



CITY AUDITOR'S OFFICE

FY 2019/20 Financial and Compliance Audit

November 30, 2020

REPORT NO. 2101

CITY COUNCIL

Mayor W.J. "Jim" Lane

Suzanne Klapp

Virginia Korte

Kathy Littlefield

Linda Milhaven

Guy Phillips

Vice Mayor Solange Whitehead



Honorable Mayor and Members of the City Council:

Enclosed is the City's *FY 2019/20 Financial and Compliance Audit* reports. The City contracted with the certified public accounting firm of Heinfeld, Meech & Co., P.C. to complete the audits of the City's financial statements and required compliance reports. The audits included the City and its seven component units: five Community Facilities Districts, the Scottsdale Municipal Property Corporation, and the Scottsdale Preserve Authority.

The City Auditor's Office monitors the audit contract and submits the reports to the Audit Committee for review. At its November 9, 2020, regular meeting, the Audit Committee recommended the Council accept the reports. The financial and compliance reports were subsequently accepted by the City Council at its November 30, 2020, meeting.

In the Independent Auditor's Reports on the City's comprehensive annual financial report and on the annual financial reports of each of the seven component units, Heinfeld Meech concluded that the financial statements present fairly, in all material respects, the financial position, changes in financial position, and where applicable, cash flows of the specified activities and funds, and the budgetary comparison for the General Fund.

If you need additional information or have any questions, please contact me at {480} 312-7867.

Sincerely,

Sharron E. Walker, CPA, CFE
City Auditor

Audit Team:

Paul Christiansen, CPA, CIA – Sr. Auditor

CITY COUNCIL REPORT



Meeting Date: November 30, 2020
 Charter Provision: *Submit the independent audit of the City's annual financial statements to the Council*
 Objective: *Commitment to economic sustainability and transparency*

ACTION

FY 2019/20 Annual Financial Audit. Accept the FY 2019/20 financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co., P.C.

BACKGROUND

The City Charter requires the Council to designate the certified public accountants (CPAs) to perform an independent audit of the City's annual financial statements. The Charter further states these reports are submitted to the Council and shall be a matter of public record.

After performing the annual financial audit, the contracted CPA firm reports on the City's Comprehensive Annual Financial Report (CAFR) and on the annual financial reports of its component units: the 5 Community Facilities Districts (CFDs), the Municipal Property Corporation (MPC), and the Scottsdale Preserve Authority (SPA).

For the City to meet its federal funding requirements, the CPA firm also reports on the City's expenditures of federal awards (called a "Single Audit" report). However, this year, the CPA firm is awaiting final guidance for auditing the Coronavirus Relief Funds before completing this report.

To meet certain state funding requirements, the CPA firm reports on the City's compliance with its Highway User Revenue Fund (HURF) uses.

Later, typically in January or February, the CPA firm will also report on a Housing and Urban Development (HUD) required financial schedule for the City's federally-supported housing programs and on the City's state-required Annual Expenditure Limitation Report.

The Audit Committee received the FY 2019/20 financial audit reports at its November 9, 2020, meeting. After review and discussion with Heinfeld, Meech & Co., P.C., the Audit Committee voted unanimously (3 – 0) to recommend that the City Council accept the reports.

ANALYSIS & ASSESSMENT

In its *Independent Auditor's Report* on the City's FY 2019/20 comprehensive annual financial report (CAFR), the CPA firm stated the auditors obtained reasonable assurance that the financial statements present fairly, in all material respects, the financial position, changes in financial position and, where applicable, cash flows of the specified activities and funds, and the budgetary

comparison for the General Fund. The Independent Auditor's Report, which is on pages 15 - 16 of the City's CAFR, also notes in a "Change in Accounting Principle" paragraph that the City implemented newly applicable accounting standards related to fiduciary activities, leases, and majority equity interests, but these required changes did not modify the auditor's opinion on the financial statements. Further, the Independent Auditor's Report describes management's responsibility for the financial statements, the auditor's responsibility in auditing the financial statements, and the level of review the auditors performed on other information presented within the CAFR.

The CPA firm issued an *Independent Auditor's Report* on internal control, compliance and other matters based on the financial statement audit. This report states that testing disclosed no deficiencies, weaknesses or noncompliance required to be reported.

As required, the CPA firm's *Communication to Governance* letter related to the CAFR summarizes significant aspects of the City's accounting practices, which includes noting the newly applicable accounting standards. As well, this governance letter lists the City's most sensitive accounting estimates, which the firm found reasonable, and makes other required disclosures. The letter does not identify any matters of concern. Attachments to this letter include management's representation, or confirmation, of its responsibilities for the financial accounting and reporting and to provide all relevant information during the audit.

The *Single Audit* reports, which are still pending additional federal audit guidance, will also include the CPA firm's reports on the City's compliance with certain federal funding requirements, internal control over compliance, and the schedule of federal awards expended.

In a separate state-required report, the CPA firm stated its opinion that the City complied with the state's requirement to use *Highway User Revenue Fund (HURF)* monies for authorized transportation purposes.

As with the City's CAFR, the CPA firm issued *unmodified* opinions on the separate annual financial reports of the component units: the 5 CFDs, the MPC and the SPA for FY 2019/20.

The firm's *Communication to Governance* letters for each component unit did not disclose any matters of concern, and the management representation letters are attached to each of the governance letters.

In addition, the CPA firm issued an *Independent Auditor's Report* on internal control, compliance and other matters based on a financial statement audit for each of these entities. These reports state that testing disclosed no internal control or noncompliance matters required to be reported.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

As recommended by the Council's Audit Committee, accept the FY 2019/20 financial audit reports submitted by Heinfeld, Meech & Co., P.C.

RESPONSIBLE DEPARTMENTS

Offices of the City Treasurer (*financial reports*) and the City Auditor (*independent audit*)

STAFF CONTACTS

Judy Doyle, Acting City Treasurer, and Sharron Walker, City Auditor

APPROVED BY



Sharron Walker, City Auditor
(480) 312-7867, SWalker@ScottsdaleAZ.gov



Date

ATTACHMENTS

Citywide Reports

1. **Comprehensive Annual Financial Report (CAFR)**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance
 - c. HURF Compliance Report (state compliance)

Component Unit Reports

2. **DC Ranch Community Facilities District (CFD)**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance
3. **McDowell Mountain Ranch CFD**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance
4. **Municipal Property Corporation (MPC)**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance
5. **Scottsdale Mountain CFD**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance
6. **Scottsdale Preserve Authority (SPA)**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance
7. **Via Linda Road CFD**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance
8. **Waterfront Commercial CFD**
 - a. Communication to Governance
 - b. Report on Internal Control over Financial Reporting and Compliance



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Scottsdale • For the Fiscal Year Ended June 30, 2020

McCormick-Stillman Railroad Park, winner of the
2019 ELGL Knope Best Park & Open Space competition

Photo: Sam Mitchell Photography

City of Scottsdale, Arizona



Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2020

Prepared by:

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



CITY OF SCOTTSDALE, ARIZONA

Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2020

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Letter of Transmittal
For the Fiscal Year Ended June 30, 2020



October 16, 2020

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, 2020, is submitted in accordance with City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity, and to have the report audited by certified public accountants independent of City government. This report was prepared by the City's Accounting Department in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

Heinfeld, Meech & Co., P.C., a firm of licensed certified public accountants, performed the annual independent audit. The goal of the audit was to provide reasonable assurance that the basic financial statements of the City are free of material misstatement. The independent auditor concluded that the City's financial statements for the fiscal year ended June 30, 2020, are fairly stated in conformity with GAAP. This is the most favorable conclusion and is commonly known as an unmodified or "clean" opinion. The independent auditor's report is located on the first page of the Financial Section of this report.

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

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

CITY OF SCOTTSDALE PROFILE

History

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

Current Profile

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing 184.5 square miles, stretching 31 miles from north to south, and 11.4 miles at its widest point. The City is bordered on the west by Phoenix, the state capital, by Tempe on the south, and by the Salt River-Pima Maricopa Indian Community on the east. Scottsdale and its neighboring cities form the Phoenix Metro area which is the economic, political, and population center of the state. The City has experienced significant increases in population over the years, with the 1950 census reporting 2,021 residents, and the 2010 census reporting 217,365. The City's current population is estimated at 258,100 residents, making it the fifth largest municipality by population in Arizona, and the 84th largest city in the United States.

Government and Organization

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

Budgetary Controls

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption 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 2020, 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. Prior to the Coronavirus pandemic (COVID-19) the unemployment rate in Scottsdale was as low as 3.2 percent in fiscal year 2020. In June 2020 Scottsdale's unemployment rate was 8.9 percent, compared to the state's rate of 10.3 percent, and the national rate of 11.2 percent. Scottsdale's unemployment rate at the end of the fiscal year was similar to, or less than many of the other cities in the Phoenix Metro area.

The Scottsdale Airpark is one of the largest employment centers in the state of Arizona with more than 2,900 businesses employing over 50,000 employees in 2 million square feet of commercial space. The high-tech innovation center SkySong, located just a few miles from downtown Scottsdale, 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 healthcare 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. However, the timing of COVID-19 dramatically slowed Scottsdale's tourism industry during its peak season this year. It's uncertain at this time how the pandemic will impact travel to Arizona over the next several months; however, travel experts don't anticipate a complete recovery until late 2022.

Transaction Privilege (Sales) Tax

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

Sales tax revenue represented 42.2% of General Fund revenues for fiscal year 2020, totaling \$135.0 million. Because the shutdown of many local businesses and travel caused by COVID-19 didn't occur until the last quarter of the fiscal year, the City still realized a year-over-year increase of 4.2 percent in sales tax revenue for fiscal year 2020. Categories with the highest reported tax revenues were miscellaneous retail stores, rentals, and automotive. The City expects a reduction in General Fund sales tax revenue across most categories through fiscal year 2022, when compared to fiscal year 2020 levels, due to the lingering effects of COVID-19 on the economy.

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 decrease in the City's combined property tax rate in the coming year of \$0.0096 over the prior year. This decrease in the combined rate is due to an increase in the primary rate caused by tort liability claims and new construction, and a decrease in the secondary rate attributable to increased property values.

LONG-TERM FINANCIAL PLANNING

Scottsdale's Five-Year Financial Plan is based on sound financial reserves, low debt burden, and conservative revenue growth forecasts. As a result of the impact of COVID-19 and the ensuing slowdown of the local economy, the City anticipates a moderate decrease in overall revenues for the next fiscal year with a continued focus on efficient spending to maintain essential City services to the community such as police, fire, transportation, and social services. Achieving and maintaining fiscal stability requires many elements, all working in concert with each other. The following identifies key elements of our financial plan.

Adopted Comprehensive Financial Policies

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has 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. In fiscal year 2020, the City amended its financial policy to transfer two-thirds of the General Fund sales tax collected on sales of food for home consumption to the Capital Improvement Program. This revision will gradually reduce the transfer by 25 percent each fiscal year until it is eliminated. The change was due to the general obligation bond package passed by voters earlier in the fiscal year that will provide funding for various capital projects.

The City Council has also adopted a *Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy* as required by state law. This policy outlines how the City will maintain stability of required contributions, how and when the City's funding requirements will be met, and defines the City's funded ratio target under the PSPRS and when it will be met.

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.

Cash Management

To capitalize on investment leverage, it is the City's practice to "pool" available cash from all funds for investment purposes. In accordance with the City's investment policy, available cash is invested with the goal of safety as the first priority, ensuring adequate liquidity as the second priority, and maximizing yield as the third priority. The City's investments generally include federal agencies, treasuries, certificates of deposit, and corporate notes. The average duration of the investments in the City's portfolio as of June 30, 2020 was 1.86 years. The average yield received by the City on its investments decreased from 2.32 percent in fiscal year 2019 to 1.35 percent in fiscal year 2020.

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.H. of the Notes to the Financial Statements for further information). In November 2019, Scottsdale voters approved up to \$319.0 million in General Obligation bonds for 58 community projects. The bonds will be issued in stages as existing bonds are paid off with the purpose of keeping the City's secondary property taxes at or below current levels.

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 revenue bonds, where debt service is supported by enterprise revenues or excise taxes, are also highly rated by the three major credit rating agencies. A summary of the City’s bond ratings follows:

City of Scottsdale Bonded Debt Ratings

As of June 30, 2020

	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	AA+
Scottsdale Preserve Authority (SPA)	Aa2	AA+	AA+

MAJOR INITIATIVES

The City’s adopted fiscal year 2021 budget reflects the downward revenue trend in the local economy and City Council direction to reduce expenditures from the prior year level as a result of COVID-19. This budget reflects a decrease in overall General Fund uses of \$31.5 million when compared to the fiscal year 2020 adopted budget; however, core services and the priorities and policy direction of the City Council are still supported under this reduced budget, to include:

- \$1.6 million to cover the greater costs in custodial contracts throughout the City as more locations are requiring services.
- \$1.4 million net increase in funding for pension related costs
- \$1.0 million of one-time funding for fleet upgrades to three aging fire trucks.
- \$1.0 million to address staffing costs and issues in the Fire Department.

Additionally, an estimated \$252.0 million will be spent on capital improvements in the upcoming fiscal year. Many of the projects are part of the 2019 bond package approved by voters to address critical infrastructure needs and City Council and citizen priorities in a variety of areas. Significant projects include:

- Fire Stations 603 and 616: \$8.2 million
- Replace Aging Infrastructure and Improve Public and Event Spaces on Civic Center Plaza: \$4.0 million
- Fleet Fuel Site Upgrade: \$3.3 million
- Build Parking Structures in Old Town: \$2.2 million.

AWARDS AND ACKNOWLEDGMENTS

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019, marking the forty-seventh 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. 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 certificate.

As well, the City received the *Distinguished Budget Presentation Award* for the fiscal year beginning July 1, 2019 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, 2020.

Acknowledgments

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

Respectfully submitted,



Judy Doyle

Acting City Treasurer/Chief Financial Officer

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Government Finance Officers Association

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

Presented to

**City of Scottsdale
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020



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

Solange Whitehead

Charter Officers

Jim Thompson, City Manager

Sherry R. Scott, City Attorney

Sharron Walker, City Auditor

Carolyn Jagger, City Clerk

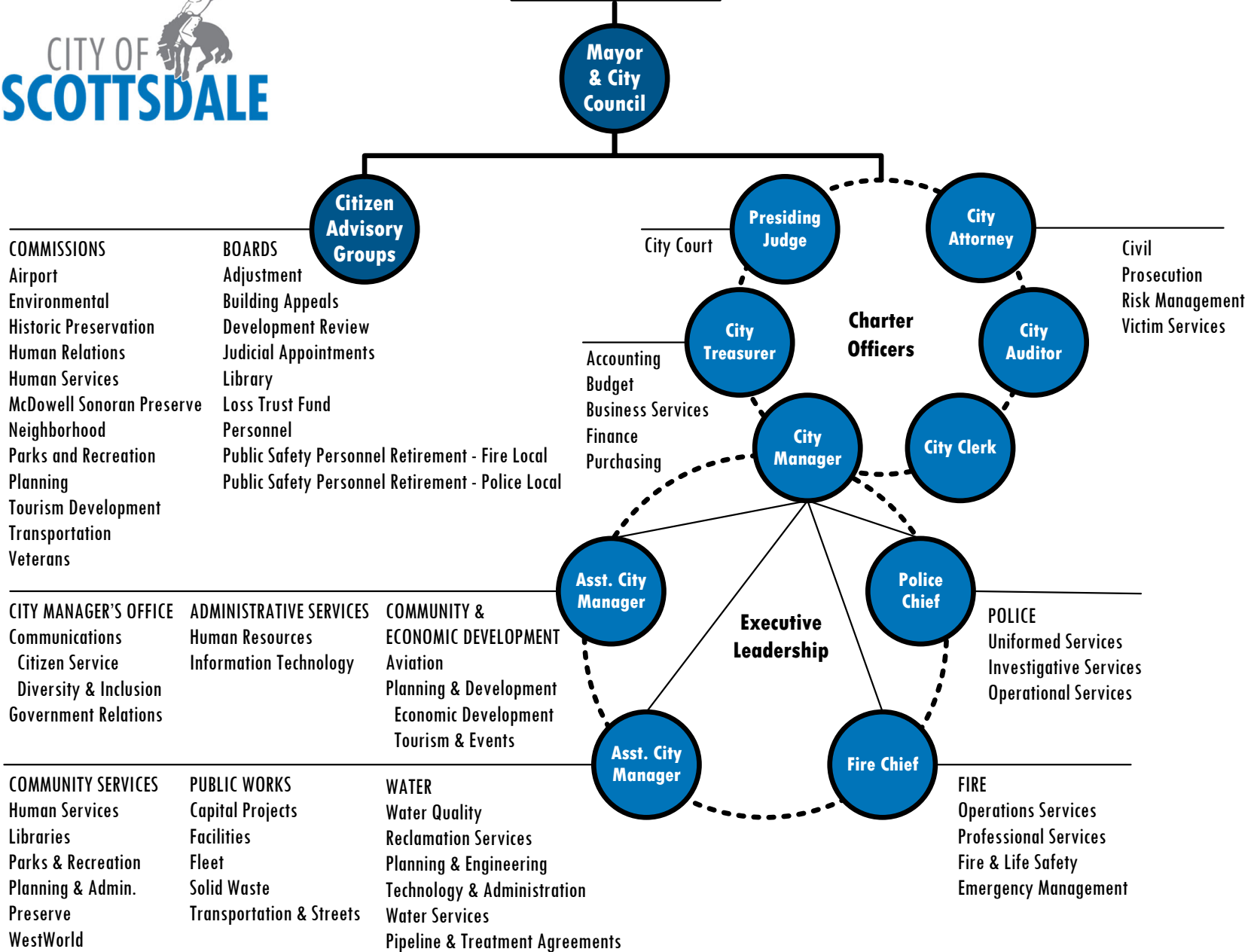
Joseph Olcavage, Presiding Judge

Jeffery M. Nichols, City Treasurer/Chief Financial Officer

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Scottsdale Citizens





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, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (the City), as of and for the year ended June 30, 2020, 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, the budgetary comparison information for the General Fund and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2020, 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 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 90, *Majority Equity Interests*, and Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* for the year ended June 30, 2020, which represent changes in accounting principles. 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, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 information 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 16, 2020, on our consideration of the City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Scottsdale, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 16, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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, 2020 and 2019. 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 its total liabilities and deferred inflows of resources at the close of fiscal years 2020 and 2019 by \$5.37 billion and \$5.22 billion (net position), respectively. Of these amounts, \$325.7 million and \$277.8 million, respectively, represent unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased in fiscal year 2020 by \$156.1 million compared to an increase in net position of \$120.1 million during fiscal year 2019. Total revenues exceeded total expenses in the current year due primarily to an increase in operating grants and contributions and capital grants and contributions of \$21.4 million and \$23.3 million, respectively, over the prior year.
- As of June 30, 2020, and 2019, the City's governmental funds reported combined ending fund balances of \$327.9 million and \$260.9 million, respectively. Approximately 38 percent of the current year amount (\$126.0 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 \$136.4 million or approximately 52 percent of total General Fund expenditures of \$264.1 million.
- The City's total long-term liabilities decreased by \$28.9 million to \$1.48 billion during the current fiscal year. This decrease was due to the City making scheduled principal payments on its debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

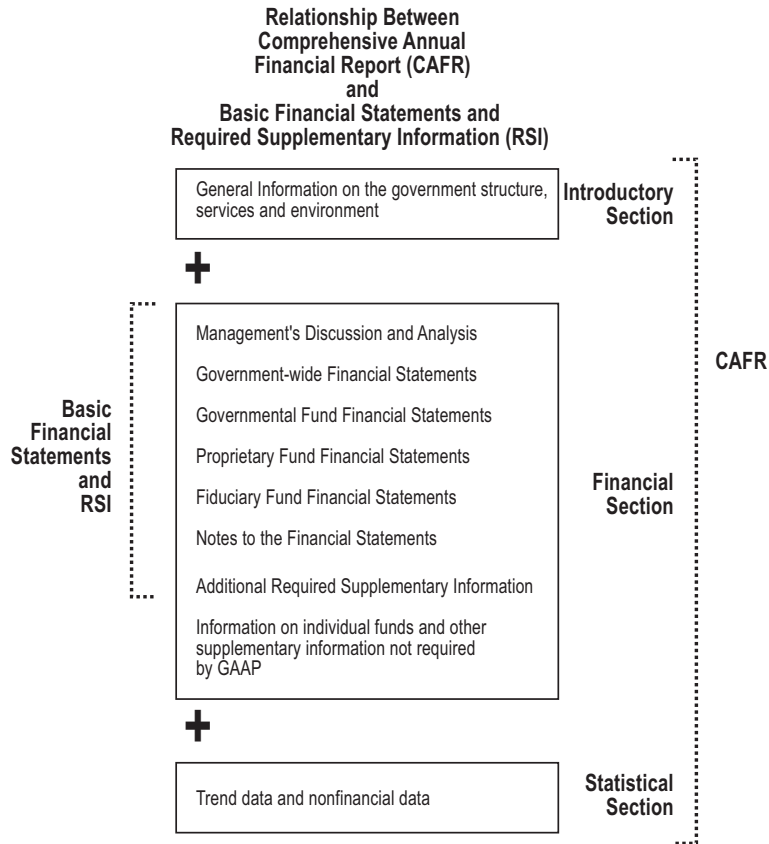
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include three components:

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020



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 the financial position of the City is improving or deteriorating.

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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, and administrative services. The business-type activities of the City include water and sewer utilities, solid waste management, and airport operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the operations of the City of Scottsdale Municipal Property Corporation (MPC), 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 34-36 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.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

The City maintains several individual governmental funds organized according to their purpose (general, permanent, 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) Construction 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 37-45 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 proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in a separate section of this report.

The basic proprietary fund financial statements can be found on pages 46-52 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 two agency funds that 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. Individual fund data for the fiduciary funds is provided in the form of combining statements in a separate section of this report.

The basic fiduciary fund financial statements can be found on page 53 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-130 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's proportionate share of the cost-sharing multiple-employer pension plan's net pension liability, the changes in the City's net pension liabilities regarding the agent multiple-employer pension plans, schedules of contributions to the pension plans, and changes in the City's total other post-employment benefits (OPEB) liability. Required supplementary information can be found on pages 131-138 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 139-173.

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 174-177.

Statistical Information. The statistical section, found on pages 178-207, 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 considers 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.

Analysis of Net Position. As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$5.37 billion, and \$5.22 billion at the close of the fiscal years 2020 and 2019, respectively.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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

Net Position

June 30, 2020 and 2019 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$ 669,236	\$ 568,073	\$ 512,723	\$ 482,773	\$ 1,181,959	\$ 1,050,846
Capital assets	4,425,682	4,378,286	1,406,651	1,398,603	5,832,333	5,776,889
Total assets	5,094,918	4,946,359	1,919,374	1,881,376	7,014,292	6,827,735
Total deferred outflows of resources	92,197	91,310	11,356	12,813	103,553	104,123
Total assets and deferred outflows of resources	5,187,115	5,037,669	1,930,730	1,894,189	7,117,845	6,931,858
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Long-term liabilities outstanding	1,080,573	1,093,373	397,340	413,453	1,477,913	1,506,826
Other liabilities	144,140	133,012	50,141	48,249	194,281	181,261
Total liabilities	1,224,713	1,226,385	447,481	461,702	1,672,194	1,688,087
Total deferred inflows of resources	44,231	21,072	26,550	3,931	70,781	25,003
Total liabilities and deferred inflows of resources	1,268,944	1,247,457	474,031	465,633	1,742,975	1,713,090
NET POSITION						
Net investment in capital assets	3,748,249	3,675,567	1,102,183	1,093,556	4,850,432	4,769,123
Restricted	146,017	119,657	52,728	52,204	198,745	171,861
Unrestricted	23,905	(5,012)	301,788	282,796	325,693	277,784
Total net position	\$ 3,918,171	\$ 3,790,212	\$ 1,456,699	\$ 1,428,556	\$ 5,374,870	\$ 5,218,768

The largest portion (90.2 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 \$4.85 billion and \$4.77 billion at June 30, 2020 and 2019, 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, 3.7 percent, of the City's net position, \$198.7 million at June 30, 2020 and \$171.9 million at June 30, 2019, represents resources that are subject to external restrictions on how they may be used. Unrestricted net position, 6.1 percent of the City's total net position at June 30, 2020 and 5.3 percent at June 30, 2019, \$325.7 million and \$277.8 million, respectively, may be used to meet the government's ongoing obligations to its citizens and creditors.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Analysis of Changes in Net Position. Total revenues exceeded total expenses in the current year, resulting in an increase in the City's total net position of \$156.1 million in fiscal year 2020 compared to an increase in net position of \$120.1 million during fiscal year 2019. The reasons for this overall increase are explained in the governmental and business-type activities discussion herein and depicted in the table that follows.

Changes in Net Position

For the fiscal years ended June 30, 2020 and 2019 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ 53,089	\$ 48,215	\$ 191,893	\$ 182,203	\$ 244,982	\$ 230,418
Operating grants and contributions	55,604	34,233	-	-	55,604	34,233
Capital grants and contributions	50,088	35,620	26,631	17,833	76,719	53,453
General revenues						
Property taxes	68,591	68,922	-	-	68,591	68,922
Business taxes	247,887	237,352	128	167	248,015	237,519
Intergovernmental - taxes	59,410	55,456	-	-	59,410	55,456
Intergovernmental - other	15,890	14,924	-	-	15,890	14,924
Interest and investment income	14,605	11,860	10,951	10,276	25,556	22,136
Other	7,248	9,130	-	-	7,248	9,130
Total revenues	572,412	515,712	229,603	210,479	802,015	726,191
EXPENSES						
General Government						
Mayor and City Council	770	704	-	-	770	704
City Clerk	1,171	952	-	-	1,171	952
City Attorney	6,731	6,890	-	-	6,731	6,890
City Auditor	1,045	898	-	-	1,045	898
City Court	6,047	5,509	-	-	6,047	5,509
City Manager	4,647	3,691	-	-	4,647	3,691
City Treasurer	9,825	8,209	-	-	9,825	8,209
Public Works	99,218	47,420	-	-	99,218	47,420
Community and Economic Development	41,946	102,680	-	-	41,946	102,680
Public Safety	173,352	153,817	-	-	173,352	153,817
Community Services	64,247	56,730	-	-	64,247	56,730
Administrative Services	19,375	17,974	-	-	19,375	17,974
Streetlight and Services Districts	555	584	-	-	555	584
Loss on In-Substance Defeasance of Debt	34	-	-	-	34	-
Interest on Long-Term Debt	23,928	26,364	-	-	23,928	26,364
Water Utility	-	-	105,222	96,010	105,222	96,010
Sewer Utility	-	-	57,847	50,462	57,847	50,462
Airport	-	-	6,764	5,370	6,764	5,370
Solid Waste	-	-	23,195	21,790	23,195	21,790
Total expenses	452,891	432,422	193,028	173,632	645,919	606,054
Increase in net position before transfers	119,521	83,290	36,575	36,847	156,096	120,137
Transfers	8,432	7,581	(8,432)	(7,581)	-	-
Change in net position	127,953	90,871	28,143	29,266	156,096	120,137
Net position - beginning	3,790,212	3,699,341	1,428,556	1,399,290	5,218,768	5,098,631
Net effect of prior period adjustment	6	-	-	-	6	-
Net position - beginning restated	3,790,218	3,699,341	1,428,556	1,399,290	5,218,774	5,098,631
Net position - ending	\$ 3,918,171	\$ 3,790,212	\$ 1,456,699	\$ 1,428,556	\$ 5,374,870	\$ 5,218,768

Management's Discussion and Analysis

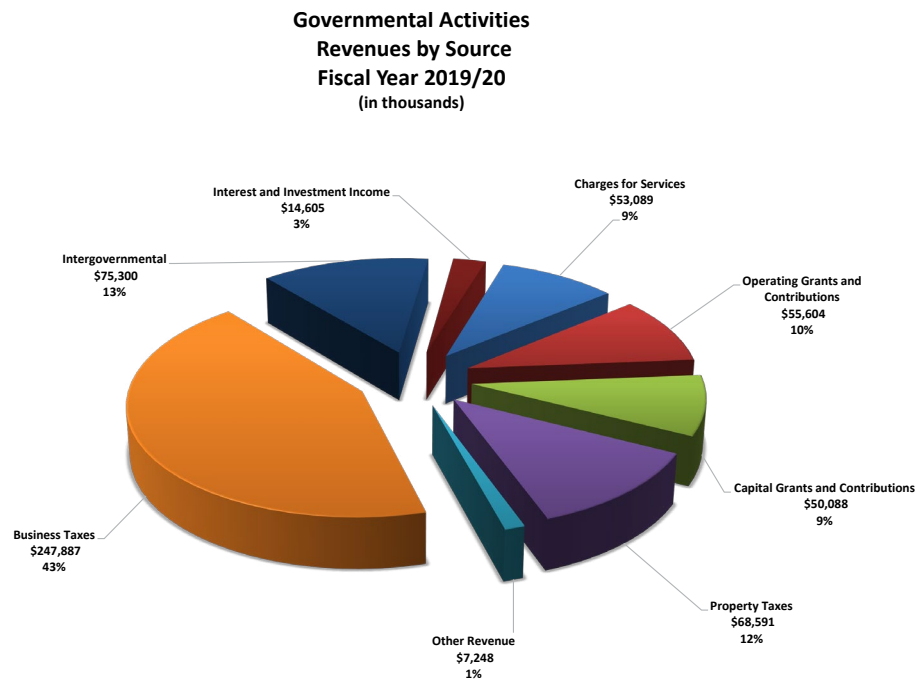
For the Fiscal Year Ended June 30, 2020

Governmental Activities. Net position for governmental activities increased \$128.0 million after transfers during fiscal year 2020 compared to an increase of \$90.9 million after transfers in fiscal year 2019. Total revenues increased \$56.7 million or 11.0 percent from the prior fiscal year and expenses increased \$20.5 million or 4.7 percent. Overall, revenues exceeded expenses resulting in the increase in net position.

The City experienced improved total revenues from governmental activities over the prior year due primarily to a 62.4 percent increase in operating grants and contributions, a 40.6 percent increase in capital grants and contributions, and a 4.4 percent increase in business taxes. The growth in operating grants and contributions was due to an increase in Federal grants received over the prior year. The majority of this came from the City's allocation of AZCares funds received in June 2020, to help offset the fiscal impacts of the Coronavirus pandemic (COVID-19). The increase in capital grants and contributions was the result of receiving more developer contributions from the completion of construction projects in fiscal year 2020. Finally, the increase in business taxes reflects the positive fiscal environment the City was experiencing prior to the economic shutdown caused by COVID-19 in the last quarter of the fiscal year.

General revenues such as property, franchise, and privilege taxes are not shown by program, but are used to support program activities citywide. Total general revenues for governmental activities were \$413.6 million in fiscal year 2020 compared to \$397.6 million in fiscal year 2019. As previously noted, business taxes, which include privilege and franchise taxes, increased \$10.5 million or 4.4 percent from the previous year. Intergovernmental revenues, which includes state shared revenues, increased \$4.9 million or 7.0 percent over fiscal year 2019. Additionally, interest and investment income increased \$2.7 million over the prior year due to favorable yields on the City's long-term investment portfolio. Property taxes were comparatively flat over the prior year.

For governmental activities overall, without regard to program, business taxes (43 percent), are the largest single source of funds, followed by intergovernmental (including state shared revenues) (13 percent), property taxes (12 percent), and operating grants and contributions (10 percent).



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Another component of the change in net position is expense. The Public Safety Division, which is comprised of the Police and Fire Departments, is the largest expense function (38.3 percent), followed by the Public Works Division (21.9 percent), and the Community Services Division (14.2 percent). In fiscal year 2020 a reorganization occurred to more closely align City functions. Most notably, this resulted in Transportation and WestWorld moving from Community and Economic Development to the Public Works Division and the Community Services Division, respectively, and Emergency Management to the Public Safety Division.

The Public Safety Division provides police and fire/emergency services throughout the City. Expenses increased by \$19.5 million or 12.7 percent during fiscal year 2020 due primarily to an increase of more than \$17.0 million in various grant expenditures related to COVID-19 mitigation and the addition of Emergency Management to the division.

The Public Works Division comprises five departments: Capital Project Management, Facilities Management, Fleet Management, Solid Waste Management, and Transportation. Expenses were \$51.8 million or 109.2 percent higher than the prior fiscal year due to the addition of the Transportation department in fiscal year 2020.

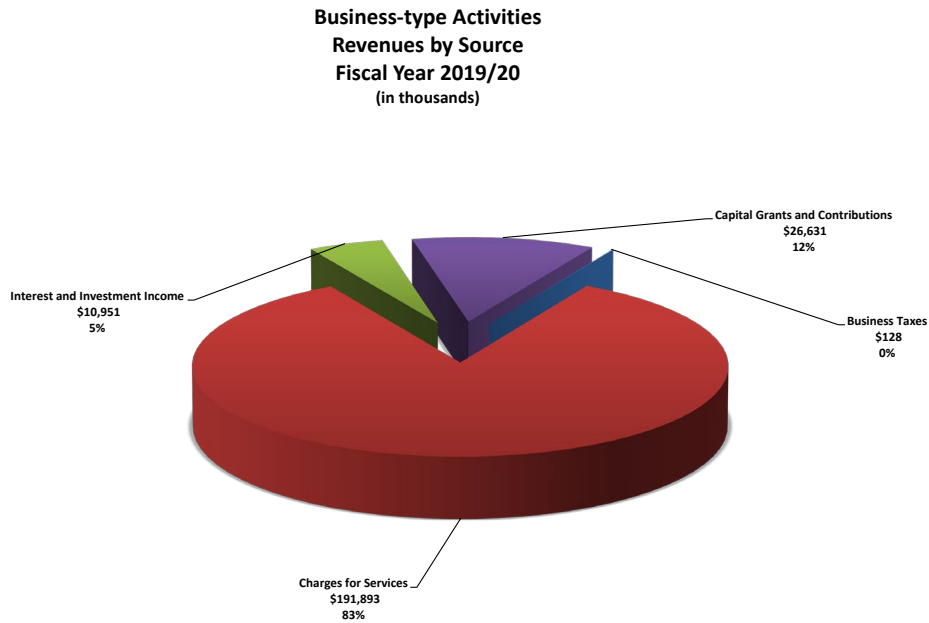
The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, and promoting healthy lifestyles. They also assist those in need through federal, state, local, and private resources. The division consists of: Human Services, Libraries, Parks & Recreation, Planning and Administration, Preserve, and WestWorld. Expenses were \$7.5 million or 13.3 percent higher than the prior fiscal year due primarily to the addition of WestWorld in fiscal year 2020.

Business-type Activities. Net position for business-type activities increased by \$28.1 million after transfers during fiscal year 2020 compared to \$29.3 million after transfers in fiscal year 2019. Total revenues increased by \$19.1 million or 9.1 percent due to an increase in developer contributions, charges for services, and investment income offset by a decrease in business taxes. Overall, total revenues exceeded expenses resulting in the increase in net position for the fiscal year.

