amount from number 1 above, at 8 percent.

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

### *Contributions*

The ARS provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of the City's covered payroll. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is authorized to approve a contribution rate other than the actuarially determined rate. Employees were required to contribute 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of their annual pay for the fiscal year ended June 30, 2016, and the City's required contribution rate was 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) during the same time period. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The required contribution rate for the year ended June 30, 2016, was actuarially determined to yield contribution amounts sufficient to finance costs earned by employees during the year and to amortize the Plan's unfunded actuarially accrued liability over the period specified in the statutes. Contributions to the pension plan from the City were \$11,049,000 for the year ended June 30, 2016. The City's contributions for the years ending June 30, 2016, 2015, and 2014 for OPEB were \$626,315, \$720,997, and \$828,499 respectively, all of which were equal to the required contributions for each year.

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

At June 30, 2016, the City reported a liability of \$171,304,030 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2014. Update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the collective net pension liability was based on the City's proportionate share of contributions to the pension plan relative to the contributions of all participating entities for the fiscal year ended June 30, 2015. At June 30, 2015, the City's proportion was 1.099760 percent, which was a decrease of .002803 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized a collective pension expense of \$9,573,701. At June 30, 2016, the City reported a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions from the following sources (in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,675	\$ 8,976
Net difference between projected and actual earnings on pension plan investments	-	5,490
Changes in proportion and differences between City contributions and proportionate share of contributions	563	333
City contributions subsequent to the measurement date	11,049	-
Total	<u>\$ 16,287</u>	<u>\$ 14,799</u>

# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2016

The \$11,049,000 reported as a collective deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ended June 30, 2017. Other amounts reported as a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions will be recognized in pension expense as follows (in thousands):

**Year ended June 30:**

2017	\$	(3,354)
2018		(6,173)
2019		(3,997)
2020		3,963
2021		-
Thereafter		-

*Actuarial assumptions*

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2014
Actuarial rollforward date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	
Plan amendments	Immediate
Investment gain/loss	Five years
Assumption gain/loss	Average future service lives
Experience gain/loss	Average future service lives
Asset valuation	Fair value
Discount rate	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate</u>
Equity	58%	3.94%
Fixed income	25%	0.93%
Commodities	2%	0.08%
Real estate	10%	0.42%
Multi-asset class	5%	0.17%
	100%	

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

### *Discount Rate*

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the actuarially determined amounts. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease</u> <u>(7.0%)</u>	<u>Discount Rate</u> <u>(8.0%)</u>	<u>1% Increase</u> <u>(9.0%)</u>
City's proportionate share of the collective net pension liability	\$ 224,466,820	\$ 171,304,030	\$ 134,870,098

### *Pension Plan Fiduciary Net Position*

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. The financial statements of ASRS are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America that apply to government accounting of fiduciary funds including the Governmental Accounting Standards Board (GASB) Statements 28, 34, 37, 40, 43, 53, 63 and 67. Benefits and refunds are recognized when due and payable. Publicly traded investments are reported at fair values determined by the custodial agent. The agents' determination of fair values includes, among other things, utilization of pricing services or prices quoted by independent brokers at current exchange rates. ASRS' derivative instruments which consist of futures, forward contracts, options, swaps, rights and warrants, are measured at fair value. The fair value of limited partnership investments is based on estimated current values and accepted industry practice. Fair value is based on estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

### Public Safety Personnel Retirement System

#### General Information about the Pension Plan

##### *Plan Description*

All of the City's sworn public safety personnel participate in Public Safety Personnel Retirement System ("PSPRS"). PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). PSPRS is administered in accordance with Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes. PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees ("the Board") and 237 local boards. PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: [http://www.psprs.com/sys\\_psprs/AnnualReports/cato\\_annual\\_rpts\\_psprs.htm](http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm).

##### *Benefits Provided*

PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. The calculation of retirement benefits for employees who became a member on or before December 31, 2011 commence the first day of the month following termination of employment and are based upon the following:

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

The calculation of retirement benefits for employees who became a member on or after January 1, 2012 commence the first day of the month following termination of employment and are based upon the following:

1. Age 52.5 with 25 years of service: 62.5 percent of the average monthly benefit compensation. Benefits will be reduced by 4 percent for each year of credited service under 25 years.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

2. 25 or more years of service: 62.5 percent of the average monthly benefit compensation for the first 25 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80 percent of the average monthly benefit compensation. The pension is reduced by 4 percent per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years.

The phrase “average monthly benefit compensation,” as it is used in the above discussion, is defined as the average of the highest 36 consecutive months of compensation within the last 20 years of credited service (for employees who became a member on or before December 31, 2011) or as the average of the highest 60 consecutive months of compensation within the last 20 years of credited service (for employees who became a member on or after January 1, 2012).

Disability benefits are calculated as follows:

Accidental Disability Retirement:	50% of average monthly compensation, or normal pension amount, whichever is greater.
Catastrophic Disability Retirement:	90% of average monthly compensation for the first 60 months. Thereafter, the benefit is the greater of 62.5% of average monthly compensation or the member’s accrued normal pension.
Ordinary Disability Retirement:	A percentage of normal pension on employee’s credited service (maximum of 20 years divided by 20).

Survivor benefits are paid on behalf of an active member in the amount of 80 percent of the pension based on the calculation for an accidental disability retirement. If the member was killed in the line of duty, the benefit is 100 percent of the member’s average monthly benefit compensation. The benefit amount is allocated to the surviving spouse and, if applicable, eligible children. If there is no surviving spouse, and there is at least one eligible child, the guardian of the eligible child(ren) and the eligible child(ren) are the recipients of the benefit. If there is no surviving spouse or eligible child(ren), the member’s named beneficiary on file will receive the member’s accumulated contributions. Benefits are paid on behalf of an inactive, non-retired member to the member’s named beneficiary in the amount of the member’s accumulated contributions. Death benefits are paid on behalf of a retired member in a manner similar to an active member. The surviving spouse (if married for at least two consecutive years at the time of the member’s death) will receive 80 percent of the member’s pension benefit for lifetime. The surviving children and guardian provisions are the same as those regarding active members, with the exception that the percentages received are based upon the pension amount as opposed to the amounts referenced above for active members. If there is no surviving spouse or eligible child(ren), the member’s named beneficiary on file will receive the member’s accumulated contributions less the pension payments made to the member.

A retired member or survivor of a retired member may receive a Permanent Benefit Increase (PBI) from the System if monies are available. PBI eligibility and calculation is contingent upon the effective retirement date.



# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2016

Members who retired on or before July 1, 2011, may be entitled to a PBI of up to 4 percent of the average normal PSPRS benefit being received on the preceding June 30. To be eligible for the increase the member or survivor must be age 55 or older on July 1 of the current year and have begun receiving benefits on or before July 31 of the previous year. A member or survivor is also eligible if he or she began receiving benefits on or before July 31 of the two previous years regardless of age. The increases are paid out of a PBI reserve account that is funded by one-half of the plan's earnings in excess of nine percent.

Members who retired on or after August 1, 2011 are eligible for and receive PBIs as follows:

1. A retired member who became a member on or before December 31, 2011, or the survivor of a retired member, was receiving benefits on or before July 31 of the two previous years, OR was 55 or older on July 1 of the current year and receiving benefits on or before July 31 of the previous year.
2. A retired member who became a member on or after January 1, 2012, or the survivor of a retired member, was 55 or older on July 1 of the current year and is receiving benefits, OR the retired member was under 55 on July 1 of the current year, was receiving an accidental disability or a catastrophic disability retirement benefit and was receiving benefits on or before July 31 of the two previous years, OR a survivor was under 55 on July 1 of the current year, is the survivor of a member who was killed in the line of duty and was receiving benefits on or before July 31 of the two previous years.

The increase is contingent upon a total return of more than 10.5 percent for the prior fiscal year, and will be calculated as follows (if there are insufficient earnings to cover the maximum increases, the percentage increase is limited to the earnings available):

Ratio of Actuarial Value of Assets to Liabilities	Maximum increase
60-64%	2.00%
65-69%	2.50%
70-74%	3.00%
75-79%	3.50%
80% or more	4.00%

From and after December 31, 2015, legislature may enact permanent one-time benefit increases after an analysis of the effect of the increase on the System by the Joint Legislative Budget Committee (JLBC).

### *Employees covered by benefit terms*

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	230
Inactive employees entitled to but not yet receiving benefits	90
Active Employees	629
Total	949

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

### *Contributions and Annual OPEB Cost*

ARS Title 38, Chapter 5, Article 4, Section 38-843 provides the authority for determining the City and active employee contribution requirements to PSPRS pension and health insurance premium benefit plans. The contribution rates for employers are based on an actuarially determined rate recommended by an independent actuary contracted by the Board. The contribution rates for employees are prescribed by the ARS Section referenced above. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2016, the employee contribution rate for pensions was 11.65 percent of annual pay for fire and police employees. The City's contribution rate for pensions was 35.36 percent for police employees and 12.06 percent for fire employees. The City's contribution rate for the health insurance premium benefit plans was 0.17 percent for police employees and 0.40 percent for fire employees. In addition, the City was required by statute to contribute at the actuarially determined rate of 28.62 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to PSPRS. The City's contributions to the pension plan and annual OPEB cost for the year ended June 30, 2016, were \$12,725,792 and \$141,513, respectively.

ARS Title 9, Chapter 8, Article 3, Section 9-952 requires the state treasurer to distribute a fire insurance premium tax to the respective incorporated cities and towns and legally organized fire districts in proportion to the full cash value of the real property and improvements in each incorporated city and town and legally organized fire district which procures the services of a private fire company and in each area served by a department or legally organized fire district. The warrant issued by the state treasurer is identified as the "fire fighters' relief and pension fund", to cover the firefighting personnel deposit into the pension plan. The annual tax provided by law is based on a portion of the premiums received on policies and contracts of fire insurance covering property within the state. PSPRS received \$1,535,903 of fire insurance premium tax for the City's fire pension plan for fiscal year ended June 30, 2016. PSPRS accounts for the fire insurance premium tax collected for the City as employer contributions.

### **Net Pension Liability**

The City's net pension liability of \$119,754,818 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016, voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the City's net pension liability as a result of the statutory adjustments is not known.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

### *Actuarial assumptions*

The total pension liability in the June 30, 2015 measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll growth	4.00%
Inflation	3.00%
Salary increases	4.00%-8.00%, including inflation
Investment rate of return	7.85%, net of investment and administrative expenses
Mortality rates	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study of the period July 1, 2006 to June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Investments	2.00%	0.75%
	<u>100.00%</u>	

\* Arithmetic Real Rate of Return. Based on inflation assumption of 3.00%.

### *Discount rate*

The discount rate used to measure the total pension liability was 7.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the statutorily mandated amounts and employer contributions will be made at the actuarially determined amounts. Based on those assumptions, the PSPRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

## Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balances at 6/30/15</b>	\$ 254,344	\$ 140,588	\$ 113,756
<b>Changes for the year:</b>			
Service cost	6,537	-	6,537
Interest	19,640	-	19,640
Changes of benefit terms	-	-	-
Differences between expected and actual experience	87	-	87
Changes of assumptions/other inputs	-	-	-
Contributions-employer	-	8,970	(8,970)
Contributions-employee	-	3,944	(3,944)
Net investment income	-	5,113	(5,113)
Benefit payments, including refunds of employee contributions	(14,835)	(14,835)	-
Administrative expense	-	(125)	125
Other changes	-	(243)	243
<b>Net changes</b>	<b>11,429</b>	<b>2,824</b>	<b>8,605</b>
<b>Balances at 6/30/16</b>	<b>\$ 265,773</b>	<b>\$ 143,412</b>	<b>\$ 122,361</b>

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

	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
<b>Balances at 6/30/15</b>	\$ 49,916	\$ 54,681	\$ (4,765)
<b>Changes for the year:</b>			
Service cost	3,720	-	3,720
Interest	4,037	-	4,037
Changes of benefit terms	-	-	-
Differences between expected and actual experience	994	-	994
Changes of assumptions/other inputs	-	-	-
Contributions-employer	-	2,247	(2,247)
Contributions-employee	-	2,337	(2,337)
Net investment income	-	2,046	(2,046)
Benefit payments, including refunds of employee contributions	(691)	(691)	-
Administrative expense	-	(50)	50
Other changes	-	12	(12)
<b>Net changes</b>	<b>8,060</b>	<b>5,901</b>	<b>2,159</b>
<b>Balances at 6/30/16</b>	<b>\$ 57,976</b>	<b>\$ 60,582</b>	<b>\$ (2,606)</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.85 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.85 percent) or 1-percentage-point higher (8.85 percent) than the current rate (in thousands):

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Police net pension liability (asset)	\$ 154,981	\$ 122,361	\$ 95,214
Fire net pension liability (asset)	6,631	(2,606)	(10,065)

*Pension plan fiduciary net position*

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. PSPRS financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of PSPRS. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. PSPRS investments are reported at market value. Market values are determined as follows: Short-term investments are reported at cost plus accrued interest. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated market value as determined by fixed income broker/dealers plus accrued interest. Investments in hedge funds are valued monthly at the last reported valuations. Limited partnership investments in credit opportunities, private equity, real assets and real estate are valued on a quarterly or monthly basis at last reported valuations adjusted by any subsequent cash flows. Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

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

For the year ended June 30, 2016, the City recognized pension expense of \$15,864,850. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,356	\$ 621
Change of assumptions or other inputs	16,266	-
Net difference between projected and actual earnings on pension plan investments	745	-
City contributions subsequent to the measurement date	12,726	-
Total	\$ 31,093	\$ 621

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

City contributions subsequent to the measurement date of \$12,725,792 were reported as deferred outflows and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

**Year ended June 30:**

2017	\$ 3,215
2018	3,215
2019	3,215
2020	5,161
2021	1,888
Thereafter	1,052

### Agent Plan OPEB Trend Information

The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2016	\$ 56	100%	\$ -
2015	442	100%	-
2014	376	100%	-

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
2016	\$ 86	100%	\$ -
2015	156	100%	-
2014	125	100%	-

### Agent Plan OPEB Actuarial Assumptions

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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## Notes to Financial Statements

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### For the Fiscal Year Ended June 30, 2016

Projections of benefits are based on (1) the plan as understood by the City and plan members and include the types of benefits in force at the valuation date and (2) the pattern of sharing benefit costs between the City and plan members to 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. The actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market; 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%, net of investment and administrative expenses
Projected salary increases includes inflation	4.0% - 8.0% 4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
Assumed future permanent benefit increases	Members retired on or before July 1, 2011: 2% compounded on average. Members retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2015, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market; 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%, net of investment and administrative expenses
Projected salary increases includes inflation	4.0% - 8.0% 4.0%

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

### Agent Plan OPEB Funded Status

The following tables present the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2015:

**Public Safety Personnel Retirement System (Police)  
Funded Status for Health Insurance  
(dollars in thousands)**

	June 30, 2015
Actuarial Accrued Liability (AAL)	
Retired members and beneficiaries	\$ 2,376
Active members	2,796
DROP members	542
<b>Total</b>	<b>5,714</b>
Valuation Assets	6,274
Net Unfunded Actuarial Accrued Liability	\$ (560)
Percent Funded	109.8%
Annual Covered Payroll	\$ 33,075
Unfunded AAL as a Percentage of Covered Payroll	0.0%

**Public Safety Personnel Retirement System (Fire)  
Funded Status for Health Insurance  
(dollars in thousands)**

	June 30, 2015
Actuarial Accrued Liability (AAL)	
Retired members and beneficiaries	\$ 131
Active members	1,398
DROP members	22
<b>Total</b>	<b>1,551</b>
Valuation Assets	1,235
Net Unfunded Actuarial Accrued Liability	\$ 316
Percent Funded	79.6%
Annual Covered Payroll	\$ 20,420
Unfunded AAL as a Percentage of Covered Payroll	1.5%



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

### Elected Officials' Defined Contribution Retirement System

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

Benefit terms, including contribution requirements, for EODCRS are established by Title 38, Chapter 5, Article 3.1 of the Arizona Revised Statutes and may be amended by the State of Arizona. For each member of EODCRS, the City is required to contribute 6 percent of gross compensation to an individual member retirement account. Members are required to contribute 8 percent of gross compensation to their retirement account. Members are immediately vested in both their and the City's contributions and earnings on those contributions. For the year ended June 30, 2016, the City recognized pension expense of \$1,080.

### 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. 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, 2016, was \$14,476,704. The projected liability was considered payable within one year or greater and all but the current portion of \$102,807 was therefore considered non-current and included in the proprietary fund and government-wide financial statements. Significant actuarial assumptions of the January 1, 2016, actuarial valuation include: a) mortality rates based on the RPH-2015 Total Dataset Mortality Table fully generational using scale MP 2015, 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, 2016.

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

### 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). GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the City to recognize the cost of postemployment healthcare in the year the employee services were received, report the accumulated liability from prior years, and provide 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 ended 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 Committee 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, 2016, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	22
Terminated Employees Eligible for Benefits, But Not Yet Enrolled	-
Active Employees	<u>674</u>
Total	<u><u>696</u></u>
Participating Employers	<u><u>1</u></u>

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2016

### *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 ended June 30, 2016, the eligible retirees paid 100 percent of the blended actuarial 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 in effect providing a subsidy to eligible retirees. This implied 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 ended June 30, 2016, retirees contributed \$178,559 and the City contributed \$92,890 (implied 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, 2016 (in thousands):

Annual Required Contribution	\$	429
Interest on Net OPEB Obligation (Asset)		37
Adjustment to Annual Required Contribution		<u>(51)</u>
Annual OPEB Cost		415
Contributions Made		<u>(93)</u>
Change in Net OPEB Obligation		322
Net OPEB Obligation - Beginning of year		<u>915</u>
Net OPEB Obligation - End of year	<u>\$</u>	<u>1,237</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 (dollars in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2014	\$ 453	\$ 114	25.2%	\$ 627
2015	379	91	24.0%	915
2016	415	93	22.4%	1,237

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2016

### Funded Status

The funded status of the plan as of June 30, 2016 was as follows (dollars in thousands):

Actuarial Accrued Liability	\$	3,351
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability	<u>\$</u>	<u>3,351</u>
Funded Ratio		0%
Covered Payroll	\$	49,422
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		6.8%

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 132.