Management's Discussion and Analysis

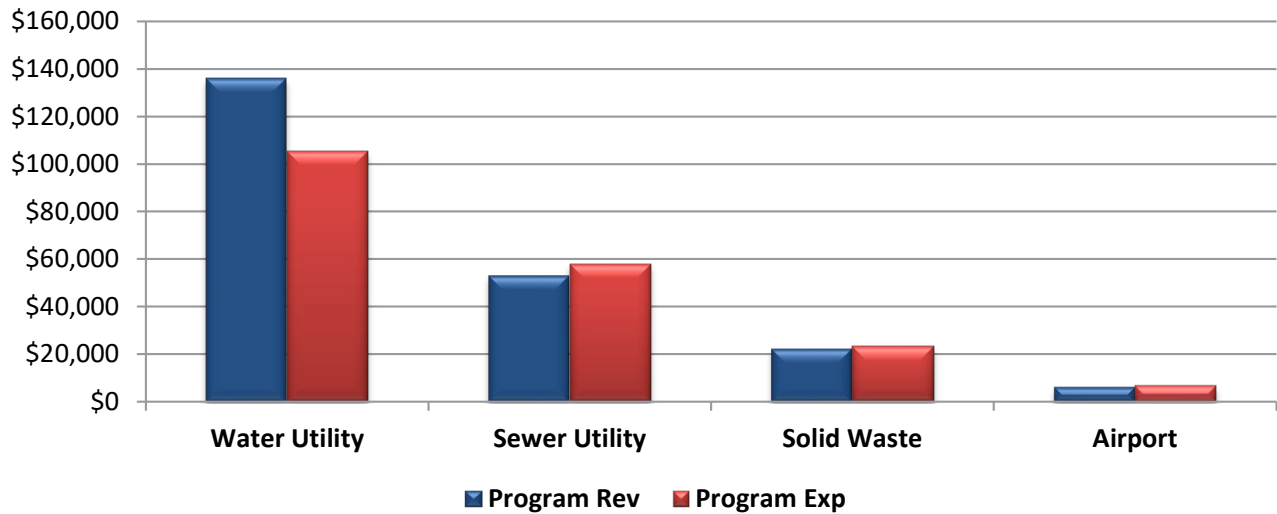
For the Fiscal Year Ended June 30, 2020

As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues (83.0 percent) followed by capital grants and contributions (12.0 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 \$105.2 million and \$57.8 million, respectively, in fiscal year 2020, followed by solid waste with \$23.2 million and airport with \$6.8 million.

**Business-type Activities
Program Revenues and Expenses
Fiscal Year 2019/20
(in thousands)**



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

The City's Water Resources Department manages and operates a safe, reliable water supply and wastewater reclamation system, and in fiscal year 2020 they provided 91,802 water connections to Scottsdale citizens. The Water and Sewer Utility's combined expenses increased by 11.3 percent in fiscal year 2020 compared to fiscal year 2019. This was caused primarily by an increase in costs related to purchased water, treatment filter media, and treatment chemicals.

The Solid Waste Department provided delivery of safe, efficient, and environmentally sound refuse collection services to 83,189 residential customers in fiscal year 2020. Total program expenses increased 6.4 percent or \$1.4 million in fiscal year 2020 compared to fiscal year 2019 due to increased landfill, recycling, and fleet expenses.

The Aviation Department operates the City's general aviation reliever facility and is home to many local corporate aircraft. More than 191,000 take-offs and landings occurred in fiscal year 2020 at Scottsdale Airport. Total program expenses increased by 26.0 percent or \$1.4 million in fiscal year 2020 compared to fiscal year 2019, driven primarily by increased depreciation expense.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and non-spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City Council, or the City Treasurer who has been delegated authority to assign resources for use for particular purposes by the City Council. Types of governmental funds reported by the City include the General Fund, Permanent Funds, 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 \$327.9 million, an increase of \$67.1 million from the prior year total of \$260.9 million. Approximately 38 percent or \$126.0 million of the current year amount constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, or committed to indicate that it is not available for new spending.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Revenues for governmental functions totaled \$533.5 million in fiscal year 2020, an increase of 8.4 percent, or \$41.4 million, from the previous year total of \$492.1 million. In fiscal year 2020, expenditures for governmental functions totaled \$520.0 million, an increase of 7.6 percent, or \$36.6 million, from the fiscal year 2019 total of \$483.4 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$13.4 million. This was chiefly due to an increase of \$15.3 million in federal grants received in fiscal year 2020, an increase of \$7.2 million in intergovernmental miscellaneous revenues, and an increase of \$6.5 million in contributions and donations offset by an increase of \$15.6 million in capital outlay, \$7.0 million in amounts paid to the refunded bonds escrow agent, and an increase of \$4.0 million in principal payments on debt.

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 \$136.4 million, while the total fund balance was \$136.7 million; the unassigned and total fund balances for the General Fund at the end of fiscal year 2019 were \$97.1 million and \$97.4 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 51.6 percent of the total General Fund expenditures of \$264.1 million in fiscal year 2020 and represented 36.0 percent of the total General Fund expenditures of \$270.1 million in fiscal year 2019. Total fund balance represented 51.8 percent and 36.1 percent of total fund expenditures for fiscal years 2020 and 2019, respectively.

Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2020 by \$56.2 million. Total revenues increased \$11.3 million or 3.6 percent compared to the prior year while expenditures decreased \$6.0 million or 2.2 percent. The most significant reason for the decrease in expenditures was due to the transfer of \$17.2 million in Public Safety salaries from the General Fund to grant centers established to record AZCares funding the City received to help offset the negative economic impacts of COVID-19.

Key General Fund revenues showing an increase over the prior year included state shared revenues, \$4.0 million, building and related permits, \$2.6 million, and cable TV franchise fees \$2.2 million. Transaction privilege tax also increased \$0.9 million over the prior year, which is an indicator of the strong economy the City was experiencing prior to COVID-19 negatively impacting privilege and bed tax revenues in the last quarter of the fiscal year. However, several other City revenues were negatively impacted such as recreation fees, WestWorld equestrian facility fees, and court fines and fees, which all showed a decline from prior year totals.

City Manager experienced the largest percentage increase in General Fund expenditures, 46.3 percent, or \$1.3 million, due the reorganization in fiscal year 2020 that moved the Office of Communications to the City Manager. City Treasurer expenditures increased \$1.1 million over the prior year due to an increase in personnel services costs. Community and Economic Development saw a decrease of \$4.4 million in expenditures over the prior year due to the reorganization that moved WestWorld to Community Services, which caused a \$3.8 million increase in expenditures over the prior year for Community Services. As a result of an increase in revenues and a decrease in expenditures the fund balance for the City's General Fund increased in fiscal year 2020 by \$39.3 million.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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 \$1.0 million, a decrease of \$0.4 million from the \$1.4 million balance at June 30, 2019. The decrease in fund balance was due to scheduled debt payments and payment to the bond refunding escrow agent.

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, in-lieu parking, and in-lieu stormwater. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$47.3 million, an increase of \$5.0 million from the \$42.3 million at June 30, 2019, caused by lower capital expenditures and higher developer contributions over the prior fiscal year.

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

At the end of the fiscal years 2020 and 2019, the unrestricted net position for the Water and Sewer Utility Fund was \$289.9 million and \$271.0 million, respectively; the Airport Fund was \$5.6 million and \$5.9 million, respectively; and the Solid Waste Fund was \$1.0 million and \$1.8 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, had unrestricted net position of \$27.5 million and \$24.4 million, respectively.

The total growth in net position for the enterprise funds was \$27.0 million and \$28.5 million for fiscal years 2020 and 2019, 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.

General Fund revenues on a budgetary basis were \$0.8 million less than projected for fiscal year 2020. The decrease in revenues was primarily due to the City receiving less in transaction privilege tax, recreation fees, and court fines and fees than budgeted. As previously mentioned these were key revenues negatively impacted by COVID-19 due to the temporary shutdown of businesses, recreation activities, and court proceedings. Expenditures of \$263.9 million were \$5.9 million less than budgeted expenditures of \$269.8 million. The majority of the positive expenditure variance occurred in Community Services. Due to COVID-19, part-time positions at libraries, pools, and community centers were either furloughed or not filled in the fourth quarter of the fiscal year. Additionally, savings was realized for various services, maintenance, and supplies related to the temporary closure of City facilities.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2020 and 2019 was \$5.83 billion and \$5.78 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 2020 and 2019 was \$55.4 million or 1.0 percent.

Capital Assets, Net of Depreciation/Amortization

June 30, 2020 and 2019 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,220,312	\$ 3,194,486	\$ 50,536	\$ 50,381	\$ 3,270,848	\$ 3,244,867
Buildings and Land Improvements	408,748	357,054	57,891	57,694	466,639	414,748
Streets and Storm Drains	658,444	678,581	-	-	658,444	678,581
Machinery and Equipment	37,388	37,385	4,032	3,613	41,420	40,998
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	785,959	754,262	785,959	754,262
Sewer System	-	-	389,301	392,375	389,301	392,375
Motor Vehicles	47,423	45,268	414	466	47,837	45,734
Furniture, Fixtures, and Office Equipment	-	-	961	860	961	860
Construction in Progress	53,367	65,512	30,386	51,781	83,753	117,293
Total	<u>\$ 4,425,682</u>	<u>\$ 4,378,286</u>	<u>\$ 1,406,651</u>	<u>\$ 1,398,603</u>	<u>\$ 5,832,333</u>	<u>\$ 5,776,889</u>

Significant capital asset events during fiscal year 2020 included the following:

- Land: \$25.7 million for land donated by developers that coincides with public street improvements for finalized permits.
- Buildings and Land Improvements:
 - \$43.7 million for Scottsdale Stadium Multi-Use Event Center.
 - \$7.1 million for Drinkwater bridge structural repairs.
 - \$6.3 million for McDowell Sonoran Preserve trailhead improvements.
- Streets: \$16.1 million for new road improvements donated by developers, \$10.1 million related to streets, traffic control, sidewalks and storm drains, and \$4.8 million for street preservation.
- Vehicles: \$4.5 million for solid waste vehicles, \$2.8 million for public safety vehicles, and \$1.9 million for street and water operation vehicles.

Additional information on the City's capital assets can be found in Note IV.D. on pages 87-89 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Long-term Debt. At the end of the fiscal years 2020 and 2019, the City had total long-term liabilities of \$1,477.9 million and \$1,506.8 million, respectively. Of these amounts, \$433.9 million and \$483.2 million, for fiscal years 2020 and 2019 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 liabilities, and other obligations of \$1,044.0 million and \$1,023.6 million for fiscal years 2020 and 2019, 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, 2020 and 2019 was \$462.1 million and \$429.4 million, respectively, in the 6 percent capacity and \$1,096.3 million and \$955.0 million, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.H. 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, 2020 and 2019 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 433,865	\$ 483,215	\$ -	\$ -	\$ 433,865	\$ 483,215
Water and Sewer Revenue Bonds	-	-	12,450	16,175	12,450	16,175
Municipal Property Corporation Bonds	199,614	173,762	273,791	290,768	473,405	464,530
Scottsdale Preserve Authority Bonds	2,630	7,410	-	-	2,630	7,410
Community Facilities Districts						
General Obligation Bonds	-	2,810	-	-	-	2,810
Certificates of Participation - Direct Borrowing	-	2,493	-	-	-	2,493
Community Facilities Districts						
General Obligation Bonds - Direct Placements	13,488	13,515	-	-	13,488	13,515
Issuance Premiums	53,610	59,224	26,159	28,550	79,769	87,774
Total Bonds Payable	<u>703,207</u>	<u>742,429</u>	<u>312,400</u>	<u>335,493</u>	<u>1,015,607</u>	<u>1,077,922</u>
Leases	2,373	219	-	-	2,373	219
Service Concession Arrangements	2,068	2,221	-	-	2,068	2,221
Risk Management Claims	21,972	22,447	-	-	21,972	22,447
Compensated Absences	27,946	26,322	3,915	3,748	31,861	30,070
Total Other Postemployment Benefit	2,177	2,103	-	-	2,177	2,103
Net Pension Liabilities	320,830	297,632	31,189	29,630	352,019	327,262
Pollution Remediation Obligation	-	-	49,836	44,582	49,836	44,582
Total Long-term Liabilities	<u>\$ 1,080,573</u>	<u>\$ 1,093,373</u>	<u>\$ 397,340</u>	<u>\$ 413,453</u>	<u>\$ 1,477,913</u>	<u>\$ 1,506,826</u>

During fiscal year 2020, the City's total long-term liabilities decreased overall by \$28.9 million due to the City making scheduled principal payments on its debt offset by increases in net pension liabilities and MPC bonds.

In accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the City's proportionate share of its unfunded pension liabilities for pension plans in which it participates is included in its outstanding long-term liabilities. The City's net pension liabilities at the end of fiscal years 2020 and 2019 were \$352.0 million and \$327.3 million, respectively. This increase was due primarily to changes in assumptions about future economic and demographic factors and differences between expected and actual experience for the Public Safety Personnel Retirement System. Additional information on the City's pensions can be found on page 110.

Additional information in the City's long-term liabilities can be found in Section IV.H. of the Notes to the Financial Statements on pages 92-105 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Scottsdale's economy was negatively impacted in the last quarter of fiscal year 2020 due to COVID-19 and the temporary shutdown of resorts, restaurants, and retail establishments. Since that time, Scottsdale has continued to experience a decline in some of its revenues over the prior fiscal year. Due to the uncertainty of the timing of the recovery, in June 2020, the City Council approved a \$1,540.4 million budget, which is a \$1.4 million decrease from the prior year budget of \$1,541.8 million. The adopted fiscal year 2021 budget includes \$849.5 million for general operations, grants, contingencies/reserves, and \$690.9 million for capital improvements.

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>.

Basic Financial Statements

Statement of Net Position

June 30, 2020 (in thousands)

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 398,005	\$ 234,064	\$ 632,069
Receivables (net of allowance for uncollectibles)			
Property and Other Local Taxes	29,370	15	29,385
Charges for Services	-	20,556	20,556
Fines	10,918	-	10,918
Intergovernmental and Grants	23,292	1,986	25,278
Interest	1,291	960	2,251
Leases	27,976	24,886	52,862
Other	12,348	2,687	15,035
Internal Balances	(5,219)	5,219	-
Supplies Inventory	1,465	-	1,465
Prepaid Items	-	1,291	1,291
Prepayments	25,664	-	25,664
Pollution Remediation Recoveries	-	49,836	49,836
Restricted Assets			
Cash with Fiscal Agent	87,034	27,785	114,819
Customer Advances and Deposits	-	1,108	1,108
Joint Venture Construction Deposits	-	5,103	5,103
Advanced Construction Payments	-	3,156	3,156
Advanced Lease Payments	-	1,167	1,167
Water and Sewer System Replacement	-	42,933	42,933
Revenue Bond Reserve	-	4,692	4,692
Service Concession Arrangements	55,421	-	55,421
Equity in Joint Ventures	1,671	85,279	86,950
Capital Assets Not Being Depreciated/Amortized			
Land, Water Rights, and Construction in Progress	3,273,679	168,093	3,441,772
Capital Assets, Net of Accumulated Depreciation/Amortization			
Facilities, Infrastructure, and Equipment	1,152,003	1,238,558	2,390,561
Total Assets	<u>5,094,918</u>	<u>1,919,374</u>	<u>7,014,292</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refundings	21,277	7,932	29,209
Pension-Related Amounts	70,573	3,424	73,997
OPEB-Related Amounts	347	-	347
Total Deferred Outflows of Resources	<u>\$ 92,197</u>	<u>\$ 11,356</u>	<u>\$ 103,553</u>

(continued)

Statement of Net Position

June 30, 2020 (in thousands)

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts Payable	\$ 21,832	\$ 16,032	\$ 37,864
Accrued Payroll and Benefits	6,622	893	7,515
Accrued Compensated Absences	50	-	50
Interest Payable	13,937	7,082	21,019
Matured Bonds, Loans, and Other Payables	67,829	20,703	88,532
Due to Other Governments	4,842	-	4,842
Unearned Revenue	22,979	-	22,979
Liabilities Payable from Restricted Assets			
Advanced Construction Payments	-	3,156	3,156
Advanced Lease Payments	-	1,167	1,167
Customer Advances & Deposits	2,591	1,108	3,699
Other Liabilities	3,458	-	3,458
Noncurrent Liabilities			
Due Within One Year			
Accrued Compensated Absences	12,828	1,746	14,574
Bonds, Loans, and Other Payables	69,841	21,773	91,614
Due in More Than One Year			
Accrued Compensated Absences	15,118	2,169	17,287
Total Other Postemployment Benefit Liability	2,177	-	2,177
Net Pension Liabilities	320,830	31,189	352,019
Bonds, Loans, and Other Payables	659,779	290,627	950,406
Pollution Remediation Obligation	-	49,836	49,836
Total Noncurrent Liabilities	1,080,573	397,340	1,477,913
Total Liabilities	1,224,713	447,481	1,672,194
DEFERRED INFLOWS OF RESOURCES			
Leases	28,655	24,394	53,049
Pension-Related Amounts	14,919	2,156	17,075
OPEB-Related Amounts	657	-	657
Total Deferred Inflows of Resources	44,231	26,550	70,781
NET POSITION			
Net Investment in Capital Assets	3,748,249	1,102,183	4,850,432
Restricted			
Debt Service	4,671	4,692	9,363
Transportation and Preserve Privilege Tax Activities	68,025	-	68,025
Capital Projects	63,737	-	63,737
Grants	2,725	-	2,725
Special Programs	3,428	-	3,428
Streetlight and Services Districts	73	-	73
Community Facilities Districts	110	-	110
Stadium Facility	2,651	-	2,651
Endowments			
Expendable	42	-	42
Nonexpendable	555	-	555
Repair and Replacement	-	42,933	42,933
Joint Venture Construction Deposits	-	5,103	5,103
Unrestricted	23,905	301,788	325,693
Total Net Position	\$ 3,918,171	\$ 1,456,699	\$ 5,374,870

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

Statement of Activities

For the Fiscal Year Ended June 30, 2020 (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	\$ 770	\$ 146	\$ -	\$ -	\$ (624)	\$ -	\$ (624)
City Clerk	1,171	227	-	-	(944)	-	(944)
City Attorney	6,731	795	-	-	(5,936)	-	(5,936)
City Auditor	1,045	210	-	-	(835)	-	(835)
City Court	6,047	-	3	-	(6,044)	-	(6,044)
City Manager	4,647	373	572	-	(3,702)	-	(3,702)
City Treasurer	9,825	3,045	239	-	(6,541)	-	(6,541)
Public Works	99,218	1,763	16,993	47,465	(32,997)	-	(32,997)
Community and Economic Development	41,946	22,102	1,881	20	(17,943)	-	(17,943)
Public Safety	173,352	11,088	21,699	16	(140,549)	-	(140,549)
Community Services	64,247	9,908	13,808	2,587	(37,944)	-	(37,944)
Administrative Services	19,375	2,815	409	-	(16,151)	-	(16,151)
Streetlight and Services Districts	555	617	-	-	62	-	62
Loss on In-Substance Defeasance of Debt	34	-	-	-	(34)	-	(34)
Interest on Long-Term Debt	23,928	-	-	-	(23,928)	-	(23,928)
Total Governmental Activities	<u>452,891</u>	<u>53,089</u>	<u>55,604</u>	<u>50,088</u>	<u>(294,110)</u>	<u>-</u>	<u>(294,110)</u>
Business-type Activities							
Water Utility	105,222	119,345	-	16,594	-	30,717	30,717
Sewer Utility	57,847	44,047	-	9,380	-	(4,420)	(4,420)
Airport	6,764	5,851	-	657	-	(256)	(256)
Solid Waste	23,195	22,650	-	-	-	(545)	(545)
Total Business-type Activities	<u>193,028</u>	<u>191,893</u>	<u>-</u>	<u>26,631</u>	<u>-</u>	<u>25,496</u>	<u>25,496</u>
Total Government	<u>\$ 645,919</u>	<u>\$ 244,982</u>	<u>\$ 55,604</u>	<u>\$ 76,719</u>	<u>(294,110)</u>	<u>25,496</u>	<u>(268,614)</u>
General Revenues							
Taxes							
Property Taxes							
					68,591	-	68,591
Sales and Use Taxes							
					235,271	128	235,399
Franchise Taxes							
					12,616	-	12,616
Intergovernmental - Unrestricted							
State Shared Sales							
					26,395	-	26,395
State Revenue Sharing							
					33,015	-	33,015
Other							
					15,890	-	15,890
Interest and Investment Income							
					14,605	10,951	25,556
Other Revenue							
					7,248	-	7,248
Transfers							
					8,432	(8,432)	-
Total General Revenues and Transfers							
					422,063	2,647	424,710
Change in Net Position							
					127,953	28,143	156,096
Net Position - Beginning, restated							
					3,790,218	1,428,556	5,218,774
Net Position - Ending							
					<u>\$ 3,918,171</u>	<u>\$ 1,456,699</u>	<u>\$ 5,374,870</u>

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

Balance Sheet

Governmental Funds

June 30, 2020 (in thousands)

ASSETS	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 134,033	\$ 686	\$ 46,765	\$ 159,455	\$ 340,939
Cash with Fiscal Agent	-	51,519	-	35,515	87,034
Receivable (net of allowance for uncollectibles)					
Interest	773	-	152	366	1,291
Privilege Tax	13,561	-	-	7,741	21,302
Transient Occupancy Tax	-	-	-	881	881
Property Tax	1,093	1,111	-	126	2,330
State Shared Sales Tax	1,411	-	-	-	1,411
Franchise Fee	2,879	-	-	48	2,927
Court Receivable	10,764	-	-	-	10,764
Library Receivable	154	-	-	-	154
Highway User Tax	-	-	-	1,302	1,302
Auto Lieu Tax	519	-	-	-	519
Intergovernmental	-	-	-	18,336	18,336
Grants	-	-	-	3,654	3,654
Leases	25,713	-	-	2,263	27,976
Miscellaneous	2,601	-	5,332	4,068	12,001
Due from Other Funds	433	-	-	-	433
Supplies Inventory	278	-	-	-	278
Total Assets	\$ 194,212	\$ 53,316	\$ 52,249	\$ 233,755	\$ 533,532

(continued)

Balance Sheet

Governmental Funds

June 30, 2020 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts Payable	\$ 3,563	\$ -	\$ 1,343	\$ 13,421	\$ 18,327
Accrued Payroll and Benefits	6,176	-	5	357	6,538
Due to Other Funds	-	-	-	433	433
Matured Bond Interest Payable	18	9,004	-	4,915	13,937
Matured Bonds Payable	1,247	42,515	-	24,067	67,829
Unearned Revenue					
Intergovernmental	-	-	-	21,084	21,084
Other	1,133	-	2	760	1,895
Due to Other Governments	4,840	-	-	2	4,842
Guaranty and Other Deposits	2,586	-	-	5	2,591
Other	3,385	-	-	69	3,454
Total Liabilities	<u>22,948</u>	<u>51,519</u>	<u>1,350</u>	<u>65,113</u>	<u>140,930</u>
Deferred Inflows of Resources					
Unavailable Revenues	9,630	755	3,617	21,996	35,998
Leases	24,966	-	-	3,689	28,655
Total Deferred Inflows of Resources	<u>34,596</u>	<u>755</u>	<u>3,617</u>	<u>25,685</u>	<u>64,653</u>
Total Liabilities and Deferred Inflows of Resources	<u>57,544</u>	<u>52,274</u>	<u>4,967</u>	<u>90,798</u>	<u>205,583</u>
Fund Balances (Deficits)					
Nonspendable	278	-	-	555	833
Restricted	-	1,042	43	132,339	133,424
Committed	-	-	47,239	20,464	67,703
Unassigned	136,390	-	-	(10,401)	125,989
Total Fund Balances (Deficits)	<u>136,668</u>	<u>1,042</u>	<u>47,282</u>	<u>142,957</u>	<u>327,949</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 194,212</u>	<u>\$ 53,316</u>	<u>\$ 52,249</u>	<u>\$ 233,755</u>	<u>\$ 533,532</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, 2020 (in thousands)

Fund Balances - Total Governmental Funds	\$ 327,949
Amounts reported for governmental activities in the statement of net position are different because (see Note II A):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	4,360,893
Changes in equity in joint venture are not financial resources; therefore, are not reported in the funds.	1,669
Prepayments, service concession arrangements, and leases are not financial resources; therefore, are not reported in the funds.	83,380
Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.	91,651
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(1,052,959)
Deferred inflows relating to pensions and other postemployment benefits 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.	20,775
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>84,813</u>
Net Position of Governmental Activities	<u><u>\$ 3,918,171</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, 2020 (in thousands)

REVENUES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Taxes - Local					
Property	\$ 32,159	\$ 32,556	\$ -	\$ 3,196	\$ 67,911
Transaction Privilege	135,017	-	-	77,353	212,370
Transient Occupancy	-	-	-	18,793	18,793
Light and Power Franchise	7,994	-	-	237	8,231
Cable TV Franchise	5,445	-	-	-	5,445
Salt River Project In-Lieu	216	-	-	-	216
Other Taxes	4,177	-	-	-	4,177
Taxes - Intergovernmental					
State Shared Sales	26,395	-	-	-	26,395
State Revenue Sharing	33,015	-	-	-	33,015
Auto Lieu Tax	10,838	-	-	-	10,838
Highway User Tax	-	-	-	16,870	16,870
Local Transportation Assistance Fund	-	-	-	642	642
Business and Liquor Licenses	1,814	-	-	55	1,869
Charges for Current Services					
Building and Related Permits	18,518	-	50	11	18,579
Recreation Fees	3,184	-	-	1,969	5,153
WestWorld Equestrian Facility Fees	4,385	-	-	-	4,385
Fire Fees	1,892	-	-	-	1,892
Fines, Fees, and Forfeitures					
Court	3,535	-	-	140	3,675
Parking	257	-	-	-	257
Photo Radar	2,683	-	-	-	2,683
Court Enhancement	-	-	-	1,786	1,786
Library	313	-	-	-	313
Police	-	-	-	117	117
Property Rental	2,550	-	-	1,481	4,031
Interest Earnings	5,783	-	613	2,199	8,595
Net Increase/(Decrease) in the Fair Value of Investments	6,017	-	-	(7)	6,010
Intergovernmental					
Federal Grants	-	-	-	27,441	27,441
State Grants	-	-	-	258	258
Miscellaneous	4,395	-	-	15,756	20,151
Developer Contributions	-	-	20	1,108	1,128
Streetlight and Services Districts	-	-	-	617	617
Contributions and Donations	1	-	-	9,068	9,069
Reimbursements from Outside Sources	1,806	-	-	387	2,193
Indirect Costs	7,183	-	-	431	7,614
Other	678	-	2	57	737
Total Revenues	<u>\$ 320,250</u>	<u>\$ 32,556</u>	<u>\$ 685</u>	<u>\$ 179,965</u>	<u>\$ 533,456</u>

(continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES					
Current					
General Government					
Mayor and City Council	\$ 770	\$ -	\$ -	\$ 12	\$ 782
City Clerk	1,163	-	-	-	1,163
City Attorney	6,826	-	-	-	6,826
City Auditor	1,049	-	-	-	1,049
City Court	4,913	-	-	1,057	5,970
City Manager	3,961	-	-	570	4,531
City Treasurer	9,536	-	-	178	9,714
Public Works	20,329	-	-	24,053	44,382
Community and Economic Development	20,466	-	-	13,965	34,431
Public Safety	136,834	-	-	20,723	157,557
Community Services	39,956	-	-	12,968	52,924
Administrative Services	14,727	-	-	-	14,727
Streetlight and Services Districts	-	-	-	555	555
Debt Service					
Principal	3,220	42,515	-	24,341	70,076
Interest and Fiscal Charges	331	18,015	-	9,508	27,854
Payment to Refunded Bonds Escrow Agent	-	6,983	-	-	6,983
Bond Issuance Costs	-	33	-	475	508
Capital Outlay	-	-	12,795	67,214	80,009
Total Expenditures	<u>264,081</u>	<u>67,546</u>	<u>12,795</u>	<u>175,619</u>	<u>520,041</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>56,169</u>	<u>(34,990)</u>	<u>(12,110)</u>	<u>4,346</u>	<u>13,415</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	11,347	34,638	17,759	55,380	119,124
Transfers Out	(29,390)	-	(654)	(80,481)	(110,525)
Financing of Leases	1,025	-	-	-	1,025
Sale of General Capital Assets	149	-	-	-	149
Issuance of Refunding Bonds	-	-	-	2,563	2,563
Issuance of Long-Term Capital-Related Debt	-	-	-	42,550	42,550
Premium on Long-Term Debt Issued	-	-	-	1,323	1,323
Payment to Refunded Bonds Escrow Agent	-	-	-	(2,563)	(2,563)
Total Other Financing Sources (Uses)	<u>(16,869)</u>	<u>34,638</u>	<u>17,105</u>	<u>18,772</u>	<u>53,646</u>
Net Change in Fund Balances	39,300	(352)	4,995	23,118	67,061
Fund Balances - Beginning	97,368	1,394	42,287	119,839	260,888
Fund Balances - Ending	<u>\$ 136,668</u>	<u>\$ 1,042</u>	<u>\$ 47,282</u>	<u>\$ 142,957</u>	<u>\$ 327,949</u>

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, 2020 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 67,061
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.	438
Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.	42,073
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.	(51,742)
Current-year pension and other postemployment benefit contributions are reclassified from expenditures in the governmental funds to deferred outflows of resources in the government-wide statements.	33,152
Current-year joint venture contributions are reclassified from expenditures in the governmental funds to an increase in the investment in the joint venture in the government-wide statements.	188
When leases in which the City is the lessee are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP); however, in the statement of activities, the PVFLP is recognized as an intangible asset and amortized over the lease term.	1,025
The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System that is used to offset the contribution required to be made by the City. The fund financial statements recognize the current year contribution; however, the government-wide statements recognize the prior year contribution.	(1,975)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,196)
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.	(968)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period.	32,161
Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refundings.	3,926
Loss on in-substance defeasance using existing resources does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(34)
The change in net position of the Internal Service Funds is attributed to governmental activities.	<u>4,844</u>
Change in Net Position of Governmental Activities	<u>\$ 127,953</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, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Property	\$ 32,617	\$ 32,617	\$ 32,159	\$ -	\$ 32,159	\$ (458)
Transaction Privilege	136,765	136,765	135,017	-	135,017	(1,748)
Light and Power Franchise	8,616	8,616	7,994	-	7,994	(622)
Cable TV Franchise	4,164	4,164	5,445	-	5,445	1,281
Salt River Project In-Lieu	232	232	216	-	216	(16)
Other Taxes	4,202	4,202	4,177	-	4,177	(25)
Taxes - Intergovernmental						
State Shared Sales	26,267	26,267	26,395	-	26,395	128
State Revenue Sharing	33,083	33,083	33,015	-	33,015	(68)
Auto Lieu Tax	11,413	11,413	10,838	-	10,838	(575)
Business and Liquor Licenses	1,785	1,785	1,814	-	1,814	29
Charges for Current Services						
Building and Related Permits	15,834	15,834	18,518	-	18,518	2,684
Recreation Fees	4,597	4,597	3,184	-	3,184	(1,413)
WestWorld Equestrian Facility Fees	5,015	5,015	4,385	-	4,385	(630)
Fire Fees	1,603	1,603	1,892	-	1,892	289
Fines, Fees, and Forfeitures						
Court	4,382	4,382	3,535	-	3,535	(847)
Parking	260	260	257	-	257	(3)
Photo Radar	2,415	2,415	2,683	-	2,683	268
Library	447	447	313	-	313	(134)
Property Rental	3,433	3,433	2,808	(258)	2,550	(625)
Interest Earnings	5,007	5,007	5,783	-	5,783	776
Net Increase in the Fair Value of Investments	-	-	-	6,017	6,017	-
Intergovernmental						
Miscellaneous	4,254	4,254	4,395	-	4,395	141
Contributions and Donations	-	-	1	-	1	1
Reimbursements from Outside Sources	1,242	1,242	1,806	-	1,806	564
Indirect Costs	7,255	7,269	7,183	-	7,183	(86)
Other	414	414	678	-	678	264
Total Revenues	\$ 315,302	\$ 315,316	\$ 314,491	\$ 5,759	\$ 320,250	\$ (825)

(continued)

General Fund

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

For the Fiscal Year Ended June 30, 2020 (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				
Current						
General Government						
Mayor and City Council	\$ 775	\$ 792	\$ 766	\$ 4	\$ 770	\$ 26
City Clerk	828	1,135	1,159	4	1,163	(24)
City Attorney	7,087	7,564	6,951	(125)	6,826	613
City Auditor	1,033	1,112	1,044	5	1,049	68
City Court	5,071	5,070	4,902	11	4,913	168
City Manager	3,980	4,015	3,945	16	3,961	70
City Treasurer	9,982	10,071	9,491	45	9,536	580
Public Works	20,888	20,482	20,311	18	20,329	171
Community and Economic Development	21,450	20,994	20,418	48	20,466	576
Public Safety	153,156	137,585	136,728	106	136,834	857
Community Services	42,449	42,854	39,914	42	39,956	2,940
Administrative Services	19,631	15,209	14,673	54	14,727	536
Debt Service						
Principal	2,647	2,647	3,220	-	3,220	(573)
Interest and Fiscal Charges	261	261	331	-	331	(70)
Total Expenditures	<u>289,238</u>	<u>269,791</u>	<u>263,853</u>	<u>228</u>	<u>264,081</u>	<u>5,938</u>
Excess of Revenues over Expenditures	<u>26,064</u>	<u>45,525</u>	<u>50,638</u>	<u>5,531</u>	<u>56,169</u>	<u>5,113</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	10,593	10,593	11,347	-	11,347	754
Transfers Out	(27,599)	(27,599)	(29,390)	-	(29,390)	(1,791)
Financing of Leases	-	-	1,025	-	1,025	1,025
Sale of General Capital Assets	303	303	149	-	149	(154)
Total Other Financing Sources (Uses)	<u>(16,703)</u>	<u>(16,703)</u>	<u>(16,869)</u>	<u>-</u>	<u>(16,869)</u>	<u>(166)</u>
Net Change in Fund Balances	<u>\$ 9,361</u>	<u>\$ 28,822</u>	<u>\$ 33,769</u>	<u>\$ 5,531</u>	<u>\$ 39,300</u>	<u>\$ 4,947</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, 2020 (in thousands)

Explanation of Differences:

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

Amortized Lease Revenues	\$	(258)
Net Increase in the Fair Value of Investments		6,017
Total Revenue Adjustments	\$	<u>5,759</u>

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

Payroll Accrual and Compensated Absences		<u>228</u>
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Net Increase in Fund Balance - Budget to GAAP	\$	<u><u>5,531</u></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, 2020 (in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Assets					
Current Assets					
Cash and Investments	\$ 220,223	\$ 6,933	\$ 6,908	\$ 234,064	\$ 57,066
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	15	-	15	-
Charges for Services	18,178	-	2,378	20,556	-
Intergovernmental	-	94	-	94	-
Leases	-	812	-	812	-
Interest	884	30	46	960	-
Miscellaneous	2,290	397	-	2,687	347
Supplies Inventory	-	-	-	-	1,187
Restricted Cash, Cash Equivalents, and Investments					
Cash with Fiscal Agent	26,517	1,268	-	27,785	-
Customer Advances and Deposits	1,003	105	-	1,108	-
Prepaid Items	1,291	-	-	1,291	-
Other Restricted Items					
Joint Venture Construction Deposits	5,103	-	-	5,103	-
Total Current Assets	275,489	9,654	9,332	294,475	58,600
Noncurrent Assets					
Long-Term Receivables	1,892	24,074	-	25,966	-
Equity in Joint Ventures	85,222	5	52	85,279	2
Pollution Remediation Recoveries	49,836	-	-	49,836	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	3,156	-	-	3,156	-
Advanced Lease Payments	-	1,167	-	1,167	-
Water and Sewer System Replacement	42,933	-	-	42,933	-
Revenue Bond Reserve	4,692	-	-	4,692	-
Capital Assets					
Land	39,861	9,564	1,111	50,536	-
Water Rights	87,171	-	-	87,171	-
Water System	1,350,524	-	-	1,350,524	-
Sewer System	660,691	-	-	660,691	-
Buildings and Improvements	-	66,588	6,589	73,177	14,765
Motor Vehicles	-	1,151	-	1,151	93,155
Machinery and Equipment	7,127	813	742	8,682	5,571
Furniture and Fixtures	1,264	216	95	1,575	-
Construction in Progress	27,465	2,716	205	30,386	1,174
Less Accumulated Depreciation	(840,398)	(13,052)	(3,792)	(857,242)	(52,171)
Total Capital Assets (net of accumulated depreciation)	1,333,705	67,996	4,950	1,406,651	62,494
Total Noncurrent Assets	1,521,436	93,242	5,002	1,619,680	62,496
Total Assets	1,796,925	102,896	14,334	1,914,155	121,096
Deferred Outflows of Resources					
Deferred Amounts on Refundings	7,932	-	-	7,932	-
Pension-Related Amounts	2,509	155	760	3,424	546
Total Deferred Outflows of Resources	\$ 10,441	\$ 155	\$ 760	\$ 11,356	\$ 546

(continued)

Statement of Fund Net Position

Proprietary Funds

June 30, 2020 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Current Liabilities					
Accounts Payable	\$ 14,842	\$ 684	\$ 506	\$ 16,032	\$ 3,505
Accrued Payroll and Benefits	644	40	209	893	133
Accrued Compensated Absences - Current	-	-	-	-	1
Accrued Compensated Absences - Due within one year	1,299	104	343	1,746	265
Customer Advances and Deposits	1,003	105	-	1,108	-
Interest Payable	6,629	453	-	7,082	-
Matured Bonds and Other Payables	19,888	815	-	20,703	-
Bonds Payable and Other Payables - Due within one year	20,918	855	-	21,773	7,864
Other Liabilities	-	-	-	-	4
Total Current Liabilities	<u>65,223</u>	<u>3,056</u>	<u>1,058</u>	<u>69,337</u>	<u>11,772</u>
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,589	156	424	2,169	276
Advanced Construction Payments	3,156	-	-	3,156	-
Advanced Lease Payments	-	1,167	-	1,167	-
Net Pension Liabilities	22,638	1,411	7,140	31,189	5,101
Bonds, Loans, and Other Payables - Due in more than one year	268,775	21,852	-	290,627	14,108
Pollution Remediation Obligation	49,836	-	-	49,836	-
Total Noncurrent Liabilities	<u>345,994</u>	<u>24,586</u>	<u>7,564</u>	<u>378,144</u>	<u>19,485</u>
Total Liabilities	<u>411,217</u>	<u>27,642</u>	<u>8,622</u>	<u>447,481</u>	<u>31,257</u>
Deferred Inflows of Resources					
Pension-Related Amounts	1,565	98	493	2,156	353
Leases	-	24,394	-	24,394	-
Total Deferred Inflows of Resources	<u>1,565</u>	<u>24,492</u>	<u>493</u>	<u>26,550</u>	<u>353</u>
NET POSITION					
Net Investment in Capital Assets	1,051,944	45,289	4,950	1,102,183	62,494
Restricted for Water and Sewer System Replacement	42,933	-	-	42,933	-
Restricted for Debt Service	4,692	-	-	4,692	-
Restricted for Joint Venture Construction Deposits	5,103	-	-	5,103	-
Unrestricted	289,912	5,628	1,029	296,569	27,538
Total Net Position	<u>\$ 1,394,584</u>	<u>\$ 50,917</u>	<u>\$ 5,979</u>	<u>\$ 1,451,480</u>	<u>\$ 90,032</u>

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

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

June 30, 2020 (in thousands)

Total Enterprise Fund Net Position	\$ 1,451,480
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Amounts reported for business-type activities in the government-wide statement of net position are different because:

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

5,219

Net Position of Business-type Activities	<u>\$ 1,456,699</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, 2020 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Charges for Sales and Services					
Water Service Fees	\$ 105,652	\$ -	\$ -	\$ 105,652	\$ -
Sewer Service Fees	41,351	-	-	41,351	-
Proprietary - Non-potable water fees	13,775	-	-	13,775	-
Solid Waste Fees	-	-	22,650	22,650	-
Airport Fees	-	5,834	-	5,834	-
Other Services	-	-	-	-	69,750
Other	2,614	17	-	2,631	-
Total Operating Revenues	<u>163,392</u>	<u>5,851</u>	<u>22,650</u>	<u>191,893</u>	<u>69,750</u>
OPERATING EXPENSES					
Costs for Sales and Services					
Water Operations	58,723	-	-	58,723	-
Sewer Operations	34,441	-	-	34,441	-
Solid Waste Operations	-	-	21,883	21,883	-
Airport Operations	-	2,629	-	2,629	-
Other Services	-	-	-	-	55,447
Indirect Costs	5,385	561	1,669	7,615	-
Depreciation	53,239	2,662	313	56,214	9,155
Total Operating Expenses	<u>151,788</u>	<u>5,852</u>	<u>23,865</u>	<u>181,505</u>	<u>64,602</u>
Operating Income (Loss)	<u>11,604</u>	<u>(1)</u>	<u>(1,215)</u>	<u>10,388</u>	<u>5,148</u>
NON-OPERATING REVENUES (EXPENSES)					
Transaction Privilege Tax	-	128	-	128	-
Property Tax	-	-	-	-	252
Investment Income	10,347	341	263	10,951	-
Interest Expense	(11,713)	(824)	-	(12,537)	-
Gain (Loss) on Sale of Capital Assets	(39)	(109)	-	(148)	463
Net Non-Operating Revenue (Expenses)	<u>(1,405)</u>	<u>(464)</u>	<u>263</u>	<u>(1,606)</u>	<u>715</u>
Income(Loss) Before Contributions and Transfers	<u>10,199</u>	<u>(465)</u>	<u>(952)</u>	<u>8,782</u>	<u>5,863</u>
Capital Contributions	25,974	657	-	26,631	310
Transfers In	-	-	-	-	87
Transfers Out	<u>(8,432)</u>	<u>-</u>	<u>-</u>	<u>(8,432)</u>	<u>(254)</u>
Change in Net Position	27,741	192	(952)	26,981	6,006
Total Net Position - Beginning	1,366,843	50,725	6,931	1,424,499	84,026
Total Net Position - Ending	<u>\$ 1,394,584</u>	<u>\$ 50,917</u>	<u>\$ 5,979</u>	<u>\$ 1,451,480</u>	<u>\$ 90,032</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, 2020 (in thousands)

Net Change in Total Enterprise Fund Net Position \$ 26,981

Amounts reported for business-type activities in the government-wide statement of net position are different because:

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

1,162

Change in Net Position of Business-type Activities

\$ 28,143

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, 2020 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 160,130	\$ 5,272	\$ 22,721	\$ 188,123	\$ 67,467
Cash Payments to Suppliers for Goods/Services	(62,845)	(1,752)	(15,339)	(79,936)	(10,014)
Cash Payments to Employees for Services	(25,461)	(1,411)	(7,899)	(34,771)	(46,777)
Other Cash Receipts	2,589	17	-	2,606	2,202
Net Cash Provided by (Used for) Operating Activities	<u>74,413</u>	<u>2,126</u>	<u>(517)</u>	<u>76,022</u>	<u>12,878</u>
Cash Flows from Non-Capital Financing Activities					
Property Tax	-	-	-	-	252
Transaction Privilege Tax	-	128	-	128	-
Transfers In	-	-	-	-	87
Transfers Out	(8,432)	-	-	(8,432)	(254)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(8,432)</u>	<u>128</u>	<u>-</u>	<u>(8,304)</u>	<u>85</u>
Cash Flows from Capital and Related Financing Activities					
Capital Contributions from:					
Water and Sewer Development Fees	7,936	-	-	7,936	-
Capital Grants	-	1,545	-	1,545	-
Acquisition and Construction of Property and Equipment	(40,810)	(3,440)	(606)	(44,856)	(10,659)
Water and Sewer Development Fee Credit Agreements	(159)	-	-	(159)	-
Principal Payments on Capital Debt and Other Payables	(18,818)	(775)	-	(19,593)	-
Interest Paid on Capital Debt	(13,733)	(926)	-	(14,659)	-
Investment in Joint Venture	(917)	-	-	(917)	-
Sale of Capital Assets	-	-	-	-	833
Net Cash Used for Capital and Related Financing Activities	<u>(66,501)</u>	<u>(3,596)</u>	<u>(606)</u>	<u>(70,703)</u>	<u>(9,826)</u>
Cash Flows from Investing Activities					
Income Received on Investments	10,644	350	271	11,265	-
Net Cash Provided by Investing Activities	<u>10,644</u>	<u>350</u>	<u>271</u>	<u>11,265</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,124	(992)	(852)	8,280	3,137
Cash and Cash Equivalents at Beginning of Year	288,400	10,465	7,760	306,625	53,929
Cash and Cash Equivalents at End of Year	<u>\$ 298,524</u>	<u>\$ 9,473</u>	<u>\$ 6,908</u>	<u>\$ 314,905</u>	<u>\$ 57,066</u>

(continued)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	<u>Water and Sewer Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Cash and Cash Equivalents at End of Year includes:					
Cash and Investments	\$ 220,223	\$ 6,933	\$ 6,908	\$ 234,064	\$ 57,066
Cash with Fiscal Agent	26,517	1,268	-	27,785	-
Restricted Cash and Investments	51,784	1,272	-	53,056	-
Total Cash and Cash Equivalents	<u>\$ 298,524</u>	<u>\$ 9,473</u>	<u>\$ 6,908</u>	<u>\$ 314,905</u>	<u>\$ 57,066</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities					
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ 11,604	\$ (1)	\$ (1,215)	\$ 10,388	\$ 5,148
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Depreciation/Amortization	53,239	2,662	313	56,214	9,155
Current Year Pension Contributions	(2,004)	(124)	(600)	(2,728)	(433)
Change in Equity in Joint Ventures	9,130	-	(1)	9,129	-
Change in Accounts Receivable	(873)	15	71	(787)	(91)
Change in Lease Receivable	-	(24,886)	-	(24,886)	-
Change in Miscellaneous Receivable	85	-	-	85	-
Change in Inventories	-	-	-	-	(328)
Change in Intergovernmental Payable	-	-	-	-	(1)
Change in Prepaid Expense	920	-	-	920	-
Change in Customer Deposits	140	15	-	155	-
Change in Accounts Payable	(293)	(74)	86	(281)	(784)
Change in Unearned Revenue	-	-	-	-	(35)
Change in Accrued Payroll and Compensated Absences	342	45	(61)	326	52
Change in Claims Payable	-	-	-	-	(474)
Change in Advanced Payments	(25)	(100)	-	(125)	-
Change in Net Pension Liability	958	103	498	1,559	388
Change in Deferred Inflows of Resources Leases	-	24,394	-	24,394	-
Change in Deferred Outflows of Resources Related to Pensions	2,501	152	779	3,432	555
Change in Deferred Inflows of Resources Related to Pensions	(1,311)	(75)	(387)	(1,773)	(272)
Change in Other Liabilities	-	-	-	-	(2)
Total Adjustments	<u>62,809</u>	<u>2,127</u>	<u>698</u>	<u>65,634</u>	<u>7,730</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 74,413</u>	<u>\$ 2,126</u>	<u>\$ (517)</u>	<u>\$ 76,022</u>	<u>\$ 12,878</u>
Supplemental Disclosure of Non-Cash Financing Activities					
Contributions of Capital Assets from Developers	\$ 18,197	\$ -	\$ -	\$ 18,197	\$ -
Change in Equity in Joint Venture	(8,014)	-	-	(8,014)	-
Contributions of Capital Assets from Other Funds	-	-	-	-	310
Retirement of Assets	(39)	(109)	-	(148)	(26)
Total Non-Cash Financing Activities	<u>\$ 10,144</u>	<u>\$ (109)</u>	<u>\$ -</u>	<u>\$ 10,035</u>	<u>\$ 284</u>

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

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020 (in thousands)

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 69
Total Assets	\$ 69
LIABILITIES	
Escrow Payable Vouchers	\$ 69
Total Liabilities	\$ 69

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

B. Government-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental funds, 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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. This fund also represents other City Council approved capital programs including committing funds for tourism related capital projects as well as activity for the capital in-lieu parking and in-lieu stormwater.

The 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 fund is used to record the Family Self-Sufficiency activity and the AZ Public Service Raintree Underground Utility Improvement District activity.

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

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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including water, sewer, airport, solid waste, vehicle purchase/maintenance 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 money market mutual funds, demand deposits, certificates of deposit, repurchase agreements, commercial paper, and U.S. Treasury bills with an original maturity of three months or less to be cash equivalents. For the purposes of the statements of cash flows, all pooled cash and investments are considered to be cash equivalents. Maturities in excess of three months when purchased may be deposited or withdrawn by the proprietary funds at any time without prior notice or penalty, therefore having the characteristics of demand deposits.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The City has elected to report all investments at fair value. The City's policy is to invest in certificates of deposit; repurchase agreements; highly rated commercial paper; money market mutual funds; highly rated corporate bonds/notes/asset-backed securities; obligations of the United States Government, or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities; obligations issued by this state or any political subdivision thereof, or obligations issued by any other municipality and payable from an identified revenue source; or the pooled investment funds established 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."

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

3. Inventories, Prepayments, and Prepaid Items

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

Prepayments of the governmental funds, which are prepared using the modified accrual basis of accounting, are recorded under the 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 bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

5. Capital Assets

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

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

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

The excess purchase price over fair value of assets acquired in the Water and Sewer Utility Enterprise Fund is amortized on the straight-line method over 20 to 60 years.

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

6. Pensions

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 2020. 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, 2020, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2020, that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. There is no long-term liability for compensated absences in the governmental funds.

8. Long-term Obligations

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

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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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 three items that qualify for this category: deferred amounts on refundings, pension-related amounts, and other postemployment benefits (OPEB)-related amounts.

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

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

In addition to liabilities, the government-wide and fund financial statements include a section for deferred inflows of resources. This represents an acquisition of fund balance or net 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 four items that qualify for this category: unavailable revenue, pension-related amounts, OPEB-related amounts, and lease-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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

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

12. Net Position

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

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

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

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

13. Use of Estimates

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

E. Implementation of New Accounting Principles

1. Governmental Accounting Standards Board Statement No. 84

The City adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments to include whether the government is controlling the assets of the fiduciary activity, and the beneficiaries with whom a fiduciary relationship exists.

2. Governmental Accounting Standards Board Statement No. 87

The City adopted the provisions of GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

3. Governmental Accounting Standards Board Statement No. 90

The City adopted the provisions of GASB Statement No. 90, *Majority Equity Interests*. The statement improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This pronouncement did not impact the preparation of these financial statements.

4. Governmental Accounting Standards Board Statement No. 95

The City adopted the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This pronouncement did not impact the preparation of these financial statements.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

F. Prior Period Adjustment

1. Change in Accounting Principle

Net position as of July 1, 2019, has been restated as follows for the implementation of GASB Statement No. 87, *Leases*. The table below reflects the restatement amounts on the government-wide statement of net position (in thousands):

	Government-wide Statement of Net Position Governmental Activities
Net position at June 30, 2019, as previously reported	\$ 3,790,212
Prior period adjustment - implementation of GASB 87	<u>6</u>
Net position at July 1, 2019, as restated	<u><u>\$ 3,790,218</u></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, \$327,949,000, differ from the net position of governmental activities, \$3,918,171,000 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

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

	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassifications and Eliminations ⁽³⁾	Statement of Net Position Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and Investments	\$ 340,939	\$ -	\$ 57,066	\$ -	\$ 398,005
Cash with Fiscal Agent	87,034	-	-	-	87,034
Receivables (net of allowance for uncollectibles)					
Interest	1,291	-	-	-	1,291
Privilege Tax	21,302	-	-	-	21,302
Transient Occupancy Tax	881	-	-	-	881
Property Tax	2,330	-	-	-	2,330
State Shared Sales Tax	1,411	-	-	-	1,411
Franchise Fee	2,927	-	-	-	2,927
Court	10,764	-	-	-	10,764
Library	154	-	-	-	154
Highway User Tax	1,302	-	-	-	1,302
Auto Lieu Tax	519	-	-	-	519
Intergovernmental	18,336	-	-	-	18,336
Grants	3,654	-	-	-	3,654
Leases	27,976	-	-	-	27,976
Miscellaneous	12,001	-	347	-	12,348
Due from Other Funds	433	-	-	(433)	-
Supplies Inventory	278	-	1,187	-	1,465
Capital Assets (net of accumulated depreciation)	-	4,360,893	62,494	-	4,423,387
Equity in Joint Venture	-	1,669	2	-	1,671
Lease Assets (net of accumulated amortization)	-	2,295	-	-	2,295
Prepayments	-	25,664	-	-	25,664
Service Concession Arrangements	-	55,421	-	-	55,421
Total Assets	<u>533,532</u>	<u>4,445,942</u>	<u>121,096</u>	<u>(433)</u>	<u>5,100,137</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	-	21,277	-	-	21,277
Pension-Related Amounts	-	70,027	546	-	70,573
OPEB-Related Amounts	-	347	-	-	347
Total Deferred Outflows of Resources	<u>-</u>	<u>91,651</u>	<u>546</u>	<u>-</u>	<u>92,197</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 533,532</u>	<u>\$ 4,537,593</u>	<u>\$ 121,642</u>	<u>\$ (433)</u>	<u>\$ 5,192,334</u>

(continued)

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

(in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassifications and Eliminations ⁽³⁾	Statement of Net Position Total
Liabilities					
Accounts Payable	\$ 18,327	\$ -	\$ 3,505	\$ -	\$ 21,832
Accrued Payroll and Benefits	6,538	(49)	133	-	6,622
Due to Other Funds	433	-	5,219	(433)	5,219
Accrued Compensated Absences - Current	-	49	1	-	50
Accrued Compensated Absences - Due within one year	-	12,563	265	-	12,828
Accrued Compensated Absences - Due in more than one year	-	14,842	276	-	15,118
Matured Bond Interest Payable	13,937	-	-	-	13,937
Matured Bonds Payable	67,829	-	-	-	67,829
Unearned Revenue					
Intergovernmental	21,084	-	-	-	21,084
Other	1,895	-	-	-	1,895
Due to Other Governments	4,842	-	-	-	4,842
Guaranty and Other Deposits	2,591	-	-	-	2,591
Other	3,454	-	4	-	3,458
Bonds, Loans, Capital Leases, and Other Payables	-	1,025,554	27,073	-	1,052,627
Total Liabilities	<u>140,930</u>	<u>1,052,959</u>	<u>36,476</u>	<u>(433)</u>	<u>1,229,932</u>
Deferred Inflows of Resources					
Unavailable Revenue	35,998	(35,998)	-	-	-
Leases	28,655	-	-	-	28,655
Pension-Related Amounts	-	14,566	353	-	14,919
OPEB-Related Amounts	-	657	-	-	657
Total Deferred Inflows of Resources	<u>64,653</u>	<u>(20,775)</u>	<u>353</u>	<u>-</u>	<u>44,231</u>
Total Liabilities and Deferred Inflows of Resources	<u>205,583</u>	<u>1,032,184</u>	<u>36,829</u>	<u>(433)</u>	<u>1,274,163</u>
Fund Balances/Net Position					
Total Fund Balances/Net Position	<u>327,949</u>	<u>3,505,409</u>	<u>84,813</u>	<u>-</u>	<u>3,918,171</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	<u>\$ 533,532</u>	<u>\$ 4,537,593</u>	<u>\$ 121,642</u>	<u>\$ (433)</u>	<u>\$ 5,192,334</u>

(continued)

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

(in thousands)

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

Cost of capital assets	\$ 5,982,521
Accumulated depreciation	<u>(1,621,628)</u>
	<u>\$ 4,360,893</u>

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

\$ 1,669

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) and leases. These assets are capitalized and amortized over the life of the corresponding agreement.

Prepayments at 7/1/19	\$ 26,632
Amortization of prepayments	<u>(968)</u>
	<u>\$ 25,664</u>

SCAs at 7/1/19	\$ 59,731
Land improvements additions for SCAs	70
Amortization of SCAs	<u>(4,380)</u>
	<u>\$ 55,421</u>

Leases at 7/1/19	\$ 1,932
Leases for fiscal year 2020	1,025
Amortization of leases	<u>(662)</u>
	<u>\$ 2,295</u>

Deferred outflows of resources 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 refundings result from the difference between the carrying value of refunded debt and its reacquisition price. The pension and OPEB-related amounts result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and contributions made to the pension plan by the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period.

Deferred amounts on refundings	\$ 21,277
Pension-related amounts	70,027
OPEB-related amounts	<u>347</u>
	<u>\$ 91,651</u>

(continued)

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

(in thousands)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2020, were:

Lease liabilities	\$ (2,373)
Bonds/certificate of participation payable	(649,597)
Service concession arrangements	(2,068)
Issuance premium	(53,610)
Accrued vacation and sick leave pay	(27,405)
Total OPEB liability	(2,177)
Net pension liabilities	(315,729)
	<u>\$ (1,052,959)</u>

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

Unavailable library revenue	\$ 151
Unavailable court revenue	3,807
Unavailable property tax revenue	1,579
Unavailable privilege tax revenue	5,342
Unavailable transient occupancy tax revenue	167
Unavailable intergovernmental revenue	19,791
Unavailable other revenue	5,161
	<u>\$ 35,998</u>

Deferred inflows of resources 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 of resources related to pensions and OPEB may result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions.

Pension-related amounts	\$ (14,566)
OPEB-related amounts	(657)
	<u>\$ (15,223)</u>

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

\$ 84,813

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

Reduction of amount due from other governmental fund	\$ (433)
Reduction of amount due to other governmental fund	<u>\$ 433</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, \$67,061,000, differs from the change in net position for the governmental activities, \$127,953,000, 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 ⁽⁴⁾	Capital Related Items ⁽⁵⁾	Internal Service Funds ⁽⁶⁾	Reclassifications and Eliminations ⁽⁷⁾	Long-Term Debt Transactions ⁽⁸⁾	Statement of Activities
REVENUES							
Taxes - Local							
Property	\$ 67,911	\$ 428	\$ -	\$ 252	\$ -	\$ -	\$ 68,591
Transaction Privilege	212,370	3,941	-	-	-	-	216,311
Transient Occupancy	18,793	167	-	-	-	-	18,960
Light and Power Franchise	8,231	-	-	-	-	-	8,231
Cable TV Franchise	5,445	(1,060)	-	-	-	-	4,385
Salt River Project In-Lieu	216	-	-	-	-	-	216
Other Taxes	4,177	17	-	-	-	-	4,194
Taxes - Intergovernmental							
State Shared Sales	26,395	-	-	-	-	-	26,395
State Revenue Sharing	33,015	-	-	-	-	-	33,015
Auto Lieu Tax	10,838	-	-	-	-	-	10,838
Highway User Tax	16,870	-	-	-	-	-	16,870
Local Transportation Assistance Fund	642	-	-	-	-	-	642
Business and Liquor Licenses	1,869	(75)	-	-	-	-	1,794
Charges for Current Services							
Building and Related Permits	18,579	3,551	-	-	(28)	-	22,102
Recreation Fees	5,153	1	-	-	-	-	5,154
WestWorld Equestrian Facility Fees	4,385	101	-	-	-	-	4,486
Fire Fees	1,892	110	-	-	-	-	2,002
Fines, Fees, and Forfeitures							
Court	3,675	(86)	-	-	-	-	3,589
Parking	257	(13)	-	-	-	-	244
Photo Radar	2,683	37	-	-	-	-	2,720
Court Enhancement	1,786	-	-	-	-	-	1,786
Library	313	(45)	-	-	-	-	268
Police	117	-	-	-	-	-	117
Property Rental	4,031	270	-	-	-	-	4,301
Interest Earnings	8,595	-	-	-	-	-	8,595
Net Increase in Fair Value of Investments	6,010	-	-	-	-	-	6,010
Intergovernmental							
Federal Grants	27,441	1,075	-	-	-	-	28,516
State Grants	258	898	-	-	-	-	1,156
Miscellaneous	20,151	(13,259)	-	-	-	-	6,892
Developer Contributions	1,128	(237)	-	-	-	-	891
Streetlight and Services Districts	617	-	-	-	-	-	617
Contributions and Donations	9,069	-	-	-	-	-	9,069
Reimbursements from Outside Sources	2,193	1	-	-	-	-	2,194
Indirect Costs	7,614	-	-	-	-	-	7,614
Other	737	23	-	-	(7)	-	753
Total Revenues	\$ 533,456	\$ (4,155)	\$ -	\$ 252	\$ (35)	\$ -	\$ 529,518

(continued)

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

(in thousands)

<u>EXPENDITURES/EXPENSES</u>	<u>Total Governmental Funds</u>	<u>Long-Term Revenue/ Expenses⁽⁴⁾</u>	<u>Capital Related Items⁽⁵⁾</u>	<u>Internal Service Funds⁽⁶⁾</u>	<u>Reclassifications and Eliminations⁽⁷⁾</u>	<u>Long-Term Debt Transactions⁽⁸⁾</u>	<u>Statement of Activities</u>
Current							
General Government							
Mayor and City Council	\$ 782	\$ 5	\$ -	\$ (17)	\$ -	\$ -	\$ 770
City Clerk	1,163	16	2	(10)	-	-	1,171
City Attorney	6,826	(41)	17	(71)	-	-	6,731
City Auditor	1,049	5	-	(9)	-	-	1,045
City Court	5,970	77	72	(72)	-	-	6,047
City Manager	4,531	131	17	(32)	-	-	4,647
City Treasurer	9,714	93	57	(113)	(7)	81	9,825
Public Works	44,382	(31)	55,226	(494)	(25)	160	99,218
Community and Economic Development	34,431	4,475	3,254	(193)	(28)	7	41,946
Public Safety	157,557	12,535	5,606	(2,294)	(60)	8	173,352
Community Services	52,924	730	10,881	(540)	-	252	64,247
Administrative Services	14,727	350	4,439	(141)	-	-	19,375
Streetlight and Services Districts	555	-	-	-	-	-	555
Debt Service							
Principal	70,076	-	-	-	-	(70,076)	-
Interest and Fiscal Charges	27,854	-	-	-	-	(3,926)	23,928
Payment to Refunded Bonds Escrow Agent	6,983	-	-	-	-	(6,983)	-
Bond Issuance Costs	508	-	-	-	-	(508)	-
Capital Outlay	80,009	-	(80,009)	-	-	-	-
Total Expenditures/Expenses	<u>\$ 520,041</u>	<u>\$ 18,345</u>	<u>\$ (438)</u>	<u>\$ (3,986)</u>	<u>\$ (120)</u>	<u>\$ (80,985)</u>	<u>\$ 452,857</u>
OTHER FINANCING SOURCES (USES) / CHANGES IN NET POSITION							
Net Transfers from Other Funds	\$ 8,599	\$ -	\$ -	\$ (167)	\$ -	\$ -	\$ 8,432
Capital Contributions	-	-	42,073	310	(85)	-	42,298
Financing of Leases	1,025	-	-	-	-	(1,025)	-
Sale of Capital Assets	149	(16)	-	463	-	-	596
Issuance of Refunding Bonds	2,563	-	-	-	-	(2,563)	-
Issuance of Long-Term Capital-Related Debt	42,550	-	-	-	-	(42,550)	-
Premium on Long-Term Debt Issued	1,323	-	-	-	-	(1,323)	-
Loss on In-Substance Defeasance of Debt	-	-	-	-	-	(34)	(34)
Payment to Refunded Bonds Escrow Agent	(2,563)	-	-	-	-	2,563	-
Total	<u>53,646</u>	<u>(16)</u>	<u>42,073</u>	<u>606</u>	<u>(85)</u>	<u>(44,932)</u>	<u>51,292</u>
Net Change for the Year	<u>\$ 67,061</u>	<u>\$ (22,516)</u>	<u>\$ 42,511</u>	<u>\$ 4,844</u>	<u>\$ -</u>	<u>\$ 36,053</u>	<u>\$ 127,953</u>

(continued)

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

(in thousands)

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

Taxes-Local	\$	3,493
Charges for Services/Licenses		3,688
Fines, Fees, and Forfeitures		(107)
Intergovernmental		(9,311)
Other		41
	<u>\$</u>	<u>(2,196)</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	\$	(968)
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Some expenses reported in the statement of activities do not require the use of current financial resources, and are therefore not reported as expenditures in governmental funds.

Accrual for long-term compensated absences	\$	(1,577)
OPEB expense		(273)
Pension expense		(44,674)
Change in equity interest for joint venture		(176)
Amortization of service concession arrangements (SCAs)		(4,380)
Amortization of leased assets		(662)
	<u>\$</u>	<u>(51,742)</u>

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

Current-year pension contributions	\$	33,007
Current-year OPEB contributions		145
	<u>\$</u>	<u>33,152</u>

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

	\$	188
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When leases in which the City is the lessee are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP); however, in the statement of activities, the PVFLP is recognized as an intangible asset and amortized over the lease term.

	\$	1,025
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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.

	\$	(1,975)
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(5) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	\$	80,009
Miscellaneous net capital expenditures		(1,620)
Depreciation expense		(77,539)
Loss on disposal of capital assets		(412)
	<u>\$</u>	<u>438</u>

(continued)

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

(in thousands)

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

Capital contributions	\$ 42,073
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(6) Internal service funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and fleet management to the individual funds. The adjustments for internal service funds adjust those funds by charging additional amounts to participating governmental activities and recording an amount due to/from the enterprise funds.

Change in net position	\$ 6,006
Internal payable to Enterprise Fund	(1,162)
	\$ 4,844

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

Reduction in revenues/capital contributions - Governmental Funds	\$ (120)
Reduction in expenditures/expenses - Governmental Funds	\$ 120

(8) Repayment of principal and defeasance of bond principal via refunding bonds is reported as an expenditure or other financing use, respectively, 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	\$ 70,076
Payment to refunded bond escrow - funded by refunding bonds	2,563
Payment to refunded bond escrow - funded by existing resources	6,983
	\$ 79,622

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

Amortization of deferred charges on refundings	\$ (2,880)
Interest accretion related to leases	(16)
Amortization of bond premiums and discounts	6,822
	\$ 3,926

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

Capital lease acquisitions	\$ (1,025)
Refunding bonds	(2,563)
Long-Term capital-related debt	(42,550)
Premium on bonds	(1,323)
	\$ (47,461)

Any difference between the reacquisition price and the net carrying amount of debt defeased in-substance by existing resources, together with any deferred outflows of resources or deferred inflows of resources from prior refundings, should be recognized as a separately identified gain or loss in the period of the in-substance defeasance.

	\$ (34)
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Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The City prepared an annual budget that covered fiscal year 2020. The fiscal year 2020 budget appropriation is established and reflected in the financial statements as follows:

The City prepares its budget on a basis generally consistent with GAAP, with such exceptions as eliminating the adjustments for fair value of investments, payroll accruals, interest associated with leases, amortized lease revenue, and accrued 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, Permanent 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 as well as Permanent Funds are established in accordance with the trust/agency agreements and endowment requirements, respectively.

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 the passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized beyond the limit for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2020, there were no supplemental budgetary appropriations to the original budget.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

B. Excess of Expenditures over Appropriations

The Preserve Privilege Tax Special Revenue Fund, the General Obligation Debt Service Fund, and the Municipal Property Corporation Debt Service Fund exceeded their expenditure appropriation by \$4,000, \$55,000, and \$98,000, respectively. The additional expenditures incurred were funded by available fund balances within the respective funds.

C. Deficit Fund Equity

The HOME Special Revenue Fund, Grants Special Revenue Fund, and the External Sources Capital Project Fund had deficit ending fund balances of \$176,000, \$2,436,000, and \$2,560,000, 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 pending reimbursements will be recognized as revenue when actually received.

The Preserve Privilege Tax Capital Projects Fund had a deficit ending fund balance of \$55,000 primarily due to timing differences of cash transfers for accruals.

D. Fund Balance Classifications

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

(in thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable					
Inventory	\$ 278	\$ -	\$ -	\$ -	\$ 278
Endowment Funds	-	-	-	555	555
Total Nonspendable	278	-	-	555	833
Restricted					
Property Tax for Debt Service	-	1,042	-	-	1,042
Transaction Privilege and Highway User Tax for Transportation Improvements	-	-	-	18,471	18,471
Federal Grants for the Community Development Block Grant Program	-	-	-	119	119
Federal Grants for Section 8 Housing	-	-	-	387	387
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	47,932	47,932
Property Tax for Community Facility Districts	-	-	-	517	517
Property Tax Levy for the Streetlight Improvement Districts	-	-	-	73	73
Contributions for Mayor/City Council Special Events and Programs	-	-	-	3	3
Court Fees for City Court Improvements to Facilities and Operations	-	-	-	2,217	2,217
Contributions for City Court Jury Program Refreshments	-	-	-	6	6
Franchise Capital Recovery Fees to Offset Relocation Expenses	-	-	-	59	59
APS Improvement District Fees for Underground Utility Upgrades	-	-	-	36	36
Contributions for Community and Economic Development	-	-	-	45	45
Disbursements from AZ State Crime Laboratory Assessment Fund for Crime Lab Services	-	-	-	112	112
Annual Payment from IGA with the SRP-MIC for Forensic Lab Services	-	-	-	344	344
Contributions for the Fire Department	-	-	-	2	2
Contributions for the Police Department	-	-	-	112	112
Fees for Police Officer Safety Equipment	-	-	-	257	257
Contributions for the Scottsdale Cares Program	-	-	-	163	163
Contributions for Human Services	-	-	-	12	12
Facility/Recreation Fees for Senior Center Special Programs	-	-	-	10	10
Contributions for Parks and Recreation	-	-	-	36	36
Contributions for the Libraries	-	-	-	14	14
Contributions for Stadium Operations	-	-	-	2,651	2,651
Stadium Surcharge for Debt Service	-	-	-	2,372	2,372
Basin Management Property Rental Revenue for Capital Improvements	-	-	43	-	43
GO Bond Proceeds for Capital Improvements	-	-	-	2,776	2,776
Transaction Privilege Tax for Transportation Capital Improvements	-	-	-	46,932	46,932
MPC Bond Proceeds for Capital Improvements	-	-	-	4,094	4,094
External Contributions for Capital Improvements	-	-	-	2,545	2,545
Endowment Funds	-	-	-	42	42
Total Restricted	-	1,042	43	132,339	133,424
Committed					
General Fund Contribution for Capital Improvements	-	-	36,010	-	36,010
McCormick Railroad Park Improvements	-	-	32	-	32
In Lieu Parking Fees for Parking Projects	-	-	325	-	325
In-Lieu Stormwater Fees for Drainage Improvements	-	-	518	-	518
Tourism Development Capital Projects	-	-	4,937	-	4,937
Court Capital Improvement Enhancement Projects	-	-	88	-	88
Risk Management Capital Improvement Contribution	-	-	52	-	52
Stormwater Utility Fee for Capital Improvements	-	-	5,108	-	5,108
Downtown Fees for Capital Improvements	-	-	149	-	149
Downtown Special Capital Improvements	-	-	20	-	20
Court Enhancement Fees for Upgrades to Court Operations	-	-	-	7,024	7,024
Rent Fees for Loloma School Maintenance and Capital Improvements	-	-	-	249	249
Developer Contributions to the Downtown Cultural Trust for Public Works of Art	-	-	-	3,344	3,344
Developer Contributions to the Airpark Cultural Trust for Public Works of Art	-	-	-	311	311
Rent Fees for the Community Arts Trust to Support the Loloma School	-	-	-	210	210
Contributions for Historic Preservation and Rehabilitation of Buildings	-	-	-	459	459
License Fees for the Regulation of the Public Safety Pawn Shop Ordinance	-	-	-	233	233
Sponsorship Fees for Events at the Senior Centers	-	-	-	6	6
Sponsorship Fees for Parks and Recreation Programming	-	-	-	18	18
Golf Course Surcharge for Silverado Golf Course Improvements	-	-	-	746	746
Retail Sale Revenue for McCormick Stillman Railroad Park Operations	-	-	-	463	463
Transient Occupancy Tax for Tourism Development	-	-	-	4,711	4,711
Excise Tax for Debt Reserve	-	-	-	2,683	2,683
Contributions for Forensic Science Laboratory Equipment and Maintenance	-	-	-	7	7
Total Committed	-	-	47,239	20,464	67,703
Unassigned	136,390	-	-	(10,401)	125,989
Total Fund Balances	\$ 136,668	\$ 1,042	\$ 47,282	\$ 142,957	\$ 327,949

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The City Council has established a minimum fund balance policy of 10 percent of annual operating expenditures to be maintained in the General Fund and the Transportation Nonmajor Special Revenue Fund. Additionally, the City Council has adopted a financial policy to hold a minimum of \$5.0 million of excise tax reserve in the Debt Stabilization, Nonmajor Debt Service 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, 2020:

Net Position Restrictions (in thousands)

Water and Sewer

Restricted for System Replacement	\$	42,993
Restricted for Debt Service		4,692
Restricted for Joint Venture Construction Deposits		5,103
	<u>\$</u>	<u>52,788</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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. The City's endowment funds have investments held separately by a trustee.