### 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, 2015
Actuarial Cost Method	Projected unit credit
Amortization Method	Level percentage of payroll
Remaining Amortization Period	21 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	10.72% 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 retirees. 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.

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

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

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

	<u>2016</u>	<u>2015</u>
City's proportion of the net collective pension liability	1.099760%	1.102563%
City's proportionate share of the collective net pension liability	\$171,304	\$163,142
City's covered payroll	\$101,962	\$99,077
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	168.01%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information prior to fiscal year 2015 is not available.

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

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

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

	2016	2015
<b>Total pension liability</b>		
Service cost	\$ 6,537	\$ 6,363
Interest	19,640	16,898
Changes of benefit terms	-	3,987
Differences between expected and actual experience	87	(896)
Changes of assumptions or other inputs	-	22,122
Benefit payments, including refunds of employee contributions	(14,835)	(12,411)
<b>Net change in total pension liability</b>	<b>11,429</b>	<b>36,063</b>
<b>Total pension liability-beginning</b>	<b>254,344</b>	<b>218,281</b>
<b>Total pension liability-ending (a)</b>	<b>\$ 265,773</b>	<b>\$ 254,344</b>
 <b>Plan fiduciary net position</b>		
Contributions-employer	\$ 8,970	\$ 7,997
Contributions-employee	3,944	3,495
Net investment income	5,113	17,047
Benefit payments, including refunds of employee contributions	(14,835)	(12,411)
Administrative expense	(125)	(137)
Other changes	(243)	(50)
<b>Net change in plan fiduciary net position</b>	<b>2,824</b>	<b>15,941</b>
 <b>Plan fiduciary net position-beginning</b>	<b>140,588</b>	<b>124,647</b>
<b>Plan fiduciary net position-ending(b)</b>	<b>\$ 143,412</b>	<b>\$ 140,588</b>
 <b>City's net pension liability-ending ((a) - (b))</b>	<b>\$ 122,361</b>	<b>\$ 113,756</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>53.96%</b>	<b>55.27%</b>
 <b>Covered payroll</b>	<b>\$ 33,075</b>	<b>\$ 31,438</b>
 <b>City's net pension liability as a percentage of covered payroll</b>	<b>369.95%</b>	<b>361.84%</b>

The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information for the prior years is not available.

See accompanying notes to the schedule.

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

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

	2016	2015
<b>Total pension liability</b>		
Service cost	\$ 3,720	\$ 3,509
Interest	4,037	3,449
Changes of benefit terms	-	(448)
Differences between expected and actual experience	994	462
Changes of assumptions or other inputs	-	1,157
Benefit payments, including refunds of employee contributions	(691)	(780)
<b>Net change in total pension liability</b>	8,060	7,349
<b>Total pension liability-beginning</b>	49,916	42,567
<b>Total pension liability-ending (a)</b>	\$ 57,976	\$ 49,916
 <b>Plan fiduciary net position</b>		
Contributions-employer	\$ 2,247	\$ 2,392
Contributions-employee	2,337	2,629
Net investment income	2,046	6,294
Benefit payments, including refunds of employee contributions	(691)	(780)
Administrative expense	(50)	(51)
Other changes	12	(60)
<b>Net change in plan fiduciary net position</b>	5,901	10,424
 <b>Plan fiduciary net position-beginning</b>	54,681	44,257
<b>Plan fiduciary net position-ending(b)</b>	\$ 60,582	\$ 54,681
 <b>City's net pension asset-ending ((a) - (b))</b>	\$ (2,606)	\$ (4,765)
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	104.49%	109.55%
 <b>Covered payroll</b>	\$ 20,420	\$ 19,336
 <b>City's net pension liability as a percentage of covered payroll</b>	0.00%	0.00%

The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information for the prior years is not available.

See accompanying notes to the schedule.

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 11,049	\$ 11,092	\$ 10,635	\$ 9,949
Contributions in relation to the statutorily required contribution	(11,049)	(11,092)	(10,635)	(9,949)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 101,917	\$ 101,962	\$ 99,077	\$ 97,257
Contributions as a percentage of covered payroll	10.84%	10.88%	10.73%	10.23%

The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information prior to fiscal year 2013 is not available.



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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 11,635	\$ 8,921	\$ 7,997
Employer contributions in relation to the actuarially determined contribution	<u>11,635</u>	<u>8,921</u>	<u>7,997</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 33,073	\$ 33,075	\$ 31,438
Contributions as a percentage of covered payroll	35.18%	26.97%	25.44%

The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information prior to 2014 is not available.

See accompanying notes to the schedule.

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 2,626	\$ 2,276	\$ 2,392
Employer contributions in relation to the actuarially determined contribution	<u>2,626</u>	<u>2,276</u>	<u>2,392</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 21,498	\$ 20,420	\$ 19,336
Contributions as a percentage of covered payroll	12.22%	11.15%	12.37%

The City implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015. Information prior to 2014 is not available.

See accompanying notes to the schedule.

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

## Schedule of OPEB Plans' 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 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)
2013	\$ -	\$ 5,407	0.0%	\$ 5,407	\$ 30,601	17.7%
2014	5,809	5,418	107.2%	(391)	31,438	0.0%
2015	6,274	5,714	109.8%	(560)	33,075	0.0%

See accompanying notes to the schedule.

**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)
2013	\$ -	\$ 1,276	0.0%	\$ 1,276	\$ 17,980	7.1%
2014	1,042	1,399	74.5%	357	19,336	1.8%
2015	1,235	1,551	79.6%	316	20,420	1.5%

See accompanying notes to the schedule.

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

## 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 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)	
2013	\$	-	\$ 4,148	0.0%	\$ 4,148	\$ 45,422	9.1%
2014		-	3,234	0.0%	3,234	46,522	7.0%
2015		-	3,351	0.0%	3,351	49,422	6.8%

## 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)	
2013	\$	114	\$ 455	25.1%
2014		91	387	23.5%
2015		93	429	21.7%

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## Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2016

### I. ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market; 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%, net of investment and administrative expenses
Projected salary increases includes inflation	4.0% - 8.0% 4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
Assumed future permanent benefit increases	Members retired on or before July 1, 2011: 2% compounded on average. Members retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

### II. FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.

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## 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.

#### Transportation

This fund receives and expends the City's allocation of the Arizona Highway User Revenue tax and 1.2% of transportation privilege tax for transportation improvements. The amount of Highway User Revenue available to each city is allocated on a population basis, which is determined by the latest federal census and must be used for street construction, reconstruction, maintenance or transit.

#### Community Development Block Grant Fund

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

#### HOME Fund

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

#### Grants Fund

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

#### Section 8 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 (0.2 percent) and 2004 (0.15 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 (0.2 percent) and 2004 (0.15 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 Bonds Fund**

Accounts for the proceeds and interest of the sale of 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 Fund**

Accounts for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Resources are provided by the 0.15 percent 2004-approved Preserve Privilege Tax.

**Municipal Property Corporation Bonds Fund**

Accounts for the activity related to the Municipal Property Corporation bond proceeds and authorized capital improvements.

**External Sources Fund**

Accounts for the activity related to monies received from a variety of external sources including federal and state grants and contributions. The revenues are restricted for specific types of capital improvements.



## Combining Balance Sheet

### Nonmajor Governmental Funds

June 30, 2016 (in thousands)

<b>ASSETS</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
Cash and Investments	\$ 70,835	\$ 10,718	\$ 45,682	\$ 127,235
Cash with Fiscal Agent	69	22,676	123	22,868
Receivables (net of allowance for uncollectibles)				
Interest	57	-	103	160
Privilege Tax	4,351	-	-	4,351
Transient Occupancy Tax	861	-	-	861
Franchise Fee	50	-	-	50
Property Tax	2	95	-	97
Highway User Tax	1,303	-	-	1,303
Intergovernmental	2,873	16,425	2,765	22,063
Grants	685	-	655	1,340
Miscellaneous	2,256	-	-	2,256
Total Assets	<u>\$ 83,342</u>	<u>\$ 49,914</u>	<u>\$ 49,328</u>	<u>\$ 182,584</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>				
Liabilities				
Accounts Payable	\$ 1,786	\$ -	\$ 4,180	\$ 5,966
Accrued Payroll and Benefits	533	-	48	581
Due to Other Funds	-	43	1,931	1,974
Matured Bond Interest Payable	-	6,343	-	6,343
Matured Bonds Payable	-	15,475	-	15,475
Unearned Revenue				
Intergovernmental	6,451	-	-	6,451
Other	1,039	-	-	1,039
Due to Other Governments	4	-	-	4
Guaranty and Other Deposits	5	-	-	5
Other	14	-	-	14
Total Liabilities	<u>9,832</u>	<u>21,861</u>	<u>6,159</u>	<u>37,852</u>
Deferred Inflows of Resources				
Unavailable Revenues	<u>2,897</u>	<u>16,461</u>	<u>3,328</u>	<u>22,686</u>
Total Liabilities and Deferred Inflows of Resources	<u>12,729</u>	<u>38,322</u>	<u>9,487</u>	<u>60,538</u>
Fund Balances (Deficits)				
Restricted	53,865	6,892	44,561	105,318
Committed	17,758	4,700	-	22,458
Unassigned	(1,010)	-	(4,720)	(5,730)
Total Fund Balances (Deficits)	<u>70,613</u>	<u>11,592</u>	<u>39,841</u>	<u>122,046</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 83,342</u>	<u>\$ 49,914</u>	<u>\$ 49,328</u>	<u>\$ 182,584</u>

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2016 (in thousands)

REVENUES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Taxes - Local				
Property	\$ 107	\$ 3,883	\$ -	\$ 3,990
Transaction Privilege	55,967	-	-	55,967
Transient Occupancy	17,397	-	-	17,397
Light and Power Franchise	274	-	-	274
Taxes - Intergovernmental				
Highway User Tax	14,060	-	-	14,060
Local Transportation Assistance Fund	655	-	-	655
Business and Liquor Licenses	56	-	-	56
Charges for Current Services				
Recreation Fees	1,818	-	-	1,818
Fines, Fees, and Forfeitures				
Court	172	-	-	172
Court Enhancement	2,051	-	-	2,051
Library	146	-	-	146
Police Fees	457	-	-	457
Property Rental	1,874	168	-	2,042
Interest Earnings	388	-	320	708
Investment Income	84	-	50	134
Intergovernmental				
Federal Grants	7,696	-	1,309	9,005
State Grants	210	-	-	210
Miscellaneous	1,817	2,019	1,720	5,556
Developer Contributions	114	-	189	303
Streetlight and Services Districts	577	-	-	577
Contributions and Donations	2,117	-	151	2,268
Reimbursements from Outside Sources	413	-	-	413
Indirect Costs	535	-	-	535
Other	70	-	-	70
Total Revenues	\$ 109,055	\$ 6,070	\$ 3,739	\$ 118,864
<b>EXPENDITURES</b>				
Current				
General Government				
Mayor and City Council	\$ 76	\$ -	\$ -	\$ 76
City Court	933	-	-	933
City Manager	871	-	-	871
City Treasurer	115	-	-	115
Public Works	14,606	-	-	14,606
Community and Economic Development	19,555	-	-	19,555
Public Safety	2,450	-	-	2,450
Community Services	10,985	-	-	10,985
Streetlight and Services Districts	589	-	-	589
Debt Service				
Principal	-	15,475	-	15,475
Interest and Fiscal Charges	-	12,717	-	12,717
Capital Outlay	-	-	18,663	18,663
Total Expenditures	50,180	28,192	18,663	97,035
Excess (Deficiency) of Revenues over (under) Expenditures	58,875	(22,122)	(14,924)	21,829
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	90	24,552	14,954	39,596
Transfers Out	(53,460)	(2,445)	(62)	(55,967)
Total Other Financing Sources and (Uses)	(53,370)	22,107	14,892	(16,371)
Net Change in Fund Balances (Deficits)	5,505	(15)	(32)	5,458
Fund Balances (Deficits) - Beginning, Restated*	65,108	11,607	39,873	116,588
Fund Balances (Deficits)- Ending	\$ 70,613	\$ 11,592	\$ 39,841	\$ 122,046

\*Restated a deficit of \$1,947,000 for the creation of the External Sources Non-major Capital Project Fund, amount previously included in the General CIP Construction Major Capital Project Fund.

# Combining Balance Sheet

## Nonmajor Special Revenue Governmental Funds

June 30, 2016 (in thousands)

ASSETS	Transportation	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain CFD
Cash and Investments	\$ 9,580	\$ 294	\$ 37	\$ 891	\$ 395	\$ 35,408	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	-	57	-	-
Privilege Tax	1,554	-	-	-	-	2,797	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	-	-
Franchise Fee	-	-	-	-	-	-	-	-
Highway User Tax	1,303	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	244	-	441	-	-	-	-
Miscellaneous	45	1,745	-	3	35	-	-	-
Total Assets	<u>\$ 12,482</u>	<u>\$ 2,283</u>	<u>\$ 37</u>	<u>\$ 1,335</u>	<u>\$ 430</u>	<u>\$ 38,262</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>								
Liabilities								
Accounts Payable	\$ 885	\$ 101	\$ -	\$ 127	\$ 6	\$ 4	\$ -	\$ -
Accrued Payroll and Benefits	383	18	-	21	18	-	-	-
Unearned Revenue								
Intergovernmental	-	384	37	154	-	-	-	-
Other	-	4	-	1,032	-	-	-	-
Due to Other Governments	1	-	-	-	3	-	-	-
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Liabilities	<u>1,269</u>	<u>512</u>	<u>37</u>	<u>1,334</u>	<u>27</u>	<u>4</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable Revenues	44	1,899	-	432	35	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>1,313</u>	<u>2,411</u>	<u>37</u>	<u>1,766</u>	<u>62</u>	<u>4</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)								
Restricted	11,169	29	-	-	368	38,258	-	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(157)	-	(431)	-	-	-	-
Total Fund Balances (Deficits)	<u>11,169</u>	<u>(128)</u>	<u>-</u>	<u>(431)</u>	<u>368</u>	<u>38,258</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 12,482</u>	<u>\$ 2,283</u>	<u>\$ 37</u>	<u>\$ 1,335</u>	<u>\$ 430</u>	<u>\$ 38,262</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

# Combining Balance Sheet

## Nonmajor Special Revenue Governmental Funds

June 30, 2016 (in thousands)

ASSETS	DC Ranch CFD	Via Linda Road CFD	Waterfront Commerical CFD	Streetlight Districts	Special Programs	Tourism Development	Total
Cash and Investments	\$ -	\$ -	\$ -	\$ 5	\$ 14,494	\$ 9,731	\$ 70,835
Cash with Fiscal Agent	60	-	9	-	-	-	69
Receivables (net of allowance for uncollectibles)							
Interest	-	-	-	-	-	-	57
Privilege Tax	-	-	-	-	-	-	4,351
Transient Occupancy Tax	-	-	-	-	-	861	861
Property Tax	2	-	-	-	-	-	2
Franchise Fee	-	-	-	-	50	-	50
Highway User Tax	-	-	-	-	-	-	1,303
Intergovernmental	-	-	-	-	2,873	-	2,873
Grants	-	-	-	-	-	-	685
Miscellaneous	-	-	-	7	249	172	2,256
Total Assets	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 17,666</u>	<u>\$ 10,764</u>	<u>\$ 83,342</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>							
Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 391	\$ 272	\$ 1,786
Accrued Payroll and Benefits	-	-	-	-	82	11	533
Unearned Revenue							
Intergovernmental	-	-	-	-	5,876	-	6,451
Other	-	-	-	-	3	-	1,039
Due to Other Governments	-	-	-	-	-	-	4
Guaranty and Other Deposits	-	-	-	-	-	-	5
Other	-	-	-	-	12	2	14
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,364</u>	<u>285</u>	<u>9,832</u>
Deferred Inflows of Resources							
Unavailable Revenues	-	-	-	-	441	46	2,897
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,805</u>	<u>331</u>	<u>12,729</u>
Fund Balances (Deficits)							
Restricted	62	-	9	12	3,958	-	53,865
Committed	-	-	-	-	7,325	10,433	17,758
Unassigned	-	-	-	-	(422)	-	(1,010)
Total Fund Balances (Deficits)	<u>62</u>	<u>-</u>	<u>9</u>	<u>12</u>	<u>10,861</u>	<u>10,433</u>	<u>70,613</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 17,666</u>	<u>\$ 10,764</u>	<u>\$ 83,342</u>

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

**Nonmajor Special Revenue Governmental Funds**

For the Fiscal Year Ended June 30, 2016 (in thousands)

<b>REVENUES</b>	<b>Transportation</b>	<b>Community Development Block Grant</b>	<b>HOME</b>	<b>Grants</b>	<b>Section 8</b>	<b>Preserve Privilege Tax</b>	<b>Scottsdale Mountain CFD</b>	<b>McDowell Mountain CFD</b>
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 10
Transaction Privilege	19,938	-	-	-	-	36,029	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
Highway User Tax	14,060	-	-	-	-	-	-	-
Local Transportation Assistance Fund	655	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Recreation Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-
Property Rental	-	54	-	-	-	-	-	-
Interest Earnings	-	-	-	-	(1)	360	-	-
Investment Income	-	-	-	-	-	76	-	-
Intergovernmental								
Federal Grants	-	1,108	356	1,151	5,081	-	-	-
State Grants	-	-	-	210	-	-	-	-
Miscellaneous	237	-	-	108	-	-	-	-
Developer Contributions	-	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,744	-	-	-	-
Reimbursements from Outside Sources	338	-	-	-	-	-	-	-
Indirect Costs	535	-	-	-	-	-	-	-
Other	16	-	-	-	6	-	-	-
Total Revenues	<u>35,779</u>	<u>1,162</u>	<u>356</u>	<u>3,213</u>	<u>5,086</u>	<u>36,465</u>	<u>10</u>	<u>10</u>
<b>EXPENDITURES</b>								
Current								
General Government								
Mayor and City Council	-	-	-	-	-	-	-	-
City Court	-	-	-	-	-	-	-	-
City Manager	-	-	-	871	-	-	-	-
City Treasurer	-	-	-	-	-	5	10	10
Public Works	14,405	-	-	201	-	-	-	-
Community and Economic Development	7,396	-	-	639	-	-	-	-
Public Safety	-	-	-	643	-	-	-	-
Community Services	1,457	1,250	1	907	5,048	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Total Expenditures	<u>23,258</u>	<u>1,250</u>	<u>1</u>	<u>3,261</u>	<u>5,048</u>	<u>5</u>	<u>10</u>	<u>10</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>12,521</u>	<u>(88)</u>	<u>355</u>	<u>(48)</u>	<u>38</u>	<u>36,460</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	-	-	-	9	-	-	-	-
Transfers Out	(14,063)	-	-	(49)	(3)	(31,349)	-	-
Total Other Financing Sources and (Uses)	<u>(14,063)</u>	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>(3)</u>	<u>(31,349)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances (Deficits)	(1,542)	(88)	355	(88)	35	5,111	-	-
Fund Balances (Deficits) - Beginning	12,711	(40)	(355)	(343)	333	33,147	-	-
Fund Balances (Deficits) - Ending	<u>\$ 11,169</u>	<u>\$ (128)</u>	<u>\$ -</u>	<u>\$ (431)</u>	<u>\$ 368</u>	<u>\$ 38,258</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

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

**Nonmajor Special Revenue Governmental Funds**

For the Fiscal Year Ended June 30, 2016 (in thousands)

<u>REVENUES</u>	<u>DC Ranch CFD</u>	<u>Via Linda Road CFD</u>	<u>Waterfront Commerical CFD</u>	<u>Streetlight Districts</u>	<u>Special Programs</u>	<u>Tourism Development</u>	<u>Total</u>
Taxes - Local							
Property	\$ 73	\$ 9	\$ 5	\$ -	\$ -	\$ -	\$ 107
Transaction Privilege	-	-	-	-	-	-	55,967
Transient Occupancy	-	-	-	-	-	17,397	17,397
Light and Power Franchise	-	-	-	-	274	-	274
Taxes - Intergovernmental							
Highway User Tax	-	-	-	-	-	-	14,060
Local Transportation Assistance Fund	-	-	-	-	-	-	655
Business and Liquor Licenses	-	-	-	-	56	-	56
Charges for Current Services							
Recreation Fees	-	-	-	-	1,818	-	1,818
Fines, Fees, and Forfeitures							
Court	-	-	-	-	172	-	172
Court Enhancement	-	-	-	-	2,051	-	2,051
Library	-	-	-	-	146	-	146
Police Fees	-	-	-	-	457	-	457
Property Rental	-	-	-	-	289	1,531	1,874
Interest Earnings	-	-	-	-	29	-	388
Investment Income	-	-	-	-	8	-	84
Intergovernmental							
Federal Grants	-	-	-	-	-	-	7,696
State Grants	-	-	-	-	-	-	210
Miscellaneous	-	-	-	-	1,472	-	1,817
Developer Contributions	-	-	-	-	114	-	114
Streetlight and Services Districts	-	-	-	577	-	-	577
Contributions and Donations	-	-	-	-	373	-	2,117
Reimbursements from Outside Sources	-	-	-	-	56	19	413
Indirect Costs	-	-	-	-	-	-	535
Other	-	-	-	-	48	-	70
<b>Total Revenues</b>	<b>73</b>	<b>9</b>	<b>5</b>	<b>577</b>	<b>7,363</b>	<b>18,947</b>	<b>109,055</b>
<b>EXPENDITURES</b>							
Current							
General Government							
Mayor and City Council	-	-	-	-	1	75	76
City Court	-	-	-	-	933	-	933
City Manager	-	-	-	-	-	-	871
City Treasurer	70	9	11	-	-	-	115
Public Works	-	-	-	-	-	-	14,606
Community and Economic Development	-	-	-	-	232	11,288	19,555
Public Safety	-	-	-	-	1,807	-	2,450
Community Services	-	-	-	-	2,322	-	10,985
Streetlight and Services Districts	-	-	-	589	-	-	589
<b>Total Expenditures</b>	<b>70</b>	<b>9</b>	<b>11</b>	<b>589</b>	<b>5,295</b>	<b>11,363</b>	<b>50,180</b>
Excess (Deficiency) of Revenues over (under) Expenditures	3	-	(6)	(12)	2,068	7,584	58,875
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	-	-	-	81	-	90
Transfers Out	-	-	-	-	(1,058)	(6,938)	(53,460)
Total Other Financing Sources and (Uses)	-	-	-	-	(977)	(6,938)	(53,370)
Net Change in Fund Balances (Deficits)	3	-	(6)	(12)	1,091	646	5,505
Fund Balances (Deficits) - Beginning	59	-	15	24	9,770	9,787	65,108
Fund Balances (Deficits) - Ending	\$ 62	\$ -	\$ 9	\$ 12	\$ 10,861	\$ 10,433	\$ 70,613

## Transportation – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2016 (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	\$ 19,019	\$ 19,019	\$ 19,938	\$ -	\$ 19,938	\$ 919
Taxes - Intergovernmental						
Highway User Tax	13,565	13,565	14,060	-	14,060	495
Local Transportation Assistance Fund	645	645	655	-	655	10
Intergovernmental						
Federal Grants	550	550	-	-	-	(550)
Miscellaneous	550	550	237	-	237	(313)
Reimbursements from Outside Sources	200	200	338	-	338	138
Indirect Costs	535	535	535	-	535	-
Other	20	20	16	-	16	(4)
Total Revenues	<u>35,084</u>	<u>35,084</u>	<u>35,779</u>	<u>-</u>	<u>35,779</u>	<u>695</u>
<b>EXPENDITURES</b>						
Current						
Public Works	14,711	14,743	14,368	37	14,405	375
Community and Economic Development	9,544	9,504	7,372	24	7,396	2,132
Community Services	1,321	1,431	1,457	-	1,457	(26)
Total Expenditures	<u>25,576</u>	<u>25,678</u>	<u>23,197</u>	<u>61</u>	<u>23,258</u>	<u>2,481</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>9,508</u>	<u>9,406</u>	<u>12,582</u>	<u>(61)</u>	<u>12,521</u>	<u>3,176</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(13,559)	(13,559)	(14,063)	-	(14,063)	(504)
Sale of Capital Assets	10	10	-	-	-	(10)
Total Other Financing Sources and (Uses)	<u>(13,549)</u>	<u>(13,549)</u>	<u>(14,063)</u>	<u>-</u>	<u>(14,063)</u>	<u>(514)</u>
Net Change in Fund Balance	(4,041)	(4,143)	(1,481)	(61)	(1,542)	2,662
Fund Balance (Deficit) - Beginning	9,158	12,836	12,836	(125)	12,711	-
Fund Balance (Deficit) - Ending	<u>\$ 5,117</u>	<u>\$ 8,693</u>	<u>\$ 11,355</u>	<u>\$ (186)</u>	<u>\$ 11,169</u>	<u>\$ 2,662</u>

#### Explanation of Differences:

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

    Payroll Accruals \$ 61

## 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, 2016 (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	\$ 29	\$ 29	\$ 54	\$ -	\$ 54	\$ 25
Intergovernmental						
Federal Grants	1,816	1,816	1,108	-	1,108	(708)
Total Revenues	<u>1,845</u>	<u>1,845</u>	<u>1,162</u>	<u>-</u>	<u>1,162</u>	<u>(683)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	1,845	1,854	1,244	6	1,250	610
Total Expenditures	<u>1,845</u>	<u>1,854</u>	<u>1,244</u>	<u>6</u>	<u>1,250</u>	<u>610</u>
Deficiency of Revenues under Expenditures	-	(9)	(82)	(6)	(88)	(73)
Fund Balance (Deficit) - Beginning	-	(29)	(29)	(11)	(40)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ (38)</u>	<u>\$ (111)</u>	<u>\$ (17)</u>	<u>\$ (128)</u>	<u>\$ (73)</u>

#### Explanation of Differences:

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

    Payroll Accruals \$ 6



## HOME – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2016 (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	\$ 703	\$ 703	\$ 356	\$ -	\$ 356	\$ (347)
Total Revenues	<u>703</u>	<u>703</u>	<u>356</u>	<u>-</u>	<u>356</u>	<u>(347)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	703	703	1	-	1	702
Total Expenditures	<u>703</u>	<u>703</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>702</u>
Excess of Revenues over Expenditures	-	-	355	-	355	355
Fund Balance (Deficit) - Beginning	-	(355)	(355)	-	(355)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ (355)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355</u>

## Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2016 (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	\$ 2,749	\$ 6,940	\$ 1,151	\$ -	\$ 1,151	\$ (5,789)
State Grants	162	126	210	-	210	84
Miscellaneous	120	120	108	-	108	(12)
Contributions and Donations	3,710	1,575	1,744	-	1,744	169
Total Revenues	<u>6,741</u>	<u>8,761</u>	<u>3,213</u>	<u>-</u>	<u>3,213</u>	<u>(5,548)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Manager	-	865	871	-	871	(6)
Public Works	-	201	201	-	201	-
Community and Economic Development	-	354	639	-	639	(285)
Public Safety	2,137	861	636	7	643	225
Community Services	4,604	2,448	905	2	907	1,543
Total Expenditures	<u>6,741</u>	<u>4,729</u>	<u>3,252</u>	<u>9</u>	<u>3,261</u>	<u>1,477</u>
Excess (Deficiency) of Revenues over (under) Expenditures	-	4,032	(39)	(9)	(48)	(4,071)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	9	-	9	9
Transfers Out	-	-	(49)	-	(49)	(49)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>-</u>	<u>(40)</u>	<u>(40)</u>
Net Change in Fund Balance	-	4,032	(79)	(9)	(88)	(4,111)
Fund Balance (Deficit) - Beginning	-	(339)	(339)	(4)	(343)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ 3,693</u>	<u>\$ (418)</u>	<u>\$ (13)</u>	<u>\$ (431)</u>	<u>\$ (4,111)</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 9</u>
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## Section 8 – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2016 (in thousands)

	<u>Original</u>	<u>Final</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>
<b>REVENUES</b>						
Interest Earnings	\$ -	\$ -	\$ (1)	\$ -	\$ (1)	\$ (1)
Intergovernmental						
Federal Grants	5,998	5,998	5,081	-	5,081	(917)
Other	-	-	6	-	6	6
Total Revenues	<u>5,998</u>	<u>5,998</u>	<u>5,086</u>	<u>-</u>	<u>5,086</u>	<u>(912)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	5,998	6,002	5,044	4	5,048	958
Total Expenditures	<u>5,998</u>	<u>6,002</u>	<u>5,044</u>	<u>4</u>	<u>5,048</u>	<u>958</u>
Excess (Deficiency) of Revenues over (under) Expenditures	-	(4)	42	(4)	38	46
<b>OTHER FINANCING USES</b>						
Transfers Out	-	(3)	(3)	-	(3)	-
Total Other Financing Uses	<u>-</u>	<u>(3)</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
Net Change in Fund Balance	-	(7)	39	(4)	35	46
Fund Balance (Deficit) - Beginning	-	339	339	(6)	333	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ 378</u>	<u>\$ (10)</u>	<u>\$ 368</u>	<u>\$ 46</u>

#### Explanation of Differences:

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

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

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

For the Fiscal Year Ended June 30, 2016 (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>						
Taxes - Local						
Transaction Privilege	\$ 34,312	\$ 34,312	\$ 36,029	\$ -	\$ 36,029	\$ 1,717
Interest Earnings	163	163	360	-	360	197
Investment Income	-	-	-	76	76	-
Total Revenues	<u>34,475</u>	<u>34,475</u>	<u>36,389</u>	<u>76</u>	<u>36,465</u>	<u>1,914</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Treasurer	-	-	5	-	5	(5)
Community Services	2	2	-	-	-	2
Total Expenditures	<u>2</u>	<u>2</u>	<u>5</u>	<u>-</u>	<u>5</u>	<u>(3)</u>
Excess of Revenues over Expenditures	<u>34,473</u>	<u>34,473</u>	<u>36,384</u>	<u>76</u>	<u>36,460</u>	<u>1,911</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	<u>(36,494)</u>	<u>(36,494)</u>	<u>(31,349)</u>	<u>-</u>	<u>(31,349)</u>	<u>5,145</u>
Total Other Financing Sources and (Uses)	<u>(36,494)</u>	<u>(36,494)</u>	<u>(31,349)</u>	<u>-</u>	<u>(31,349)</u>	<u>5,145</u>
Net Change in Fund Balance	(2,021)	(2,021)	5,035	76	5,111	7,056
Fund Balance - Beginning	<u>27,325</u>	<u>33,784</u>	<u>33,784</u>	<u>(637)</u>	<u>33,147</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 25,304</u>	<u>\$ 31,763</u>	<u>\$ 38,819</u>	<u>\$ (561)</u>	<u>\$ 38,258</u>	<u>\$ 7,056</u>

#### Explanation of Differences:

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

Investment Income \$ 76

## Streetlight Districts – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2016 (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	\$ 580	\$ 580	\$ 577	\$ -	\$ 577	\$ (3)
Total Revenues	580	580	577	-	577	(3)
<b>EXPENDITURES</b>						
Current						
Streetlight and Services Districts	612	612	589	-	589	23
Total Expenditures	612	612	589	-	589	23
Excess (Deficiency) of Revenues over (under) Expenditures	(32)	(32)	(12)	-	(12)	20
Fund Balance - Beginning	32	24	24	-	24	-
Fund Balance (Deficit) - Ending	\$ -	\$ (8)	\$ 12	\$ -	\$ 12	\$ 20

**Special Programs – Special Revenue Fund**

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

For the Fiscal Year Ended June 30, 2016 (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>						
Taxes - Local						
Light and Power Franchise	\$ 250	\$ 250	\$ 274	\$ -	\$ 274	\$ 24
Taxes - Intergovernmental						
Business and Liquor Licenses	25	25	56	-	56	31
Charges for Current Services						
Recreation Fees	1,702	1,702	1,818	-	1,818	116
Fines, Fees, and Forfeitures						
Court	152	152	172	-	172	20
Court Enhancement	1,604	1,604	2,051	-	2,051	447
Library	-	-	146	-	146	146
Police	480	480	457	-	457	(23)
Property Rental	383	383	289	-	289	(94)
Interest Earnings	19	19	29	-	29	10
Investment Income	-	-	-	8	8	-
Intergovernmental						
Miscellaneous	2,346	2,346	1,472	-	1,472	(874)
Developer Contributions	-	-	114	-	114	114
Contributions and Donations	651	562	373	-	373	(189)
Reimbursements from Outside Sources	582	582	56	-	56	(526)
Other	-	89	48	-	48	(41)
Total Revenues	<u>8,194</u>	<u>8,194</u>	<u>7,355</u>	<u>8</u>	<u>7,363</u>	<u>(839)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	-	1	1	-	1	-
City Court	1,756	1,768	931	2	933	837
Public Works	250	250	-	-	-	250
Community and Economic Development	507	507	232	-	232	275
Public Safety	2,649	2,614	1,802	5	1,807	812
Community Services	2,514	2,525	2,316	6	2,322	209
Total Expenditures	<u>7,676</u>	<u>7,665</u>	<u>5,282</u>	<u>13</u>	<u>5,295</u>	<u>2,383</u>
Excess (Deficiency) of Revenues over (under) Expenditures	518	529	2,073	(5)	2,068	1,544
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	60	60	81	-	81	21
Transfers Out	(723)	(723)	(1,058)	-	(1,058)	(335)
Total Other Financing Sources and (Uses)	<u>(663)</u>	<u>(663)</u>	<u>(977)</u>	<u>-</u>	<u>(977)</u>	<u>(314)</u>
Net Change in Fund Balance	(145)	(134)	1,096	(5)	1,091	1,230
Fund Balance - Beginning	7,689	9,815	9,815	(45)	9,770	-
Fund Balance - Ending	<u>\$ 7,544</u>	<u>\$ 9,681</u>	<u>\$ 10,911</u>	<u>\$ (50)</u>	<u>\$ 10,861</u>	<u>\$ 1,230</u>
<b>Explanation of Differences:</b>						
Items recorded as revenue for GAAP purposes that are not recorded for budget purposes:						
Investment Income	\$ 8					
The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:						
Payroll Accruals	13					
Net Decrease in Fund Balance – Budget to GAAP	<u>\$ (5)</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, 2016 (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 Tax	\$ 16,928	\$ 16,928	\$ 17,397	\$ -	\$ 17,397	\$ 469
Property Rental	1,600	1,600	1,531	-	1,531	(69)
Reimbursements from Outside Sources	-	-	19	-	19	19
Other	20	20	-	-	-	(20)
Total Revenues	<u>18,548</u>	<u>18,548</u>	<u>18,947</u>	<u>-</u>	<u>18,947</u>	<u>399</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	75	75	75	-	75	-
Community and Economic Development	11,959	11,960	11,287	1	11,288	673
Total Expenditures	<u>12,034</u>	<u>12,035</u>	<u>11,362</u>	<u>1</u>	<u>11,363</u>	<u>673</u>
Excess of Revenues over Expenditures	<u>6,514</u>	<u>6,513</u>	<u>7,585</u>	<u>(1)</u>	<u>7,584</u>	<u>1,072</u>
<b>OTHER FINANCING USES</b>						
Transfers Out	(5,241)	(5,241)	(6,938)	-	(6,938)	(1,697)
Total Other Financing Uses	<u>(5,241)</u>	<u>(5,241)</u>	<u>(6,938)</u>	<u>-</u>	<u>(6,938)</u>	<u>(1,697)</u>
Net Change in Fund Balance	1,273	1,272	647	(1)	646	(625)
Fund Balance - Beginning	6,873	9,794	9,794	(7)	9,787	-
Fund Balance - Ending	<u>\$ 8,146</u>	<u>\$ 11,066</u>	<u>\$ 10,441</u>	<u>\$ (8)</u>	<u>\$ 10,433</u>	<u>\$ (625)</u>