City Charter, ordinance, and trust agreements authorize the City to invest in certificates of deposit; repurchase agreements; highly rated commercial paper issued by corporations organized and doing business in the United States; money market mutual funds; highly rated corporate bonds/notes/asset-backed securities denominated in U.S. dollars; obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities; bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts; bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district of any state that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal and interest on the obligations; bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district; and the pooled investment funds established by the Office of the Arizona State Treasurer.

Deposits

At June 30, 2020, the carrying amount of the City's deposits was \$28,349,722 and the bank balance was \$131,030,533. The \$102,680,811 difference represents outstanding checks, deposits in transit, timing differences in transfers between the depository and investment sweep accounts, and other reconciling items.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits are required to be fully collateralized per City Charter and City Code. As of June 30, 2020, \$52,872,572 of the City's deposits was exposed to custodial credit risk and was uninsured and collateralized by securities held by the pledging bank's trust department not in the City's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All deposits are required to be fully collateralized per City Charter and City Code. 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, 2020

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.

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	\$ 279,539	\$ 103,489	\$ 85,081	\$ 65,490	\$ 25,479
U.S. Government Agencies	192,838	15,768	82,694	61,909	32,467
U.S. Government Instrumentalities	29,171	29,171	-	-	-
Taxable State Bonds	3,076	-	-	3,076	-
Corporate Notes	73,004	12,964	30,710	25,443	3,887
Asset-Backed Securities	6,385	-	-	-	6,385
Negotiable Certificates of Deposit	50,493	29,131	5,044	16,318	-
Money Market Mutual Funds	136,556	136,556	-	-	-
Total Investments	\$ 771,062	\$ 327,079	\$ 203,529	\$ 172,236	\$ 68,218

Credit Risk

Generally, credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). The City's investment policy limits its corporate debt investments to a minimum "A" or better rating, at the time of purchase, from at least two NRSROs; its investments in negotiable certificates of deposit to the top three rating categories by Moody's Investors Service (Moody's), Standard and Poor's Corporation (S&P), or any other NRSRO; its investments in commercial paper to the top two ratings by a NRSRO and to those corporations organized and doing business in the United States; and its investments in money market mutual funds to those funds which are allowed by state law and registered under the Investment Company Act of 1940. The City's investments in the investment types referenced above at June 30, 2020, meet the aforementioned criteria. Presented below are the ratings, as determined by S&P unless otherwise noted, as of June 30, 2020, for each investment type (in thousands):

Investment Type	Total	A-1	A-1+	A-	A2	A	A+	AA-	AA	AA+	Aaa	AAAm	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 279,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,539
U.S. Government Agencies	192,838	-	-	-	-	-	-	-	-	192,838	-	-	-	-
U.S. Government Instrumentalities	29,171	-	-	-	-	-	-	-	-	-	-	-	29,171	-
Taxable State Bonds	3,076	-	-	-	-	-	-	-	-	3,076	-	-	-	-
Corporate Notes	73,004	-	-	12,939	2,046	14,264	17,471	11,588	8,994	5,702	-	-	-	-
Asset-Backed Securities	6,385	-	-	-	-	-	-	-	-	-	2,698	-	3,687	-
Negotiable Certificates of Deposit	50,493	23,285	5,846	-	-	5,043	7,433	8,886	-	-	-	-	-	-
Money Market Mutual Funds	136,556	-	-	-	-	-	-	-	-	-	-	136,556	-	-
Total Investments	\$ 771,062	\$ 23,285	\$ 5,846	\$ 12,939	\$ 2,046	\$ 19,307	\$ 24,904	\$ 20,474	\$ 8,994	\$ 201,616	\$ 2,698	\$ 136,556	\$ 32,858	\$ 279,539

Note: A-1 and A-1+ are S&P short-term credit ratings. AAAm is a S&P principal stability fund (i.e. money market fund) credit rating. Aaa and A2 are Moody's ratings.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Concentration of Credit Risk

The City investment guidelines place no limit on the amount that the City may invest in any one issuer of obligations of the United States Government, its agencies, and other instrumentalities; however, the overall percentage of callable securities is monitored. Supranational debt (i.e.: an instrumentality of the United States Government) of an issuer is limited to 3 percent of the aggregate portfolio and investment in this sector class cannot exceed 10 percent of the current total portfolio. Negotiable or brokered certificates of deposit have a per issuer limit of 5 percent of the aggregate portfolio and investment in this sector is limited to 30 percent of the current total portfolio. Commercial paper and corporate notes are limited to a combined 40 percent of the aggregate portfolio, with no more than 5 percent of the portfolio held in any one issuer or its affiliates or subsidiaries.

The following is a listing by issuer of the City's investments at June 30, 2020:

(dollars in thousands)

Issuer	Investment Type	Fair Value	Percent of Holdings
United States Treasury	U.S. Govt. Securities	\$ 279,539	44.05%
Federal Farm Credit Bank (FFCB)	U.S. Govt. Agencies	11,417	1.80%
Federal Home Loan Bank (FHLB)	U.S. Govt. Agencies	34,431	5.43%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Govt. Agencies	65,390	10.31%
Federal National Mortgage Association (FNMA)	U.S. Govt. Agencies	81,600	12.86%
African Development Bank	U.S. Govt. Instrumentalities	2,430	0.38%
Asian Development Bank	U.S. Govt. Instrumentalities	3,319	0.52%
Inter-American Development Bank	U.S. Govt. Instrumentalities	8,809	1.39%
International Bank of Reconstruction and Development	U.S. Govt. Instrumentalities	6,776	1.07%
International Finance Corporation	U.S. Govt. Instrumentalities	7,837	1.24%
Arizona State Transportation Board	Taxable State Bonds	3,076	0.48%
Adobe Inc.	Corporate Notes	3,897	0.61%
Amazon.com Inc.	Corporate Notes	7,662	1.21%
American Honda Finance	Corporate Notes	3,541	0.56%
Apple Inc.	Corporate Notes	5,701	0.90%
Bank of America Co.	Corporate Notes	4,742	0.75%
Bank of New York Mellon	Corporate Notes	5,599	0.88%
Burlington Northern Santa Fe	Corporate Notes	1,580	0.25%
Cisco Systems Inc.	Corporate Notes	5,972	0.94%
Mastercard Inc.	Corporate Notes	7,152	1.13%
Oracle Corp.	Corporate Notes	4,768	0.75%
Toyota Motor Corp.	Corporate Notes	3,887	0.61%
Truist Financial Corp.	Corporate Notes	1,750	0.28%
U.S. Bancorp	Corporate Notes	4,852	0.76%
Wal-Mart Stores Inc.	Corporate Notes	8,994	1.42%
Walt Disney Corp.	Corporate Notes	2,907	0.46%
Honda Auto Receivables	Asset-Backed Securities	2,699	0.43%
Toyota Motor Corp.	Asset-Backed Securities	3,686	0.58%
Bank of Montreal	Negotiable Certificates of Deposit	5,915	0.93%
Credit Agricole S.A.	Negotiable Certificates of Deposit	3,278	0.52%
DNB ASA	Negotiable Certificates of Deposit	3,659	0.58%
Mitsubishi UFJ Financial Group Inc.	Negotiable Certificates of Deposit	3,436	0.54%
Nordea Bank AB	Negotiable Certificates of Deposit	5,226	0.82%
Skandinaviska Enskilda Banken AB	Negotiable Certificates of Deposit	7,434	1.17%
Societe Generale	Negotiable Certificates of Deposit	5,043	0.79%
Sumitomo Mitsui Financial Group Inc	Negotiable Certificates of Deposit	3,878	0.61%
Swedbank AB	Negotiable Certificates of Deposit	6,778	1.07%
Westpac Banking Corp.	Negotiable Certificates of Deposit	5,846	0.92%
	Total Investments	\$ 634,506	100.00%

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Investments

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

Cash on Hand	\$	19
Carrying Amount of City Deposits		28,350
Investments		771,062
Endowments		582
Total Cash and Investments	\$	800,013

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, 2020:

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	\$ -	\$ 279,539	\$ -
U.S. Government Agencies	-	192,838	-
U.S. Government Instrumentalities	-	29,171	-
Taxable State Bonds	-	3,076	-
Corporate Notes	-	73,004	-
Asset-Backed Securities	-	6,385	-
Negotiable Certificates of Deposit	-	50,493	-
	\$ -	\$ 634,506	\$ -

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

U.S. Government Securities	Securities maturing within one year of issuance are evaluated by obtaining feeds from a number of live data sources including active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. Securities maturing over one year from issuance are evaluated by gathering information from market sources and integrating relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
U.S. Government Agencies	A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years; an Option Adjusted Spread (OAS) model is incorporated to adjusted spreads of issues that have early redemption features; and final spreads are added to a U.S Treasury curve. A special cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.
U.S. Government Instrumentalities	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
Taxable State Bonds	Multi-dimensional relational model or series of matrices utilizing standard inputs including MSRB reported trades and material event notices plus MMD benchmark yields.
Corporate Notes	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
Asset-Backed Securities	A single cash flow stream model is utilized.
Negotiable Certificates of Deposit	Multi-dimensional relational model and/or OAS.

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

Primary Government	
Cash and Investments	\$ 632,069
Cash with Fiscal Agent	114,819
Other Restricted Cash	53,056
Family Self-Sufficiency Agency Fund	<u>69</u>
Total Cash and Investments	<u><u>\$ 800,013</u></u>

Investment income is comprised of the following for the fiscal year ended June 30, 2020 (in thousands):

Net Interest	\$ 14,663
Net Increase in the Fair Value of Investments	<u>10,893</u>
Total Net Investment Income	<u><u>\$ 25,556</u></u>

The net increase in the fair value of investments for the fiscal year was \$10,892,636. 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, 2020

B. Endowments

The City is the sole beneficiary of four permanent endowment funds, held and managed by the Arizona Community Foundation (Foundation). The endowment funds are managed in accordance with Arizona Revised Statute 10-11803, which governs the appropriation for expenditure or accumulation of endowment funds. The spending policy of the Foundation is communicated to the City annually. Distribution pursuant to the spending policy shall be based upon recommendation of the City, made by and through the City Council. As of June 30, 2020, the amount of donor-restricted endowment funds available for authorization and expenditure is \$26,900.

C. Receivables

Receivables as of June 30, 2020, 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
Receivables					
Property Taxes and Penalties					
Property	\$ 1,093	\$ 1,111	\$ -	\$ 126	\$ 2,330
Court	60,134	-	-	-	60,134
Subtotal Property Taxes and Penalties	<u>61,227</u>	<u>1,111</u>	<u>-</u>	<u>126</u>	<u>62,464</u>
Other Local Taxes					
Privilege	13,788	-	-	7,741	21,529
Transient Occupancy	-	-	-	881	881
State Shared Sales	1,411	-	-	-	1,411
Franchise Fee	2,879	-	-	48	2,927
Auto Lieu	519	-	-	-	519
Highway User	-	-	-	1,302	1,302
Subtotal Other Local Taxes	<u>18,597</u>	<u>-</u>	<u>-</u>	<u>9,972</u>	<u>28,569</u>
Intergovernmental/Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,990</u>	<u>21,990</u>
Interest and Other					
Interest	773	-	152	366	1,291
Library	1,101	-	-	-	1,101
Leases	25,713	-	-	2,263	27,976
Miscellaneous	2,601	-	5,332	4,415	12,348
Subtotal Interest and Other	<u>30,188</u>	<u>-</u>	<u>5,484</u>	<u>7,044</u>	<u>42,716</u>
Gross Receivables	110,012	1,111	5,484	39,132	155,739
Less: Allowances for Uncollectibles	<u>(50,544)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,544)</u>
Net Total Receivables	<u>\$ 59,468</u>	<u>\$ 1,111</u>	<u>\$ 5,484</u>	<u>\$ 39,132</u>	<u>\$ 105,195</u>

The City has a development agreement relating to biomedical research activities with the Translational Genomics Research Institute (TGen) to repay \$1,720,000 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, 2020, the loan balances totaled \$2,197,991, of which the majority is not expected to be collected within the next year.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The City has an intergovernmental agreement with the Arizona State Land Department to reimburse the City for capital expenditures for street improvements of \$13,921,086 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.

The City has contracts with the Boys and Girls Club to pay a portion of building improvements at the City's recreation center through November 2024, the amount due as of June 30, 2020 is \$99,830.

In January 2017, the Arizona Department of Revenue took over the administration of the City's privilege tax collection and reporting; therefore, the City could have additional receivables that are unknown and such data is unavailable.

Business-type Activities Enterprise Funds

(in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
Receivables				
Privilege Tax	\$ -	\$ 15	\$ -	\$ 15
Charges for Services	18,192	-	2,381	20,573
Intergovernmental	1,892	94	-	1,986
Interest	884	30	46	960
Lease	-	24,886	-	24,886
Miscellaneous	2,290	398	-	2,688
	<u>23,258</u>	<u>25,423</u>	<u>2,427</u>	<u>51,108</u>
Gross Receivables	23,258	25,423	2,427	51,108
Less: Allowances for Uncollectibles	(14)	(1)	(3)	(18)
	<u>(14)</u>	<u>(1)</u>	<u>(3)</u>	<u>(18)</u>
Net Total Receivables	\$ 23,244	\$ 25,422	\$ 2,424	\$ 51,090

The City has an intergovernmental agreement with the Arizona State Land Department to reimburse the City for capital expenditures for water and sewer improvements of \$1,892,003 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.

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

	Unavailable	Unearned
Property Tax	\$ 1,579	\$ -
Court	3,807	-
Library	151	-
Privilege/Transient Occupancy Tax	5,509	-
Intergovernmental	19,791	21,084
Other	5,161	1,895
	<u>35,998</u>	<u>22,979</u>
Total	\$ 35,998	\$ 22,979

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows (in thousands):

<u>Governmental Activities</u>	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 3,194,486	\$ 25,826	\$ -	\$ 3,220,312
Construction in Progress	65,512	81,361	(93,506)	53,367
Total Capital Assets, not being depreciated	<u>3,259,998</u>	<u>107,187</u>	<u>(93,506)</u>	<u>3,273,679</u>
Capital Assets, being depreciated				
Buildings and Land Improvements	733,293	71,713	(199)	804,807
Streets and Storm Drains	1,812,171	31,117	(42)	1,843,246
Motor Vehicles	85,951	9,337	(5,644)	89,644
Machinery and Equipment*	84,168	6,928	(5,286)	85,810
Total Capital Assets, being depreciated	<u>2,715,583</u>	<u>119,095</u>	<u>(11,171)</u>	<u>2,823,507</u>
Less Accumulated depreciation for				
Buildings and Land Improvements	376,239	21,229	(115)	397,353
Streets and Storm Drains	1,133,590	51,217	(5)	1,184,802
Motor Vehicles	40,683	7,636	(5,316)	43,003
Machinery and Equipment*	46,996	6,612	(4,967)	48,641
Total Accumulated depreciation	<u>1,597,508</u>	<u>86,694</u>	<u>(10,403)</u>	<u>1,673,799</u>
Total Capital Assets, being depreciated, net	<u>1,118,075</u>	<u>32,401</u>	<u>(768)</u>	<u>1,149,708</u>
Lease Assets**				
Buildings and Land Improvements	1,570	-	-	1,570
Motor Vehicles	50	1,025	-	1,075
Machinery and Equipment	312	-	-	312
Total Lease Assets, being amortized	<u>1,932</u>	<u>1,025</u>	<u>-</u>	<u>2,957</u>
Less Accumulated amortization for				
Buildings and Land Improvements	-	276	-	276
Motor Vehicles	-	293	-	293
Machinery and Equipment	-	93	-	93
Total Accumulated amortization	<u>-</u>	<u>662</u>	<u>-</u>	<u>662</u>
Total Lease Assets being amortized, net	<u>1,932</u>	<u>363</u>	<u>-</u>	<u>2,295</u>
Governmental Activities Capital Assets, net	<u>\$ 4,380,005</u>	<u>\$ 139,951</u>	<u>\$ (94,274)</u>	<u>\$ 4,425,682</u>

*The Machinery and Equipment category beginning balance was decreased by \$244,172 and accumulated depreciation of \$30,521 due to a prior period adjustment for implementation of GASB Statement No. 87, *Leases*.

**New categories for the City's leased assets, and the related accumulated amortization, have been added due to the implementation of GASB Statement No. 87, *Leases*.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

(in thousands):

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated				
Land	\$ 50,381	\$ 155	\$ -	\$ 50,536
Water Rights	87,171	-	-	87,171
Construction in Progress	51,781	49,872	(71,267)	30,386
Total Capital Assets, not being depreciated	189,333	50,027	(71,267)	168,093
Capital Assets, being depreciated				
Water System	1,283,992	66,604	(72)	1,350,524
Sewer System	646,129	14,562	-	660,691
Buildings and Land Improvements*	70,353	3,574	(750)	73,177
Machinery and Equipment*	7,987	760	(65)	8,682
Motor Vehicles	1,151	-	-	1,151
Furniture, Fixtures, and Office Equipment*	1,446	145	(16)	1,575
Total Capital Assets, being depreciated	2,011,058	85,645	(903)	2,095,800
Less Accumulated depreciation for				
Water System	529,730	34,908	(73)	564,565
Sewer System	253,754	17,636	-	271,390
Buildings and Land Improvements	13,167	2,760	(641)	15,286
Machinery and Equipment	4,055	635	(40)	4,650
Motor Vehicles	685	52	-	737
Furniture, Fixtures, and Office Equipment	397	223	(6)	614
Total Accumulated depreciation	801,788	56,214	(760)	857,242
Total Capital Assets, being depreciated, net	1,209,270	29,431	(143)	1,238,558
Business-type Activities Capital Assets, net	\$ 1,398,603	\$ 79,458	\$ (71,410)	\$ 1,406,651

*The Buildings and Land Improvements category beginning balance was decreased by \$507,963, the Machinery and Equipment category was increased by \$319,135, and the Furniture, Fixtures, and Office Equipment category was increased by \$188,828 due to a prior period adjustment.

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

Governmental Activities	
City Clerk	\$ 2
City Attorney	15
City Court	51
City Manager	17
Public Works	56,614
Community and Economic Development	3,244
Public Safety	4,547
City Treasurer	28
Community Services	9,430
Administrative Services	3,591
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	9,155
Total Depreciation Expense - Governmental Activities	\$ 86,694

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

(in thousands):

Business-type Activities	
Water and Sewer System	\$ 53,239
Airport	2,662
Solid Waste	313
Total Depreciation Expense - Business-type Activities	\$ 56,214

Construction Commitments

The City has active construction projects as of June 30, 2020. At year end the government's commitments with contractors for specific projects are as follows (in thousands):

Capital Project Program Classification	Spent to Date	Remaining Commitment
Aviation	\$ 2,840	\$ 3,656
Drainage and Flood Control	3,675	3,324
Fire Protection	5,875	4,761
Library/Library Improvements	41	8
Municipal Facilities	1,685	985
Neighborhood and Community	2,487	957
Parks	16,138	10,160
Police	479	347
Preservation	6,654	880
Streets	5,097	2,413
Technology	1,489	461
Traffic	2,280	1,470
Transit	3,881	4,440
Wastewater	7,711	8,963
Water	17,359	22,665
Total Construction Commitments	\$ 77,691	\$ 65,490
Governmental Activities		
General CIP Construction Capital Projects Fund	\$ 16,719	\$ 10,565
Nonmajor Governmental Funds	31,579	18,832
Internal Service Funds	1,274	328
Total Governmental Activities	49,572	29,725
Business-type Activities		
Water and Sewer Utility	25,135	31,992
Airport	2,840	3,658
Solid Waste	144	115
Total Business-type Activities	28,119	35,765
Total Construction Commitments	\$ 77,691	\$ 65,490

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

E. Interfund Balances and Interfund Transfers

Due To and Due From Other Funds

“Due to” and “Due from” balances have been recorded to address temporary cash flow needs. The composition of interfund balances as of June 30, 2020, is as follows (in thousands):

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 433	Nonmajor Governmental Funds	\$ 433

The Municipal Property Corporation Bonds Capital Project Fund and the HOME Special Revenue Fund had deficit cash balances of \$258,619 and \$174,287, respectively, due to pending reimbursements from bonds and grants.

Interfund Transfers

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

Net Transfers (in thousands)

	Transfers Out	Transfers In
Governmental Funds		
General	\$ 29,390	\$ 11,347
Debt Service - General Obligation Bond	-	34,638
Capital Projects - General CIP Construction	654	17,759
Nonmajor Governmental Funds	80,481	55,380
Total Governmental Funds	110,525	119,124
Enterprise Funds		
Water and Sewer Utility	8,432	-
Total Enterprise Funds	8,432	-
Internal Service Funds		
Self-Insurance	254	87
Total Internal Service Funds	254	87
Total Transfers	\$ 119,211	\$ 119,211

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

F. Leases

City as Lessee

The City, as a lessee, has entered into lease agreements involving a baseball facility, printing and imaging equipment, a street sweeper and accompanying transport trailer, motor vehicles, a distributed antenna system, and data center facility space. The City subleases the baseball facility to a professional baseball team. The City made \$12,505 of variable payments on a month-to-month basis at the conclusion of the leased motor vehicle agreement that preceded the current agreement. These payments were excluded from the City's lease liability.

The total of the City's lease assets is recorded at a cost of \$2,956,609, less accumulated amortization of \$661,595.

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

	<u>Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 644	\$ 95	\$ 739
2022	513	64	577
2023	112	46	158
2024	14	44	58
2025	14	44	58
2026-2030	78	209	287
2031-2035	118	192	310
2036-2040	162	163	325
2041-2045	218	127	345
2046-2050	292	78	370
2051-2053	208	17	225
Total	<u>\$ 2,373</u>	<u>\$ 1,079</u>	<u>\$ 3,452</u>

City as Lessor

The City, as a lessor, has entered into lease agreements involving land, a baseball facility, airport facilities, and building space. The baseball facility is leased from the City of Phoenix and subleased to a professional baseball team. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$5,779,437. This total includes \$2,115,935 of variable and other payments not previously included in the measurement of the lease receivable.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

G. 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, 2020, is \$960,000. The City has also provided consideration in the form of land improvements with a book value of \$10,502,000 as of June 30, 2013, upon implementation of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and an additional \$50,999,000 through the fiscal year ended June 30, 2020. 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 \$41,062,000 at fiscal year-end pursuant to the service concession arrangement.

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, 2020, is \$1,108,000. The City also provided consideration in the form of land improvements with a book value of \$10,127,000 as of June 30, 2013, upon implementation of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and an additional \$8,746,000 through the fiscal year ended June 30, 2020. 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 \$14,359,000 at fiscal year-end pursuant to the service concession arrangement.

H. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding at June 30, 2020. The totals shown are the principal amount outstanding, net of the amount due July 1, 2020.

General Obligation Bonds

General Obligation (GO) bonds are issued, after approval by City of Scottsdale voters at an authorized bond election, to finance the construction of water and sewer systems, artificial lighting, parks and open spaces, recreational facilities, public safety, and general-purpose improvements. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as an additional 0.15 percent sales tax increase to be used to finance Preserve land acquisitions. As of June 30, 2020, the City has \$256,544,516 of unissued Preservation GO bonds from the May 2004 authorization. Preservation GO bonds are backed by the full faith and credit of the City and are repaid through the Preserve sales tax approved by voters in May 1995 and May 2004 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve. As of June 30, 2020, the City has \$319,000,000 of unissued various purpose GO bonds that were authorized in November 2019.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Municipal Property Corporation Bonds

The City of Scottsdale Municipal Property Corporation (MPC) is a non-profit corporation created by the City in 1967 to finance the construction or acquisition of certain capital improvement projects. The MPC issues its own bonds, which are repaid through the City's excise tax collections and other unrestricted revenues. The use of property taxes to repay these bonds is specifically prohibited by law. These bonds are recorded as both governmental and business-type activities long-term debt. A portion of the 2006 MPC Excise Tax Revenue Refunding Bonds, the 2010 MPC Excise Tax Revenue Bonds, a portion of the 2015A MPC Excise Tax Revenue Bonds, a portion of the 2015 MPC Excise Tax Revenue Refunding Bonds, the 2017 MPC Excise Tax Revenue Refunding Bonds, and the 2017A MPC Excise Tax Revenue Bonds are recorded in and paid by the Water and Sewer Enterprise Fund. The 2017B MPC Excise Tax Revenue Bonds are recorded in and paid by the Airport Fund.

In March 2005, the City 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. Per this agreement, City of Scottsdale MPC Excise Tax Revenue Bonds were issued for \$19,945,322 with one-third of the repayments provided to 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 final payment was made to the City during fiscal year 2020. The funds that accrued to the City satisfied the agreement but were insufficient to cover the total finance costs over the term of the bonds. As a result, the City will utilize existing resources to fulfill the remaining obligation.

The City has pledged to repay \$597,160,000 in MPC Excise Tax Revenue Bonds issued from 2006 through June 30, 2020, payable through 2039. Bonds issued prior to July 1, 2010, were pledged by revenues that included transient occupancy tax while bonds issued after this date exclude transient occupancy tax. The coverage ratio (revenues to debt service) for 2020 for MPC bonds is 4.15 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$633,214,110. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$55,580,632 and \$230,539,203, respectively.

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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 \$12,015,000 in SPA bonds issued in 2011. The bonds are payable through 2022. The coverage ratio (revenues to debt service) for 2020 is 8.25. The total principal and interest remaining to be paid on the bonds is \$2,829,000. Principal and interest paid for the current year and total sales tax were \$5,129,875 and \$42,331,006, respectively.

The SPA bond issuance contains the following provisions that would constitute an event of default by the City:

- Non-punctual payment of principal or interest.
- Default in the performance or observance of any covenant, agreement, or condition in the indenture or in the bonds not cured within 60 days of notice of default. The City is also considered to be in default if the issue is not curable within 60 days and corrective action is not diligently pursued to the satisfaction of the trustee within 60 days.
- Bankruptcy, insolvency, and/or receivership.
- Default on any bonds which are on a parity basis with the bonds in question.

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Water and Sewer Revenue Bonds

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

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, 2020, the funds restricted for this purpose were \$42,932,775.

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 2020 is 18.14. The total principal and interest remaining to be paid on the bonds is \$13,780,613. Principal and interest for the current year and total customer net revenues were \$4,574,188 and \$82,967,000, respectively.

The Water and Sewer Revenue bond issuance contains the following provisions that would constitute an event of default by the City:

- Non-punctual payment of principal or interest.
- Failure in the performance or observance of any covenants or agreements in the bonds or the authorizing resolution.

If any of the events of default transpire, any owner of the bonds then outstanding may appoint a receiver which can take possession of the Water and Wastewater Enterprise System (System); set rates, charges, and tolls; and apply all revenues in the same manner as the City might itself do. The receiver would operate the System for the direct benefit of the owners of the bonds and would use proceeds of System revenue to pay principal and interest on the bonds, as well as all costs incurred in the receivership. The receiver would continue to remain in possession and control of the System until all delinquent amounts and costs of the receivership are paid in full.

Community Facilities Districts General Obligation Bonds

Community Facilities District General Obligation Bonds are issued by Community Facilities Districts (CFDs), which are special purpose districts created specifically to acquire and improve public infrastructure in specified land areas. CFD bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. The City has no liability for CFD bonds.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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.

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Bonds payable at June 30, 2020, consisted of the following:

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

General Obligation Bonds	Bonds Outstanding (in thousands)
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. On May 17, 2017, \$28,250,000 due 2022 through 2029 was refunded. On August 15, 2019, \$6,835,000 due 2021 and 2030 was defeased. Original issue amount \$50,800,000.	\$ 415
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. On May 17, 2017, \$14,255,000 due 2023 through 2034 was refunded. Original issue amount \$22,525,000.	1,845
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.	8,310
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.	47,100
2012 Refunding Bonds (issued July 11, 2012) due in annual installments of \$205,000 to \$30,045,000 through July 1, 2025; interest at 2 percent to 5 percent. Original issue amount \$83,025,000.	47,545
2013 Preservation Bonds (issued February 13, 2013) due in annual installments of \$1,000,000 to \$8,665,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$75,000,000.	71,500
2014 Preservation Bonds (issued May 7, 2014) due in annual installments of \$465,000 to \$945,000 through July 1, 2034; interest at 1.75 percent to 4 percent. Original issue amount \$14,000,000.	10,690
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.	35,230
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.	120,110
2017A Preservation Bonds (issued March 8, 2017) due in annual installments of \$1,825,000 to \$2,545,000 through July 1, 2034; interest at 4 percent to 5 percent. Original issue amount \$17,410,000.	17,410
2017B Preserve Acquisition Refinancing Bonds (issued May 17, 2017) due in annual installments of \$3,510,000 to \$5,790,000 through July 1, 2024; interest at 5 percent. Original issue amount \$18,495,000.	18,495
2017 Refunding Bonds (issued May 17, 2017) due in annual installments of \$1,055,000 to \$5,525,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$39,985,000.	39,985

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

	Bonds Outstanding (in thousands)
General Obligation Bonds (continued)	
2017C Various Purpose Bonds (issued December 6, 2017) due in annual installments of \$1,690,000 to \$6,800,000 through July 1, 2027; interest at 5 percent. Original issue amount \$25,500,000.	\$ 15,230
Total General Obligation Bonds Outstanding	\$ 433,865
Some of the above General Obligation Bonds are paid from the .2 percent and .15 percent Preservation Sales Taxes.	
Municipal Property Corporation Bonds	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	\$ 47,865
2013A Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$830,000 to \$2,920,000 through July 1, 2028; interest at 3 percent to 5 percent. Original issue amount \$26,295,000.	18,255
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.	1,075
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.	27,970
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.	15,030
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.	9,700
2015A Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$275,000 to \$1,025,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$14,615,000.	11,375
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.	26,939
2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.	9,070
2019B Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$940,000 to \$2,125,000 through July 1, 2039; interest at 1.85 percent to 2.9 percent. Original issue amount \$33,275,000.	32,335
Total Municipal Property Corporation Bonds Outstanding	\$ 199,614

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

	Bonds Outstanding (in thousands)
Scottsdale Preserve Authority Bonds	
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>\$ 2,630</u>
Community Facilities Districts General Obligation Bonds - Direct Placements	
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$555,000 to \$1,245,000 beginning July 15, 2013 through July 15, 2027; interest at 3.41 percent. Original issue amount \$14,670,000.	\$ 7,890
2012 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) 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.	2,615
2012 Via Linda Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) 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.	610
2019 Waterfront Commercial Community Facilities District General Obligation Refunding Bonds (issued November 14, 2019) due in annual installments of \$172,000 to \$225,000 beginning July 15, 2020 through July 15, 2032; interest at 2.47. Original issue amount \$2,563,000.	<u>2,373</u>
Total Community Facilities Districts General Obligation Bonds - Direct Placements	<u>\$ 13,488</u>
Total Bonds Payable Recorded in Governmental Activities	<u>\$ 649,597</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

	Bonds Outstanding (in thousands)
Water and Sewer Revenue Bonds	
2008 Water and Sewer Revenue Refunding Bonds (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.	\$ 12,450
Municipal Property Corporation Bonds	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.	\$ 71,060
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. On March 1, 2017, \$55,510,000 due 2023 through 2028 and 2031 through 2036 was refunded. Original issue amount \$75,000,000.	12,440
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.	14,695
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.	39,021
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. Original issue amount \$79,970,000.	79,970
2017A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$1,080,000 to \$2,730,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$39,065,000.	35,320
2017B Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$645,000 to \$1,655,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$23,520,000.	21,285
Total Municipal Property Corporation Bonds Outstanding	\$ 273,791
Total Bonds Payable Recorded in Business-type Activities	\$ 286,241
Total Long-Term Bonds Payable	\$ 935,838

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Statutory Debt Limitation

Under the provisions of Article 9, section 8 of the Arizona Constitution, outstanding General Obligation (GO) bonded debt (including outstanding “excess premium,” as defined in Arizona Revised Statutes 35-457, 35-471, and 35-473.01) issued for water, sewers, artificial light, parks, playgrounds and recreational facilities, open space preserves, public safety, and streets and transportation facilities may not exceed 20 percent of a city’s assessed valuation. Outstanding GO bonded debt for all other purposes may not exceed 6 percent of a city’s assessed valuation. GO bonds of community facilities districts are not subject to or included in this calculation. The following summarizes the City’s legal GO bonded debt borrowing capacity at June 30, 2020:

General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety, and Streets and Transportation Facilities		General Obligation Bonds Issued for All Other Purposes	
20% Constitutional Limit	\$ 1,540,378,496	6% Constitutional Limit	\$ 462,113,549
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	(433,865,000)	6% Bonds Outstanding	-
Excess Premium	<u>(10,181,388)</u>	Excess Premium	<u>-</u>
Available 20% Limitation Borrowing Capacity	\$ <u>1,096,332,108</u>	Available 6% Limitation Borrowing Capacity	\$ <u>462,113,549</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, 2020.

Current and Advance Refundings and Defeasances

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The Waterfront Community Facilities District issued \$2,563,000 of District General Obligation Refunding Bonds, Series 2019, (current refunding) dated November 14, 2019, with an average interest rate of 2.47%, and deposited \$404,332 of existing resources, to refund \$2,810,000 of Series 2007 District General Obligation Bonds with interest rates ranging from 5.75% to 6.05%. The District will reduce its total debt service payments over the current and following 12 years by approximately \$1,128,989, and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt, less \$404,332 contribution of resources other than refunding bond proceeds) of approximately \$532,574.

The City defeased \$6,835,000 of 2010 GO Bonds by placing \$6,983,340 of cash in an irrevocable trust at a commercial bank. The funds were invested in certain state and local government series securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issue refunded. The defeasance was consummated in order to reduce the overall debt service obligations of the City.