#### Explanation of Differences:

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, 2016 (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	\$ -	\$ 10,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,718
Cash with Fiscal Agent	13,252	-	548	1,401	1,258	233	573	5,411	22,676
Receivables (net of allowance for uncollectibles)									
Property Tax	-	-	11	23	51	4	6	-	95
Intergovernmental	-	16,425	-	-	-	-	-	-	16,425
Total Assets	<u>\$ 13,252</u>	<u>\$ 27,143</u>	<u>\$ 559</u>	<u>\$ 1,424</u>	<u>\$ 1,309</u>	<u>\$ 237</u>	<u>\$ 579</u>	<u>\$ 5,411</u>	<u>\$ 49,914</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
Liabilities									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43	\$ -	\$ 43
Matured Bond Interest Payable	4,797	-	24	119	213	20	99	1,071	6,343
Matured Bonds Payable	8,455	-	440	1,085	860	175	120	4,340	15,475
Total Liabilities	<u>13,252</u>	<u>-</u>	<u>464</u>	<u>1,204</u>	<u>1,073</u>	<u>195</u>	<u>262</u>	<u>5,411</u>	<u>21,861</u>
Deferred Inflows of Resources									
Unavailable Revenues	-	16,425	4	10	22	-	-	-	16,461
Total Liabilities and Deferred Inflows of Resources	<u>13,252</u>	<u>16,425</u>	<u>468</u>	<u>1,214</u>	<u>1,095</u>	<u>195</u>	<u>262</u>	<u>5,411</u>	<u>38,322</u>
Fund Balances									
Restricted	-	6,018	91	210	214	42	317	-	6,892
Committed	-	4,700	-	-	-	-	-	-	4,700
Total Fund Balances	<u>-</u>	<u>10,718</u>	<u>91</u>	<u>210</u>	<u>214</u>	<u>42</u>	<u>317</u>	<u>-</u>	<u>11,592</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,252</u>	<u>\$ 27,143</u>	<u>\$ 559</u>	<u>\$ 1,424</u>	<u>\$ 1,309</u>	<u>\$ 237</u>	<u>\$ 579</u>	<u>\$ 5,411</u>	<u>\$ 49,914</u>



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

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2016 (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	\$ -	\$ -	\$ 530	\$ 1,385	\$ 1,387	\$ 222	\$ 359	\$ -	\$ 3,883
Property Rental	-	168	-	-	-	-	-	-	168
Intergovernmental									
Miscellaneous	-	2,019	-	-	-	-	-	-	2,019
Total Revenues	-	2,187	530	1,385	1,387	222	359	-	6,070
<b>EXPENDITURES</b>									
Current									
Debt Service									
Principal	8,455	-	440	1,085	860	175	120	4,340	15,475
Interest and Fiscal Charges	9,610	-	51	239	427	40	200	2,150	12,717
Total Expenditures	18,065	-	491	1,324	1,287	215	320	6,490	28,192
Excess (Deficiency) of Revenues over (under) Expenditures	(18,065)	2,187	39	61	100	7	39	(6,490)	(22,122)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	18,062	-	-	-	-	-	-	6,490	24,552
Transfers Out	-	(2,445)	-	-	-	-	-	-	(2,445)
Total Other Financing Sources and (Uses)	18,062	(2,445)	-	-	-	-	-	6,490	22,107
Net Change in Fund Balances	(3)	(258)	39	61	100	7	39	-	(15)
Fund Balances - Beginning	3	10,976	52	149	114	35	278	-	11,607
Fund Balances - Ending	\$ -	\$ 10,718	\$ 91	\$ 210	\$ 214	\$ 42	\$ 317	\$ -	\$ 11,592

# 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, 2016 (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	\$ 32,228	\$ 32,228	\$ 32,098	\$ -	\$ 32,098	\$ (130)
Total Revenues	<u>32,228</u>	<u>32,228</u>	<u>32,098</u>	<u>-</u>	<u>32,098</u>	<u>(130)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	35,395	35,395	35,395	-	35,395	-
Interest and Fiscal Charges	23,072	23,072	21,464	-	21,464	1,608
Total Expenditures	<u>58,467</u>	<u>58,467</u>	<u>56,859</u>	<u>-</u>	<u>56,859</u>	<u>1,608</u>
Deficiency of Revenues under Expenditures	<u>(26,239)</u>	<u>(26,239)</u>	<u>(24,761)</u>	<u>-</u>	<u>(24,761)</u>	<u>1,478</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers In	25,724	25,724	24,118	-	24,118	(1,606)
Total Other Financing Sources	<u>25,724</u>	<u>25,724</u>	<u>24,118</u>	<u>-</u>	<u>24,118</u>	<u>(1,606)</u>
Net Change in Fund Balance	(515)	(515)	(643)	-	(643)	(128)
Fund Balance - Beginning	11,686	12,172	12,172	-	12,172	-
Fund Balance - Ending	<u>\$ 11,171</u>	<u>\$ 11,657</u>	<u>\$ 11,529</u>	<u>\$ -</u>	<u>\$ 11,529</u>	<u>\$ (128)</u>

# Municipal Property Corporation Debt Service Fund

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

For the Fiscal Year Ended June 30, 2016 (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	-	8,455	8,455	-	8,455	-
Interest and Fiscal Charges	-	9,613	9,610	-	9,610	3
Total Expenditures	-	18,068	18,065	-	18,065	3
Deficiency of Revenues under Expenditures	-	(18,068)	(18,065)	-	(18,065)	3
<b>OTHER FINANCING SOURCES</b>						
Transfers In	-	15,625	18,062	-	18,062	2,437
Total Other Financing Sources	-	15,625	18,062	-	18,062	2,437
Net Change in Fund Balance	-	(2,443)	(3)	-	(3)	2,440
Fund Balance - Beginning	-	3	3	-	3	-
Fund Balance - Ending	\$ -	\$ (2,440)	\$ -	\$ -	\$ -	\$ 2,440

# Debt Service Stabilization Debt Service Fund

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

For the Fiscal Year Ended June 30, 2016 (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	\$ 168	\$ -	\$ 168	\$ 23
Intergovernmental						
Miscellaneous	1,498	1,499	2,019	-	2,019	520
Total Revenues	1,643	1,644	2,187	-	2,187	543
<b>EXPENDITURES</b>						
Debt Service						
Principal	8,455	-	-	-	-	-
Interest and Fiscal Charges	9,613	-	-	-	-	-
Total Expenditures	18,068	-	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	(16,425)	1,644	2,187	-	2,187	543
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	15,625	-	(2,445)	-	(2,445)	(2,445)
Total Other Financing Sources and (Uses)	15,625	-	(2,445)	-	(2,445)	(2,445)
Net Change in Fund Balance	(800)	1,644	(258)	-	(258)	(1,902)
Fund Balance - Beginning	10,736	10,976	10,976	-	10,976	-
Fund Balance - Ending	\$ 9,936	\$ 12,620	\$ 10,718	\$ -	\$ 10,718	\$ (1,902)

# Scottsdale Preserve Authority Debt Service Fund

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

For the Fiscal Year Ended June 30, 2016 (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	4,340	4,340	4,340	-	4,340	-
Interest and Fiscal Charges	2,149	2,149	2,150	-	2,150	(1)
Total Expenditures	6,489	6,489	6,490	-	6,490	(1)
Deficiency of Revenues under Expenditures	(6,489)	(6,489)	(6,490)	-	(6,490)	(1)
<b>OTHER FINANCING SOURCES</b>						
Transfers In	6,489	6,489	6,490	-	6,490	1
Total Other Financing Sources	6,489	6,489	6,490	-	6,490	1
Net Change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning	-	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Combining Balance Sheet

## Nonmajor Capital Projects Governmental Funds

June 30, 2016 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
<b>ASSETS</b>						
Cash and Investments	\$ 13,015	\$ 32,631	\$ 36	\$ -	\$ -	\$ 45,682
Cash with Fiscal Agent	-	-	-	123	-	123
Receivables (net of allowance for uncollectibles)						
Interest	53	50	-	-	-	103
Intergovernmental	-	-	-	-	2,765	2,765
Grants	-	-	-	-	655	655
Total Assets	<u>\$ 13,068</u>	<u>\$ 32,681</u>	<u>\$ 36</u>	<u>\$ 123</u>	<u>\$ 3,420</u>	<u>\$ 49,328</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>						
Liabilities						
Accounts Payable	\$ 452	\$ 2,926	\$ 36	\$ 3	\$ 763	\$ 4,180
Accrued Payroll and Benefits	6	23	7	-	12	48
Due to Other Funds	-	-	-	2	1,929	1,931
Total Liabilities	<u>458</u>	<u>2,949</u>	<u>43</u>	<u>5</u>	<u>2,704</u>	<u>6,159</u>
Deferred Inflows of Resources						
Unavailable Revenues	-	-	-	-	3,328	3,328
Total Liabilities and Deferred Inflows of Resources	<u>458</u>	<u>2,949</u>	<u>43</u>	<u>5</u>	<u>6,032</u>	<u>9,487</u>
Fund Balances (Deficits)						
Restricted	12,645	29,732	-	118	2,066	44,561
Unassigned	(35)	-	(7)	-	(4,678)	(4,720)
Total Fund Balances (Deficits)	<u>12,610</u>	<u>29,732</u>	<u>(7)</u>	<u>118</u>	<u>(2,612)</u>	<u>39,841</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 13,068</u>	<u>\$ 32,681</u>	<u>\$ 36</u>	<u>\$ 123</u>	<u>\$ 3,420</u>	<u>\$ 49,328</u>

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

### Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2016 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
<b>REVENUES</b>						
Interest Earnings	\$ 116	\$ 200	\$ -	\$ -	\$ 4	\$ 320
Investment Income	22	27	-	-	1	50
Intergovernmental						
Federal Grants	-	99	-	-	1,210	1,309
Miscellaneous	-	-	-	-	1,720	1,720
Developer Contributions	-	189	-	-	-	189
Contributions and Donations	-	-	-	-	151	151
Total Revenues	<u>138</u>	<u>515</u>	<u>-</u>	<u>-</u>	<u>3,086</u>	<u>3,739</u>
<b>EXPENDITURES</b>						
Current						
Capital Outlay	1,944	12,154	738	27	3,800	18,663
Total Expenditures	<u>1,944</u>	<u>12,154</u>	<u>738</u>	<u>27</u>	<u>3,800</u>	<u>18,663</u>
Deficiency of Revenues under Expenditures	(1,806)	(11,639)	(738)	(27)	(714)	(14,924)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	14,104	741	-	109	14,954
Transfers Out	-	(2)	-	-	(60)	(62)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>14,102</u>	<u>741</u>	<u>-</u>	<u>49</u>	<u>14,892</u>
Net Change in Fund Balances (Deficits)	(1,806)	2,463	3	(27)	(665)	(32)
Fund Balances (Deficits) - Beginning, Restated *	14,416	27,269	(10)	145	(1,947)	39,873
Fund Balances (Deficits) - Ending	<u>\$ 12,610</u>	<u>\$ 29,732</u>	<u>\$ (7)</u>	<u>\$ 118</u>	<u>\$ (2,612)</u>	<u>\$ 39,841</u>

\*Restated to move a deficit fund balance of \$6,000 from Preserve to General Obligation Bond column. The External Sources column was previously included in the General CIP Construction Capital Project Major Fund.

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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 motor 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, and 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, 2016 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Current Assets				
Cash and Investments	\$ 12,710	\$ 25,808	\$ 1,733	\$ 40,251
Receivables (net of allowance for uncollectibles)				
Miscellaneous	94	87	-	181
Supplies Inventory	747	-	-	747
Total Current Assets	<u>13,551</u>	<u>25,895</u>	<u>1,733</u>	<u>41,179</u>
Noncurrent Assets				
Equity in Joint Venture	3	-	-	3
Capital Assets				
Buildings and Improvements	12,887	-	-	12,887
Motor Vehicles	75,327	-	-	75,327
Machinery and Equipment	1,090	-	661	1,751
Construction in Progress	76	-	-	76
Less Accumulated Depreciation	<u>(41,842)</u>	<u>-</u>	<u>(11)</u>	<u>(41,853)</u>
Total Noncurrent Assets	<u>47,541</u>	<u>-</u>	<u>650</u>	<u>48,191</u>
Total Assets	<u>61,092</u>	<u>25,895</u>	<u>2,383</u>	<u>89,370</u>
<b>Deferred Outflows of Resources</b>				
Pensions	<u>411</u>	<u>84</u>	<u>-</u>	<u>495</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	1,540	797	15	2,352
Accrued Payroll and Benefits	192	45	-	237
Accrued Compensated Absences - Due within one year	161	37	-	198
Claims Payable - Due within one year	-	6,903	-	6,903
Total Current Liabilities	<u>1,893</u>	<u>7,782</u>	<u>15</u>	<u>9,690</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	184	45	-	229
Net Pension Liabilities	4,271	840	-	5,111
Other Payables - Due in more than one year	-	10,679	-	10,679
Total Noncurrent Liabilities	<u>4,455</u>	<u>11,564</u>	<u>-</u>	<u>16,019</u>
Total Liabilities	<u>6,348</u>	<u>19,346</u>	<u>15</u>	<u>25,709</u>
<b>Deferred Inflows of Resources</b>				
Pensions	<u>369</u>	<u>73</u>	<u>-</u>	<u>442</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	47,541	-	650	48,191
Unrestricted	<u>7,245</u>	<u>6,560</u>	<u>1,718</u>	<u>15,523</u>
Total Net Position	<u>\$ 54,786</u>	<u>\$ 6,560</u>	<u>\$ 2,368</u>	<u>\$ 63,714</u>

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

### Internal Service Funds

For the Fiscal Year Ended June 30, 2016 (in thousands)

	<u>Fleet Management</u>	<u>Self-Insurance</u>	<u>Computer Replacement</u>	<u>Total</u>
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 18,071	\$ 30,604	\$ 1,010	\$ 49,685
Self-Insurance Contributions - Employee	-	6,762	-	6,762
Self-Insurance Contributions - Retiree	-	179	-	179
State Contributions	-	157	-	157
Other	463	1,029	2	1,494
Total Operating Revenues	<u>18,534</u>	<u>38,731</u>	<u>1,012</u>	<u>58,277</u>
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	11,331	-	-	11,331
Self-Insurance Administration	-	2,394	-	2,394
Self-Insurance Claims	-	7,839	-	7,839
Self-Insurance Benefits	-	27,148	-	27,148
Insurance and Bond Premiums	-	2,875	-	2,875
Depreciation	6,117	-	11	6,128
Computer Replacement	-	-	43	43
Total Operating Expenses	<u>17,448</u>	<u>40,256</u>	<u>54</u>	<u>57,758</u>
Operating Income (Loss)	<u>1,086</u>	<u>(1,525)</u>	<u>958</u>	<u>519</u>
Non-Operating Revenues				
Property Tax	-	1,313	-	1,313
Gain on Sale of Capital Assets	356	-	-	356
Total Non-Operating Revenues	<u>356</u>	<u>1,313</u>	<u>-</u>	<u>1,669</u>
Income Before Contributions and Transfers	1,442	(212)	958	2,188
Capital Contributions	1,229	-	-	1,229
Transfers In	-	1,196	-	1,196
Transfers Out	(18)	(5)	-	(23)
Change in Net Position	<u>2,653</u>	<u>979</u>	<u>958</u>	<u>4,590</u>
Total Net Position - Beginning as Restated	52,133	5,581	1,410	59,124
Total Net Position - Ending	<u>\$ 54,786</u>	<u>\$ 6,560</u>	<u>\$ 2,368</u>	<u>\$ 63,714</u>

## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2016 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 18,071	\$ 37,912	\$ 1,010	\$ 56,993
Cash Payments to Employees for Services	(3,584)	(1,101)	-	(4,685)
Cash Payments to Suppliers for Goods/Services	(7,363)	(37,192)	(53)	(44,608)
Other Cash Receipts	463	1,029	2	1,494
Net Cash Provided by Operating Activities	<u>7,587</u>	<u>648</u>	<u>959</u>	<u>9,194</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Property Tax	-	1,313	-	1,313
Transfers In	-	1,196	-	1,196
Transfers Out	(18)	(5)	-	(23)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(18)</u>	<u>2,504</u>	<u>-</u>	<u>2,486</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(7,515)	-	(646)	(8,161)
Investment in Joint Venture	(1)	-	-	(1)
Sale of Capital Assets	636	-	-	636
Net Cash Used for Capital and Related Financing Activities	<u>(6,880)</u>	<u>-</u>	<u>(646)</u>	<u>(7,526)</u>
Net Increase in Cash and Cash Equivalents	689	3,152	313	4,154
Cash and Cash Equivalents at Beginning of Year	<u>12,021</u>	<u>22,656</u>	<u>1,420</u>	<u>36,097</u>
Cash and Cash Equivalents at End of Year	<u>\$ 12,710</u>	<u>\$ 25,808</u>	<u>\$ 1,733</u>	<u>\$ 40,251</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 1,086	\$ (1,525)	\$ 958	\$ 519
Income Provided by (Used for) Operating Activities				
Depreciation	6,117	-	11	6,128
Pension Expense	430	57	-	487
Current Year Pension Contributions	(280)	(58)	-	(338)
Miscellaneous Receivable	-	209	-	209
Inventories	65	-	-	65
Accounts Payable	117	291	(10)	398
Accrued Payroll	30	18	-	48
Compensated Absences Payable	22	13	-	35
Claims Payable	-	1,643	-	1,643
Total Adjustments	<u>6,501</u>	<u>2,173</u>	<u>1</u>	<u>8,675</u>
Net Cash Provided by Operating Activities	<u>\$ 7,587</u>	<u>\$ 648</u>	<u>\$ 959</u>	<u>\$ 9,194</u>
<b>Supplemental Disclosure of Non-Cash Financing Activities</b>				
Additions to Property, Plant, and Equipment				
Contributions from other funds	<u>\$ 1,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,229</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 of 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.