The following table reflects refunded debt outstanding at June 30, 2020, net of any amounts to be paid or retired by the trustee on July 1, 2020 (in thousands):

Refunded Debt Outstanding

2011 Preservation GO Bonds	\$ 14,255
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Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the fiscal year ended June 30, 2020 (in thousands):

Governmental Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 483,215	\$ -	\$ (49,350)	\$ 433,865	\$ 44,590
Municipal Property Corporation Bonds	173,762	42,550	(16,698)	199,614	12,647
Scottsdale Preserve Authority Bonds	7,410	-	(4,780)	2,630	1,280
Community Facilities Districts General Obligation Bonds	2,810	-	(2,810)	-	-
Certificates of Participation - Direct Borrowing	2,493	-	(2,493)	-	-
Community Facilities Districts General Obligation Bonds - Direct Placements	13,515	2,563	(2,590)	13,488	2,662
Add Issuance Premiums	59,224	1,323	(6,937)	53,610	-
Total Bonds Payable	742,429	46,436	(85,658)	703,207	61,179
Leases*	1,932	1,041	(600)	2,373	644
Service Concession Arrangements	2,221	-	(153)	2,068	154
Risk Management Claims	22,447	37,123	(37,598)	21,972	7,864
Compensated Absences	26,322	12,431	(10,807)	27,946	12,828
Total Other Postemployment Benefit Liability	2,103	74	-	2,177	-
Net Pension Liabilities	297,632	23,198	-	320,830	-
Governmental Activities Long-Term Liabilities	\$ 1,095,086	\$ 120,303	\$ (134,816)	\$ 1,080,573	\$ 82,669

*The Leases category beginning balance was restated due to the implementation of GASB Statement No. 87 *Leases*.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities. For the fiscal year ended June 30, 2020, \$541,000 of accrued compensated absences is included in the above amount for Internal Service Funds. For the governmental activities, the General Fund, Special Revenue Funds, and Internal Service Funds generally liquidate accrued compensated absences, the total OPEB liability, and the net pension liabilities. The compensated absences presented in this note are net of the current liability of \$49,000 in the governmental funds and \$1,000 in the Internal Service funds.

Business-type Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 16,175	\$ -	\$ (3,725)	\$ 12,450	\$ 3,930
Municipal Property Corporation Bonds	290,768	-	(16,977)	273,791	17,843
Add Issuance Premiums	28,550	-	(2,391)	26,159	-
Total Bonds Payable	335,493	-	(23,093)	312,400	21,773
Compensated Absences	3,748	1,894	(1,727)	3,915	1,746
Net Pension Liabilities	29,630	1,559	-	31,189	-
Pollution Remediation Obligation	44,582	5,254	-	49,836	-
Business-type Activities Long-Term Liabilities	\$ 413,453	\$ 8,707	\$ (24,820)	\$ 397,340	\$ 23,519

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2020:

Governmental Activities (in thousands)									
Fiscal Year	General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety, and Streets and Transportation Facilities 20% Limitation			Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2021	\$ 44,590	\$ 16,309	\$ 60,899	\$ 12,647	\$ 8,202	\$ 20,849	\$ 1,280	\$ 131
2022	45,020	14,429	59,449	11,505	7,637	19,142	1,350	68	1,418
2023	48,780	12,536	61,316	12,120	7,119	19,239	-	-	-
2024	52,235	10,821	63,056	12,795	6,564	19,359	-	-	-
2025	47,375	8,854	56,229	13,490	5,976	19,466	-	-	-
2026-2030	131,060	23,808	154,868	72,542	20,913	93,455	-	-	-
2031-2035	64,805	5,759	70,564	53,890	7,264	61,154	-	-	-
2036-2040	-	-	-	10,625	788	11,413	-	-	-
2041-2045	-	-	-	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-	-	-	-
2051-2053	-	-	-	-	-	-	-	-	-
Total	\$ 433,865	\$ 92,516	\$ 526,381	\$ 199,614	\$ 64,463	\$ 264,077	\$ 2,630	\$ 199	\$ 2,829

Community Facilities Districts General Obligation Bonds - Direct									
Fiscal Year	Leases			Placements			Service Concession Arrangements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2021	\$ 644	\$ 95	\$ 739	\$ 2,662	\$ 418	\$ 3,080	\$ 154	\$ 223
2022	513	64	577	2,767	337	3,104	154	242	396
2023	112	46	158	1,476	254	1,730	154	262	416
2024	14	44	58	1,310	207	1,517	154	283	437
2025	14	44	58	1,355	164	1,519	154	304	458
2026-2030	78	209	287	3,473	258	3,731	769	1,890	2,659
2031-2035	118	192	310	445	17	462	529	1,798	2,327
2036-2040	162	163	325	-	-	-	-	-	-
2041-2045	218	127	345	-	-	-	-	-	-
2046-2050	292	78	370	-	-	-	-	-	-
2051-2053	208	17	225	-	-	-	-	-	-
Total	\$ 2,373	\$ 1,079	\$ 3,452	\$ 13,488	\$ 1,655	\$ 15,143	\$ 2,068	\$ 5,002	\$ 7,070

Total Governmental Activities			
Fiscal Year	Principal	Interest	Total
2021	\$ 61,977	\$ 25,378	\$ 87,355
2022	61,309	22,777	84,086
2023	62,642	20,217	82,859
2024	66,508	17,919	84,427
2025	62,388	15,342	77,730
2026-2030	207,922	47,078	255,000
2031-2035	119,787	15,030	134,817
2036-2040	10,787	951	11,738
2041-2045	218	127	345
2046-2050	292	78	370
2051-2053	208	17	225
Total	\$ 654,038	\$ 164,914	\$ 818,952

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Business-type Activities (in thousands)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 3,930	\$ 654	\$ 4,584	\$ 17,843	\$ 12,481	\$ 30,324
2022	4,145	447	4,592	18,765	11,622	30,387
2023	4,375	230	4,605	19,595	10,703	30,298
2024	-	-	-	20,675	9,764	30,439
2025	-	-	-	16,120	8,753	24,873
2026-2030	-	-	-	97,143	30,795	127,938
2031-2035	-	-	-	67,570	10,400	77,970
2036-2040	-	-	-	16,080	828	16,908
Total	\$ 12,450	\$ 1,331	\$ 13,781	\$ 273,791	\$ 95,346	\$ 369,137

Fiscal Year	Total Business-type Activities		
	Principal	Interest	Total
2021	\$ 21,773	\$ 13,135	\$ 34,908
2022	22,910	12,069	34,979
2023	23,970	10,933	34,903
2024	20,675	9,764	30,439
2025	16,120	8,753	24,873
2026-2030	97,143	30,795	127,938
2031-2035	67,570	10,400	77,970
2036-2040	16,080	828	16,908
Total	\$ 286,241	\$ 96,677	\$ 382,918

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to public and aviation liability, self-insured benefits, workers' compensation, and property and casualty claims. Public liability includes public officials' errors and omissions, law enforcement liability, premises liability, and automobile and general liability. The City is self-insured for the first \$2,000,000 of public liability, the first \$100,000 of property coverage, the first \$325,000 of health benefits claims for an individual in a fiscal year, and the first \$1,000,000 of workers' compensation claims. Coverage in excess of these respective amounts is provided through the purchase of commercial excess 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, 2020, the general liability claims payable totaled \$19,633,000 and the self-insured benefits claims payable totaled \$2,339,000.

	Fiscal Year Ended June 30 (in thousands)	
	2020	2019
Claims Payable, July 1	\$ 22,447	\$ 22,933
Current Year Claims Incurred	37,123	35,051
Current Year Claim Payments	(37,598)	(35,537)
Claims Payable, June 30	\$ 21,972	\$ 22,447

B. Contingent Liabilities

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

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, 2020, approximately \$2.2 million in fee waivers have been applied.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The City has entered into several agreements whereby it will reimburse developers a portion of development costs, interest, or sales tax generated on their site for a period of time and up to a maximum dollar amount. The funding source for the reimbursements will come from sales tax collected on the site over the life of the agreements. Depending on the terms of the agreement, the City does not become liable for payment until certain milestones are met, a certificate of occupancy is issued, or sales tax is generated, collected, and remitted to the City. As of June 30, 2020, these requirements have not been met under any of the agreements. The City's estimated contingent liability related to the agreements at June 30, 2020, is \$54.6 million.

C. Tax Abatement Agreements

The City enters into transaction privilege tax abatement agreements on an individual basis. The privilege taxes abated consist of a rebate of part of the 1 percent unrestricted portion of the City's privilege tax rate. These abatement agreements are authorized through City Council resolution. There are no specific criteria against which such agreements are evaluated. Rather, the City Council, exercising the authority granted to it by law, and weighing the projected forsaken tax revenues against the potential benefits that would accrue to the City as a result of a particular tax abatement agreement, concludes whether or not the proposed tax abatement would be sufficiently advantageous to the City to warrant such an accord.

For the fiscal year ended June 30, 2020, the City abated eligible privilege taxes totaling \$74,835 in connection with the following tax abatement agreements, which comprise the entirety of the City's tax abatement agreements:

- A rebate of 70 percent of eligible privilege taxes generated by subject property, less \$2,500 per quarter, to a developer for construction of public infrastructure and in recognition of the lost development opportunities occasioned by the preservation of historic features on the property. The City receives the conveyance of a Deed of Restrictive Covenant and Conservation (Historic Preservation) Easement over the subject property and the economic development benefits anticipated from the rehabilitation of the subject property. The amount of taxes abated during the fiscal year was \$74,835. This is the final year of this agreement.
- A rebate of 2/3 of eligible privilege taxes to a developer for constructing and operating facilities for the sale and service of three or more premium brand-new car dealerships. The applicable privilege taxes are derived from:
 - Prime contracting activities relating to the construction of the dealerships.
 - Activity transpiring at the dealerships.
 - Activity transpiring at another location owned by the developer, contingent upon the location remaining a motorized vehicle sales facility.

No tax has been abated as of June 30, 2020, as the developer has yet to construct and commence the initial operation of the dealerships. As part of the agreement, the City also agreed to waive any City fees related to the initial design and construction of, or the issuance of a certificate of occupancy for, the dealerships.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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, 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 fiscal year ended June 30, 2019, (the latest audited information available from SROG), the City's net investment in SROG was \$89,592,000. SROG's net cash operating expenses for the fiscal year ended June 30, 2019, were \$38,307,138, of which the City's share was \$3,248,796, or 8.5 percent. For the fiscal year ended June 30, 2020, the City paid \$916,963 for SROG capital contributions and \$4,579,750 for SROG operating expenses, including adjustments to the operating and replacement reserves and prior year settlement.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, 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. The City of Phoenix is responsible for the day-to-day operations and maintenance of the network, as well as the management of the RWC's organization and finances.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The City records its share of contributions to the RWC, third party contributions paid to the RWC for the benefit of the City, and equity in the joint venture in the City's proprietary funds and government-wide financial statements. The equity balance as of June 30, 2019, (the latest audited information available from RWC), was \$1,899,286 or 2.68 percent of the RWC's total net position. The City contributed \$228,429 for the fiscal year ended June 30, 2020 and shared in estimated depreciation expenses of \$306,196, resulting in an estimated equity balance as of June 30, 2020, of \$1,821,519. The RWC Comprehensive Annual Financial Statement is available 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 to provide funding and regulatory authority for the study and cleanup of contaminated sites. The EPA, in conjunction with the State of Arizona, directs the cleanup of the North Indian Bend Wash (NIBW) Site that encompasses a groundwater contamination plume in Scottsdale.

Following its investigation, the EPA identified three companies, Motorola Solutions Inc. (MSI), SMI Holdings, LLC, formerly Siemens Corporation, and GlaxoSmithKline Corporation, as the primary parties potentially responsible for causing the contamination and directed the companies to pay the costs associated with the cleanup. In 1991, the City, EPA, State of Arizona, Salt River Project (SRP), and the above-referenced participating companies entered 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The measurement of the City's pollution remediation obligation liability includes all remediation work that the City expects to perform, including work expected to be performed for the participating companies. To estimate the CGTF liability, thirteen projected cash flows, based on the prior thirteen years of historical costs and weighted equally, were used to calculate an average annual cost. To estimate the NGTF liability, seven projected cash flows, based on the prior seven years of historical costs and weighted equally, were used to calculate an average annual cost. These average costs were then projected over the remaining remediation period of 54 years for CGTF and the NGTF. The EPA estimated in its September 2011 review that future remediation will be required for approximately 50-70 years at each site; the most recent five-year EPA review, approved in September 2016, was silent on the number of required remediation years.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. The fiscal year 2020 reimbursable outlays for operating and monitoring the CGTF were \$2,134,983 and for the NGTF were \$223,631. 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 and granted incorporation by the Arizona Corporation Commission in 1984. The primary function of the IDA is to promote the retention, expansion, and attraction of businesses and commercial enterprises in Scottsdale. The City Council appoints the Board of Directors of the IDA and is also involved in granting and denying IDA bond applications.

G. Retirement and Pension Plans

All eligible employees of the City, including the Mayor and the City Council, are covered by one of four pension plans. All full-time City employees, except public safety personnel (police officers and firefighters) and the Mayor and City Council, participate in the Arizona State Retirement System, a cost-sharing multiple-employer defined benefit pension plan. All public safety personnel participate in the Public Safety Personnel Retirement System, which consists of both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The Mayor and City Council participate in either the Elected Officials' Retirement Plan (a cost-sharing multiple-employer defined benefit pension plan) or the Elected Officials' Defined Contribution Retirement System (a defined contribution plan). The City contributes to the Elected Officials' Retirement Plan; however, the plan is not described below because of its relative insignificance to the financial statements. All plans are component units of the State of Arizona. The City reported aggregate pension expense in the amount of \$48,561,100 (\$45,343,482 related to governmental activities and \$3,217,618 related to business-type activities).

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Arizona State Retirement System

General Information about the Pension Plan

Plan Description

All eligible City employees, except public safety personnel and the Mayor and City Council, participate in the Arizona State Retirement System (ASRS). ASRS administers a cost-sharing multiple-employer defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the State and participating political subdivisions and school districts. ASRS is administered in accordance with Title 38, Chapter 5, Articles 2 and 2.1 of the Arizona Revised Statutes (ARS). ASRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ASRS Financial Services Division, 3300 North Central Avenue, Phoenix, AZ 85012, or by visiting <https://www.azasrs.gov/content/annual-reports>.

Benefits Provided

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

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

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 leave, sick leave, compensation time pay, termination incentive pay, or any other form of termination pay (see discussion of pre-January 1, 1984 members below). The 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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

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

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 11.94 percent of their annual pay for the fiscal year ended June 30, 2020, and the City's required contribution rate was 11.45 percent during the same time period. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.29 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The required contribution rate for the fiscal year ended June 30, 2020, 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 \$13,151,000 for the fiscal year ended June 30, 2020.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

At June 30, 2020, the City reported a liability of \$152,664,987 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the collective net pension liability was based on the City's proportionate share of accrued contributions to the pension plan relative to the contributions of all participating entities for the fiscal year ended June 30, 2019. At June 30, 2019, the City's proportion was 1.04916 percent, which was a decrease of 0.00635 percent from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the City recognized a collective pension expense of \$13,411,993. At June 30, 2020, the City reported a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,758	\$ 29
Changes in assumptions	645	6,080
Net difference between projected and actual earnings on pension plan investments	-	3,431
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,012
City contributions subsequent to the measurement date	13,151	-
Total	\$ 16,554	\$ 10,552

The \$13,151,000 reported as a collective deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal year ending June 30:

2021	\$ (3,043)
2022	(4,366)
2023	(659)
2024	919
2025	-
Thereafter	-

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Amortization method	
Plan amendments	Immediate
Investment gain/loss	Five years
Assumption gain/loss	Average remaining service lives
Experience gain/loss	Average remaining service lives
Proportionation/proportionate share gain/loss	Average remaining service lives
Asset valuation	Fair value
Discount rate	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 5.45 percent (excluding investment expense and inflation) using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Contribution to Expected Real Return</u>
Equity	50%	6.09%	3.05%
Credit	20%	5.36%	1.07%
Real estate	20%	5.85%	1.17%
Interest Rate-Sensitive Bonds	10%	1.62%	0.16%
Total	<u>100%</u>		<u>5.45%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made at the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate (in thousands):

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Discount Rate</u> <u>(7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
City's proportionate share of the collective net pension liability	\$ 217,278	\$ 152,665	\$ 98,665

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. The financial statements of ASRS are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America that apply to government accounting of fiduciary funds issued by the Governmental Accounting Standards Board (GASB). Benefits and refunds are recognized when due and payable. Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Cash and short-term investments generally include cash, foreign currencies, short-term investment funds, and U.S. Treasury bills that mature within one year. These investments are reported at cost, or cost plus accrued interest, which approximates fair value. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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 both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The defined contribution plan is only available to police department members who became a member on or after July 1, 2017, and fire department members who became a member on or after January 1, 2012. The defined benefit and defined contribution pension plans are administered in accordance with Title 38, Chapter 5, Articles 4 and 4.1, respectively, of the Arizona Revised Statutes (ARS). PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees (the Board) and 230 local boards. PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <http://www.psprs.com/investments--financials/annual-reports>.

Benefits Provided

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

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

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

1. Age 52.5 with 15 years of credited service but less than 25 years: average monthly benefit compensation multiplied by a multiplier that varies by years of service, from 1.5 percent to 2.5 percent per year of service, multiplied by the number of years of service.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

2. Age 52.5 with 25 years of service: 62.5 percent of the average monthly benefit compensation. Benefits will be reduced by 4 percent for each year of credited service under 25 years.
3. 25 or more years of service: 62.5 percent of the average monthly benefit compensation for the first 25 years of credited service plus 2.5 percent of the average monthly benefit compensation for each year over 25 years of credited service - up to a maximum of 80 percent of the average monthly benefit compensation. The pension is reduced by 4 percent per year for each year of credited service under 25 years with a pro-rata reduction for any fractional years.

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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 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 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.

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	279
Inactive employees entitled to, but not yet receiving benefits	113
Active Employees	<u>606</u>
Total	<u><u>998</u></u>

Contributions

ARS Title 38, Chapter 5, Article 4, Section 38-843 provides the authority for determining the City and active employee contribution requirements to the PSPRS pension plan. The contribution rates for employers are based on an actuarially determined rate recommended by an independent actuary contracted by the Board. The contribution rates for employees are prescribed by the ARS Section referenced above. For Tier 1 and Tier 2 employees, the actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned during the year by these employees, with an additional amount to finance any unfunded accrued liability. The unfunded accrued liability portion of the rate is paid by the City as a percentage of the pay of all of the City's active PSPRS members, regardless of start date. For Tier 3 employees, each employer shall make contributions sufficient to pay fifty percent of both the normal cost plus the actuarially determined amount required to amortize the total unfunded accrued liability attributable only to those members hired on or after July 1, 2017. As noted above, the City will also pay an amount to finance any unfunded accrued liability relating to employees hired before July 1, 2017.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The City's contribution rates for fiscal year ended June 30, 2020 were:

Police	Tier 1		Tier 2		Tier 3	
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later		7/1/2017 or later	
Plan type	Defined benefit	Defined benefit	Defined benefit	Defined benefit	Defined contribution	
Employee contribution rate	7.65%	11.65%	11.65%	9.73%	9.00%	
Employer contribution rate	53.42%	53.42%	53.42%	48.12%	47.39%	

Fire	Tier 1		Tier 2		Tier 3		
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later		7/1/2017 or later		
Plan type	Defined benefit	Defined benefit	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined contribution
Employee contribution rate	7.65%	11.65%	11.65%	3.00%	10.33%	3.00%	9.00%
Employer contribution rate	16.61%	16.61%	16.61%	4.00%	12.28%	3.00%	10.95%

Participants' defined contributions and the earnings on those contributions are immediately vested. A participant is fully vested in employer contributions after ten years of service; the vesting occurs at a rate of ten percent per year. If a participant dies or is determined to be eligible for an accidental or catastrophic disability pension before completing ten years of service, the employer contributions are immediately fully vested. In addition, the City was required by statute to contribute an actuarially determined rate (38.39 percent for police employees and 8.00 percent for fire employees) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to PSPRS. The City's contributions to the pension plan for the fiscal year ended June 30, 2020, were \$21,041,750.

ARS Title 9, Chapter 8, Article 3, Section 9-952 requires the state treasurer to distribute a fire insurance premium tax to the respective incorporated cities and towns and legally organized fire districts in proportion to the full cash value of the real property and improvements in each incorporated city and town and legally organized fire district that procures the services of a private fire company and in each area served by a fire department or legally organized fire district. The 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 \$1,975,230 of fire insurance premium tax for the City's fire pension plan for the fiscal year ended June 30, 2020. PSPRS accounts for the fire insurance premium tax collected for the City as employer contributions.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Net Pension Liability

The City's net pension liability of \$199,353,996 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the June 30, 2019, measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.50%-7.50%, including inflation
Tier 1/2 Investment Rate of Return	7.30%
Tier 3 Investment Rate of Return	7.00%
Mortality rates	Active Lives: PubS-2010 Employee mortality, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2018. 100% of active deaths are assumed to be in the line of duty. Inactive Lives: PubS-2010 Healthy Retiree mortality, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2018. Beneficiaries: PubS-2010 Survivor mortality, projected with future mortality improvements reflected generationally using 75% of scale MP-2018. Disabled Lives: PubS-2010 Disabled mortality, projected with future mortality improvements reflected generationally using 75% of scale MP-2018.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of a 2017 experience study using actual plan experience.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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 ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation adopted as of June 30, 2019, as provided by PSPRS, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short Term Investments	2.00%	0.25%
Risk Parity	4.00%	4.01%
Fixed Income	5.00%	3.00%
Real Assets	9.00%	6.75%
GTS	12.00%	4.01%
Private Credit	16.00%	5.36%
Real Estate	10.00%	4.50%
Private Equity	12.00%	8.40%
Non-U.S. Equity	14.00%	5.00%
U.S. Equity	16.00%	4.75%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.30 percent (a decrease from 7.40 percent in the preceding fiscal year) for Tier 1/2 members and 7.00 percent for Tier 3 members. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the PSPRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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)
Balances at 6/30/19	\$ 349,206	\$ 177,208	\$ 171,998
Adjustment to Beginning of Year	-	(64)	64
Changes for the year:			
Service cost	8,154	-	8,154
Interest	25,834	-	25,834
Changes of benefit terms	-	-	-
Differences between expected and actual experience	3,089	-	3,089
Changes of assumptions/other inputs	9,123	-	9,123
Contributions-employer	-	17,387	(17,387)
Contributions-employee	-	3,343	(3,343)
Net investment income	-	9,714	(9,714)
Benefit payments, including refunds of employee contributions	(16,512)	(16,512)	-
Administrative expense	-	(171)	171
Other changes	-	9	(9)
Net changes	<u>29,688</u>	<u>13,770</u>	<u>15,918</u>
Balances at 6/30/20	<u>\$ 378,894</u>	<u>\$ 190,914</u>	<u>\$ 187,980</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/19	\$ 97,684	\$ 89,627	\$ 8,057
Adjustment to Beginning of Year	-	(16)	16
Changes for the year:			
Service cost	6,378	-	6,378
Interest	7,654	-	7,654
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,821)	-	(2,821)
Changes of assumptions/other inputs	2,644	-	2,644
Contributions-employer	-	2,830	(2,830)
Contributions-employee	-	2,946	(2,946)
Net investment income	-	4,863	(4,863)
Benefit payments, including refunds of employee contributions	(1,259)	(1,259)	-
Administrative expense	-	(85)	85
Other changes	-	-	-
Net changes	<u>12,596</u>	<u>9,295</u>	<u>3,301</u>
Balances at 6/30/20	<u>\$ 110,280</u>	<u>\$ 98,906</u>	<u>\$ 11,374</u>

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 7.30 percent for Tier 1/2 members and 7.00 percent for Tier 3 members, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30/6.00 percent) or 1-percentage-point higher (8.30/8.00 percent) than the current rate (in thousands):

	<u>1% Decrease</u> <u>(6.30%/6.00%)</u>	<u>Discount Rate</u> <u>(7.30%/7.00%)</u>	<u>1% Increase</u> <u>(8.30%/8.00%)</u>
Police net pension liability (asset)	\$ 241,074	\$ 187,980	\$ 144,829
Fire net pension liability (asset)	30,077	11,374	(3,795)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. PSPRS investments are reported at fair value. Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical instruments (Level 1 measurements) and the lowest priority to valuations derived from valuation techniques in which significant inputs are unobservable (Level 3 measurements). Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. Fair values are determined as follows: Short-term investments are reported at cost plus accrued interest. Level 1 debt and equity securities are valued based on prices quoted in active markets for those securities. Level 2 securities are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Level 3 securities, whose stated market prices are unobservable by the marketplace, are priced by the investment manager or General Partner using discounted cash flow techniques. The fair value of alternative investments is based on the investments' NAV per share. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner of each fund or by the investment manager responsible for that sector. Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

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

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$35,149,107 related to the defined benefit plan and the defined benefit portion of the hybrid plan and \$194,005 related to the defined contribution plan and the defined contribution portion of the hybrid plan. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,397	\$ 6,523
Change of assumptions or other inputs	24,564	-
Net difference between projected and actual earnings on pension plan investments	4,440	-
City contributions subsequent to the measurement date	21,042	-
Total	<u>\$ 57,443</u>	<u>\$ 6,523</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

City contributions subsequent to the measurement date of \$21,041,750 were reported as deferred outflows and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal year ending June 30:

2021	\$	10,144
2022		5,491
2023		6,625
2024		4,582
2025		2,599
Thereafter		437

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 (ARS) and may be amended by the State of Arizona. For each member of EODCRS, the City is required to contribute 6 percent of gross compensation to an individual member retirement account. Members are required to contribute 8 percent of gross compensation to their retirement account. Members are immediately vested in both their and the City's contributions and earnings on those contributions. For the fiscal year ended June 30, 2020, the City recognized pension expense of \$2,160.

H. Other Postemployment Benefits

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

The projected liability for active employees, as of June 30, 2020, was \$16,125,217. The projected liability was considered payable within one year or greater and all but the current portion of \$5,371 was therefore considered non-current and included in both the proprietary fund and government-wide financial statements. Significant actuarial assumptions of the January 1, 2020, actuarial valuation include: a) mortality rates based on the SOA Pub-2010 General (for non-PSPRS-eligible personnel)/Public Safety (for PSPRS-eligible personnel) Headcount Weighted Mortality Table fully generational using Scale MP-2019; b) interest compounded 4.0 percent annually; c) salary increases at a rate of 3 percent to 4 percent based on years of service; and d) Traditional Unit Credit cost method based on participant data as of January 1, 2020.

I. Postemployment Benefits Other Than Pensions (OPEB)

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

Plan Description

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

Benefits Provided

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

As of June 30, 2020, Membership Consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	22
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>674</u>
Total	<u><u>696</u></u>

Total OPEB Liability

The City's total OPEB liability of \$2,176,548 was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.5% wage inflation plus merit and longevity increases ranging from 0.0% to 4.0%
Discount Rate	3.51%
Healthcare Cost Trend Rates*	5.87% for 2021, 7.50% for 2022, and then decreasing 0.5% per year to an ultimate rate of 4.50% for 2028 and later years
Retirees' Share of Benefit-Related Costs	100%

*The initial trend rate reflects the City's actual projected cost increases from fiscal year 2020 to 2021.

The discount rate was based on the Bond Buyer GO 20- Bond Municipal Bond Index.

Mortality rates were based on the following:

Healthy Police and Fire retirees:	SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019.
Disabled Police and Fire retirees:	SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019.
Surviving Spouses:	SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

Changes in the Total OPEB Liability

(in thousands)	<u>Total OPEB Liability</u>
Balance at 6/30/19	\$ 2,103
Changes for the year:	
Service cost	236
Interest	89
Differences between expected and actual experience	(261)
Changes of assumptions/other inputs	126
Benefit payments	(116)
Net changes	<u>74</u>
Balance at 6/30/20	<u>\$ 2,177</u>

Changes in assumptions reflect the following:

1. Change in the discount rate from 3.87 percent as of the beginning of the year to 3.51 percent as of the end of the year.
2. Mortality table has been updated from SOA RPH-2018 Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2018 to SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019 for current actives.
3. Mortality table has been updated from SOA RPH-2018 Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2018 to SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019 for disabled retirees.
4. Mortality table has been updated from SOA RPH-2018 Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2018 to SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses.
5. Healthcare trend rates have been updated to reflect actual premium increases from fiscal year 2020 to fiscal year 2021, followed by an annual trend of 7.5 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51 percent) or 1-percentage-point higher (4.51 percent) than the current discount rate (in thousands):

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$ 2,251	\$ 2,177	\$ 2,093

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.87 percent decreasing to 3.50 percent) or 1-percentage-point higher (6.87 percent decreasing to 5.50 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (4.87% decreasing to 3.50%)	Healthcare Cost Trend Rates (5.87% decreasing to 4.50%)	1% Increase (6.87% decreasing to 5.50%)
Total OPEB Liability	\$ 1,953	\$ 2,177	\$ 2,433

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$272,871. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 626
Change of assumptions or other inputs	202	31
City contributions subsequent to the measurement date	145	-
Total	\$ 347	\$ 657

The \$145,370 reported as a deferred outflow of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal year ending June 30:	
2021	\$ (52)
2022	(51)
2023	(52)
2024	(51)
2025	(52)
Thereafter	(197)

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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 Six Fiscal Years (dollars in thousands)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net collective pension liability	1.049160%	1.055510%	1.056820%	1.086990%	1.099760%	1.102563%
City's proportionate share of the collective net pension liability	\$152,665	\$147,206	\$164,632	\$175,451	\$171,304	\$163,142
City's covered payroll	\$110,748	\$105,097	\$107,259	\$101,917	\$101,962	\$99,077
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	137.85%	140.07%	153.49%	172.15%	168.01%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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 Six Fiscal Years (dollars in thousands)

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 8,154	\$ 7,103	\$ 7,841	\$ 6,603	\$ 6,537	\$ 6,363
Interest	25,834	24,013	22,479	20,570	19,640	16,898
Changes of benefit terms	-	-	2,584	17,206	-	3,987
Differences between expected and actual experience	3,089	4,880	(921)	(3,203)	87	(896)
Changes of assumptions or other inputs	9,123	-	9,028	11,023	-	22,122
Benefit payments, including refunds of employee contributions	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Net change in total pension liability	29,688	20,521	24,772	38,140	11,429	36,063
Total pension liability-beginning	349,206	328,685	303,913	265,773	254,344	218,281
Total pension liability-ending (a)	\$ 378,894	\$ 349,206	\$ 328,685	\$ 303,913	\$ 265,773	\$ 254,344
Plan fiduciary net position						
Contributions-employer	\$ 17,387	\$ 15,491	\$ 11,888	\$ 11,710	\$ 8,970	\$ 7,997
Contributions-employee	3,343	3,438	3,983	4,230	3,944	3,495
Net investment income	9,714	11,537	17,104	842	5,113	17,047
Benefit payments, including refunds of employee contributions	(16,512)	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Administrative expense	(171)	(176)	(152)	(122)	(125)	(137)
Other changes	9	(34)	(134)	(36)	(243)	(50)
Net change in plan fiduciary net position	13,770	14,781	16,450	2,565	2,824	15,941
Plan fiduciary net position-beginning	177,208	162,427	145,977	143,412	140,588	124,647
Adjustment to Beginning of Year	(64)	-	-	-	-	-
Plan fiduciary net position-ending (b)	\$ 190,914	\$ 177,208	\$ 162,427	\$ 145,977	\$ 143,412	\$ 140,588
City's net pension liability-ending ((a) - (b))	\$ 187,980	\$ 171,998	\$ 166,258	\$ 157,936	\$ 122,361	\$ 113,756
Plan fiduciary net position as a percentage of the total pension liability	50.39%	50.75%	49.42%	48.03%	53.96%	55.27%
Covered payroll	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
City's net pension liability as a percentage of covered payroll	594.35%	493.27%	490.49%	477.54%	369.95%	361.84%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 6,378	\$ 5,098	\$ 5,009	\$ 4,077	\$ 3,720	\$ 3,509
Interest	7,654	6,729	5,797	4,655	4,037	3,449
Changes of benefit terms	-	-	639	7,546	-	(448)
Differences between expected and actual experience	(2,821)	(2,004)	1,264	(877)	994	462
Changes of assumptions or other inputs	2,644	-	1,881	3,303	-	1,157
Benefit payments, including refunds of employee contributions	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
Net change in total pension liability	12,596	8,776	13,658	17,274	8,060	7,349
Total pension liability-beginning	97,684	88,908	75,250	57,976	49,916	42,567
Total pension liability-ending (a)	\$ 110,280	\$ 97,684	\$ 88,908	\$ 75,250	\$ 57,976	\$ 49,916
Plan fiduciary net position						
Contributions-employer	\$ 2,830	\$ 6,061	\$ 2,737	\$ 2,974	\$ 2,247	\$ 2,392
Contributions-employee	2,946	1,981	2,551	2,693	2,337	2,629
Net investment income	4,863	5,520	7,822	358	2,046	6,294
Benefit payments, including refunds of employee contributions	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
Administrative expense	(85)	(85)	(70)	(52)	(50)	(51)
Other changes	-	16	1	(53)	12	(60)
Net change in plan fiduciary net position	9,295	12,446	12,109	4,490	5,901	10,424
Plan fiduciary net position-beginning	89,627	77,181	65,072	60,582	54,681	44,257
Adjustment to Beginning of Year	(16)	-	-	-	-	-
Plan fiduciary net position-ending (b)	\$ 98,906	\$ 89,627	\$ 77,181	\$ 65,072	\$ 60,582	\$ 54,681
City's net pension liability (asset)-ending ((a) - (b))	\$ 11,374	\$ 8,057	\$ 11,727	\$ 10,178	\$ (2,606)	\$ (4,765)
Plan fiduciary net position as a percentage of the total pension liability	89.69%	91.75%	86.81%	86.47%	104.49%	109.55%
Covered payroll	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
City's net pension liability as a percentage of covered payroll	46.66%	34.74%	49.90%	47.34%	0.00%	0.00%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 13,151	\$ 12,384	\$ 11,437	\$ 11,540	\$ 11,049	\$ 11,092	\$ 10,635	\$ 9,949
Employer contributions in relation to the statutorily required contribution	(13,151)	(12,384)	(11,437)	(11,540)	(11,049)	(11,092)	(10,635)	(9,949)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 114,944	\$ 110,748	\$ 105,097	\$ 107,259	\$ 101,917	\$ 101,962	\$ 99,077	\$ 97,257
Contributions as a percentage of covered payroll	11.44%	11.18%	10.88%	10.76%	10.84%	10.88%	10.73%	10.23%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 18,850	\$ 17,296	\$ 15,341	\$ 12,328	\$ 11,635	\$ 8,921	\$ 7,997
Employer contributions in relation to the actuarially determined contribution	<u>(18,850)</u>	<u>(17,296)</u>	<u>(15,341)</u>	<u>(12,328)</u>	<u>(11,635)</u>	<u>(8,921)</u>	<u>(7,997)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
Contributions as a percentage of covered payroll	53.75%	54.69%	44.00%	36.37%	35.18%	26.97%	25.44%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,167	\$ 4,577	\$ 3,924	\$ 2,840	\$ 2,626	\$ 2,276	\$ 2,392
Employer contributions in relation to the actuarially determined contribution	<u>(4,167)</u>	<u>(4,577)</u>	<u>(3,924)</u>	<u>(2,840)</u>	<u>(2,626)</u>	<u>(2,276)</u>	<u>(2,392)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
Contributions as a percentage of covered payroll	16.54%	18.78%	16.92%	12.09%	12.22%	11.15%	12.37%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 236	\$ 241	\$ 260
Interest	89	85	67
Differences between expected and actual experience	(261)	(278)	(230)
Changes of assumptions/other inputs	126	(38)	125
Benefit payments	(116)	(101)	(111)
Net change in total OPEB liability	74	(91)	111
Total OPEB liability-beginning	2,103	2,194	2,083
Total OPEB liability-ending	<u>\$ 2,177</u>	<u>\$ 2,103</u>	<u>\$ 2,194</u>
Covered-employee payroll	\$ 55,023	\$ 52,970	\$ 51,137
Total OPEB liability as a percentage of covered-employee payroll	3.96%	3.97%	4.29%

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

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

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

I. ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

II. FACTORS THAT AFFECT TRENDS

Arizona State Retirement System (ASRS)

The actuarial assumptions used in the June 30, 2019, valuation for ASRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The major changes in assumptions were the discount rate, the actuarial method, the inflation rate, the investment rate, and the mortality table. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017 actuarial valuation.

Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2019, valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. Several actuarial assumptions were adjusted as a result of the study, including decreasing wage inflation from 4.0% to 3.5%. The total pension liability as of June 30, 2020 reflects changes of benefit terms and actuarial assumptions for funding assumed future permanent benefit increases that were adopted by PSPRS in prior years.

The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2017 actuarial valuation. The total liabilities as of June 30, 2020 reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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 voter approved Preservation Privilege (Sales) Tax of 0.35 (0.2 percent 1995 and 0.15 percent 2004). Revenues are transferred to the Preserve Privilege Tax Capital Projects Funds for land purchases and improvements in the McDowell Sonoran Preserve or are transferred to the Scottsdale Preserve Authority Debt Service Fund to be used for related debt service payments.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

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

Scottsdale Mountain CFD

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

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

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

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

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

Debt Service Funds

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

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

Debt Service Stabilization Fund. This fund accounts for revenues received from the Arizona Sports and Tourism Authority and the Maricopa County Stadium District for debt payments. This fund also includes commitments by the City Council to be used for repayment of debt.

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

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

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).

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. This 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. This fund accounts for the portion of Transportation Privilege (Sales) Tax dedicated to transportation capital improvements. Resources are provided by the 0.2 percent 1989 and 0.1 percent 2018 voter approved privilege tax.

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

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

External Sources Fund. This 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.

Permanent Funds

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

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

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

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

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

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020 (in thousands)

ASSETS	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Cash and Investments	\$ 101,709	\$ 5,055	\$ 52,089	\$ 602	\$ 159,455
Cash with Fiscal Agent	58	29,377	6,080	-	35,515
Receivables (net of allowance for uncollectibles)					
Interest	162	-	204	-	366
Privilege Tax	6,537	-	1,204	-	7,741
Transient Occupancy Tax	881	-	-	-	881
Property Tax	19	107	-	-	126
Franchise Fee	48	-	-	-	48
Highway User Tax	1,302	-	-	-	1,302
Intergovernmental	3,835	-	14,501	-	18,336
Grants	3,312	-	342	-	3,654
Leases	2,263	-	-	-	2,263
Miscellaneous	4,066	-	2	-	4,068
Total Assets	<u>\$ 124,192</u>	<u>\$ 34,539</u>	<u>\$ 74,422</u>	<u>\$ 602</u>	<u>\$ 233,755</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts Payable	\$ 3,201	\$ -	\$ 10,215	\$ 5	\$ 13,421
Accrued Payroll and Benefits	334	-	23	-	357
Due to Other Funds	174	-	259	-	433
Matured Bond Interest Payable	-	4,915	-	-	4,915
Matured Bonds Payable	-	24,067	-	-	24,067
Unearned Revenue					
Intergovernmental	21,084	-	-	-	21,084
Other	733	-	27	-	760
Due to Other Governments	2	-	-	-	2
Guaranty and Other Deposits	5	-	-	-	5
Other	69	-	-	-	69
Total Liabilities	<u>25,602</u>	<u>28,982</u>	<u>10,524</u>	<u>5</u>	<u>65,113</u>
Deferred Inflows of Resources					
Unavailable Revenues	6,781	77	15,138	-	21,996
Leases	3,689	-	-	-	3,689
Total Deferred Inflows of Resources	<u>10,470</u>	<u>77</u>	<u>15,138</u>	<u>-</u>	<u>25,685</u>
Total Liabilities and Deferred Inflows of Resources	<u>36,072</u>	<u>29,059</u>	<u>25,662</u>	<u>5</u>	<u>90,798</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	555	555
Restricted	73,153	2,797	56,347	42	132,339
Committed	17,774	2,683	7	-	20,464
Unassigned	(2,807)	-	(7,594)	-	(10,401)
Total Fund Balances (Deficits)	<u>88,120</u>	<u>5,480</u>	<u>48,760</u>	<u>597</u>	<u>142,957</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 124,192</u>	<u>\$ 34,539</u>	<u>\$ 74,422</u>	<u>\$ 602</u>	<u>\$ 233,755</u>

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes - Local					
Property	\$ 114	\$ 3,082	\$ -	\$ -	\$ 3,196
Transaction Privilege	68,090	-	9,263	-	77,353
Transient Occupancy	18,793	-	-	-	18,793
Light and Power Franchise	237	-	-	-	237
Taxes - Intergovernmental					
Highway User Tax	16,870	-	-	-	16,870
Local Transportation Assistance Fund	642	-	-	-	642
Business and Liquor Licenses	55	-	-	-	55
Charges for Current Services					
Building and Related Permits	11	-	-	-	11
Recreation Fees	1,969	-	-	-	1,969
Fines, Fees, and Forfeitures					
Court	140	-	-	-	140
Court Enhancement	1,786	-	-	-	1,786
Police	117	-	-	-	117
Property Rental	1,481	-	-	-	1,481
Interest Earnings	1,271	9	919	-	2,199
Net Decrease in the Fair Value of Investments	-	-	-	(7)	(7)
Intergovernmental					
Federal Grants	26,166	-	1,275	-	27,441
State Grants	258	-	-	-	258
Miscellaneous	1,284	5,881	8,591	-	15,756
Developer Contributions	732	-	376	-	1,108
Streetlight and Services Districts	617	-	-	-	617
Contributions and Donations	6,100	-	2,950	18	9,068
Reimbursements from Outside Sources	387	-	-	-	387
Indirect Costs	431	-	-	-	431
Other	57	-	-	-	57
Total Revenues	<u>147,608</u>	<u>8,972</u>	<u>23,374</u>	<u>11</u>	<u>179,965</u>
EXPENDITURES					
Current					
General Government					
Mayor and City Council	12	-	-	-	12
City Court	1,057	-	-	-	1,057
City Manager	570	-	-	-	570
City Treasurer	178	-	-	-	178
Public Works	24,053	-	-	-	24,053
Community and Economic Development	13,965	-	-	-	13,965
Public Safety	20,723	-	-	-	20,723
Community Services	12,922	-	-	46	12,968
Streetlight and Services Districts	555	-	-	-	555
Debt Service					
Principal	27	24,314	-	-	24,341
Interest and Fiscal Charges	1	9,507	-	-	9,508
Bond Issuance Costs	-	475	-	-	475
Capital Outlay	-	-	67,214	-	67,214
Total Expenditures	<u>74,063</u>	<u>34,296</u>	<u>67,214</u>	<u>46</u>	<u>175,619</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>73,545</u>	<u>(25,324)</u>	<u>(43,840)</u>	<u>(35)</u>	<u>4,346</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	2,527	30,433	22,420	-	55,380
Transfers Out	(63,125)	(7,631)	(9,725)	-	(80,481)
Issuance of Refunding Bonds	-	2,563	-	-	2,563
Issuance of Long-Term Capital-Related Debt	-	405	42,145	-	42,550
Premium on Long-Term Debt Issued	-	-	1,323	-	1,323
Payment to Refunded Bonds Escrow Agent	-	(2,563)	-	-	(2,563)
Total Other Financing Sources and (Uses)	<u>(60,598)</u>	<u>23,207</u>	<u>56,163</u>	<u>-</u>	<u>18,772</u>
Net Change in Fund Balances (Deficits)	12,947	(2,117)	12,323	(35)	23,118
Fund Balances - Beginning	75,173	7,597	36,437	632	119,839
Fund Balances - Ending	<u>\$ 88,120</u>	<u>\$ 5,480</u>	<u>\$ 48,760</u>	<u>\$ 597</u>	<u>\$ 142,957</u>

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2020 (in thousands)

ASSETS	Transportation	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
Cash and Investments	\$ 18,347	\$ 74	\$ -	\$ 10,364	\$ 415	\$ 44,605	\$ 33	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	-	146	-	-
Privilege Tax	2,309	-	-	-	-	4,226	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	18	-
Franchise Fee	-	-	-	-	-	-	-	-
Highway User Tax	1,302	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	289	175	2,777	71	-	-	-
Leases	-	-	-	-	-	-	-	-
Miscellaneous	26	2,198	-	-	22	-	-	-
Total Assets	<u>\$ 21,984</u>	<u>\$ 2,561</u>	<u>\$ 175</u>	<u>\$ 13,141</u>	<u>\$ 508</u>	<u>\$ 48,977</u>	<u>\$ 51</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts Payable	\$ 2,734	\$ 64	\$ -	\$ 90	\$ 1	\$ 10	\$ -	\$ -
Accrued Payroll and Benefits	191	9	1	45	10	-	-	-
Due to Other Funds	-	-	174	-	-	-	-	-
Unearned Revenue								
Intergovernmental	-	160	1	12,399	88	-	-	-
Other	-	5	-	674	-	-	-	-
Due to Other Governments	-	1	-	-	1	-	-	-
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Liabilities	<u>2,925</u>	<u>244</u>	<u>176</u>	<u>13,208</u>	<u>100</u>	<u>10</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable Revenues	588	2,314	175	2,369	21	1,035	18	-
Leases	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>588</u>	<u>2,314</u>	<u>175</u>	<u>2,369</u>	<u>21</u>	<u>1,035</u>	<u>18</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,513</u>	<u>2,558</u>	<u>351</u>	<u>15,577</u>	<u>121</u>	<u>1,045</u>	<u>18</u>	<u>-</u>
Fund Balances (Deficits)								
Restricted	18,471	119	-	-	387	47,932	33	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(116)	(176)	(2,436)	-	-	-	-
Total Fund Balances (Deficits)	<u>18,471</u>	<u>3</u>	<u>(176)</u>	<u>(2,436)</u>	<u>387</u>	<u>47,932</u>	<u>33</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 21,984</u>	<u>\$ 2,561</u>	<u>\$ 175</u>	<u>\$ 13,141</u>	<u>\$ 508</u>	<u>\$ 48,977</u>	<u>\$ 51</u>	<u>\$ -</u>

(continued)

Combining Balance Sheet

Nonmajor Special Revenue Governmental Funds

June 30, 2020 (in thousands)

	<u>DC Ranch CFD</u>	<u>Via Linda Road CFD</u>	<u>Waterfront Commercial CFD</u>	<u>Streetlight Districts</u>	<u>Special Programs</u>	<u>Tourism Development</u>	<u>Stadium Facility</u>	<u>Total</u>
ASSETS								
Cash and Investments	\$ -	\$ -	\$ -	\$ 69	\$ 21,275	\$ 5,362	\$ 1,165	\$ 101,709
Cash with Fiscal Agent	45	-	13	-	-	-	-	58
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Interest	-	-	-	-	16	-	-	162
Privilege Tax	-	-	-	-	2	-	-	6,537
Transient Occupancy Tax	-	-	-	-	-	881	-	881
Property Tax	1	-	-	-	-	-	-	19
Franchise Fee	-	-	-	-	48	-	-	48
Highway User Tax	-	-	-	-	-	-	-	1,302
Intergovernmental	-	-	-	-	3,835	-	-	3,835
Grants	-	-	-	-	-	-	-	3,312
Leases	-	-	-	-	1,399	864	-	2,263
Miscellaneous	-	-	-	4	198	125	1,493	4,066
Total Assets	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 73</u>	<u>\$ 26,773</u>	<u>\$ 7,232</u>	<u>\$ 2,658</u>	<u>\$ 124,192</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 227	\$ 75	\$ -	\$ 3,201
Accrued Payroll and Benefits	-	-	-	-	64	7	7	334
Due to Other Funds	-	-	-	-	-	-	-	174
Unearned Revenue	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	8,436	-	-	21,084
Other	-	-	-	-	54	-	-	733
Due to Other Governments	-	-	-	-	-	-	-	2
Guaranty and Other Deposits	-	-	-	-	-	-	-	5
Other	-	-	-	-	69	-	-	69
Total Liabilities	-	-	-	-	<u>8,850</u>	<u>82</u>	<u>7</u>	<u>25,602</u>
Deferred Inflows of Resources								
Unavailable Revenues	-	-	-	-	94	167	-	6,781
Leases	-	-	-	-	1,417	2,272	-	3,689
Total Deferred Inflows of Resources	-	-	-	-	<u>1,511</u>	<u>2,439</u>	-	<u>10,470</u>
Total Liabilities and Deferred Inflows of Resources	-	-	-	-	<u>10,361</u>	<u>2,521</u>	<u>7</u>	<u>36,072</u>
Fund Balances (Deficits)								
Restricted	46	-	13	73	3,428	-	2,651	73,153
Committed	-	-	-	-	13,063	4,711	-	17,774
Unassigned	-	-	-	-	(79)	-	-	(2,807)
Total Fund Balances (Deficits)	<u>46</u>	<u>-</u>	<u>13</u>	<u>73</u>	<u>16,412</u>	<u>4,711</u>	<u>2,651</u>	<u>88,120</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 73</u>	<u>\$ 26,773</u>	<u>\$ 7,232</u>	<u>\$ 2,658</u>	<u>\$ 124,192</u>

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Transportation	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
REVENUES								
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11
Transaction Privilege	25,759	-	-	-	-	42,331	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
Highway User Tax	16,870	-	-	-	-	-	-	-
Local Transportation Assistance Fund	642	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Building and Related Permits	-	-	-	-	-	-	-	-
Recreation Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-
Property Rental	7	63	-	-	-	-	-	-
Interest Earnings	-	-	-	-	-	1,024	-	-
Intergovernmental								
Federal Grants	-	1,473	203	18,662	5,828	-	-	-
State Grants	-	-	-	258	-	-	-	-
Miscellaneous	200	-	-	-	-	-	-	-
Developer Contributions	-	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,322	-	-	-	-
Reimbursements from Outside Sources	19	-	-	2	10	-	-	-
Indirect Costs	431	-	-	-	-	-	-	-
Other	2	-	-	-	-	-	-	-
Total Revenues	43,930	1,536	203	20,244	5,838	43,355	-	11
EXPENDITURES								
Current								
General Government								
Mayor and City Council	-	-	-	2	-	-	-	-
City Court	-	-	-	-	-	-	-	-
City Manager	-	-	-	570	-	-	-	-
City Treasurer	59	-	-	-	-	4	9	11
Public Works	22,596	-	-	1,283	-	-	-	-
Community and Economic Development	-	-	-	52	-	-	-	-
Public Safety	-	-	-	19,605	-	-	-	-
Community Services	1,772	1,467	194	924	5,887	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Debt Service								
Principal	27	-	-	-	-	-	-	-
Interest and Fiscal Charges	1	-	-	-	-	-	-	-
Total Expenditures	24,455	1,467	194	22,436	5,887	4	9	11
Excess (Deficiency) of Revenues over (under) Expenditures	19,475	69	9	(2,192)	(49)	43,351	(9)	-
OTHER FINANCING SOURCES (USES)								
Transfers In	1,500	-	-	-	-	-	-	-
Transfers Out	(18,073)	(6)	-	-	-	(33,773)	-	-
Total Other Financing Sources (Uses)	(16,573)	(6)	-	-	-	(33,773)	-	-
Net Change in Fund Balances (Deficits)	2,902	63	9	(2,192)	(49)	9,578	(9)	-
Fund Balances (Deficits) - Beginning	15,569	(60)	(185)	(244)	436	38,354	42	-
Fund Balances (Deficits) - Ending	\$ 18,471	\$ 3	\$ (176)	\$ (2,436)	\$ 387	\$ 47,932	\$ 33	\$ -

(continued)

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Stadium Facility	Total
REVENUES								
Taxes - Local								
Property	\$ 67	\$ 11	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 114
Transaction Privilege	-	-	-	-	-	-	-	68,090
Transient Occupancy	-	-	-	-	-	18,793	-	18,793
Light and Power Franchise	-	-	-	-	237	-	-	237
Taxes - Intergovernmental								
Highway User Tax	-	-	-	-	-	-	-	16,870
Local Transportation Assistance Fund	-	-	-	-	-	-	-	642
Business and Liquor Licenses	-	-	-	-	55	-	-	55
Charges for Current Services								
Building and Related Permits	-	-	-	-	11	-	-	11
Recreation Fees	-	-	-	-	1,969	-	-	1,969
Fines, Fees, and Forfeitures								
Court	-	-	-	-	140	-	-	140
Court Enhancement	-	-	-	-	1,786	-	-	1,786
Police	-	-	-	-	117	-	-	117
Property Rental	-	-	-	-	565	574	272	1,481
Interest Earnings	-	-	-	-	162	66	19	1,271
Intergovernmental								
Federal Grants	-	-	-	-	-	-	-	26,166
State Grants	-	-	-	-	-	-	-	258
Miscellaneous	-	-	-	-	1,084	-	-	1,284
Developer Contributions	-	-	-	-	732	-	-	732
Streetlight and Services Districts	-	-	-	617	-	-	-	617
Contributions and Donations	-	-	-	-	286	-	4,492	6,100
Reimbursements from Outside Sources	-	-	-	-	146	1	209	387
Indirect Costs	-	-	-	-	-	-	-	431
Other	-	-	-	-	55	-	-	57
Total Revenues	<u>67</u>	<u>11</u>	<u>25</u>	<u>617</u>	<u>7,345</u>	<u>19,434</u>	<u>4,992</u>	<u>147,608</u>
EXPENDITURES								
Current								
General Government								
Mayor and City Council	-	-	-	-	10	-	-	12
City Court	-	-	-	-	1,057	-	-	1,057
City Manager	-	-	-	-	-	-	-	570
City Treasurer	72	11	12	-	-	-	-	178
Public Works	-	-	-	-	174	-	-	24,053
Community and Economic Development	-	-	-	-	277	13,636	-	13,965
Public Safety	-	-	-	-	1,118	-	-	20,723
Community Services	-	-	-	-	2,671	-	7	12,922
Streetlight and Services Districts	-	-	-	555	-	-	-	555
Debt Service								
Principal	-	-	-	-	-	-	-	27
Interest and Fiscal Charges	-	-	-	-	-	-	-	1
Total Expenditures	<u>72</u>	<u>11</u>	<u>12</u>	<u>555</u>	<u>5,307</u>	<u>13,636</u>	<u>7</u>	<u>74,063</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(5)</u>	<u>-</u>	<u>13</u>	<u>62</u>	<u>2,038</u>	<u>5,798</u>	<u>4,985</u>	<u>73,545</u>
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	351	-	676	2,527
Transfers Out	-	-	(13)	-	(876)	(7,374)	(3,010)	(63,125)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>(525)</u>	<u>(7,374)</u>	<u>(2,334)</u>	<u>(60,598)</u>
Net Change in Fund Balances (Deficits)	(5)	-	-	62	1,513	(1,576)	2,651	12,947
Fund Balances (Deficits) - Beginning	51	-	13	11	14,899	6,287	-	75,173
Fund Balances (Deficits) - Ending	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 73</u>	<u>\$ 16,412</u>	<u>\$ 4,711</u>	<u>\$ 2,651</u>	<u>\$ 88,120</u>

Transportation – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transaction Privilege	\$ 35,637	\$ 35,637	\$ 25,759	\$ -	\$ 25,759	\$ (9,878)
Taxes - Intergovernmental						
Highway User Tax	16,944	16,944	16,870	-	16,870	(74)
Local Transportation Assistance Fund	655	655	642	-	642	(13)
Property Rental	-	-	7	-	7	7
Intergovernmental						
Miscellaneous	150	150	200	-	200	50
Reimbursements from Outside Sources	125	125	19	-	19	(106)
Indirect Costs	438	438	431	-	431	(7)
Other	-	-	2	-	2	2
Total Revenues	<u>53,949</u>	<u>53,949</u>	<u>43,930</u>	<u>-</u>	<u>43,930</u>	<u>(10,019)</u>
EXPENDITURES						
Current						
General Government						
City Treasurer	57	59	59	-	59	-
Public Works	25,575	23,026	22,571	25	22,596	455
Community Services	1,892	1,892	1,772	-	1,772	120
Debt Service						
Principal	-	-	27	-	27	(27)
Interest and Fiscal Charges	-	-	1	-	1	(1)
Total Expenditures	<u>27,524</u>	<u>24,977</u>	<u>24,430</u>	<u>25</u>	<u>24,455</u>	<u>547</u>
Excess of Revenues over Expenditures	<u>26,425</u>	<u>28,972</u>	<u>19,500</u>	<u>(25)</u>	<u>19,475</u>	<u>(9,472)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	1,500	1,500	1,500	-	1,500	-
Transfers Out	(26,500)	(26,500)	(18,073)	-	(18,073)	8,427
Sale of General Capital Assets	5	5	-	-	-	(5)
Total Other Financing Sources (Uses)	<u>(24,995)</u>	<u>(24,995)</u>	<u>(16,573)</u>	<u>-</u>	<u>(16,573)</u>	<u>8,422</u>
Net Change in Fund Balance	<u>\$ 1,430</u>	<u>\$ 3,977</u>	<u>\$ 2,927</u>	<u>\$ (25)</u>	<u>\$ 2,902</u>	<u>\$ (1,050)</u>

Explanation of Differences:

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

 Payroll Accruals \$ 25

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, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Property Rental	\$ 64	\$ 64	\$ 63	\$ -	\$ 63	\$ (1)
Intergovernmental						
Federal Grants	2,182	2,182	1,473	-	1,473	(709)
Total Revenues	<u>2,246</u>	<u>2,246</u>	<u>1,536</u>	<u>-</u>	<u>1,536</u>	<u>(710)</u>
EXPENDITURES						
Current						
Community Services	2,220	2,240	1,467	-	1,467	773
Total Expenditures	<u>2,220</u>	<u>2,240</u>	<u>1,467</u>	<u>-</u>	<u>1,467</u>	<u>773</u>
Excess of Revenues over Expenditures	<u>26</u>	<u>6</u>	<u>69</u>	<u>-</u>	<u>69</u>	<u>63</u>
OTHER FINANCING USES						
Transfers Out	(6)	(6)	(6)	-	(6)	-
Total Other Financing Uses	<u>(6)</u>	<u>(6)</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 63</u>

HOME – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 926	\$ 926	\$ 203	\$ -	\$ 203	\$ (723)
Total Revenues	926	926	203	-	203	(723)
EXPENDITURES						
Current						
Community Services	924	926	194	-	194	732
Total Expenditures	924	926	194	-	194	732
Excess of Revenues over Expenditures	2	-	9	-	9	9
Net Change in Fund Balance	\$ 2	\$ -	\$ 9	\$ -	\$ 9	\$ 9

Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 4,173	\$ 4,173	\$ 18,662	\$ -	\$ 18,662	\$ 14,489
State Grants	724	17,962	258	-	258	(17,704)
Contributions and Donations	2,624	2,624	1,322	-	1,322	(1,302)
Reimbursements from Outside Sources	-	-	2	-	2	2
Total Revenues	<u>7,521</u>	<u>24,759</u>	<u>20,244</u>	<u>-</u>	<u>20,244</u>	<u>(4,515)</u>
EXPENDITURES						
Current						
General Government						
Mayor and City Council	5	5	2	-	2	3
City Manager	1,015	985	570	-	570	415
City Treasurer	-	500	-	-	-	500
Public Works	-	1,337	1,283	-	1,283	54
Community and Economic Development	5	50	52	-	52	(2)
Public Safety	2,365	20,049	19,590	15	19,605	459
Community Services	2,088	2,085	924	-	924	1,161
Total Expenditures	<u>5,478</u>	<u>25,011</u>	<u>22,421</u>	<u>15</u>	<u>22,436</u>	<u>2,590</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,043</u>	<u>(252)</u>	<u>(2,177)</u>	<u>(15)</u>	<u>(2,192)</u>	<u>(1,925)</u>
Net Change in Fund Balance	<u>\$ 2,043</u>	<u>\$ (252)</u>	<u>\$ (2,177)</u>	<u>\$ (15)</u>	<u>\$ (2,192)</u>	<u>\$ (1,925)</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ 15</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, 2020 (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>
REVENUES						
Intergovernmental						
Federal Grants	\$ 6,018	\$ 6,018	\$ 5,828	\$ -	\$ 5,828	\$ (190)
Reimbursements from Outside Sources	-	-	10	-	10	10
Total Revenues	<u>6,018</u>	<u>6,018</u>	<u>5,838</u>	<u>-</u>	<u>5,838</u>	<u>(180)</u>
EXPENDITURES						
Current						
Community Services	5,996	6,018	5,883	4	5,887	135
Total Expenditures	<u>5,996</u>	<u>6,018</u>	<u>5,883</u>	<u>4</u>	<u>5,887</u>	<u>135</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>22</u>	<u>-</u>	<u>(45)</u>	<u>(4)</u>	<u>(49)</u>	<u>(45)</u>
Net Change in Fund Balance	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ (45)</u>	<u>\$ (4)</u>	<u>\$ (49)</u>	<u>\$ (45)</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, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transaction Privilege	\$ 42,809	\$ 42,809	\$ 42,331	\$ -	\$ 42,331	\$ (478)
Interest Earnings	1,067	1,067	1,024	-	1,024	(43)
Total Revenues	<u>43,876</u>	<u>43,876</u>	<u>43,355</u>	<u>-</u>	<u>43,355</u>	<u>(521)</u>
EXPENDITURES						
Current						
General Government						
City Treasurer	-	-	4	-	4	(4)
Total Expenditures	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>(4)</u>
Excess of Revenues over Expenditures	<u>43,876</u>	<u>43,876</u>	<u>43,351</u>	<u>-</u>	<u>43,351</u>	<u>(525)</u>
OTHER FINANCING USES						
Transfers Out	(37,185)	(37,185)	(33,773)	-	(33,773)	3,412
Total Other Financing Uses	<u>(37,185)</u>	<u>(37,185)</u>	<u>(33,773)</u>	<u>-</u>	<u>(33,773)</u>	<u>3,412</u>
Net Change in Fund Balance	<u>\$ 6,691</u>	<u>\$ 6,691</u>	<u>\$ 9,578</u>	<u>\$ -</u>	<u>\$ 9,578</u>	<u>\$ 2,887</u>

Streetlight Districts – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Streetlight and Services Districts	\$ 647	\$ 647	\$ 617	\$ -	\$ 617	\$ (30)
Total Revenues	647	647	617	-	617	(30)
EXPENDITURES						
Current						
Streetlight and Services Districts	639	639	555	-	555	84
Total Expenditures	639	639	555	-	555	84
Excess of Revenues over Expenditures	8	8	62	-	62	54
Net Change in Fund Balance	\$ 8	\$ 8	\$ 62	\$ -	\$ 62	\$ 54

Special Programs – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Light and Power Franchise	\$ 252	\$ 252	\$ 237	\$ -	\$ 237	\$ (15)
Business and Liquor Licenses	58	58	55	-	55	(3)
Charges for Current Services						
Building and Related Permits	-	-	11	-	11	11
Recreation Fees	2,693	2,693	1,969	-	1,969	(724)
Fines, Fees, and Forfeitures						
Court	157	157	140	-	140	(17)
Court Enhancement	1,901	1,901	1,786	-	1,786	(115)
Police	290	290	117	-	117	(173)
Property Rental	2,286	2,286	456	109	565	(1,830)
Interest Earnings	177	177	162	-	162	(15)
Intergovernmental						
Miscellaneous	1,952	1,952	1,084	-	1,084	(868)
Developer Contributions	-	-	732	-	732	732
Contributions and Donations	417	420	286	-	286	(134)
Reimbursements from Outside Sources	100	100	146	-	146	46
Other	42	42	55	-	55	13
Total Revenues	<u>10,325</u>	<u>10,328</u>	<u>7,236</u>	<u>109</u>	<u>7,345</u>	<u>(3,092)</u>
EXPENDITURES						
Current						
General Government						
Mayor and City Council	28	28	10	-	10	18
City Court	1,203	1,251	1,041	16	1,057	210
Public Works	445	445	174	-	174	271
Community and Economic Development	401	426	276	1	277	150
Public Safety	2,305	2,338	1,120	(2)	1,118	1,218
Community Services	3,447	3,379	2,668	3	2,671	711
Total Expenditures	<u>7,829</u>	<u>7,867</u>	<u>5,289</u>	<u>18</u>	<u>5,307</u>	<u>2,578</u>
Excess of Revenues over Expenditures	<u>2,496</u>	<u>2,461</u>	<u>1,947</u>	<u>91</u>	<u>2,038</u>	<u>(514)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	10	10	351	-	351	341
Transfers Out	(2,943)	(2,943)	(876)	-	(876)	2,067
Total Other Financing Sources (Uses)	<u>(2,933)</u>	<u>(2,933)</u>	<u>(525)</u>	<u>-</u>	<u>(525)</u>	<u>2,408</u>
Net Change in Fund Balance	<u>\$ (437)</u>	<u>\$ (472)</u>	<u>\$ 1,422</u>	<u>\$ 91</u>	<u>\$ 1,513</u>	<u>\$ 1,894</u>

Explanation of Differences:

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

 Amortized Lease Revenues \$ 109

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

 Payroll Accruals 18

Net Increase in Fund Balance – Budget to GAAP \$ 91

Tourism Development – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transient Occupancy Tax	\$ 21,530	\$ 21,530	\$ 18,793	\$ -	\$ 18,793	\$ (2,737)
Property Rental	1,999	1,999	2,049	(1,475)	574	50
Interest Earnings	-	-	-	66	66	-
Reimbursements from Outside Sources	-	-	1	-	1	1
Total Revenues	<u>23,529</u>	<u>23,529</u>	<u>20,843</u>	<u>(1,409)</u>	<u>19,434</u>	<u>(2,686)</u>
EXPENDITURES						
Current						
Community and Economic Development	15,594	15,594	13,635	1	13,636	1,959
Total Expenditures	<u>15,594</u>	<u>15,594</u>	<u>13,635</u>	<u>1</u>	<u>13,636</u>	<u>1,959</u>
Excess of Revenues over Expenditures	<u>7,935</u>	<u>7,935</u>	<u>7,208</u>	<u>(1,410)</u>	<u>5,798</u>	<u>(727)</u>
OTHER FINANCING USES						
Transfers Out	(7,567)	(7,567)	(7,374)	-	(7,374)	193
Total Other Financing Sources Uses	<u>(7,567)</u>	<u>(7,567)</u>	<u>(7,374)</u>	<u>-</u>	<u>(7,374)</u>	<u>193</u>
Net Change in Fund Balance	<u>\$ 368</u>	<u>\$ 368</u>	<u>\$ (166)</u>	<u>\$ (1,410)</u>	<u>\$ (1,576)</u>	<u>\$ (534)</u>

Explanation of Differences:

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

Amortized Lease Revenues	\$ (1,475)
Lease Related Interest	66
Total Revenue Adjustments	<u>(1,409)</u>

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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Net Decrease in Fund Balance – Budget to GAAP \$ (1,410)

Combining Balance Sheet

Nonmajor Debt Service Governmental Funds

June 30, 2020 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
ASSETS								
Cash and Investments	\$ -	\$ 5,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,055
Cash with Fiscal Agent	21,178	-	1,475	1,266	234	269	4,955	29,377
Receivables (net of allowance for uncollectibles)								
Property Tax	-	-	28	51	3	25	-	107
Total Assets	<u>\$ 21,178</u>	<u>\$ 5,055</u>	<u>\$ 1,503</u>	<u>\$ 1,317</u>	<u>\$ 237</u>	<u>\$ 294</u>	<u>\$ 4,955</u>	<u>\$ 34,539</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Matured Bond Interest Payable	\$ 4,481	\$ -	\$ 56	\$ 151	\$ 10	\$ 42	\$ 175	\$ 4,915
Matured Bonds Payable	16,697	-	1,230	980	190	190	4,780	24,067
Total Liabilities	<u>21,178</u>	<u>-</u>	<u>1,286</u>	<u>1,131</u>	<u>200</u>	<u>232</u>	<u>4,955</u>	<u>28,982</u>
Deferred Inflows of Resources								
Unavailable Revenues	-	-	18	33	2	24	-	77
Total Liabilities and Deferred Inflows of Resources	<u>21,178</u>	<u>-</u>	<u>1,304</u>	<u>1,164</u>	<u>202</u>	<u>256</u>	<u>4,955</u>	<u>29,059</u>
Fund Balances								
Restricted	-	2,372	199	153	35	38	-	2,797
Committed	-	2,683	-	-	-	-	-	2,683
Total Fund Balances	<u>-</u>	<u>5,055</u>	<u>199</u>	<u>153</u>	<u>35</u>	<u>38</u>	<u>-</u>	<u>5,480</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,178</u>	<u>\$ 5,055</u>	<u>\$ 1,503</u>	<u>\$ 1,317</u>	<u>\$ 237</u>	<u>\$ 294</u>	<u>\$ 4,955</u>	<u>\$ 34,539</u>

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

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
REVENUES								
Taxes - Local								
Property	\$ -	\$ -	\$ 1,330	\$ 1,274	\$ 209	\$ 269	\$ -	\$ 3,082
Interest Earnings	1	-	2	2	-	4	-	9
Intergovernmental								
Miscellaneous	-	5,881	-	-	-	-	-	5,881
Total Revenues	<u>1</u>	<u>5,881</u>	<u>1,332</u>	<u>1,276</u>	<u>209</u>	<u>273</u>	<u>-</u>	<u>8,972</u>
EXPENDITURES								
Debt Service								
Principal	16,697	-	1,230	980	190	437	4,780	24,314
Interest and Fiscal Charges	8,600	-	109	304	21	118	355	9,507
Bond Issuance Costs	394	-	-	-	-	81	-	475
Total Expenditures	<u>25,691</u>	<u>-</u>	<u>1,339</u>	<u>1,284</u>	<u>211</u>	<u>636</u>	<u>5,135</u>	<u>34,296</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(25,690)</u>	<u>5,881</u>	<u>(7)</u>	<u>(8)</u>	<u>(2)</u>	<u>(363)</u>	<u>(5,135)</u>	<u>(25,324)</u>
OTHER FINANCING SOURCES (USES)								
Transfers In	25,285	-	-	-	-	13	5,135	30,433
Transfers Out	-	(7,631)	-	-	-	-	-	(7,631)
Issuance of Refunding Bonds	-	-	-	-	-	2,563	-	2,563
Issuance of Long-Term Capital-Related Debt	405	-	-	-	-	-	-	405
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	(2,563)	-	(2,563)
Total Other Financing Sources (Uses)	<u>25,690</u>	<u>(7,631)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>5,135</u>	<u>23,207</u>
Net Change in Fund Balances	-	(1,750)	(7)	(8)	(2)	(350)	-	(2,117)
Fund Balances - Beginning	-	6,805	206	161	37	388	-	7,597
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 5,055</u>	<u>\$ 199</u>	<u>\$ 153</u>	<u>\$ 35</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 5,480</u>