### **Crossroads East Development Agreement Agency Fund**

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

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## Combining Statement of Fiduciary Net Position

### Fiduciary Funds

June 30, 2016 (in thousands)

	Private Purpose Trust Funds		Agency Funds		
	Handicap Scholarship Private Purpose Trust Fund	Total	Family Self- Sufficiency Agency Fund	Crossroads East Development Agreement Agency Fund	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 8	\$ 8	\$ 88	\$ 1,415	\$ 1,503
Total Assets	8	8	88	1,415	1,503
<b>LIABILITIES</b>					
Escrow Payable Vouchers	-	-	88	-	88
State Land Department Rebate	-	-	-	1,415	1,415
Total Liabilities	-	-	\$ 88	\$ 1,415	\$ 1,503
<b>NET POSITION</b>					
Held in Trust for Other Purposes	\$ 8	\$ 8			

## Combining Statement of Changes in Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2016 (in thousands)

	Family Self-Sufficiency				Crossroads East Development Agreement			
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 55	\$ 59	\$ 26	\$ 88	\$ 1,415	\$ -	\$ -	\$ 1,415
Total Assets	<u>\$ 55</u>	<u>\$ 59</u>	<u>\$ 26</u>	<u>\$ 88</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415</u>
<b>LIABILITIES</b>								
Escrow Payable Vouchers	\$ 55	\$ 59	\$ 26	\$ 88	\$ -	\$ -	\$ -	\$ -
State Land Department Rebate	-	-	-	-	1,415	-	-	1,415
Total Liabilities	<u>\$ 55</u>	<u>\$ 59</u>	<u>\$ 26</u>	<u>\$ 88</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, 2016 (in thousands)

	July 1, 2015	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2016	Governmental Activities	Business-type Activities	Final Payment Date
<b>GENERAL OBLIGATION BONDS</b>										
Governmental Activities										
2002 GO Refunding Various Purpose	\$ 580	\$ -	\$ 580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/16
2002 GO Refunding Preservation	8,100	-	3,070	-	-	-	5,030	5,030	-	07/01/19
2005A GO Various Purpose	8,000	-	8,000	-	-	-	-	-	-	07/01/16
2005B GO Preservation	1,100	-	1,100	-	-	-	-	-	-	07/01/16
2008A GO Various Purpose	14,675	-	4,375	-	-	-	10,300	10,300	-	07/01/18
2008B GO Preservation	1,875	-	600	-	-	-	1,275	1,275	-	07/01/18
2010 GO Various Purpose	45,000	-	1,550	-	-	-	43,450	43,450	-	07/01/30
2011 GO Preservation	19,475	-	-	-	-	-	19,475	19,475	-	07/01/34
2011 GO Refunding Various Purpose	4,445	-	1,410	-	-	-	3,035	3,035	-	07/01/18
2011 GO Refunding Preservation	24,240	-	1,710	-	-	-	22,530	22,530	-	07/01/24
2012 GO Preservation	50,000	-	-	-	-	-	50,000	50,000	-	07/01/34
2012 GO Refunding Various Purpose	38,145	-	6,725	-	-	-	31,420	31,420	-	07/01/21
2012 GO Refunding Preservation	44,020	-	-	-	-	-	44,020	44,020	-	07/01/25
2013 GO Preservation	74,000	-	-	-	-	-	74,000	74,000	-	07/01/34
2014 GO Preservation	13,535	-	545	-	-	-	12,990	12,990	-	07/01/34
2014 GO Refunding Various Purpose	69,940	-	-	-	-	-	69,940	69,940	-	07/01/23
2014 GO Refunding Preservation	9,365	-	-	-	-	-	9,365	9,365	-	07/01/23
2015 GO Refunding Various Purpose	86,400	-	-	-	-	-	86,400	86,400	-	07/01/28
2015 GO Refunding Preservation	74,015	-	5,730	-	-	-	68,285	68,285	-	07/01/34
2005A GO Series Issuance Premium	143	-	-	-	-	(143)	-	-	-	-
2005B GO Series Issuance Premium	25	-	-	-	-	(25)	-	-	-	-
2008A GO Series Issuance Premium	278	-	-	-	-	(93)	185	185	-	-
2008B GO Series Issuance Premium	14	-	-	-	-	(5)	9	9	-	-
2010 GO Bonds Issuance Premium	622	-	-	-	-	(42)	580	580	-	-
2011 GO Preserve Series Issuance Premium	212	-	-	-	-	(11)	201	201	-	-
2011 GO Refunding Series Issuance Premium	2,577	-	-	-	-	(294)	2,283	2,283	-	-
2012 GO Preserve Issuance Premium	2,068	-	-	-	-	(111)	1,957	1,957	-	-
2012 GO Refunding Series Issuance Premium	6,129	-	-	-	-	(613)	5,516	5,516	-	-
2013 GO Preserve Issuance Premium	2,749	-	-	-	-	(148)	2,601	2,601	-	-
2014 GO Preserve Issuance Premium	540	-	-	-	-	(29)	511	511	-	-
2014 GO Refunding Series Issuance Premium	8,297	-	-	-	-	(1,037)	7,260	7,260	-	-
2015 GO Refunding Series Issuance Premium	14,052	-	-	-	-	(739)	13,313	13,313	-	-
Total General Obligation Bonds	\$ 624,616	\$ -	\$ 35,395	\$ -	\$ -	\$ (3,290)	\$ 585,931	\$ 585,931	\$ -	-
<b>REVENUE BONDS</b>										
Business-type Activities										
2004 Utility Revenue Series Refunding	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/16
2008 Utility Revenue Series Refunding	28,335	-	2,055	-	-	-	26,280	-	26,280	07/01/23
2008 Refunding Series Issuance Premium	2,183	-	-	-	-	(287)	1,896	-	1,896	-
Total Revenue Bonds	\$ 31,518	\$ -	\$ 3,055	\$ -	\$ -	\$ (287)	\$ 28,176	\$ -	\$ 28,176	-

\*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, 2016 (in thousands)

	July 1, 2015	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2016	Governmental Activities	Business-type Activities	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Activities										
2004A MPC	\$ 1,160	\$ -	\$ 1,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/16
2005 MPC	275	-	-	-	-	-	275	275	-	07/01/17
2005D MPC	1,025	-	1,025	-	-	-	-	-	-	07/01/16
2006 MPC Refunding	55,450	-	-	-	-	-	55,450	55,450	-	07/01/34
2006A MPC	665	-	325	-	-	-	340	340	-	07/01/17
2006B MPC	2,375	-	1,150	-	-	-	1,225	1,225	-	07/01/17
2013A MPC	24,550	-	1,015	-	-	-	23,535	23,535	-	07/01/28
2013B MPC	1,345	-	50	-	-	-	1,295	1,295	-	07/01/33
2013C MPC	34,810	-	1,275	-	-	-	33,535	33,535	-	07/01/33
2014 MPC Refunding	22,735	-	-	-	-	-	22,735	22,735	-	07/01/27
2015A MPC	11,995	-	425	-	-	-	11,570	11,570	-	07/01/34
2015A MPC Taxable	14,340	-	570	-	-	-	13,770	13,770	-	07/01/34
2015 MPC Refunding	46,758	-	1,460	-	-	-	45,298	45,298	-	07/01/35
2004A Series Issuance Premium	22	-	-	-	-	(22)	-	-	-	-
2005 Series Issuance Premium	14	-	-	-	-	(7)	7	7	-	-
2005D Series Issuance Premium	55	-	-	-	-	(55)	-	-	-	-
2006 Refunding Series Issuance Premium	4,695	-	-	-	-	(248)	4,447	4,447	-	-
2006A Series Issuance Premium	9	-	-	-	-	(5)	4	4	-	-
2006B Series Issuance Premium	15	-	-	-	-	(8)	7	7	-	-
2013A MPC Series Issuance Premium	4,184	-	-	-	-	(331)	3,853	3,853	-	-
2013B MPC Series Issuance Premium	176	-	-	-	-	(10)	166	166	-	-
2013C MPC Series Issuance Premium	4,445	-	-	-	-	(252)	4,193	4,193	-	-
2014 Refunding Series Issuance Premium	2,439	-	-	-	-	(203)	2,236	2,236	-	-
2015A Series Issuance Premium	1,116	-	-	-	-	(58)	1,058	1,058	-	-
2015A Taxable Series Issuance Premium	262	-	-	-	-	(14)	248	248	-	-
2015 Refunding Series Issuance Premium	8,129	-	-	-	-	(406)	7,723	7,723	-	-
Subtotal Governmental Activities	243,044	-	8,455	-	-	(1,619)	232,970	232,970	-	-
Business-type Activities										
2005E Water/Sewer	3,255	-	3,255	-	-	-	-	-	-	07/01/16
2006 MPC Refunding	106,910	-	3,745	-	-	-	103,165	-	103,165	07/01/30
2008A Water/Sewer	37,800	-	3,375	-	-	-	34,425	-	34,425	07/01/32
2010 MPC Bonds Water/Sewer	73,490	-	740	-	-	-	72,750	-	72,750	07/01/36
2015A MPC Bonds Water/Sewer	18,175	-	645	-	-	-	17,530	-	17,530	07/01/34
2015 MPC Refunding	46,812	-	-	-	-	-	46,812	-	46,812	07/01/28
2005E Water Issuance Premium	79	-	-	-	-	(79)	-	-	-	-
2006 Refunding Series Issuance Premium	8,453	-	-	-	-	(564)	7,889	-	7,889	-
2008A Series Issuance Premium	1,577	-	-	-	-	(93)	1,484	-	1,484	-
2010 Water/Sewer Issuance Premium	2,818	-	-	-	-	(135)	2,683	-	2,683	-
2015A Series Issuance Premium	1,691	-	-	-	-	(89)	1,602	-	1,602	-
2015 Refunding Series Issuance Premium	8,090	-	-	-	-	(623)	7,467	-	7,467	-
Subtotal Business-type Activities	309,150	-	11,760	-	-	(1,583)	295,807	-	295,807	-
Total Municipal Property Corporation Bonds	\$ 552,194	\$ -	\$ 20,215	\$ -	\$ -	\$ (3,202)	\$ 528,777	\$ 232,970	\$ 295,807	-
<b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>										
Governmental Activities										
2004 Excise Tax Refunding	\$ 3,315	\$ -	\$ 3,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/16
2010 Excise Tax Refunding	32,855	-	-	-	-	-	32,855	32,855	-	07/01/24
2011 Excise Tax Refunding	8,195	-	1,025	-	-	-	7,170	7,170	-	07/01/22
2010 Excise Tax Revenue Issuance Premium	3,226	-	-	-	-	(345)	2,881	2,881	-	-
2011 Excise Tax Revenue Issuance Premium	685	-	-	-	-	(102)	583	583	-	-
Total Scottsdale Preserve Authority Bonds	\$ 48,276	\$ -	\$ 4,340	\$ -	\$ -	\$ (447)	\$ 43,489	\$ 43,489	\$ -	-

\*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, 2016 (in thousands)

	July 1, 2015	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2016	Governmental Activities	Business-type Activities	Final Payment Date
<b>CERTIFICATES OF PARTICIPATION</b>										
Governmental Activities										
Series 2010-Public Safety Communications Project	\$ 11,762	\$ -	\$ 2,216	\$ -	\$ -	\$ -	\$ 9,546	\$ 9,546	\$ -	07/01/20
Total Certificates of Participation	\$ 11,762	\$ -	\$ 2,216	\$ -	\$ -	\$ -	\$ 9,546	\$ 9,546	\$ -	
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Activities										
Scottsdale Mountain Refunding Series 2002	\$ 1,055	\$ -	\$ 440	\$ -	\$ -	\$ -	\$ 615	\$ 615	\$ -	07/15/18
Waterfront Commercial Series 2007	3,330	-	120	-	-	-	3,210	3,210	-	07/15/32
DC Ranch Refunding Series 2012	12,485	-	860	-	-	-	11,625	11,625	-	07/15/27
McDowell Mtn Ranch Refunding Series 2012	8,405	-	1,085	-	-	-	7,320	7,320	-	07/15/22
Via Linda Road Refunding Series 2012	1,530	-	175	-	-	-	1,355	1,355	-	07/15/23
Scottsdale Mountain 2002 Issuance Premium	4	-	-	-	-	(2)	2	2	-	-
DC Ranch 2012 Issuance Premium	473	-	-	-	-	(39)	434	434	-	-
McDowell Mtn Ranch 2012 Issuance Premium	155	-	-	-	-	(22)	133	133	-	-
Total Community Facilities District Bonds	\$ 27,437	\$ -	\$ 2,680	\$ -	\$ -	\$ (63)	\$ 24,694	\$ 24,694	\$ -	
Total Bonds	\$ 1,295,803	\$ -	\$ 67,901	\$ -	\$ -	\$ (7,289)	\$ 1,220,613	\$ 896,630	\$ 323,983	
<b>CAPITAL LEASES</b>										
Governmental Activities										
Field Maintenance Equipment - Community Services	\$ 15	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2016
Copier Equipment - Administrative Services	214	-	58	-	-	-	156	156	-	2018
Total Capital Leases	\$ 229	\$ -	\$ 73	\$ -	\$ -	\$ -	\$ 156	\$ 156	\$ -	
<b>SERVICE CONCESSION ARRANGEMENTS</b>										
Governmental Activities										
Bureau of Reclamation\Westworld	\$ 1,359	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 1,279	\$ 1,279	\$ -	2032
Bureau of Reclamation\TPC	1,478	-	74	-	-	-	1,404	1,404	-	2035
Total Service Concession Arrangements	\$ 2,837	\$ -	\$ 154	\$ -	\$ -	\$ -	\$ 2,683	\$ 2,683	\$ -	
TOTAL BONDS, CAPITAL LEASES, AND SERVICE CONCESSION ARRANGEMENTS	\$ 1,298,869	\$ -	\$ 68,128	\$ -	\$ -	\$ (7,289)	\$ 1,223,452	\$ 899,469	\$ 323,983	
Compensated Absences							\$ 25,515	\$ 3,491		
Other Post-Employment Benefit - Implicit Subsidy							1,237	-		
Net Pension Liabilities							257,337	33,722		
Risk Management Claims							17,582	-		
Total Long-Term Debt							\$ 1,201,140	\$ 361,196		

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

## Statistical Section

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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.	
<b>Revenue Capacity</b>	<b>181</b>
These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.	
<b>Debt Capacity</b>	<b>188</b>
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.	
<b>Demographic and Economic Information</b>	<b>194</b>
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
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**City of Scottsdale, Arizona**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(in thousands)

**Table I**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 2,198,130	\$ 2,353,573	\$ 2,586,731	\$ 2,729,334	\$ 2,704,433	\$ 2,800,451	\$ 2,756,186	\$ 2,685,105	\$ 2,663,269	\$ 3,406,976
Restricted	108,686	189,540	131,732	97,950	91,862	100,275	100,472	109,615	117,485	122,932
Unrestricted	<u>206,386</u>	<u>90,632</u>	<u>83,884</u>	<u>87,698</u>	<u>108,799</u>	<u>74,124</u>	<u>133,897</u>	<u>180,942</u>	<u>(19,464)</u>	<u>(3,679)</u>
Total Governmental Activities Net Position	<u>\$ 2,513,202</u>	<u>\$ 2,633,745</u>	<u>\$ 2,802,347</u>	<u>\$ 2,914,982</u>	<u>\$ 2,905,094</u>	<u>\$ 2,974,850</u>	<u>\$ 2,990,555</u> <sup>(1)</sup>	<u>\$ 2,975,662</u> <sup>(2)</sup>	<u>\$ 2,761,290</u> <sup>(3)</sup>	<u>\$ 3,526,229</u> <sup>(5)</sup>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 895,636	\$ 909,632	\$ 991,390	\$ 941,884	\$ 1,009,973	\$ 1,036,985	\$ 1,058,880	\$ 1,046,345	\$ 1,036,650	\$ 1,059,001
Restricted	33,649	26,147	26,568	32,244	36,287	38,576	41,545	47,101	46,901	47,521
Unrestricted	<u>224,607</u>	<u>293,090</u>	<u>239,103</u>	<u>307,279</u>	<u>258,395</u>	<u>243,067</u>	<u>242,763</u>	<u>273,321</u>	<u>253,109</u>	<u>255,503</u>
Total Business-type Activities Net Position	<u>\$ 1,153,892</u>	<u>\$ 1,228,869</u>	<u>\$ 1,257,061</u>	<u>\$ 1,281,407</u>	<u>\$ 1,304,655</u>	<u>\$ 1,318,628</u>	<u>\$ 1,343,188</u>	<u>\$ 1,366,767</u> <sup>(2)</sup>	<u>\$ 1,336,660</u> <sup>(4)</sup>	<u>\$ 1,362,025</u> <sup>(6)</sup>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 3,093,766	\$ 3,263,205	\$ 3,578,121	\$ 3,671,218	\$ 3,714,406	\$ 3,837,436	\$ 3,815,066	\$ 3,731,450	\$ 3,699,919	\$ 4,465,977
Restricted	142,335	215,687	158,300	130,194	128,149	138,851	142,017	156,716	164,386	170,453
Unrestricted	<u>430,993</u>	<u>383,722</u>	<u>322,987</u>	<u>394,977</u>	<u>367,194</u>	<u>317,191</u>	<u>376,660</u>	<u>454,263</u>	<u>233,645</u>	<u>251,824</u>
Total Primary Government Net Position	<u>\$ 3,667,094</u>	<u>\$ 3,862,614</u>	<u>\$ 4,059,408</u>	<u>\$ 4,196,389</u>	<u>\$ 4,209,749</u>	<u>\$ 4,293,478</u>	<u>\$ 4,333,743</u>	<u>\$ 4,342,429</u>	<u>\$ 4,097,950</u>	<u>\$ 4,888,254</u>

<sup>(1)</sup>In FY 2013, beginning net position was restated due to the implementation of GASB Statements 60 and 62.