General Obligation Bond Debt Service Fund

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

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Property	\$ 32,972	\$ 32,972	\$ 32,556	\$ -	\$ 32,556	\$ (416)
Total Revenues	<u>32,972</u>	<u>32,972</u>	<u>32,556</u>	<u>-</u>	<u>32,556</u>	<u>(416)</u>
EXPENDITURES						
Debt Service						
Principal	49,435	49,435	42,515	-	42,515	6,920
Interest and Fiscal Charges	18,056	18,056	18,015	-	18,015	41
Payment to Refunded Bonds Escrow Agent	-	-	6,983	-	6,983	(6,983)
Bond Issuance Costs	-	-	33	-	33	(33)
Total Expenditures	<u>67,491</u>	<u>67,491</u>	<u>67,546</u>	<u>-</u>	<u>67,546</u>	<u>(55)</u>
Deficiency of Revenues under Expenditures	<u>(34,519)</u>	<u>(34,519)</u>	<u>(34,990)</u>	<u>-</u>	<u>(34,990)</u>	<u>(471)</u>
OTHER FINANCING SOURCES						
Transfers In	<u>34,519</u>	<u>34,519</u>	<u>34,638</u>	<u>-</u>	<u>34,638</u>	<u>119</u>
Total Other Financing Sources	<u>34,519</u>	<u>34,519</u>	<u>34,638</u>	<u>-</u>	<u>34,638</u>	<u>119</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (352)</u>	<u>\$ -</u>	<u>\$ (352)</u>	<u>\$ (352)</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, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Interest Earnings	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ 1
Contributions and Donations	510	-	-	-	-	-
Total Revenues	510	-	1	-	1	1
EXPENDITURES						
Debt Service						
Principal	16,299	16,299	16,697	-	16,697	(398)
Interest and Fiscal Charges	9,294	9,294	8,600	-	8,600	694
Bond Issuance Costs	-	-	394	-	394	(394)
Total Expenditures	25,593	25,593	25,691	-	25,691	(98)
Deficiency of Revenues under Expenditures	(25,083)	(25,593)	(25,690)	-	(25,690)	(97)
OTHER FINANCING SOURCES						
Transfers In	25,083	25,593	25,285	-	25,285	(308)
Issuance of Long-Term Capital-Related Debt	-	-	405	-	405	405
Total Other Financing Sources	25,083	25,593	25,690	-	25,690	97
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Property Rental	\$ 160	\$ 160	\$ -	\$ -	\$ -	\$ (160)
Miscellaneous	6,060	6,060	5,881	-	5,881	(179)
Total Revenues	<u>6,220</u>	<u>6,220</u>	<u>5,881</u>	<u>-</u>	<u>5,881</u>	<u>(339)</u>
EXPENDITURES						
Total Expenditures	-	-	-	-	-	-
Excess of Revenues over Expenditures	<u>6,220</u>	<u>6,220</u>	<u>5,881</u>	<u>-</u>	<u>5,881</u>	<u>(339)</u>
OTHER FINANCING USES						
Transfers Out	(7,310)	(7,820)	(7,631)	-	(7,631)	189
Total Other Financing Uses	<u>(7,310)</u>	<u>(7,820)</u>	<u>(7,631)</u>	<u>-</u>	<u>(7,631)</u>	<u>189</u>
Net Change in Fund Balance	<u>\$ (1,090)</u>	<u>\$ (1,600)</u>	<u>\$ (1,750)</u>	<u>\$ -</u>	<u>\$ (1,750)</u>	<u>\$ (150)</u>

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, 2020 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES						
Debt Service						
Principal	4,780	4,780	4,780	-	4,780	-
Interest and Fiscal Charges	355	355	355	-	355	-
Total Expenditures	5,135	5,135	5,135	-	5,135	-
Deficiency of Revenues under Expenditures	(5,135)	(5,135)	(5,135)	-	(5,135)	-
OTHER FINANCING SOURCES						
Transfers In	5,135	5,135	5,135	-	5,135	-
Total Other Financing Sources	5,135	5,135	5,135	-	5,135	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet

Nonmajor Capital Projects Governmental Funds

June 30, 2020 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
ASSETS						
Cash and Investments	\$ 2,231	\$ 47,880	\$ 5	\$ -	\$ 1,973	\$ 52,089
Cash with Fiscal Agent	-	-	-	6,080	-	6,080
Receivables (net of allowance for uncollectibles)						
Interest	88	116	-	-	-	204
Privilege Tax	-	1,204	-	-	-	1,204
Intergovernmental	-	13,921	-	-	580	14,501
Grants	-	-	-	-	342	342
Miscellaneous	-	2	-	-	-	2
Total Assets	<u>\$ 2,319</u>	<u>\$ 63,123</u>	<u>\$ 5</u>	<u>\$ 6,080</u>	<u>\$ 2,895</u>	<u>\$ 74,422</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
Liabilities						
Accounts Payable	\$ 1,964	\$ 1,964	\$ 56	\$ 1,724	\$ 4,507	\$ 10,215
Accrued Payroll and Benefits	6	10	4	3	-	23
Due to Other Funds	-	-	-	259	-	259
Unearned Revenue						
Other	-	-	-	-	27	27
Total Liabilities	<u>1,970</u>	<u>1,974</u>	<u>60</u>	<u>1,986</u>	<u>4,534</u>	<u>10,524</u>
Deferred Inflows of Resources						
Unavailable Revenues	-	14,217	-	-	921	15,138
Total Liabilities and Deferred Inflows of Resources	<u>1,970</u>	<u>16,191</u>	<u>60</u>	<u>1,986</u>	<u>5,455</u>	<u>25,662</u>
Fund Balances (Deficits)						
Restricted	2,776	46,932	-	4,094	2,545	56,347
Committed	-	-	-	-	7	7
Unassigned	(2,427)	-	(55)	-	(5,112)	(7,594)
Total Fund Balances (Deficits)	<u>349</u>	<u>46,932</u>	<u>(55)</u>	<u>4,094</u>	<u>(2,560)</u>	<u>48,760</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 2,319</u>	<u>\$ 63,123</u>	<u>\$ 5</u>	<u>\$ 6,080</u>	<u>\$ 2,895</u>	<u>\$ 74,422</u>

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

Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
REVENUES						
Taxes - Local						
Transaction Privilege	\$ -	\$ 9,263	\$ -	\$ -	\$ -	\$ 9,263
Interest Earnings	187	580	-	134	18	919
Intergovernmental						
Federal Grants	-	-	-	-	1,275	1,275
Miscellaneous	-	-	-	-	8,591	8,591
Developer Contributions	-	-	-	-	376	376
Contributions and Donations	-	-	-	-	2,950	2,950
Total Revenues	<u>187</u>	<u>9,843</u>	<u>-</u>	<u>134</u>	<u>13,210</u>	<u>23,374</u>
EXPENDITURES						
Current						
Capital Outlay	8,571	11,375	700	35,255	11,313	67,214
Total Expenditures	<u>8,571</u>	<u>11,375</u>	<u>700</u>	<u>35,255</u>	<u>11,313</u>	<u>67,214</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(8,384)	(1,532)	(700)	(35,121)	1,897	(43,840)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	18,835	1,038	-	2,547	22,420
Transfers Out	(7,038)	(1,200)	-	-	(1,487)	(9,725)
Issuance of Long-Term Capital-Related Debt	-	-	-	42,145	-	42,145
Premium on Long-Term Debt Issued	-	-	-	1,323	-	1,323
Total Other Financing Sources (Uses)	<u>(7,038)</u>	<u>17,635</u>	<u>1,038</u>	<u>43,468</u>	<u>1,060</u>	<u>56,163</u>
Net Change in Fund Balances (Deficits)	(15,422)	16,103	338	8,347	2,957	12,323
Fund Balances (Deficits) - Beginning	15,771	30,829	(393)	(4,253)	(5,517)	36,437
Fund Balances (Deficits) - Ending	<u>\$ 349</u>	<u>\$ 46,932</u>	<u>\$ (55)</u>	<u>\$ 4,094</u>	<u>\$ (2,560)</u>	<u>\$ 48,760</u>

Combining Balance Sheet

Nonmajor Permanent Governmental Funds

June 30, 2020 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
ASSETS					
Cash and Investments	\$ 414	\$ 121	\$ 36	\$ 31	\$ 602
Total Assets	<u>\$ 414</u>	<u>\$ 121</u>	<u>\$ 36</u>	<u>\$ 31</u>	<u>\$ 602</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 5	\$ -	\$ -	\$ -	\$ 5
Total Liabilities	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
Fund Balances					
Nonspendable	376	115	34	30	555
Restricted	<u>33</u>	<u>6</u>	<u>2</u>	<u>1</u>	<u>42</u>
Total Fund Balances	<u>409</u>	<u>121</u>	<u>36</u>	<u>31</u>	<u>597</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 414</u>	<u>\$ 121</u>	<u>\$ 36</u>	<u>\$ 31</u>	<u>\$ 602</u>

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

Nonmajor Permanent Governmental Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
REVENUES					
Net Decrease in the Fair Value of Investments	\$ (4)	\$ (2)	\$ (1)	\$ -	\$ (7)
Contributions and Donations	18	-	-	-	18
Total Revenues	<u>14</u>	<u>(2)</u>	<u>(1)</u>	<u>-</u>	<u>11</u>
EXPENDITURES					
Current					
Community Services	29	11	4	2	46
Total Expenditures	<u>29</u>	<u>11</u>	<u>4</u>	<u>2</u>	<u>46</u>
Deficiency of Revenues under Expenditures	<u>(15)</u>	<u>(13)</u>	<u>(5)</u>	<u>(2)</u>	<u>(35)</u>
Net Change in Fund Balances	(15)	(13)	(5)	(2)	(35)
Fund Balances - Beginning	424	134	41	33	632
Fund Balances - Ending	<u>\$ 409</u>	<u>\$ 121</u>	<u>\$ 36</u>	<u>\$ 31</u>	<u>\$ 597</u>

INTERNAL SERVICE FUNDS

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

Fleet Management Fund

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

Self-Insurance Fund

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

Computer Replacement Fund

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

Combining Statement of Fund Net Position

Internal Service Funds

June 30, 2020 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash and Investments	\$ 15,865	\$ 39,254	\$ 1,947	\$ 57,066
Receivables (net of allowance for uncollectibles)				
Miscellaneous	125	222	-	347
Supplies Inventory	1,187	-	-	1,187
Total Current Assets	<u>17,177</u>	<u>39,476</u>	<u>1,947</u>	<u>58,600</u>
Noncurrent Assets				
Equity in Joint Venture	2	-	-	2
Capital Assets				
Buildings and Improvements	14,765	-	-	14,765
Motor Vehicles	93,155	-	-	93,155
Machinery and Equipment	1,114	31	4,426	5,571
Construction in Progress	1,174	-	-	1,174
Less Accumulated Depreciation	(50,495)	(4)	(1,672)	(52,171)
Total Capital Assets (net of accumulated depreciation)	<u>59,713</u>	<u>27</u>	<u>2,754</u>	<u>62,494</u>
Total Noncurrent Assets	<u>59,715</u>	<u>27</u>	<u>2,754</u>	<u>62,496</u>
Total Assets	<u>76,892</u>	<u>39,503</u>	<u>4,701</u>	<u>121,096</u>
Deferred Outflows of Resources				
Pension-Related Amounts	<u>443</u>	<u>103</u>	<u>-</u>	<u>546</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current Liabilities				
Accounts Payable	3,003	483	19	3,505
Accrued Payroll and Benefits	116	17	-	133
Accrued Compensated Absences - Current	1	-	-	1
Accrued Compensated Absences - Due within one year	220	45	-	265
Other Payables - Due within one year	-	7,864	-	7,864
Other Liabilities	-	4	-	4
Total Current Liabilities	<u>3,340</u>	<u>8,413</u>	<u>19</u>	<u>11,772</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	213	63	-	276
Net Pension Liabilities	4,170	931	-	5,101
Other Payables - Due in more than one year	-	14,108	-	14,108
Total Noncurrent Liabilities	<u>4,383</u>	<u>15,102</u>	<u>-</u>	<u>19,485</u>
Total Liabilities	<u>7,723</u>	<u>23,515</u>	<u>19</u>	<u>31,257</u>
Deferred Inflows of Resources				
Pension-Related Amounts	<u>288</u>	<u>65</u>	<u>-</u>	<u>353</u>
NET POSITION				
Net Investment in Capital Assets	59,713	27	2,754	62,494
Unrestricted	9,611	15,999	1,928	27,538
Total Net Position	<u>\$ 69,324</u>	<u>\$ 16,026</u>	<u>\$ 4,682</u>	<u>\$ 90,032</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 21,959	\$ 35,890	\$ 1,069	\$ 58,918
Self-Insurance Contributions - Employee	-	8,244	-	8,244
Self-Insurance Contributions - Retiree	-	260	-	260
State Contributions	-	124	-	124
Other	832	1,372	-	2,204
Total Operating Revenues	22,791	45,890	1,069	69,750
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	12,812	-	-	12,812
Self-Insurance Administration	-	2,521	-	2,521
Self-Insurance Claims	-	7,384	-	7,384
Self-Insurance Benefits	-	29,739	-	29,739
Insurance and Bond Premiums	-	2,980	-	2,980
Computer Replacement	-	-	11	11
Depreciation	8,458	2	695	9,155
Total Operating Expenses	21,270	42,626	706	64,602
Operating Income	1,521	3,264	363	5,148
Non-Operating Revenues				
Property Tax	-	252	-	252
Gain (Loss) on Sale of Capital Assets	490	-	(27)	463
Net Non-Operating Revenues (Expenses)	490	252	(27)	715
Income Before Contributions and Transfers	2,011	3,516	336	5,863
Capital Contributions	310	-	-	310
Transfers In	-	87	-	87
Transfers Out	-	(254)	-	(254)
Change in Net Position	2,321	3,349	336	6,006
Total Net Position - Beginning	67,003	12,677	4,346	84,026
Total Net Position - Ending	\$ 69,324	\$ 16,026	\$ 4,682	\$ 90,032

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 21,958	\$ 44,440	\$ 1,069	\$ 67,467
Cash Payments to Suppliers for Goods/Services	(8,600)	(1,403)	(11)	(10,014)
Cash Payments to Employees for Services	(4,427)	(42,350)	-	(46,777)
Other Cash Receipts	832	1,370	-	2,202
Net Cash Provided by Operating Activities	<u>9,763</u>	<u>2,057</u>	<u>1,058</u>	<u>12,878</u>
Cash Flows from Non-Capital Financing Activities				
Property Tax	-	252	-	252
Transfers In	-	87	-	87
Transfers Out	-	(254)	-	(254)
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>85</u>	<u>-</u>	<u>85</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(9,526)	(24)	(1,109)	(10,659)
Sale of Capital Assets	833	-	-	833
Net Cash Used for Capital and Related Financing Activities	<u>(8,693)</u>	<u>(24)</u>	<u>(1,109)</u>	<u>(9,826)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,070	2,118	(51)	3,137
Cash and Cash Equivalents at Beginning of Year	<u>14,795</u>	<u>37,136</u>	<u>1,998</u>	<u>53,929</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,865</u>	<u>\$ 39,254</u>	<u>\$ 1,947</u>	<u>\$ 57,066</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 1,521	\$ 3,264	\$ 363	\$ 5,148
Income Provided by (Used for) Operating Activities				
Depreciation	8,458	2	695	9,155
Current Year Pension Contributions	(351)	(82)	-	(433)
Change in Accounts Receivable	-	(91)	-	(91)
Change in Inventories	(328)	-	-	(328)
Change in Intergovernmental Payable	(1)	-	-	(1)
Change in Accounts Payable	(88)	(696)	-	(784)
Change in Unearned Revenue	-	(35)	-	(35)
Change in Accrued Payroll	14	(9)	-	5
Change in Compensated Absences Payable	50	(3)	-	47
Change in Claims Payable	-	(474)	-	(474)
Change in Net Pension Liability	261	127	-	388
Change in Deferred Outflows of Resources Related to Pensions	457	98	-	555
Change in Deferred Inflows of Resources Related to Pensions	(230)	(42)	-	(272)
Change in Other Liabilities	-	(2)	-	(2)
Total Adjustments	<u>8,242</u>	<u>(1,207)</u>	<u>695</u>	<u>7,730</u>
Net Cash Provided by Operating Activities	<u>\$ 9,763</u>	<u>\$ 2,057</u>	<u>\$ 1,058</u>	<u>\$ 12,878</u>
Supplemental Disclosure of Non-Cash Financing Activities				
Changes to Property, Plant, and Equipment				
Contributions of Capital Assets from Other Funds	\$ 310	\$ -	\$ -	\$ 310
Retirement of Assets	-	-	(26)	(26)
	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ (26)</u>	<u>\$ 284</u>

FIDUCIARY FUNDS

Agency Funds administer resources received and held by the City 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.

Family Self-Sufficiency Agency Fund

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

AZ Public Service Raintree Underground Utility Improvement District Agency Fund

This fund accounts for monies received pursuant to a development agreement which required assessments to be paid by District property owners to reimburse Arizona Public Service for the undergrounding of utility lines.

Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020 (in thousands)

	Agency Funds		
	Family Self-Sufficiency Agency Fund	AZ Public Service Raintree UUID Agency Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 69	\$ -	\$ 69
Total Assets	69	-	69
LIABILITIES			
Escrow Payable Vouchers	69	-	69
Total Liabilities	\$ 69	\$ -	\$ 69

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2020 (in thousands)

	Family Self-Sufficiency				AZ Public Service Raintree UUID			
	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS								
Cash and Cash Equivalents	\$ 67	\$ 26	\$ 24	\$ 69	\$ -	\$ -	\$ -	\$ -
Receivables	-	-	-	-	-	109	109	-
Total Assets	<u>\$ 67</u>	<u>\$ 26</u>	<u>\$ 24</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 109</u>	<u>\$ 109</u>	<u>\$ -</u>
LIABILITIES								
Escrow Payable Vouchers	\$ 67	\$ 28	\$ 26	\$ 69	\$ -	\$ -	\$ -	\$ -
UUID I-6002 Assessments	-	-	-	-	-	55	55	-
Total Liabilities	<u>\$ 67</u>	<u>\$ 28</u>	<u>\$ 26</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ -</u>

OTHER SUPPLEMENTARY INFORMATION

Debt Requirements

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

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

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2020 (in thousands)

	July 1, 2019	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2020	Governmental Activities	Business-type Activities	Final Payment Date
GENERAL OBLIGATION BONDS										
Governmental Activities										
2010 GO Various Purpose	\$ 9,500	\$ -	\$ 2,250	\$ -	\$ 6,835	\$ -	\$ 415	\$ 415	\$ -	07/01/21
2011 GO Preservation	2,725	-	880	-	-	-	1,845	1,845	-	07/01/22
2011 GO Refunding Preservation	15,575	-	7,265	-	-	-	8,310	8,310	-	07/01/24
2012 GO Preservation	48,600	-	1,500	-	-	-	47,100	47,100	-	07/01/34
2012 GO Refunding Various Purpose	9,485	-	5,247	-	-	-	4,238	4,238	-	07/01/21
2012 GO Refunding Preservation	44,020	-	713	-	-	-	43,307	43,307	-	07/01/25
2013 GO Preservation	73,000	-	1,500	-	-	-	71,500	71,500	-	07/01/34
2014 GO Preservation	11,285	-	595	-	-	-	10,690	10,690	-	07/01/34
2014 GO Refunding Various Purpose	40,988	-	10,089	-	-	-	30,899	30,899	-	07/01/23
2014 GO Refunding Preservation	5,642	-	1,311	-	-	-	4,331	4,331	-	07/01/23
2015 GO Refunding Various Purpose	80,320	-	6,405	-	-	-	73,915	73,915	-	07/01/28
2015 GO Refunding Preservation	49,175	-	2,980	-	-	-	46,195	46,195	-	07/01/34
2017A GO Preservation	17,410	-	-	-	-	-	17,410	17,410	-	07/01/34
2017B GO Preservation Acquisition Refinancing	18,495	-	-	-	-	-	18,495	18,495	-	07/01/24
2017 GO Refunding Various Purpose	26,826	-	-	-	-	-	26,826	26,826	-	07/01/29
2017 GO Refunding Preservation	13,159	-	-	-	-	-	13,159	13,159	-	07/01/34
2017C GO Various Purpose	17,010	-	1,780	-	-	-	15,230	15,230	-	07/01/27
2010 GO Bonds Issuance Premium	159	-	-	-	115	(4)	40	40	-	-
2011 GO Preserve Series Issuance Premium	45	-	-	-	-	(15)	30	30	-	-
2011 GO Refunding Series Issuance Premium	1,427	-	-	-	-	(285)	1,142	1,142	-	-
2012 GO Preserve Issuance Premium	1,630	-	-	-	-	(108)	1,522	1,522	-	-
2012 GO Refunding Series Issuance Premium	3,678	-	-	-	-	(613)	3,065	3,065	-	-
2013 GO Preserve Issuance Premium	2,168	-	-	-	-	(145)	2,023	2,023	-	-
2014 GO Preserve Issuance Premium	426	-	-	-	-	(28)	398	398	-	-
2014 GO Refunding Series Issuance Premium	4,148	-	-	-	-	(1,037)	3,111	3,111	-	-
2015 GO Refunding Series Issuance Premium	11,094	-	-	-	-	(740)	10,354	10,354	-	-
2017A GO Preserve Series Issuance Premium	2,427	-	-	-	-	(162)	2,265	2,265	-	-
2017B GO Preserve Acquisition Refinancing Series Issuance Premium	2,424	-	-	-	-	(485)	1,939	1,939	-	-
2017 GO Refunding Series Issuance Premium	5,867	-	-	-	-	(391)	5,476	5,476	-	-
2017C GO Various Purpose Issuance Premium	2,924	-	-	-	-	(366)	2,558	2,558	-	-
Total General Obligation Bonds	\$ 521,632	\$ -	\$ 42,515	\$ -	\$ 6,950	\$ (4,379)	\$ 467,788	\$ 467,788	\$ -	-
REVENUE BONDS										
Business-type Activities										
2008 Utility Revenue Series Refunding	\$ 16,175	\$ -	\$ 3,725	\$ -	\$ -	\$ -	\$ 12,450	\$ -	\$ 12,450	07/01/23
2008 Refunding Series Issuance Premium	1,083	-	-	-	-	(271)	812	-	812	-
Total Revenue Bonds	\$ 17,258	\$ -	\$ 3,725	\$ -	\$ -	\$ (271)	\$ 13,262	\$ -	\$ 13,262	-

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

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2020 (in thousands)

	July 1, 2019	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2020	Governmental Activities	Business-type Activities	Final Payment Date
MUNICIPAL PROPERTY CORPORATION BONDS										
Governmental Activities										
2006 MPC Refunding	\$ 50,640	\$ -	\$ 2,775	\$ -	\$ -	\$ -	\$ 47,865	\$ 47,865	\$ -	07/01/34
2013A MPC	19,775	-	1,520	-	-	-	18,255	18,255	-	07/01/28
2013B MPC	1,135	-	60	-	-	-	1,075	1,075	-	07/01/33
2013C MPC	29,445	-	1,475	-	-	-	27,970	27,970	-	07/01/33
2014 MPC Refunding	16,760	-	1,730	-	-	-	15,030	15,030	-	07/01/27
2015A MPC	10,195	-	495	-	-	-	9,700	9,700	-	07/01/34
2015A MPC Taxable	11,995	-	620	-	-	-	11,375	11,375	-	07/01/34
2015 MPC Refunding	33,817	-	6,878	-	-	-	26,939	26,939	-	07/01/35
2019A MPC	-	9,275	205	-	-	-	9,070	9,070	-	07/01/39
2019B MPC Taxable	-	33,275	940	-	-	-	32,335	32,335	-	07/01/39
2006 Refunding Series Issuance Premium	3,706	-	-	-	-	(247)	3,459	3,459	-	-
2013A MPC Series Issuance Premium	2,889	-	-	-	-	(321)	2,568	2,568	-	-
2013B MPC Series Issuance Premium	137	-	-	-	-	(10)	127	127	-	-
2013C MPC Series Issuance Premium	3,453	-	-	-	-	(247)	3,206	3,206	-	-
2014 Refunding Series Issuance Premium	1,626	-	-	-	-	(203)	1,423	1,423	-	-
2015A Series Issuance Premium	881	-	-	-	-	(58)	823	823	-	-
2015A Taxable Series Issuance Premium	207	-	-	-	-	(14)	193	193	-	-
2015 Refunding Series Issuance Premium	6,504	-	-	-	-	(407)	6,097	6,097	-	-
2019A Series Issuance Premium	-	1,245	-	-	-	(44)	1,201	1,201	-	-
2019B Taxable Series Issuance Premium	-	78	-	-	-	(3)	75	75	-	-
Subtotal Governmental Activities	193,165	43,873	16,698	-	-	(1,554)	218,786	218,786	-	-
Business-type Activities										
2006 MPC Refunding	79,600	-	8,540	-	-	-	71,060	-	71,060	07/01/30
2010 MPC Bonds Water/Sewer	13,940	-	1,500	-	-	-	12,440	-	12,440	07/01/30
2015A MPC Bonds Water/Sewer	15,450	-	755	-	-	-	14,695	-	14,695	07/01/34
2015 MPC Refunding	43,023	-	4,002	-	-	-	39,021	-	39,021	07/01/28
2017 MPC Refunding	79,970	-	-	-	-	-	79,970	-	79,970	07/01/36
2017A MPC Bonds Water	36,685	-	1,365	-	-	-	35,320	-	35,320	07/01/37
2017B MPC Bonds Aviation	22,100	-	815	-	-	-	21,285	-	21,285	07/01/37
2006 Refunding Series Issuance Premium	6,199	-	-	-	-	(564)	5,635	-	5,635	-
2010 Water/Sewer Issuance Premium	500	-	-	-	-	(46)	454	-	454	-
2015A Series Issuance Premium	1,335	-	-	-	-	(89)	1,246	-	1,246	-
2015 Refunding Series Issuance Premium	5,600	-	-	-	-	(622)	4,978	-	4,978	-
2017 Refunding Series Issuance Premium	9,382	-	-	-	-	(552)	8,830	-	8,830	-
2017A Series Issuance Premium	2,946	-	-	-	-	(164)	2,782	-	2,782	-
2017B Series Issuance Premium	1,505	-	-	-	-	(83)	1,422	-	1,422	-
Subtotal Business-type Activities	318,235	-	16,977	-	-	(2,120)	299,138	-	299,138	-
Total Municipal Property Corporation Bonds	\$ 511,400	\$ 43,873	\$ 33,675	\$ -	\$ -	\$ (3,674)	\$ 517,924	\$ 218,786	\$ 299,138	-
SCOTTSDALE PRESERVE AUTHORITY BONDS										
Governmental Activities										
2010 Excise Tax Refunding	\$ 3,565	\$ -	\$ 3,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/20
2011 Excise Tax Refunding	3,845	-	1,215	-	-	-	2,630	2,630	-	07/01/22
2010 Excise Tax Revenue Issuance Premium	730	-	-	-	-	(730)	-	-	-	-
2011 Excise Tax Revenue Issuance Premium	292	-	-	-	-	(97)	195	195	-	-
Total Scottsdale Preserve Authority Bonds	\$ 8,432	\$ -	\$ 4,780	\$ -	\$ -	\$ (827)	\$ 2,825	\$ 2,825	\$ -	-

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

(continued)

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2020 (in thousands)

	July 1, 2019	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2020	Governmental Activities	Business-type Activities	Final Payment Date
CERTIFICATES OF PARTICIPATION										
Governmental Activities										
Series 2010-Public Safety Communications Project	\$ 2,493	\$ -	\$ 2,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/20
Total Certificates of Participation	\$ 2,493	\$ -	\$ 2,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
COMMUNITY FACILITIES DISTRICT BONDS										
Governmental Activities										
Waterfront Commercial Series 2007	\$ 2,810	\$ -	\$ -	\$ -	\$ 2,810	\$ -	\$ -	\$ -	\$ -	07/15/32
DC Ranch Refunding Series 2012	8,870	-	980	-	-	-	7,890	7,890	-	07/15/27
McDowell Mtn Ranch Refunding Series 2012	3,845	-	1,230	-	-	-	2,615	2,615	-	07/15/22
Via Linda Road Refunding Series 2012	800	-	190	-	-	-	610	610	-	07/15/23
Waterfront Commercial Refunding Series 2019	-	-	190	2,563	-	-	2,373	2,373	-	07/15/32
DC Ranch 2012 Issuance Premium	315	-	-	-	-	(39)	276	276	-	
McDowell Mtn Ranch 2012 Issuance Premium	67	-	-	-	-	(23)	44	44	-	
Total Community Facilities District Bonds	\$ 16,707	\$ -	\$ 2,590	\$ 2,563	\$ 2,810	\$ (62)	\$ 13,808	\$ 13,808	\$ -	
Total Bonds	\$ 1,077,922	\$ 43,873	\$ 89,778	\$ 2,563	\$ 9,760	\$ (9,213)	\$ 1,015,607	\$ 703,207	\$ 312,400	
LEASES**										
Governmental Activities										
Imaging Equipment - City Treasurer	\$ 206	\$ -	\$ 53	\$ -	\$ -	\$ -	\$ 153	\$ 153	\$ -	12/31/22
Baseball Facility - Community Services	1,015	-	-	-	-	16	1,031	1,031	-	12/01/52
Distributed Antenna System - Administrative Services	65	-	4	-	-	-	61	61	-	12/01/29
Data Center Space - Administrative Services	555	-	233	-	-	-	322	322	-	09/01/21
Street Maintenance Equipment - Public Works	41	-	27	-	-	-	14	14	-	12/31/20
Vehicles - Public Safety	50	1,025	283	-	-	-	792	792	-	10/31/22
Total Leases	\$ 1,932	\$ 1,025	\$ 600	\$ -	\$ -	\$ 16	\$ 2,373	\$ 2,373	\$ -	
SERVICE CONCESSION ARRANGEMENTS										
Governmental Activities										
Bureau of Reclamation\Westworld	\$ 1,039	\$ -	\$ 79	\$ -	\$ -	\$ -	\$ 960	\$ 960	\$ -	2032
Bureau of Reclamation\TPC	1,182	-	74	-	-	-	1,108	1,108	-	2035
Total Service Concession Arrangements	\$ 2,221	\$ -	\$ 153	\$ -	\$ -	\$ -	\$ 2,068	\$ 2,068	\$ -	
TOTAL BONDS, LEASES, AND SERVICE CONCESSION ARRANGEMENTS	\$ 1,082,075	\$ 44,898	\$ 90,531	\$ 2,563	\$ 9,760	\$ (9,197)	\$ 1,020,048	\$ 707,648	\$ 312,400	
Compensated Absences							\$ 27,946	\$ 3,915		
Total Other Postemployment Benefit Liability							2,177	-		
Net Pension Liabilities							320,830	31,189		
Risk Management Claims							21,972	-		
Pollution Remediation Obligation							-	49,836		
Total Long-Term Debt							\$ 1,080,573	\$ 397,340		

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

**The Leases category beginning balance was restated due to the implementation of GASB Statement No. 87.

Statistical Section

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Financial Trends	188
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	195
These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax, and sales and use taxes.	
Debt Capacity	201
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	203
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	203
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

Table I

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 2,704,433	\$ 2,800,451	\$ 2,756,186	\$ 2,685,105	\$ 2,663,269	\$ 3,406,976	\$ 3,530,134	\$ 3,604,063	\$ 3,675,567	\$ 3,748,249
Restricted	91,862	100,275	100,472	109,615	117,485	122,932	125,366	123,057	119,657	146,017
Unrestricted	108,799	74,124	133,897	180,942	(19,464)	(3,679)	(43,632)	(27,779)	(5,012)	23,905
Total Governmental Activities Net Position	<u>\$ 2,905,094</u>	<u>\$ 2,974,850</u>	<u>\$ 2,990,555</u> ⁽¹⁾	<u>\$ 2,975,662</u> ⁽²⁾	<u>\$ 2,761,290</u> ⁽³⁾	<u>\$ 3,526,229</u> ⁽⁵⁾	<u>\$ 3,611,868</u>	<u>\$ 3,699,341</u> ⁽⁷⁾	<u>\$ 3,790,212</u>	<u>\$ 3,918,171</u> ⁽⁸⁾
Business-type Activities										
Net Investment in Capital Assets	\$ 1,009,973	\$ 1,036,985	\$ 1,058,880	\$ 1,046,345	\$ 1,036,650	\$ 1,059,001	\$ 1,069,475	\$ 1,099,864	\$ 1,093,556	\$ 1,102,183
Restricted	36,287	38,576	41,545	47,101	46,901	47,521	48,911	48,926	52,204	52,728
Unrestricted	258,395	243,067	242,763	273,321	253,109	255,503	256,129	250,500	282,796	301,788
Total Business-type Activities Net Position	<u>\$ 1,304,655</u>	<u>\$ 1,318,628</u>	<u>\$ 1,343,188</u>	<u>\$ 1,366,767</u> ⁽²⁾	<u>\$ 1,336,660</u> ⁽⁴⁾	<u>\$ 1,362,025</u> ⁽⁶⁾	<u>\$ 1,374,515</u>	<u>\$ 1,399,290</u>	<u>\$ 1,428,556</u>	<u>\$ 1,456,699</u>
Primary Government										
Net Investment in Capital Assets	\$ 3,714,406	\$ 3,837,436	\$ 3,815,066	\$ 3,731,450	\$ 3,699,919	\$ 4,465,977	\$ 4,599,609	\$ 4,703,927	\$ 4,769,123	\$ 4,850,432
Restricted	128,149	138,851	142,017	156,716	164,386	170,453	174,277	171,983	171,861	198,745
Unrestricted	367,194	317,191	376,660	454,263	233,645	251,824	212,497	222,721	277,784	325,693
Total Primary Government Net Position	<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>	<u>\$ 4,986,383</u>	<u>\$ 5,098,631</u>	<u>\$ 5,218,768</u>	<u>\$ 5,374,870</u>

⁽¹⁾In fiscal year 2013, beginning net position was restated due to the implementation of GASB Statements No. 60 and 62.

⁽²⁾In fiscal year 2014, beginning net position was restated due to the implementation of GASB Statement No. 65.

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

⁽⁴⁾In fiscal year 2015, beginning net position was restated due to the implementation of GASB Statement No. 68 and an adjustment involving prior-year revenue.

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

⁽⁶⁾In fiscal year 2016, beginning net position was restated due to the recognition of the City's involvement in a joint venture.

⁽⁷⁾In fiscal year 2018, beginning net position was restated due to the implementation of GASB Statement No. 75 and to record the City's endowment funds.

⁽⁸⁾In fiscal year 2020, beginning net position was restated due to the implementation of GASB Statement No. 87.

City of Scottsdale, Arizona

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

Table IIa

	2011	2012 ⁽¹⁾	2013	2014 ⁽²⁾	2015	2016	2017 ⁽³⁾	2018 ⁽⁴⁾	2019	2020
Expenses										
Governmental Activities										
General Government										
Mayor and City Council	\$ 612	\$ 734	\$ 791	\$ 840	\$ 790	\$ 813	\$ 869	\$ 638	\$ 704	\$ 770
City Clerk	934	1,118	921	1,042	927	1,129	845	695	952	1,171
City Attorney	5,499	5,419	5,778	5,810	6,103	6,893	6,460	6,486	6,890	6,731
City Auditor	717	617	647	754	792	821	802	800	898	1,045
City Court	5,602	5,736	5,621	5,705	5,682	4,964	5,421	5,530	5,509	6,047
City Manager	1,434	842	807	864	1,828	1,974	2,288	3,062	3,691	4,647
City Treasurer	6,697	4,498	6,420	6,069	5,088	5,658	5,792	6,071	8,209	9,825
Public Works	35,605	34,416	36,405	43,597	40,631	38,291	40,035	42,205	47,420	99,218
Community and Economic Development	134,221	126,622	147,514	134,626	138,899	102,892	102,813	102,153	102,680	41,946
Public Safety	111,227	115,740	118,033	127,026	135,647	136,261	172,452	153,256	153,817	173,352
Human Resources	3,047	-	-	-	-	-	-	-	-	-
Community Services	51,974	54,442	56,382	55,190	55,134	53,322	54,155	54,710	56,730	64,247
Information Technology	13,491	-	-	-	-	-	-	-	-	-
Administrative Services	2,905	17,318	16,863	17,552	17,849	20,264	19,326	21,173	17,974	19,375
Streetlight and Service Districts	578	572	569	576	583	589	589	605	584	555
(Gain) Loss on In-Substance Defeasance of Debt	-	-	-	-	-	-	(32)	-	-	34
Interest on Long-Term Debt	40,358	40,647	38,389	35,486	34,134	31,665	28,462	28,724	26,364	23,928
Bond Issuance Costs	-	-	-	998	1,643	-	672	-	-	-
Total Governmental Activities Expenses	<u>414,901</u>	<u>408,721</u>	<u>435,140</u>	<u>436,135</u>	<u>445,730</u>	<u>405,536</u>	<u>440,949</u>	<u>426,108</u>	<u>432,422</u>	<u>452,891</u>
Business-type Activities										
Water Utility	83,888	90,829	90,205	91,496	95,958	100,854	95,745	96,493	96,010	105,222
Sewer Utility	34,533	41,218	43,169	45,421	44,352	42,058	50,535	52,142	50,462	57,847
Airport	3,680	3,681	3,785	4,014	3,703	3,894	4,151	7,624	5,370	6,764
Solid Waste	18,853	17,671	19,146	19,608	20,911	20,786	20,181	19,735	21,790	23,195
Total Business-type Activities Expenses	<u>140,954</u>	<u>153,399</u>	<u>156,305</u>	<u>160,539</u>	<u>164,924</u>	<u>167,592</u>	<u>170,612</u>	<u>175,994</u>	<u>173,632</u>	<u>193,028</u>
Total Primary Government Expenses	<u>\$ 555,855</u>	<u>\$ 562,120</u>	<u>\$ 591,445</u>	<u>\$ 596,674</u>	<u>\$ 610,654</u>	<u>\$ 573,128</u>	<u>\$ 611,561</u>	<u>\$ 602,102</u>	<u>\$ 606,054</u>	<u>\$ 645,919</u>

⁽¹⁾In fiscal year 2012, Human Resources and Information Technology were absorbed into the Administrative Services division.