<sup>(2)</sup>In FY 2014, beginning net position was restated due to the implementation of GASB Statement 65.

<sup>(3)</sup>In FY 2015, beginning net position was restated due to the implementation of GASB Statement 68 and an adjustment to capital assets.

<sup>(4)</sup>In FY 2015, beginning net position was restated due to the implementation of GASB Statement 68 and an adjustment involving prior-year revenue.

<sup>(5)</sup>In FY 2016, beginning net position was restated due to an adjustment to capital assets and the recognition of the City's involvement in a joint venture.

<sup>(6)</sup>In FY 2016, beginning net position was restated due the recognition of the City's involvement in a joint venture.

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

Table IIa

	2007	2008	2009	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012 <sup>(3)</sup>	2013	2014 <sup>(4)</sup>	2015	2016
<b>Expenses</b>										
<b>Governmental Activities</b>										
General Government	\$ 45,682	\$ 40,698	\$ 20,646	\$ 24,351	\$ 21,495	\$ 18,964	\$ 20,985	\$ 21,084	\$ 21,210	\$ 22,252
Public Works	-	-	-	37,143	35,605	34,416	36,405	43,597	40,631	38,291
Community and Economic Development	-	-	-	-	134,221	126,622	147,514	134,626	138,899	102,892
Public Safety	-	-	-	116,155	111,227	115,740	118,033	127,026	135,647	136,261
Human Resources	3,800	4,790	3,545	3,717	3,047	-	-	-	-	-
Community Services	70,527	78,285	78,523	53,596	51,974	54,442	56,382	55,190	55,134	53,322
Information Technology	-	-	-	14,876	13,491	-	-	-	-	-
Administrative Services	-	-	-	1,917	2,905	17,318	16,863	17,552	17,849	20,264
Citizen and Neighborhood Resources	3,727	3,663	3,802	-	-	-	-	-	-	-
Economic Vitality	9,475	9,711	8,553	20,676	-	-	-	-	-	-
Finance and Accounting	-	-	-	5,848	-	-	-	-	-	-
Financial Services	9,843	10,930	9,913	-	-	-	-	-	-	-
Fire	28,054	31,943	31,174	-	-	-	-	-	-	-
Information Services	13,329	13,704	13,723	-	-	-	-	-	-	-
Municipal Services	17,698	20,153	22,887	-	-	-	-	-	-	-
Planning and Development	15,133	31,933	29,029	-	-	-	-	-	-	-
Planning, Neighborhood and Transportation	-	-	-	114,530	-	-	-	-	-	-
Police	81,375	91,102	92,530	-	-	-	-	-	-	-
The Downtown Group	-	-	4,595	-	-	-	-	-	-	-
Transportation	95,214	90,039	87,552	-	-	-	-	-	-	-
WestWorld	-	-	595	-	-	-	-	-	-	-
Streetlight and Service Districts	597	712	631	538	578	572	569	576	583	589
Interest on Long-Term Debt	38,981	39,457	42,242	39,405	40,358	40,647	38,389	35,486	34,134	31,665
Bond Issuance Costs	-	-	-	-	-	-	-	998	1,643	-
Total Governmental Activities Expenses	<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>	<u>445,730</u>	<u>405,536</u>
<b>Business-type Activities</b>										
Water Utility	64,915	71,140	81,391	76,178	83,888	90,829	90,205	91,496	95,958	100,854
Sewer Utility	26,089	26,947	33,509	33,274	34,533	41,218	43,169	45,421	44,352	42,058
Airport	2,958	3,343	3,482	3,120	3,680	3,681	3,785	4,014	3,703	3,894
Solid Waste	17,895	18,772	19,650	18,889	18,853	17,671	19,146	19,608	20,911	20,786
Total Business-type Activities Expenses	<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>	<u>164,924</u>	<u>167,592</u>
Total Primary Government Expenses	<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>	<u>\$ 610,654</u>	<u>\$ 573,128</u>

<sup>(1)</sup>In FY2010, the City's Governmental Activities were restructured from Departments to Divisions, which resulted in the shift of reporting associated expenses.

<sup>(2)</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>(3)</sup>In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

<sup>(4)</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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program Revenue</b>										
Governmental Activities										
Charges for Services:										
General Government	\$ 14,102	\$ 15,581	\$ 14,670	\$ 13,982	\$ 4,777	\$ 3,965	\$ 4,340	\$ 4,282	\$ 4,279	\$ 3,970
Public Works	-	-	-	-	4,666	3,543	1,498	1,580	1,861	6,149
Community and Economic Development	-	-	-	-	9,604	10,958	14,736	17,981	19,474	17,464
Public Safety	-	-	-	12,655	9,917	10,102	9,139	10,268	10,350	11,459
Human Resources	-	-	-	-	973	-	-	-	-	-
Community Services	4,388	4,637	4,619	5,773	4,617	5,573	5,523	5,914	6,334	6,269
Information Technology	-	-	-	-	2,485	-	-	-	-	-
Administrative Services	-	-	-	-	635	2,549	3,155	2,890	2,827	2,926
Planning, Neighborhood, and Transportation	-	-	-	6,837	-	-	-	-	-	-
Citizen and Neighborhood Resources	228	21	-	-	-	-	-	-	-	-
Economic Vitality	-	-	-	2,552	-	-	-	-	-	-
Fire	1,155	1,095	2,275	-	-	-	-	-	-	-
Planning and Development	16,128	12,800	6,393	-	-	-	-	-	-	-
Police	15,071	16,664	5,703	-	-	-	-	-	-	-
Transportation	326	-	-	-	-	-	-	-	-	-
WestWorld	-	-	2,682	-	-	-	-	-	-	-
Streetlight and Services Districts	546	595	599	289	478	551	551	400	531	577
Operating Grants and Contributions	29,293	28,409	26,272	29,319	32,205	28,144	31,255	27,710	28,397	29,708
Capital Grants and Contributions	211,707	157,808	240,289	190,279	41,072	112,163	66,917	38,817	14,831	82,162
Total Governmental Activities Program Revenues	<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>	<u>88,884</u>	<u>160,684</u>
Business-type Activities:										
Charges for Services:										
Water Utility	84,381	90,741	91,546	94,199	94,056	97,944	100,615	104,722	98,495	110,560
Sewer Utility	32,250	33,930	34,198	35,027	34,533	36,032	36,939	39,917	39,541	39,741
Airport	3,451	3,380	2,813	2,879	2,816	3,248	3,552	3,635	4,020	4,404
Solid Waste	18,490	19,824	20,049	20,269	20,940	20,744	20,458	20,162	20,232	20,120
Capital Grants and Contributions	55,111	50,679	22,067	9,268	17,889	8,607	25,638	22,019	11,726	22,545
Total Business-type Activities Revenues	<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>	<u>174,014</u>	<u>197,370</u>
Total Primary Government Revenues	<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>	<u>\$ 262,898</u>	<u>\$ 358,054</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (140,491)	\$ (229,510)	\$ (146,438)	\$ (171,066)	\$ (303,472)	\$ (231,173)	\$ (298,026)	\$ (326,293)	\$ (356,846)	\$ (244,852)
Business-type Activities	81,826	78,352	32,641	30,181	29,280	13,176	30,897	29,916	9,090	29,778
Total Primary Government Net Expense	<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>	<u>\$ (347,756)</u>	<u>\$ (215,074)</u>

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

Table IIc

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes	\$ 249,411	\$ 246,330	\$ 221,272	\$ 208,083	\$ 222,118	\$ 227,963	\$ 234,582	\$ 248,642	\$ 257,860	\$ 265,416
Intergovernmental	60,520	65,933	64,145	56,830	49,190	44,035	49,054	52,715	56,316	57,630
Interest and Investment Income	23,013	19,187	14,653	1,368	248	1,063	985	1,274	1,372	2,955
Miscellaneous and Special Items	5,377	7,606	5,038	6,730	11,849	20,502	12,557	8,422	13,829	9,987
Transfers	11,174	10,997	9,932	10,690	10,179	7,366	7,244	6,202	6,579	7,174
Total Governmental Activities	<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>	<u>335,956</u>	<u>343,162</u>
Business-type Activities										
Taxes	195	195	117	130	134	132	144	154	169	145
Interest and Investment Income	9,265	6,910	4,958	4,295	2,658	421	763	964	1,346	2,531
Miscellaneous	496	517	408	430	1,355	7,610	-	-	-	-
Transfers	(11,174)	(10,997)	(9,932)	(10,690)	(10,179)	(7,366)	(7,244)	(6,202)	(6,579)	(7,174)
Total Business-type Activities	<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>	<u>(5,064)</u>	<u>(4,498)</u>
Total Primary Government	<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>	<u>\$ 330,892</u>	<u>\$ 338,664</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 209,004	\$ 120,543	\$ 168,602	\$ 112,635	\$ (9,888)	\$ 69,756	\$ 6,396	\$ (9,038)	\$ (20,890)	\$ 98,310
Business-type Activities	80,608	74,977	28,192	24,346	23,248	13,973	24,560	24,832	4,026	25,280
Total Primary Government	<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>	<u>\$ (16,864)</u>	<u>\$ 123,590</u>

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

Table III

	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015	2016
General Fund										
Nonspendable					\$ 247	\$ 264	\$ 265	\$ 266	\$ 227	\$ 249
Restricted					281	260	-	-	-	-
Committed					-	-	-	-	-	-
Assigned					-	-	-	-	-	-
Unassigned					53,199	52,105	48,679	52,354	56,017	65,347
Reserved	\$ 754	\$ 924	\$ 835	\$ 586						
Unreserved	89,534	61,379	59,587	51,518						
Total General Fund	<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>	<u>\$ 56,244</u>	<u>\$ 65,596</u>
All Other Governmental Funds										
Nonspendable					\$ 3,000	\$ 2,980	\$ -	\$ -	\$ -	\$ -
Restricted					104,284	108,073	114,676	105,837	113,237	116,847
Committed					6,221	7,345	16,298	20,848	49,554	52,508
Assigned					36,609	37,183	39,666	7,362	-	-
Unassigned, Reported in:										
Special Revenue Funds					(640)	(447)	(1,394)	(1,194)	(1,083)	(1,010)
Capital Project Funds					-	-	-	-	(4,770)	(4,720)
Reserved	\$ 21,249	\$ 25,600	\$ 27,236	\$ 20,193						
Unreserved, Reported in:										
Special Revenue Funds	52,484	35,179	30,710	30,963						
Capital Project Funds	179,477	212,676	102,898	102,490						
Total All Other Governmental Funds	<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>	<u>\$ 156,938</u>	<u>\$ 163,625</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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>
<b>Revenues</b>										
Taxes - Local	\$ 251,017	\$ 246,175	\$ 219,846	\$ 204,040	\$ 221,236	\$ 228,823	\$ 236,652	\$ 249,289	\$ 258,851	\$ 264,414
Taxes - Intergovernmental	76,545	81,246	77,408	69,336	61,754	53,834	59,813	63,816	68,603	70,526
Business and Liquor Licenses	1,626	1,761	1,733	1,787	1,745	1,805	1,763	1,782	1,925	1,894
Charges for Current Services	23,291	20,376	15,719	15,322	15,119	16,985	20,870	24,078	25,855	24,404
Fines, Fees, and Forfeitures	14,779	15,210	11,459	11,637	8,579	9,133	8,472	8,343	10,000	10,617
Special Assessments	1,825	895	821	765	733	719	591	-	-	-
Property Rental	3,868	3,733	3,527	3,353	4,204	4,630	4,232	4,270	5,282	4,922
Interest Earnings	21,083	17,298	13,491	5,014	2,705	2,837	2,624	2,974	1,934	2,373
Investment Income	-	-	-	(4,696)	(3,397)	(1,403)	(1,639)	(1,700)	(562)	582
Intergovernmental	15,763	15,552	31,813	17,756	52,300	67,725	53,462	40,116	19,846	16,070
Developer Contributions	2,024	7,775	9,425	2,518	254	101	203	64	653	319
Streetlight and Services Districts	546	595	599	289	478	551	551	400	531	577
Contributions and Donations	1,878	1,673	1,519	1,275	1,157	2,521	2,813	2,178	3,558	2,268
Reimbursements from Outside Sources	568	1,824	1,210	2,852	4,673	12,642	5,934	2,446	3,445	1,942
Indirect Costs	10,208	11,577	14,917	14,159	14,800	9,096	7,595	7,102	6,987	6,501
Other	700	934	991	644	1,892	3,265	2,438	1,652	5,134	954
<b>Total Revenues</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>	<b>\$ 412,042</b>	<b>\$ 408,363</b>

<sup>(1)</sup>In FY2016, moved sales of assets from "Other" within the "Revenues" section to "Proceeds from Sale of Assets" within the "Other Financing Sources (Uses)" section.

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

Table IVb

	2007	2008	2009	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012 <sup>(3)</sup>	2013	2014	2015	2016
<b>Expenditures</b>										
General Government	\$ 24,938	\$ 26,633	\$ 19,216	\$ 17,030	\$ 19,783	\$ 18,523	\$ 19,695	\$ 19,730	\$ 20,815	\$ 22,623
Public Works	-	-	-	31,391	31,463	27,307	29,658	33,381	34,518	32,850
Community and Economic Development	-	-	-	-	42,357	38,369	70,351	41,063	44,550	42,735
Public Safety	-	-	-	111,459	108,003	107,934	111,960	119,159	123,761	128,527
Human Resources	3,855	3,854	3,465	3,657	3,013	-	-	-	-	-
Community Services	61,778	69,200	70,807	45,655	43,967	44,762	45,346	45,035	44,998	45,508
Information Technology	-	-	-	9,469	9,357	-	-	-	-	-
Administrative Services	-	-	-	1,859	3,031	14,450	14,141	14,950	15,050	15,648
Finance and Accounting	-	-	-	6,059	-	-	-	-	-	-
Economic Vitality	9,016	9,373	8,246	17,110	-	-	-	-	-	-
Planning, Neighborhood, and Transportation	-	-	-	27,447	-	-	-	-	-	-
Planning and Development	14,331	15,012	16,671	-	-	-	-	-	-	-
WestWorld	-	-	3,704	-	-	-	-	-	-	-
Information Systems	8,931	10,149	9,904	-	-	-	-	-	-	-
The Downtown Group	-	-	4,627	-	-	-	-	-	-	-
Fire	26,614	29,785	30,767	-	-	-	-	-	-	-
Police	78,261	89,725	89,802	-	-	-	-	-	-	-
Financial Services	9,080	9,433	9,701	-	-	-	-	-	-	-
Transportation	13,439	14,301	15,580	-	-	-	-	-	-	-
Municipal Services	9,692	19,140	18,800	-	-	-	-	-	-	-
Citizen and Neighborhood Resources	3,254	3,621	3,732	-	-	-	-	-	-	-
Streetlight and Services Districts	597	712	632	538	578	572	569	576	583	589
Debt Service										
Principal	34,252	33,043	31,308	33,701	37,677	44,700	63,234	59,387	105,930	53,313
Interest and Fiscal Charges	38,279	38,651	41,612	38,782	40,091	40,487	38,789	37,323	36,706	34,664
Bond Issuance Costs	735	1,028	-	497	1,057	774	1,915	998	1,643	-
Capital Outlay	147,367	196,976	155,358	77,929	107,448	129,025	181,189	99,722	52,164	26,674
<b>Total Expenditures</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>	<b>\$ 480,718</b>	<b>\$ 403,131</b>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (58,698)	\$ (144,012)	\$ (129,454)	\$ (76,532)	\$ (59,593)	\$ (53,639)	\$ (170,473)	\$ (64,514)	\$ (68,676)	\$ 5,232

<sup>(1)</sup>In FY2010, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated expenditures.

<sup>(2)</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>(3)</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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 162,965	\$ 195,170	\$ 160,319	\$ 108,066	\$ 79,592	\$ 81,579	\$ 78,171	\$ 89,669	\$ 89,806	\$ 85,080
Transfers Out	(155,295)	(185,082)	(145,357)	(98,693)	(69,378)	(75,826)	(70,919)	(82,696)	(83,211)	(79,079)
Capital Lease Acquisitions	175	-	-	-	-	-	-	296	-	-
Issuance of Refunding Bonds	55,450	-	-	-	87,985	-	111,250	105,885	207,173	-
Issuance of Long-Term Capital-Related Debt	42,500	123,805	-	50,800	42,525	50,000	140,000	14,000	26,815	-
Premium on Long-Term Debt Issued	7,199	2,379	-	843	10,047	2,448	22,082	12,742	23,871	-
Payment to Refunded Bonds Escrow Agent	(61,845)	-	-	-	(94,818)	-	(99,684)	(108,099)	(168,069)	-
Proceeds from Notes Payable	3,000	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	1,091	-	-	-	-	4,806
<b>Total Other Financing Sources and (Uses)</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>96,385</b>	<b>10,807</b>
<b>Net Change in Fund Balances (Deficits)</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>\$ 27,709</b>	<b>\$ 16,039</b>
Debt Service as a Percentage of Noncapital Expenditures	21.5%	19.2%	19.3%	21.0%	22.8%	25.2%	25.8%	26.0%	33.3%	23.4%

<sup>(1)</sup>In FY2016, moved sales of assets from "Other" within the "Revenues" section to "Proceeds from Sale of Assets" within the "Other Financing Sources (Uses)" section.

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

Table V

Fiscal Year	Sales and Use Taxes						
	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn	Privilege and Use - Transportation	Privilege and Use - Public Safety	Transient Occupancy	
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>(1)</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	
2015	64,272	100,560	34,429	19,097	9,837	17,047	
2016	61,956	104,995	36,029	19,938	10,294	17,397	

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other
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
2015	3,748	8,691	19,867	26,316	906
2016	3,816	8,826	20,647	26,173	913

<sup>(1)</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**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Automotive	\$ 1,622,601	\$ 1,370,365	\$ 918,219	\$ 818,517	\$ 862,091	\$ 950,450	\$ 1,074,591	\$ 1,209,388	\$ 1,335,511	\$ 1,403,834
Construction	2,208,957	1,932,043	1,251,432	754,583	718,652	786,402	861,934	1,073,279	1,057,986	969,281
Food Stores	626,083	652,226	624,917	611,083	611,825	626,883	639,362	655,787	690,837	713,187
Hotel/Motel	533,055	529,862	416,216	395,229	401,413	420,494	440,522	488,117	525,421	543,121
Major Department Stores	1,011,240	974,330	864,676	865,614	882,376	897,617	907,857	917,406	937,370	927,469
Miscellaneous Retail Stores	1,478,112	1,364,347	1,078,674	1,107,272	1,194,790	1,299,083	1,321,572	1,450,611	1,612,954	1,708,411
Other Taxable Activity	551,095	532,751	556,842	449,455	502,739	525,480	626,171	666,504	695,566	728,596
Rentals	1,211,551	1,308,247	1,217,688	1,144,939	1,113,821	1,134,785	1,189,304	1,210,218	1,315,545	1,417,607
Restaurants	774,598	754,103	684,188	670,311	713,420	799,231	794,034	844,186	925,948	961,340
Utilities	418,460	435,415	432,570	436,010	429,035	430,169	432,356	435,579	435,879	497,773
<b>Total</b>	<u><b>\$ 10,435,752</b></u>	<u><b>\$ 9,853,689</b></u>	<u><b>\$ 8,045,422</b></u>	<u><b>\$ 7,253,013</b></u>	<u><b>\$ 7,430,162</b></u>	<u><b>\$ 7,870,594</b></u>	<u><b>\$ 8,287,703</b></u>	<u><b>\$ 8,951,075</b></u>	<u><b>\$ 9,533,017</b></u>	<u><b>\$ 9,870,619</b></u>
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

<b>Privilege (Sales) Tax Rates</b>				<b>Use Tax Rates</b>			
<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>County Rate</b>	<b>State Rate</b>	<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>County Rate</b>	<b>State Rate</b>
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%
2015	1.65%	0.70%	5.60%	2015	1.45%	0.00%	5.60%
2016	1.65%	0.70%	5.60%	2016	1.45%	0.00%	5.60%

<b>Transient Occupancy Tax Rates</b>				<b>Jet Fuel Tax Rates (cents per gallon)</b>			
<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>County Rate</b>	<b>State Rate</b>	<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>County Rate</b>	<b>State Rate</b>
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%
2015	5.00%	1.77%	5.50%	2015	1.80%	0.46%	2.90%
2016	5.00%	1.77%	5.50%	2016	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 2016				Fiscal Year 2007			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	593	2.52%	\$ 23,674	13.83%	679	2.55%	\$ 26,711	14.92%
Construction	5,832	24.75%	16,995	9.93%	9,235	34.68%	35,499	19.83%
Food Stores	185	0.79%	11,820	6.91%	172	0.65%	10,390	5.80%
Hotel/Motel	78	0.33%	9,175	5.36%	77	0.29%	9,199	5.14%
Major Department Stores	26	0.11%	15,291	8.94%	29	0.11%	16,951	9.47%
Miscellaneous Retail Stores	5,456	23.15%	29,959	17.50%	6,463	24.27%	26,433	14.78%
Other Taxable Activity	4,380	18.59%	16,751	9.79%	4,508	16.93%	13,122	7.33%
Rentals	5,632	23.90%	23,897	13.97%	4,173	15.67%	20,827	11.64%
Restaurants	1,070	4.54%	16,101	9.41%	1,004	3.77%	12,895	7.20%
Utilities	312	1.32%	7,455	4.36%	287	1.08%	6,966	3.89%
<b>Total</b>	<b>23,564</b>	<b>100.00%</b>	<b>\$ 171,118</b>	<b>100.00%</b>	<b>26,627</b>	<b>100.00%</b>	<b>\$ 178,993</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
2007	\$ 0.4200	\$ 0.5500	\$ 0.9700	\$ 3.4500	\$ 1.2600	\$ 0.0500	\$ 4.7600
2008	0.3800	0.4100	0.7900	3.4200	1.2600	0.0500	4.7300
2009	0.3537	0.4327	0.7864	2.8179	1.0742	0.0500	3.9421
2010	0.3650	0.3782	0.7432	2.4447	1.3382	0.0500	3.8329
2011	0.3836	0.5140	0.8976	2.4017	1.3529	0.0500	3.8046
2012	0.4412	0.6503	1.0915	2.7498	1.2503	0.0500	4.0501
2013	0.5027	0.7225	1.2252	3.0875	1.3390	0.0500	4.4765
2014	0.5342	0.7604	1.2946	3.3548	1.2239	0.0500	4.6287
2015	0.5580	0.6869	1.2449	3.1091	1.0045	0.0500	4.1636
2016	0.5293	0.6244	1.1537	2.8332	1.0263	0.0500	3.9095

County-Wide Jurisdictions										
Fiscal Year	County Operating	Community College	County Flood	County Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	County Special Health Care	Total County	Total Direct and Overlapping
2007	\$ 1.1800	\$ 1.0646	\$ 0.2000	\$ -	\$ 0.0100	\$ 0.1200	\$ 0.0500	\$ 0.1184	\$ 2.7430	\$ 8.4730
2008	1.1000	0.9760	0.1500	-	0.0100	0.1000	0.0400	0.0935	2.4695	7.9895
2009	1.0327	0.9386	0.1367	-	0.0053	0.1000	0.0353	0.0856	2.3342	7.0627
2010	0.9909	0.8844	0.1367	0.3306	0.0057	0.1000	0.0353	0.0914	2.5750	7.1511
2011	1.0508	0.9728	0.1489	0.3564	0.0066	0.1000	0.0412	0.1122	2.7889	7.4911
2012	1.2407	1.2082	0.1780	0.4259	0.0084	0.1000	0.0492	0.1494	3.3598	8.5014
2013	1.2407	1.3778	0.1780	0.4717	0.0110	0.1000	0.0492	0.1683	3.5967	9.2984
2014	1.2807	1.5340	0.1392	0.5123	0.0121	0.1400	0.0438	0.1939	3.8560	9.7793
2015	1.3209	1.5187	0.1392	0.5089	0.0113	0.1400	0.0556	0.1856	3.8802	9.2887
2016	1.3609	1.4940	0.1592	0.5054	0.0116	0.1400	0.0556	0.3021	4.0288	9.0920

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2015"

Note: The City has Community Facilities Districts (CFDs) that levy property taxes independent of the City to property owners within a designated area. For FY 2015/16 the rates were as follows: Scottsdale Mountain CFD - \$1.5945, McDowell Mountain CFD - \$0.8359, DC Ranch CFD - \$0.5616, Via Linda Road CFD - \$1.2858 and the Waterfront Commercial CFD - \$7.1179.



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

Table X

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 59,358	1	1.150%	\$ 63,160	6	0.021%
Scottsdale Fashion Square LLC/Etal	27,657	2	0.536%	203,257	1	0.067%
SDQ FEE LLC	17,359	3	0.336%	-	-	-
Gainey Drive Associates	13,712	4	0.266%	86,581	3	0.029%
Scottsdale Fashion Square LLC	13,303	5	0.258%	-	-	-
Qwest Corporation	13,183	6	0.255%	33,878	10	0.011%
Excel Promenade LLC	13,029	7	0.252%	-	-	-
Portales Corporate Center LLC	12,717	8	0.246%	-	-	-
WJ Small Grandchildrens Trust/Etal	12,344	9	0.239%	-	-	-
Dial Corporation	10,470	10	0.203%	-	-	-
DC Ranch LLC	-	-	-	181,988	2	0.060%
Scottsdale Acquisition LLC	-	-	-	83,829	4	0.028%
Pederson/BVT Promenade Associates	-	-	-	76,879	5	0.026%
Scottsdale Princess Partnership	-	-	-	51,393	7	0.017%
General Dynamics Decision Systems	-	-	-	50,174	8	0.017%
Motorola GEG	-	-	-	48,996	9	0.016%
<b>Total</b>	<b>\$ 193,132</b>		<b>3.741%</b>	<b>\$ 880,135</b>		<b>0.292%</b>

Source: The Maricopa County Assessor's Office.

Note: The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in lieu of ad valorem taxation. The 2015/16 assessed valuation of the SRP within the City is \$21,643,351 as provided by SRP.

**City of Scottsdale, Arizona**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
(dollars in thousands, excluding the Total Direct Tax Rate)

**Table XI**

Fiscal Year Ended June 30th	Real Property				Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land	Historic and Special Use	Assessed Value			
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
2015 P	3,400,223	1,211,532	731,585	2,849	208,844	(569,038)	4,985,995	0.56
2015 S	3,542,585	1,228,899	792,839	2,986	209,029	(599,560)	5,176,778	0.69
2016 P	3,608,260	1,197,395	759,840	3,143	196,631	(603,538)	5,161,731	0.53
2016 S	4,210,065	1,306,932	912,980	3,541	196,972	(674,098)	5,956,392	0.62

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

Note: Beginning in FY 2016, the primary (limited assessed valuation) is to be used by cities when levying for maintenance and operation and for debt retirement. Prior to that date, the secondary (full cash) assessed valuation was 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**

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Total Tax Levy for</u> <u>Fiscal Year</u>	<u>Collected within the</u> <u>Fiscal Year of the Levy</u>		<u>Collections in</u> <u>Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2007	\$ 48,778	\$ 47,105	96.6%	\$ 1,057	\$ 48,162	98.7%
2008	50,838	49,408	97.2%	1,277	50,685	99.7%
2009	58,179	55,876	96.0%	1,765	57,641	99.1%
2010	57,380	55,221	96.2%	1,621	56,842	99.1%
2011	64,327	62,237	96.8%	737	62,974	97.9%
2012	62,033	60,309	97.2%	672	60,981	98.3%
2013	62,187	60,630	97.5%	810	61,440	98.8%
2014	62,367	61,227	98.2%	627	61,854	99.2%
2015	63,380	62,233	98.2%	641	62,874	99.2%
2016	59,553	58,714	98.6%	-	58,714	98.6%

**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, except for Per Capita)

Table XIII

<b>Governmental Activities</b>									
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 Leases	Service Concession Arrangements
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
2015	624,616	243,044	48,276	-	11,762	27,437	-	229	2,837
2016	585,931	232,970	43,489	-	9,546	24,694	-	156	2,683

<b>Business-Type Activities</b>						
Fiscal Year Ended June 30	Revenue Bonds	Municipal Property Corporation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
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
2015	31,518	309,150	-	1,298,869	11.26%	5,689
2016	28,176	295,807	-	1,223,452	10.26%	5,292

**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

Fiscal Year Ended June 30	Governmental Activities - General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Total Taxable Assessed Value of Property <sup>(1)</sup>	Per Capita
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
2015	624,616	12,172	612,444	11.8%	2,683
2016	585,931	11,529	574,402	9.6%	2,484

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

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

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

<sup>(1)</sup>Percentage of Total Taxable Assessed Value of Property was corrected using the information from table XI for years Fiscal Years 2007-2010.

**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2016**  
(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	\$ 593,820	14.9081%	\$ 88,527
Tempe Elementary School District No. 3	112,635	0.0002%	-
Balsz Elementary School District No. 31	16,095	7.0377%	1,133
Scottsdale Unified School District No. 48	221,161	69.8418%	154,463
Paradise Valley Unified School District No. 69	324,660	29.0470%	94,304
Cave Creek Unified School District No. 93	32,285	62.3382%	20,126
Fountain Hills Unified School District No. 98	14,210	3.9889%	567
Phoenix Union High School District No. 210	278,960	0.2895%	808
Tempe Union High School District No 213	100,500	0.0001%	-
Subtotal, overlapping debt			359,928
<b>City direct debt</b>	899,469	100.0000%	899,469
<b>Total direct and overlapping debt</b>			<b>\$ 1,259,397</b>

**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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>
<b>20% Limitation</b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 1,041,889	\$ 1,448,765	\$ 1,654,483	\$ 1,681,200	\$ 1,475,082	\$ 1,138,398	\$ 1,015,999	\$ 965,570	\$ 1,035,356	\$ 1,032,346
Total Net Debt Applicable to 20% Limit	<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>	<u>532,888</u>	<u>513,768</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<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>	<u>\$ 502,468</u>	<u>\$ 518,578</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	34.88%	29.33%	24.97%	29.74%	33.79%	46.09%	55.23%	57.28%	51.47%	49.77%
<b>6% Limitation</b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 312,567	\$ 434,629	\$ 496,345	\$ 504,360	\$ 442,524	\$ 341,519	\$ 304,799	\$ 289,671	\$ 310,606	\$ 309,703
Total Net Debt Applicable to 6% Limit	<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>	<u>54,022</u>	<u>37,747</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<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>	<u>\$ 256,584</u>	<u>\$ 271,956</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	36.07%	34.42%	27.88%	15.51%	16.78%	20.42%	25.59%	22.77%	17.39%	12.19%

<sup>(1)</sup> Beginning in FY 2016, the primary (limited assessed valuation) is to be used by cities when levying for maintenance and operation and for debt retirement. Prior to that date, the secondary (full cash) assessed valuation was used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

**City of Scottsdale, Arizona**  
**Legal Debt Margin Information**  
**As of June 30, 2016**  
(in thousands)

**Table XVIb**

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed Valuation as of June 30, 2016 \$ 5,161,731,123

**20% Limitation**

Debt Limit Equal to 20% of Assessed Valuation \$ 1,032,346

Debt applicable to limit:

General Obligation Bonds 513,768

Legal 20% Debt Margin (Available Borrowing Capacity) \$ 518,578

**6% Limitation**

Debt Limit Equal to 6% of Assessed Valuation \$ 309,703

Debt applicable to limit:

General Obligation Bonds 37,747

Legal 6% Debt Margin (Available Borrowing Capacity) \$ 271,956

**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 assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of the City's net assessed valuation.

General obligation bonds of community facilities districts are not subject to or included in this computation since they are not bonds of the City of Scottsdale, Arizona.



**City of Scottsdale, Arizona**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
(dollars in thousands)

Table XVII

Fiscal Year Ended June 30	Water and Sewer Revenue Bonds						Highway User Revenue Bonds						
	Operating Revenue <sup>(1)</sup>	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Coverage	Debt Service Principal	Debt Service Interest	Coverage	Highway User Tax Revenue	Debt Service Principal	Debt Service Interest	Coverage
2007	\$ 125,880	\$ 64,089	\$ 61,791	\$ 17,878	\$ 79,669	12.31	\$ 3,475	\$ 2,997	12.31	\$ 16,778	\$ 2,990	\$ 165	5.32
2008	131,553	66,077	65,476	15,280	80,756	12.98	3,640	2,582	12.98	16,123	-	-	N/A
2009	130,782	71,236	59,546	3,043	62,589	10.15	3,660	2,507	10.15	14,083	-	-	N/A
2010	133,624	70,165	63,459	3,126	66,585	12.18	3,115	2,351	12.18	13,342	-	-	N/A
2011	132,441	77,456	54,985	3,859	58,844	10.86	3,220	2,199	10.86	13,396	-	-	N/A
2012	134,336	78,837	55,499	3,073	58,572	10.77	3,380	2,056	10.77	10,885	-	-	N/A
2013	138,224	73,647	64,577	12,213	76,790	15.34	3,115	1,891	15.34	11,903	-	-	N/A
2014	142,066	77,891	64,175	15,139	79,314	15.93	3,240	1,738	15.93	12,268	-	-	N/A
2015	139,242	79,154	60,088	5,326	65,414	14.41	2,940	1,599	14.41	13,461	-	-	N/A
2016	152,612	81,586	71,026	5,156	76,182	16.77	3,055	1,487	16.77	14,060	-	-	N/A

Fiscal Year Ended June 30	Special Assessment Bonds				Scottsdale Preserve Authority Bonds				Municipal Property Corporation Bonds			
	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	Excise Tax <sup>(4)(5)(6)</sup>	Debt Service Principal <sup>(7)</sup>	Debt Service Interest <sup>(7)</sup>	Coverage
2007	\$ 1,825	\$ 848	\$ 235	1.69	\$ 37,281	\$ 2,965	\$ 3,843	5.48	\$ 218,205	\$ 5,305	\$ 10,057	14.20
2008	895	846	197	0.86	35,604	3,110	3,676	5.25	216,066	5,584	13,988	11.04
2009	821	845	158	0.82	29,121	3,260	3,502	4.31	185,801	7,570	19,482	6.87
2010	765	757	121	0.87	26,416	3,365	3,374	3.92	170,638	9,715	18,415	6.07
2011	733	757	86	0.87	27,199	3,470	2,471	4.58	155,515	9,785	22,185	4.86
2012	719	755	52	0.89	28,809	3,655	2,835	4.44	157,645	11,841	21,141	4.78
2013	591	755	17	0.77	30,376	3,800	2,680	4.69	170,227	12,355	21,480	5.03
2014	-	-	-	N/A	32,655	3,960	2,508	5.05	183,376	18,200	22,994	4.45
2015	-	-	-	N/A	34,429	4,140	2,330	5.32	195,037	16,950	22,299	4.97
2016	-	-	-	N/A	36,029	4,340	2,143	5.56	194,560	20,215	23,220	4.48

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

<sup>(2)</sup>Coverage ratio is less than 1.0 due to prepayment of amounts that were 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>In fiscal year 2010, 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>(5)</sup>Starting in fiscal year 2011, Transient Occupancy taxes are no longer pledged revenues for MPC bonds issued on or after July 1, 2010 and are excluded from this table from that date forward.

<sup>(6)</sup>A de minimis amount (less than 2%) of the Excise Taxes are pledged to specific purposes per various resolutions adopted by the City Council of the City. Prior to 2016, such amounts were included in the table above but are not pledged to the payments due from the City to the MPC.

<sup>(7)</sup>Includes debt service payments paid out of revenue from the Water and Sewer Fund and the Tourism Fund.

**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>
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	2.4%
2009	220,410	9,573,949	43,437	41.0	27,029	4.0%
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	6.5%
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	5.7%
2014	224,800	11,358,020	50,525	45.1	27,191	5.4%
2015	228,300	11,536,227	50,531	45.4	26,233	4.7%
2016	231,200	11,921,597	51,564	46.1	26,233	4.3%

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) 2007-2010; U.S. Census, American Community Survey, 5-Year Estimates used for FY 2011-2016 estimates.
- <sup>(4)</sup> U.S. Census; 2007-2009 based on Census 2000; 2010-2012 based on Census 2010, 2013-2016 based on U.S. Census, American Community Survey, 5-Year Estimates.
- <sup>(5)</sup> Arizona Department of Education. For 2015, Arizona Department of Education Oct. 1, 2014 total enrollment for 8 charter and 29 public schools located within Scottsdale city boundaries. At the time of reporting updated information for Oct. 1, 2015 is not available.
- <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 ("LAUS"). For calendar year that ended within the fiscal year. For example, FY 2016 is for Calendar Year 2015. All unemployment figures have been updated based on data available on LAUS Data Query Tool as of Aug. 1, 2016.

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

**Table XIX**

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment<sup>(1)</sup></b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment<sup>(1)</sup></b>
HonorHealth <sup>(2)</sup>	6,382	1	5.01%	5,928	1	3.50%
CVS Health <sup>(3)</sup>	2,800	2	2.20%	1,636	6	1.00%
Scottsdale Unified School District <sup>(4)</sup>	2,583	3	2.03%	3,500	4	2.10%
Vanguard	2,500	4	1.96%			
City of Scottsdale	2,148	5	1.69%	2,708	5	1.60%
General Dynamics C4 Systems	1,945	6	1.53%	4,000	2	2.40%
Mayo Clinic	1,851	7	1.45%	3,995	3	2.40%
Nationwide Specialty <sup>(5)</sup>	1,800	8	1.41%	1,195	10	0.07%
McKesson Corporation	1,350	9	1.06%			
Yelp	1,000	10	0.79%			
Troon Golf LLC				1,539	7	0.09%
Go Daddy Group				1,227	8	0.07%
Scottsdale Fairmont Princess Resort				1,200	9	0.07%
<b>Total</b>	<b>24,359</b>		<b>19.13%</b>	<b>26,928</b>		<b>13.30%</b>

**Source:** City of Scottsdale, Economic Development Department communications with employers, July 2016.

<sup>(1)</sup> Annual Employment according to the Arizona Office of Employment and Population Statistics was 127,319 in December 2015, and was reported in the FY 2006/07 CAFR as 167,129.

<sup>(2)</sup> Scottsdale Healthcare was renamed HonorHealth in 2015.

<sup>(3)</sup> CVS Caremark was renamed CVS Health in 2014.

<sup>(4)</sup> Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2016 numbers only report Scottsdale-based employees. 2007 included all employees.

<sup>(5)</sup> Scottsdale Insurance was renamed Nationwide Specialty in 2015.

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

**Table XX**

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010<sup>(1)</sup></b>	<b>2011</b>	<b>2012<sup>(3)</sup></b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Administrative Services			38.5	35.0	35.0	138.8	124.6	127.4	120.9	123.6
Aviation	15.0	15.0	16.0	14.0	14.0	14.0	14.0	14.0	14.5	14.5
Citizen and Neighborhood Resources	40.0									
City Treasurer				92.5	95.5	83.5	93.0	93.0	89.7	89.8
Communications and Public Affairs	14.7									
Community and Economic Development					214.5	188.5	175.5	176.5	173.0	185.1
Community Services	580.3	546.1	543.1	489.3	487.6	459.5	454.2	454.2	448.3	469.6
Economic Vitality	40.0	77.0	54.0	47.0						
Financial Services	151.0	134.0	110.5							
General Government	172.6	172.6	167.1	155.0	153.0	141.0	140.0	140.0	140.4	142.2
Human Resources <sup>(2)</sup>	36.5	53.5	35.5	30.0	30.5					
Information Technology <sup>(2)</sup>	83.8	91.8	81.8	78.8	75.8					
Municipal Services	170.5									
Planning and Development	167.0									
Planning/Neighborhood/Transportation		205.2	224.0	167.5						
Public Safety <sup>(4)</sup>		999.6	981.6	953.6	957.6	933.6	924.6	934.6		
Public Safety - Fire	268.0								266.0	278.0
Public Safety - Police	705.6								664.6	664.7
Public Works		248.5	233.0	197.0	206.0	205.0	204.0	204.0	205.0	205.8
Solid Waste	85.3	85.8	89.0	89.0	89.0	89.0	89.0	90.0	90.0	90.8
Transportation	30.0									
Water Resources	162.0	169.0	180.0	189.0	189.0	202.0	204.0	204.0	205.0	211.3
<b>Total</b>	<b>2,722.3</b>	<b>2,798.1</b>	<b>2,754.1</b>	<b>2,537.7</b>	<b>2,547.5</b>	<b>2,454.9</b>	<b>2,422.9</b>	<b>2,437.7</b>	<b>2,417.4</b>	<b>2,475.4</b>

**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 City Treasurer to Water Resources.

<sup>(4)</sup> In FY2015, Public Safety was restated to reflect the creation of separate Police and Fire Divisions.

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

Table XXI

Division	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	34%	35%	34%	32%	40%	37%	37%	34%	39%	39%
<i>City Auditor</i>										
# of reports performed	10	11	13	16	17	14	14	14	16	13
<i>City Clerk</i>										
# of legal postings	1,138	1,173	1,158	1,301	1,241	1,185	1,124	1,080	1,005	1,000
# of minutes	90	90	71	87	66	63	63	65	57	61
<i>City Court</i>										
Charges filed /charges adjudicated (resolved)	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	96,741/ 91,200	100,920/ 92,993
<i>City Treasurer<sup>(3)</sup></i>										
# of Accounts Payable checks issued	42,000	38,000	36,442	33,620	45,592	45,112	33,599	32,865	32,491	31,648
# of customer contacts (utilities, taxes and licensing)	216,764	230,143	176,680	175,918	255,124	246,319	254,992	209,325	196,549	190,422
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent <sup>(4)</sup>	90%	No Survey	No Survey	No Survey	94%	No Survey	No Survey	98%	No Survey	No Survey
News releases, media updates, traffic alerts, construction updates released to news media	220	220	N/A	240	281	N/A	N/A	N/A	N/A	N/A
Total ad value equivalency generated <sup>(5)</sup>	N/A	N/A	N/A	N/A	N/A	\$20,000	\$78,861	\$64,931	\$34,863	N/A
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	251	648	25	399	2,001	4,419	6,400	2,365	0	0
<b>Administrative Services</b>										
<i>Human Resources</i>										
Citywide turnover	9.0%	12.0%	6.0%	9.5%	7.3%	7.1%	7.3%	6.0%	7.8%	9.6%
HR operating cost as a % of City payroll	2.0%	2.1%	2.1%	1.6%	1.8%	1.3%	1.7%	1.4%	1.4%	1.1%
<i>Information Technology</i>										
# of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)	654,100	1,200,000	2,200,000	2,100,000	1,775,000	1,870,000	1,588,935	1,335,869	1,395,338	2,686,000
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	30.0	80.0	147.8	170.0	266.0	266.0	167.3	45.8	51.4	58.6
<i>Purchasing</i>										
# of purchase orders	9,460	8,224	6,234	5,748	5,310	5,018	4,678	5,019	5,064	5,078
<b>Community Services</b>										
# attending Parks and Recreation facilities, Human Services facilities, and Libraries annually	7,838,000	7,940,283	8,747,495	8,634,522	8,855,120	8,471,649	8,223,148	7,765,110	7,322,719	6,457,925
# of square feet of medians and rights of way maintained	15,460,961	16,918,438	17,000,000	17,000,000	23,168,510	23,475,510	22,726,329	22,502,626	22,832,327	22,913,730

(continued)

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

Table XXI

Division	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014	2015	2016
<b>Community and Economic Development</b>										
<i>Planning and Development</i>										
Customer wait-time (in minutes) at One Stop Shop	20	20	7	7	6	6	12	15	12	12
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	100%	100%	100%	100%	100%	100%	100%	100%	95%
% of inspections performed within 24 hours of the request	99%	99%	100%	100%	100%	100%	100%	100%	100%	98%
# of new Code Enforcement cases processed per year	16,900	15,570	20,568	16,452	16,000	16,500	15,603	14,222	15,514	13,781
% increase of Neighborhood Watch groups annually <sup>(6)</sup>	5%	5%	-56%	5%	5%	5%	5%	2%	0%	5%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent <sup>(4)</sup>	90%	No Survey	No Survey	No Survey	91%	No Survey	No Survey	93%	No Survey	No Survey
<i>Transportation</i>										
Total citywide transit ridership	2,365,204	2,584,837	3,472,828	3,103,185	2,539,744	2,499,000	2,599,557	2,589,218	2,635,739	2,297,323
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) <sup>(7)</sup>	375	475	N/A	8,578	10,397	10,500	5,043	3,687	4,252	6,638
<i>Economic Development</i>										
Targeted job creation - number of companies / number of jobs <sup>(8)</sup>	7 / 1,800	5 / 1,374	7 / 394	10 / 731	7 / 450	8 / 1,595	36 / 1,593	16 / 1,069	13 / 1,180	9 / 1183
<i>Tourism</i>										
Hotel/Motel average occupancy rate	69.0%	65.0%	59.2%	58.0%	58.8%	61.5%	63.0%	65.6%	67.8%	67.9%
Bed Tax growth (% annual change)	+9%	-2%	-21%	-6%	8%	5%	3%	10%	12%	1%
# of Downtown special events coordinated	71	65	100	110	95	119	126	275	325	277
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	185,241	201,958	169,972	156,896	136,089	146,058	137,333	148,971	153,285	162,535
<i>WestWorld</i>										
# of special events at WestWorld	43	44	31	28	20	20	27	24	52	51
<b>Public Safety</b>										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) <sup>(9)</sup>										
Scottsdale	37.1	35.6	34.3	29.6	31.9	32.8	29.1	27.8	25.5	25.6
Valley Average	51.0	51.0	N/A	N/A	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)	6:06	5:07	5:07	5:01	4:57	5:11	4:54	5:04	5:25	5:12
Provide initial contact to 100% of citizen traffic concerns within seven days	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<i>Fire</i>										
Total incidents	22,894	22,936	23,953	23,996	25,586	26,344	27,075	28,544	32,425	35,098
Responses per capita	0.10	0.10	0.10	0.10	0.10	0.10	0.12	0.13	0.14	0.15
Travel time (en-route to on-scene)	4:15	4:21	4:23	4:28	4:22	4:18	4:26	4:27	4:33	4:32

(continued)

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

Table XXI

Division	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014	2015	2016
<i>(continued)</i>										
<b>Public Works and Water Resources</b>										
<i>Public Works</i>										
Facility inventory maintained (square feet) <sup>(10)</sup>	2,221,650	2,271,550	2,334,310	2,929,802	3,006,106	3,029,606	3,322,968	3,313,468	3,348,774	2,925,697
# of active Capital Projects	202	180	178	168	183	162	186	150	120	155
# of homes serviced by Residential Refuse Collection	77,206	78,024	78,607	79,006	79,508	79,787	80,013	80,354	80,785	81,187
# of citizens serviced annually by Household Hazardous Waste collection program <sup>(11)</sup>	2,100	2,200	1,923	1,497	2,573	2,591	2,691	2,905	2,362	3,345
<i>Water Resources</i>										
Water Service Connections	86,728	87,248	87,349	87,409	87,458	87,577	87,851	88,348	88,905	89,596
Drinking Water Supplied (million gallons per day)	72.1	73.7	69.4	68.4	67.9	69.2	67.6	70.2	63.9	67.5
Reclaimed Water Supplied (million gallons per day)	11.4	11.7	9.6	11.2	8.7	6.9	8.9	9.7	9.2	9.1
Sewer Service Connections	76,092	76,849	77,363	77,605	77,850	78,018	78,269	79,014	79,588	80,202
Sewage Treated (million gallons per day)	25.3	23.9	19.7	21.0	21.1	20.9	20.7	20.9	21.2	20.5
# of water meters read annually <sup>(12)</sup>	1,030,368	1,044,205	1,049,008	1,050,067	1,051,089	1,043,335	1,055,230	1,059,738	1,066,385	1,078,500

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 2016 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, moving Payroll and Risk Management from Human Resources to the City Treasurer, 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). City ceased tracking this statistic effective FY 2016.

<sup>(6)</sup>During FY 2009, 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 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 2010 changing signal timing was a manual process. Starting June 2009, the process was automated through the Traffic Management Center.

<sup>(8)</sup>Effective FY 2014, only jobs verified through employer to be created or retained within the first 12 months were counted in annual metrics; total announced job creation is significantly higher.

<sup>(9)</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>(10)</sup>3.4 million square feet from FY 2015 was calculated manually. The City hired a consultant who completed a building inventory in FY 2016. Square footage was recalculated based on actual measurements.

<sup>(11)</sup>The statistic for "# of citizens serviced annually by Household Hazardous Waste Collection program" number of events was restored in FY 2011. During FY 2009 and FY 2010 the number of events was reduced as a budget savings initiative.

<sup>(12)</sup>Effective FY 2012, 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**

<b>Function</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>	<b>2015</b>	<b>2016</b>
Public Safety										
Police										
Stations	3	3	4	4	4	4	4	4	4	4
Police Vehicles	375	383	363	357	352	352	351	359	347	344
Fire Stations	13	13	14	14	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement	20,393,288	20,562,017	20,644,388	20,873,951	20,828,414	20,852,234	20,859,993	20,748,525	20,827,420	21,036,767
Equivalent 12' Wide Lane Miles	2,897	2,921	2,932	2,965	2,959	2,962	2,963	2,947	2,958	2,877
Traffic Signals	276	285	295	289	289	300	303	297	304	307
Culture and Recreation										
Parks	40	43	41	41	41	42	42	42	42	42
Parks Acreage	937	911	940	941	941	974	975	975	975	975
Swimming Pools	4	4	4	4	4	4	4	4	4	4
Tennis Courts	51	55	55	55	55	55	55	55	55	55
Community Centers	5	5	5	5	5	5	6	6	6	6
Water										
Water Mains (miles)	1,997	2,030	2,044	2,061	2,059	2,064	2,070	2,079	2,079	2,094
Fire Hydrants	10,147	10,367	10,365	10,664	10,687	10,729	10,779	10,874	10,941	11,052
Sewer										
Sanitary Sewers (miles)	1,350.0	1,352.6	1,360.0	1,421.0	1,421.0	1,422.0	1,424.0	1,429.0	1,441.0	1,452.0
Storm Sewers (miles)	153.5	157.2	166.9	164.0	163.0	168.0	169.0	187.7	275.0	285.0

**Source:** City of Scottsdale, Arizona divisions.



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