⁽²⁾In fiscal year 2014, the City adopted GASB Statement No. 65, which mandated the expensing of bond issuance costs as opposed to the previous practice of capitalizing such costs.

⁽³⁾In fiscal year 2017, the City adopted GASB Statement No. 86, which requires the recognition of a gain/loss when bonds are defeased in-substance using existing resources.

⁽⁴⁾In fiscal year 2018, the City instituted the practice of allocating bond issuance costs amongst the relevant functions.

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

Table IIb

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenue										
Governmental Activities										
Charges for Services:										
General Government										
Mayor and City Council	\$ 188	\$ 153	\$ 225	\$ 225	\$ 176	\$ 155	\$ 157	\$ 149	\$ 142	\$ 146
City Clerk	243	245	299	279	227	148	178	165	171	227
City Attorney	889	627	764	756	737	656	688	1,082	792	795
City Auditor	214	172	204	197	188	176	167	181	203	210
City Court	-	-	-	-	-	-	-	-	-	-
City Manager	430	300	250	219	232	225	226	411	349	373
City Treasurer	2,813	2,468	2,598	2,606	2,719	2,610	2,583	2,688	3,036	3,045
Public Works	4,666	3,543	1,498	1,580	1,861	6,149	2,041	1,569	1,567	1,763
Community and Economic Development	9,604	10,958	14,736	17,981	19,474	17,464	18,455	19,503	20,562	22,102
Public Safety	9,917	10,102	9,139	10,268	10,350	11,459	11,739	11,203	11,107	11,088
Human Resources	973	-	-	-	-	-	-	-	-	-
Community Services	4,617	5,573	5,523	5,914	6,334	6,269	6,268	6,820	7,078	9,908
Information Technology	2,485	-	-	-	-	-	-	-	-	-
Administrative Services	635	2,549	3,155	2,890	2,827	2,926	3,096	3,094	2,617	2,815
Streetlight and Services Districts	478	551	551	400	531	577	602	584	591	617
Operating Grants and Contributions	32,205	28,144	31,255	27,710	28,397	29,708	29,724	30,760	34,233	55,604
Capital Grants and Contributions	41,072	112,163	66,917	38,817	14,831	82,162	107,334	60,819	35,620	50,088
Total Governmental Activities Program Revenues	<u>111,429</u>	<u>177,548</u>	<u>137,114</u>	<u>109,842</u>	<u>88,884</u>	<u>160,684</u>	<u>183,258</u>	<u>139,028</u>	<u>118,068</u>	<u>158,781</u>
Business-type Activities										
Charges for Services:										
Water Utility	94,056	97,944	100,615	104,722	98,495	110,560	107,031	117,537	109,947	119,345
Sewer Utility	34,533	36,032	36,939	39,917	39,541	39,741	40,434	40,666	45,419	44,047
Airport	2,816	3,248	3,552	3,635	4,020	4,404	4,390	4,335	5,493	5,851
Solid Waste	20,940	20,744	20,458	20,162	20,232	20,120	20,269	19,687	21,344	22,650
Capital Grants and Contributions	17,889	8,607	25,638	22,019	11,726	22,545	17,539	23,865	17,833	26,631
Total Business-type Activities Revenues	<u>170,234</u>	<u>166,575</u>	<u>187,202</u>	<u>190,455</u>	<u>174,014</u>	<u>197,370</u>	<u>189,663</u>	<u>206,090</u>	<u>200,036</u>	<u>218,524</u>
Total Primary Government Revenues	<u>\$ 281,663</u>	<u>\$ 344,123</u>	<u>\$ 324,316</u>	<u>\$ 300,297</u>	<u>\$ 262,898</u>	<u>\$ 358,054</u>	<u>\$ 372,921</u>	<u>\$ 345,118</u>	<u>\$ 318,104</u>	<u>\$ 377,305</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (303,472)	\$ (231,173)	\$ (298,026)	\$ (326,293)	\$ (356,846)	\$ (244,852)	\$ (257,691)	\$ (287,080)	\$ (314,354)	\$ (294,110)
Business-type Activities	29,280	13,176	30,897	29,916	9,090	29,778	19,051	30,096	26,404	25,496
Total Primary Government Net Expense	<u>\$ (274,192)</u>	<u>\$ (217,997)</u>	<u>\$ (267,129)</u>	<u>\$ (296,377)</u>	<u>\$ (347,756)</u>	<u>\$ (215,074)</u>	<u>\$ (238,640)</u>	<u>\$ (256,984)</u>	<u>\$ (287,950)</u>	<u>\$ (268,614)</u>

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

Table IIc

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes	\$ 222,118	\$ 227,963	\$ 234,582	\$ 248,642	\$ 257,860	\$ 265,416	\$ 262,144	\$ 287,456	\$ 306,274	\$ 316,478
Intergovernmental - Unrestricted	49,190	44,035	49,054	52,715	56,316	57,630	61,851	66,299	70,380	75,300
Interest and Investment Income	248	1,063	985	1,274	1,372	2,955	1,132	2,218	11,860	14,605
Miscellaneous and Special Items	11,849	20,502	12,557	8,422	13,829	9,987	10,568	10,548	9,130	7,248
Transfers	10,179	7,366	7,244	6,202	6,579	7,174	7,635	7,756	7,581	8,432
Total Governmental Activities	<u>293,584</u>	<u>300,929</u>	<u>304,422</u>	<u>317,255</u>	<u>335,956</u>	<u>343,162</u>	<u>343,330</u>	<u>374,277</u>	<u>405,225</u>	<u>422,063</u>
Business-type Activities										
Taxes	134	132	144	154	169	145	158	144	167	128
Interest and Investment Income	2,658	421	763	964	1,346	2,531	916	2,291	10,276	10,951
Miscellaneous	1,355	7,610	-	-	-	-	-	-	-	-
Transfers	(10,179)	(7,366)	(7,244)	(6,202)	(6,579)	(7,174)	(7,635)	(7,756)	(7,581)	(8,432)
Total Business-type Activities	<u>(6,032)</u>	<u>797</u>	<u>(6,337)</u>	<u>(5,084)</u>	<u>(5,064)</u>	<u>(4,498)</u>	<u>(6,561)</u>	<u>(5,321)</u>	<u>2,862</u>	<u>2,647</u>
Total Primary Government	<u>\$ 287,552</u>	<u>\$ 301,726</u>	<u>\$ 298,085</u>	<u>\$ 312,171</u>	<u>\$ 330,892</u>	<u>\$ 338,664</u>	<u>\$ 336,769</u>	<u>\$ 368,956</u>	<u>\$ 408,087</u>	<u>\$ 424,710</u>
Change in Net Position										
Governmental Activities	\$ (9,888)	\$ 69,756	\$ 6,396	\$ (9,038)	\$ (20,890)	\$ 98,310	\$ 85,639	\$ 87,197	\$ 90,871	\$ 127,953
Business-type Activities	23,248	13,973	24,560	24,832	4,026	25,280	12,490	24,775	29,266	28,143
Total Primary Government	<u>\$ 13,360</u>	<u>\$ 83,729</u>	<u>\$ 30,956</u>	<u>\$ 15,794</u>	<u>\$ (16,864)</u>	<u>\$ 123,590</u>	<u>\$ 98,129</u>	<u>\$ 111,972</u>	<u>\$ 120,137</u>	<u>\$ 156,096</u>

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

Table III

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018⁽¹⁾</u>	<u>2019</u>	<u>2020</u>
General Fund										
Nonspendable	\$ 247	\$ 264	\$ 265	\$ 266	\$ 227	\$ 249	\$ 269	\$ 264	\$ 271	\$ 278
Restricted	281	260	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	53,199	52,105	48,679	52,354	56,017	65,347	58,518	72,809	97,097	136,390
Total General Fund	<u>\$ 53,727</u>	<u>\$ 52,629</u>	<u>\$ 48,944</u>	<u>\$ 52,620</u>	<u>\$ 56,244</u>	<u>\$ 65,596</u>	<u>\$ 58,787</u>	<u>\$ 73,073</u>	<u>\$ 97,368</u>	<u>\$ 136,668</u>
All Other Governmental Funds										
Nonspendable	\$ 3,000	\$ 2,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619	\$ 604	\$ 555
Restricted	104,284	108,073	114,676	105,837	113,237	116,847	105,777	115,391	112,267	133,424
Committed	6,221	7,345	16,298	20,848	49,554	52,508	58,644	62,867	65,100	67,703
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)	(2,175)	(681)	(708)	(2,807)
Debt Service Funds	-	-	-	-	-	-	-	-	(589)	-
Capital Project Funds	-	-	-	-	(4,770)	(4,720)	(11,205)	(6,957)	(13,154)	(7,594)
Total All Other Governmental Funds	<u>\$ 149,474</u>	<u>\$ 155,134</u>	<u>\$ 169,246</u>	<u>\$ 132,853</u>	<u>\$ 156,938</u>	<u>\$ 163,625</u>	<u>\$ 151,041</u>	<u>\$ 171,239</u>	<u>\$ 163,520</u>	<u>\$ 191,281</u>

⁽¹⁾In fiscal year 2018, beginning fund balance was restated due to the recognition of the City's endowment funds.

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

Table IVa

	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017	2018	2019	2020
Revenues										
Taxes - Local	\$ 221,236	\$ 228,823	\$ 236,652	\$ 249,289	\$ 258,851	\$ 264,414	\$ 264,299	\$ 288,335	\$ 310,433	\$ 317,143
Taxes - Intergovernmental	61,754	53,834	59,813	63,816	68,603	70,526	75,978	81,197	83,962	87,760
Business and Liquor Licenses	1,745	1,805	1,763	1,782	1,925	1,894	1,861	1,768	1,918	1,869
Charges for Current Services	15,119	16,985	20,870	24,078	25,855	24,404	25,225	27,063	29,774	30,009
Fines, Fees, and Forfeitures	8,579	9,133	8,472	8,343	10,000	10,617	10,532	10,387	8,960	8,831
Special Assessments	733	719	591	-	-	-	-	-	-	-
Property Rental	4,204	4,630	4,232	4,270	5,282	4,922	5,854	5,859	6,089	4,031
Interest Earnings	2,705	2,837	2,624	2,974	1,934	2,373	2,634	4,224	6,956	8,595
Net Increase (Decrease) in the Fair Value of Investments	(3,397)	(1,403)	(1,639)	(1,700)	(562)	582	(1,502)	(2,006)	4,904	6,010
Intergovernmental	52,300	67,725	53,462	40,116	19,846	16,070	20,725	27,335	25,479	47,850
Developer Contributions	254	101	203	64	653	319	498	835	412	1,128
Streetlight and Services Districts	478	551	551	400	531	577	602	584	591	617
Contributions and Donations	1,157	2,521	2,813	2,178	3,558	2,268	2,589	2,333	2,575	9,069
Reimbursements from Outside Sources	4,673	12,642	5,934	2,446	3,445	1,942	2,266	1,840	2,415	2,193
Indirect Costs	14,800	9,096	7,595	7,102	6,987	6,501	6,993	7,455	6,899	7,614
Other	1,892	3,265	2,438	1,652	5,134	954	1,110	869	751	737
Total Revenues	\$ 388,232	\$ 413,264	\$ 406,374	\$ 406,810	\$ 412,042	\$ 408,363	\$ 419,664	\$ 458,078	\$ 492,118	\$ 533,456

⁽¹⁾In fiscal year 2016, 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

	2011	2012 ⁽¹⁾	2013	2014	2015	2016	2017	2018	2019	2020
Expenditures										
General Government										
Mayor and City Council	\$ 613	\$ 711	\$ 775	\$ 835	\$ 784	\$ 818	\$ 887	\$ 653	\$ 747	\$ 782
City Clerk	964	1,113	893	1,035	917	1,138	873	735	1,004	1,163
City Attorney	5,502	5,391	5,662	5,702	6,012	7,118	6,576	6,747	7,471	6,826
City Auditor	719	614	665	740	782	824	823	816	948	1,049
City Court	5,568	5,628	5,422	5,515	5,584	4,975	5,381	5,692	5,797	5,970
City Manager	1,518	813	829	842	1,832	1,965	2,200	3,094	3,746	4,531
City Treasurer	4,899	4,253	5,449	5,061	4,904	5,785	5,657	5,979	8,593	9,714
Public Works	31,463	27,307	29,658	33,381	34,518	32,850	33,636	35,013	35,154	44,382
Community and Economic Development	42,357	38,369	70,351	41,063	44,550	42,735	46,320	47,696	48,860	34,431
Public Safety	108,003	107,934	111,960	119,159	123,761	128,527	137,304	136,075	146,250	157,557
Human Resources	3,013	-	-	-	-	-	-	-	-	-
Community Services	43,967	44,762	45,346	45,035	44,998	45,508	46,224	47,056	48,786	52,924
Information Technology	9,357	-	-	-	-	-	-	-	-	-
Administrative Services	3,031	14,450	14,141	14,950	15,050	15,648	15,919	16,309	15,279	14,727
Streetlight and Services Districts	578	572	569	576	583	589	589	605	584	555
Debt Service										
Principal	37,677	44,700	63,234	59,387	105,930	53,313	57,956	68,017	66,053	70,076
Interest and Fiscal Charges	40,091	40,487	38,789	37,323	36,706	34,664	31,285	32,052	29,752	27,854
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	6,983
Bond Issuance Costs	1,057	774	1,915	998	1,643	-	672	241	-	508
Capital Outlay	107,448	129,025	181,189	99,722	52,164	26,674	75,099	54,311	64,395	80,009
Total Expenditures	\$ 447,825	\$ 466,903	\$ 576,847	\$ 471,324	\$ 480,718	\$ 403,131	\$ 467,401	\$ 461,091	\$ 483,419	\$ 520,041
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (59,593)	\$ (53,639)	\$ (170,473)	\$ (64,514)	\$ (68,676)	\$ 5,232	\$ (47,737)	\$ (3,013)	\$ 8,699	\$ 13,415

⁽¹⁾In fiscal year 2012, Human Resources and Information Technology were absorbed into the Administrative Services division.

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

Table IVc

	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017	2018	2019	2020
Other Financing Sources (Uses)										
Transfers In	\$ 79,592	\$ 81,579	\$ 78,171	\$ 89,669	\$ 89,806	\$ 85,080	\$ 101,427	\$ 103,926	\$ 108,177	\$ 119,124
Transfers Out	(69,378)	(75,826)	(70,919)	(82,696)	(83,211)	(79,079)	(94,074)	(96,272)	(100,735)	(110,525)
Financing of Leases	-	-	-	296	-	-	-	-	244	1,025
Issuance of Refunding Bonds	87,985	-	111,250	105,885	207,173	-	58,480	-	-	2,563
Issuance of Long-Term Capital-Related Debt	42,525	50,000	140,000	14,000	26,815	-	17,410	25,500	-	42,550
Premium on Long-Term Debt Issued	10,047	2,448	22,082	12,742	23,871	-	12,955	3,496	-	1,323
Payment to Refunded Bonds Escrow Agent	(94,818)	-	(99,684)	(108,099)	(168,069)	-	(68,105)	-	-	(2,563)
Sale of Capital Assets	1,091	-	-	-	-	4,806	251	214	191	149
Total Other Financing Sources (Uses)	57,044	58,201	180,900	31,797	96,385	10,807	28,344	36,864	7,877	53,646
Net Change in Fund Balances	\$ (2,549)	\$ 4,562	\$ 10,427	\$ (32,717)	\$ 27,709	\$ 16,039	\$ (19,393)	\$ 33,851	\$ 16,576	\$ 67,061
Debt Service as a Percentage of Non-capital Expenditures	22.8%	25.2%	25.8%	26.0%	33.3%	23.4%	22.7%	24.3%	22.5%	22.2%

⁽¹⁾In fiscal year 2016, moved "Sale of Capital Assets" from "Other" within the "Revenues" section to "Sale of Capital Assets" within the "Other Financing Sources (Uses)" section.

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

Table V

Sales and Use Taxes							
Fiscal Year	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn Preserve	Privilege and Use - Transportation	Privilege and Use - Public Safety	Transient Occupancy	
2011	\$ 65,970	\$ 80,119	\$ 27,199	\$ 15,042	\$ 7,765	\$ 13,126	
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	
2017	63,320	103,081	35,489	19,615	10,140	18,951	
2018	63,577	116,679	40,089	22,044	11,454	19,837	
2019	68,738	122,152	41,909	27,788 ⁽¹⁾	11,974	22,407	
2020	67,911	122,923	42,331	35,022	12,094	18,793	
Franchise Taxes							
Fiscal Year	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other		
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		
2017	3,896	8,655	21,755	28,976	921		
2018	4,391	9,106	23,719	30,549	931		
2019	3,293	8,832	25,187	30,269	3,102		
2020	5,445	8,231	26,395	33,015	4,177		

⁽¹⁾The Privilege and Use-Transportation tax rate increased from 0.2% to 0.3%, effective February 1, 2019.

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

Table VI

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2019⁽²⁾</u>	<u>2020</u>
Automotive	\$ 862,091	\$ 950,450	\$ 1,074,591	\$ 1,209,388	\$ 1,335,511	\$ 1,403,834	\$ 1,489,632	\$ 1,558,428	\$ 1,792,335	\$ 1,725,497
Construction	718,652	786,402	861,934	1,073,279	1,057,986	969,281	901,684	962,050	997,164	1,044,980
Food Stores	611,825	626,883	639,362	655,787	690,837	713,187	677,978	763,117	796,551	860,447
Hotel/Motel	401,413	420,494	440,522	488,117	525,421	543,121	641,146	682,078	730,329	595,455
Major Department Stores	882,376	897,617	907,857	917,406	937,370	927,469	888,674	966,996	970,656	944,390
Miscellaneous Retail Stores	1,194,790	1,299,083	1,321,572	1,450,611	1,612,954	1,708,411	1,785,097	2,010,364	2,200,161	2,438,658
Other Taxable Activity	502,739	525,480	626,171	666,504	695,566	728,596	756,718	926,445	1,059,397	1,119,896
Rentals	1,113,821	1,134,785	1,189,304	1,210,218	1,315,545	1,417,607	1,380,366	1,644,191	1,719,075	1,747,873
Restaurants	713,420	799,231	794,034	844,186	925,948	961,340	957,757	1,065,825	1,144,395	1,008,526
Utilities	429,035	430,169	432,356	435,579	435,879	497,773	451,318	467,609	455,118	466,345
Total	\$ 7,430,162	\$ 7,870,594	\$ 8,287,703	\$ 8,951,075	\$ 9,533,017	\$ 9,870,619	\$ 9,930,370	\$ 11,047,103	\$ 11,865,181	\$ 11,952,067
City Sales Tax	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.75%	1.75%

⁽¹⁾ Effective January 1, 2017, the Arizona Department of Revenue took over all collection and administration of privilege, use, jet fuel, and bed taxes.

⁽²⁾ Effective February 1, 2019, the privilege tax rate increased to 1.75%.

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

Table VII

Privilege (Sales) Tax Rates				Use Tax Rates			
Fiscal Year	City Direct Rate	County Rate	State Rate	Fiscal Year	City Direct Rate	County Rate	State Rate
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% ⁽¹⁾	2013	1.45%	0.00%	5.60% ⁽¹⁾
2014	1.65%	0.70%	5.60%	2014	1.45%	0.00%	5.60%
2015	1.65%	0.70%	5.60%	2015	1.45%	0.00%	5.60%
2016	1.65%	0.70%	5.60%	2016	1.45%	0.00%	5.60%
2017	1.65%	0.70%	5.60%	2017	1.45%	0.00%	5.60%
2018	1.65%	0.70%	5.60%	2018	1.45%	0.00%	5.60%
2019	1.75% ⁽³⁾	0.70%	5.60%	2019	1.55% ⁽³⁾	0.00%	5.60%
2020	1.75%	0.70%	5.60%	2020	1.55%	0.00%	5.60%

Transient Occupancy Tax Rates				Jet Fuel Tax Rates (cents per gallon)			
Fiscal Year	City Direct Rate	County Rate	State Rate	Fiscal Year	City Direct Rate	County Rate	State Rate
2011	5.00%	1.77%	6.50%	2011	0.0180	0.0031	0.0305
2012	5.00%	1.77%	6.50%	2012	0.0180	0.0031	0.0305
2013	5.00%	1.77%	5.50% ⁽¹⁾	2013	0.0180	0.0031	0.0305
2014	5.00%	1.77%	5.50%	2014	0.0180	0.0031	0.0305
2015	5.00%	1.77%	5.50%	2015	0.0180	0.0031	0.0305
2016	5.00%	1.77%	5.50%	2016	0.0180	0.0031	0.0305
2017	5.00%	1.77%	5.50%	2017	0.0180	0.0031	0.0305
2018	5.00%	1.77%	5.50%	2018 ⁽²⁾	0.0180	0.0031	0.0305
2019	5.00%	1.77%	5.50%	2019	0.0180	0.0031	0.0305
2020	5.00%	1.77%	5.50%	2020	0.0180	0.0031	0.0305

Source: City Tax Audit Section

Note: The following gives a general description of each tax. Complete details for each tax can be found in Appendix C of the Scottsdale Revised City Code.

Privilege (Sales) Tax applies to the sale, lease, license for use, and/or rental transactions.

Use Tax applies to the storage or use of items within the City on which no privilege tax has been paid.

Transient Occupancy Tax applies to transactions involving transient lodging.

Jet Fuel Tax applies to transactions involving the sale of jet fuel.

⁽¹⁾ The state tax rate decreased, with the exception of jet fuel, on June 1, 2013, due to approval from the voters in the May 2010 election.

⁽²⁾ Effective August 9, 2017, the City can only tax the first 10 million gallons by each purchaser in a calendar year.

⁽³⁾ Effective February 1, 2019, the City transaction privilege tax rate increased to 1.75% and the use tax rate increased to 1.55%.

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

Table VIII

	Fiscal Year 2020				Fiscal Year 2011			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	645	2.06%	\$ 30,571	14.39%	494	2.28%	\$ 14,711	11.51%
Construction	3,354	10.71%	18,465	8.69%	7,554	34.84%	12,570	9.84%
Food Stores	216	0.69%	14,906	7.01%	169	0.78%	10,110	7.91%
Hotel/Motel	325	1.04%	10,372	4.88%	66	0.31%	6,812	5.33%
Major Department Stores	46	0.15%	16,619	7.82%	29	0.13%	14,686	11.50%
Miscellaneous Retail Stores	7,627	24.37%	42,439	19.97%	4,754	21.93%	21,355	16.71%
Other Taxable Activity	9,061	28.94%	21,669	10.20%	3,699	17.06%	9,262	7.25%
Rentals	8,617	27.53%	31,184	14.67%	3,786	17.46%	19,274	15.08%
Restaurants	1,036	3.31%	18,035	8.49%	870	4.01%	12,053	9.44%
Utilities	376	1.20%	8,238	3.88%	261	1.20%	6,941	5.43%
Total	31,303	100.00%	\$ 212,498	100.00%	21,682	100.00%	\$ 127,774	100.00%

Note: Due to confidentiality issues, the names of the ten largest revenue payers cannot be disclosed. The categories are intended to provide alternative information regarding the sources of the City's revenue. Transient Occupancy taxes are not included in the Tax Revenue for this table. The "Other Taxable Activity" category includes all license fees, penalties, and interest. Beginning January 1, 2017, the Arizona Department of Revenue took over all collection and administration of privilege, use, and jet fuel taxes. Due to the changes in the source of the data and the tax law, the number and classification of filers for the two years above may have differences. Effective February 1, 2019, the transaction privilege tax rate increased to 1.75% and the use tax rate increased to 1.55%.

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

Table IX

City Direct Rate				Overlapping Rates			
				Scottsdale Unified School District			
Fiscal Year	Operating	Debt Service	Total City	Operating	Debt Service and Budget Override	EVIT	Total School
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
2017	0.5071	0.6219	1.1290	2.8566	1.0033	0.0500	3.9099
2018	0.4956	0.5889	1.0845	2.7463	0.9864	0.0500	3.7827
2019	0.5316	0.5705	1.1021	2.5675	1.1364	0.0500	3.7539
2020	0.5198	0.5214	1.0412	2.5928	1.0538	0.0500	3.6966

Overlapping Rates										
County-Wide Jurisdictions										
Fiscal Year	County Operating	Community College	County Flood	County Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	County Special Health Care	Total County	Total Direct and Overlapping
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
2017	1.4009	1.4651	0.1792	0.5010	0.0112	0.1400	0.0556	0.3053	4.0583	9.0972
2018	1.4009	1.4096	0.1792	0.4875	0.0102	0.1400	0.0556	0.2851	3.9681	8.8353
2019	1.4009	1.3754	0.1792	0.4741	0.0107	0.1400	0.0556	0.2941	3.9300	8.7860
2020	1.4009	1.3285	0.1792	0.4566	0.0095	0.1400	0.0556	0.3333	3.9036	8.6414

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2019".

Note: The City has Community Facilities Districts (CFDs) that levy property taxes independent of the City to property owners within a designated area. For fiscal year 2020 the rates were as follows: DC Ranch CFD - \$0.4069, McDowell Mountain Ranch CFD - \$0.6664, Via Linda Road CFD - \$1.0299, and the Waterfront Commercial CFD - \$5.7956.

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

Table X

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 61,409	1	0.971%	\$ 61,569	1	0.835%
Scottsdale Fashion Square LLC	41,673	2	0.659%	61,195	2	0.830%
SDQ FEE LLC	20,529	3	0.325%	-	-	-
XHR Scottsdale Ranch LLC	16,508	4	0.261%	-	-	-
Excel Promenade LLC	15,066	5	0.238%	-	-	-
Portales Corporate Center LLC ⁽¹⁾	15,040	6	0.238%	24,597	5	0.334%
Stockdale Galleria LLC	11,989	7	0.190%	-	-	-
Southwest Gas Corporation	11,521	8	0.182%	-	-	-
Henkel Corporation	11,377	9	0.180%	-	-	-
Sonoran Village LLC	11,209	10	0.177%	-	-	-
General Dynamics Decision Systems, Inc.	-	-	-	29,275	3	0.397%
Scottsdale Princess Partnership	-	-	-	26,579	4	0.360%
Gainey Drive Associates	-	-	-	23,045	6	0.312%
Blackwell Robert L/Etal	-	-	-	21,764	7	0.295%
Qwest Corporation	-	-	-	20,456	8	0.277%
Pacific Promenade LLC	-	-	-	17,008	9	0.231%
JEMB Scottsdale LLC	-	-	-	15,750	10	0.214%
Total	\$ 216,321		3.421%	\$ 301,238		4.085%

Source: The Maricopa County Assessor's Office.

Note: The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in-lieu of ad valorem taxation. The fiscal year 2019 assessed valuation of the SRP within the City is \$20,749,510 as provided by SRP.

⁽¹⁾Portales Corporate Center LLC/Etal was renamed Portales Corporate Center LLC in 2016.

City of Scottsdale, Arizona
Assessed Value of Taxable Property
Last Ten Fiscal Years

(dollars in thousands, excluding the Total Direct Tax Rate)

Table XI

Fiscal Year Ended June 30th	Real Property				Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land	Historic and Special Use	Assessed Value			
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
2017 P	3,842,636	1,209,059	723,452	1,075	217,238	(594,547)	5,398,913	0.51
2017 S	4,510,655	1,451,267	996,458	1,488	217,243	(757,790)	6,419,321	0.62
2018 P	4,071,866	1,268,544	747,981	1,155	223,277	(614,085)	5,698,738	0.50
2018 S	4,794,346	1,650,245	1,135,084	1,716	223,276	(876,231)	6,928,436	0.59
2019 P	4,301,223	1,335,470	737,727	1,187	221,801	(600,412)	5,996,996	0.53
2019 S	5,014,035	1,726,614	1,137,771	1,816	229,030	(885,997)	7,223,269	0.57
2020 P	4,555,026	1,397,576	756,975	1,266	227,231	(614,956)	6,323,118	0.52
2020 S	5,356,377	1,848,894	1,217,117	2,032	236,828	(959,355)	7,701,893	0.52

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

City of Scottsdale, Arizona
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars in thousands)

Table XII

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%	791	61,421	98.8%
2014	62,367	61,227	98.2%	598	61,825	99.1%
2015	63,380	62,233	98.2%	574	62,807	99.1%
2016	59,553	58,714	98.6%	544	59,258	99.5%
2017	60,954	60,056	98.5%	606	60,662	99.5%
2018	61,803	60,721	98.2%	792	61,513	99.5%
2019	66,092	64,982	98.3%	726	65,708	99.4%
2020	65,840	64,273	97.6%	-	64,273	97.6%

Source: "Total Tax Levy for Fiscal Year" amounts = Maricopa County Tax Levy Reports on County Finance website. "Collections" amounts = Maricopa County Finance Office Secured Tax Levy Report. Amounts represent property taxes recorded in the General, Debt Service, and Self-Insurance Funds.

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

Table XIII

Governmental Activities									
Fiscal Year Ended June 30	General Obligation Bonds	Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Leases	Service Concession Arrangements
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
2017	590,910	221,535	17,823	-	7,264	21,860	-	95	2,529
2018	568,259	208,828	13,215	-	4,914	19,244	-	32	2,375
2019	521,632	193,165	8,432	-	2,493	16,707	-	219	2,221
2020	467,788	218,786	2,825	-	-	13,808	-	2,373	2,068
Business-type Activities									
Fiscal Year Ended June 30	Revenue Bonds	Municipal Property Corporation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita				
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				
2017	24,710	353,773	1,240,499	9.98%	5,212				
2018	21,069	336,407	1,174,343	8.96%	4,843				
2019	17,258	318,235	1,080,362	7.45%	4,232				
2020	13,262	299,138	1,020,048	6.59%	3,952				

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Table XVIII - Schedule of Demographic and Economic Statistics for personal income and population data.

City of Scottsdale, Arizona
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except Per Capita)

Table XIV

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities - General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Total Taxable Assessed Value of Property</u>	<u>Per Capita</u>
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
2017	590,910	11,516	579,394	9.0%	2,434
2018	568,259	2,471	565,788	8.2%	2,333
2019	521,632	1,394	520,238	7.2%	2,038
2020	467,788	1,042	466,746	6.1%	1,808

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

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

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

City of Scottsdale, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020
(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	\$ 312,450	14.6388%	\$ 45,739
Maricopa County Special Healthcare District	459,125	14.6388%	67,210
Tempe Elementary School District No. 3	153,535	0.0003%	-
Balsz Elementary School District No. 31	30,550	6.1717%	1,885
Scottsdale Unified School District No. 48	278,536	69.7880%	194,385
Paradise Valley Unified School District No. 69	292,028	29.9232%	87,384
Cave Creek Unified School District No. 93	32,255	62.5073%	20,162
Fountain Hills Unified School District No. 98	8,800	3.6110%	318
Phoenix Union High School District No. 210	389,120	0.3678%	1,431
Tempe Union High School District No. 213	82,925	0.0001%	-
Western Maricopa Education Center District No. 402	116,510	6.7946%	7,916
Subtotal, overlapping debt			426,430
City direct debt	707,648	100.0000%	707,648
Total direct and overlapping debt			<u>\$ 1,134,078</u>

Sources: The various entities, Property Tax Rates and Assessed Values, Arizona Tax Research Association, State and County Abstract of the Assessment Roll, Arizona Department of Revenue, and the Finance Department of the County.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Scottsdale. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

The percentage of overlapping debt applicable to the City is computed on the ratio of 2018-19 net limited assessed property valuation for the overlapping jurisdiction within the City to the total net limited assessed property valuation of the overlapping jurisdiction.

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

Table XVIa

	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019	2020
20% Limitation										
Debt Limit Equal to 20% of Assessed Valuation	\$ 1,475,082	\$ 1,138,398	\$ 1,015,999	\$ 965,570	\$ 1,035,356	\$ 1,191,278	\$ 1,283,864	\$ 1,385,687	\$ 1,444,654	\$ 1,540,379
Total Net Debt Applicable to 20% Limit	498,490	524,675	561,126	553,121	532,888	513,768	521,179	511,046	479,265	433,865
Excess Premium							8,180	10,637	10,415	10,181
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 976,592</u>	<u>\$ 613,723</u>	<u>\$ 454,873</u>	<u>\$ 412,449</u>	<u>\$ 502,468</u>	<u>\$ 677,510</u>	<u>\$ 754,505</u>	<u>\$ 864,004</u>	<u>\$ 954,974</u>	<u>\$ 1,096,333</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	33.79%	46.09%	55.23%	57.28%	51.47%	43.13%	41.23%	37.65%	33.90%	28.83%
6% Limitation										
Debt Limit Equal to 6% of Assessed Valuation	\$ 442,524	\$ 341,519	\$ 304,799	\$ 289,671	\$ 310,606	\$ 357,384	\$ 385,159	\$ 415,706	\$ 433,396	\$ 462,114
Total Net Debt Applicable to 6% Limit	74,250	69,750	78,009	65,944	54,022	37,747	26,116	14,419	3,950	-
Excess Premium							-	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 368,274</u>	<u>\$ 271,769</u>	<u>\$ 226,790</u>	<u>\$ 223,727</u>	<u>\$ 256,584</u>	<u>\$ 319,637</u>	<u>\$ 359,043</u>	<u>\$ 401,287</u>	<u>\$ 429,446</u>	<u>\$ 462,114</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	16.78%	20.42%	25.59%	22.77%	17.39%	10.56%	6.78%	3.47%	0.91%	0.00%

⁽¹⁾Restated fiscal year 2016 debt limit and debt margin amounts to reflect the usage of the secondary, as opposed to the primary, valuation amount.

⁽²⁾Beginning in fiscal year 2017, a change in state law requires the "Excess Premium" to be included with the debt subject to the legal debt margin limitations.

City of Scottsdale, Arizona
Legal Debt Margin Information
As of June 30, 2020
(in thousands)

Table XVIb

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed Valuation as of June 30, 2020	\$ <u>7,701,893</u>
<u>20% Limitation</u>	
Debt Limit Equal to 20% of Assessed Valuation	\$ 1,540,379
Debt applicable to limit:	
General Obligation Bonds	433,865
Excess Premium	<u>10,181</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 1,096,333</u>
<u>6% Limitation</u>	
Debt Limit Equal to 6% of Assessed Valuation	\$ 462,114
Debt applicable to limit:	
General Obligation Bonds	-
Excess Premium	<u>-</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 462,114</u>

Source: City of Scottsdale City Treasurer

Notes:

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

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

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

Table XVII

Water and Sewer Revenue Bonds									Municipal Property Corporation Bonds			
Fiscal Year Ended June 30	Operating Revenue ⁽¹⁾	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax ⁽³⁾	Debt Service Principal ⁽⁴⁾	Debt Service Interest ⁽⁴⁾	Coverage
2011	\$ 132,441	\$ 77,456	\$ 54,985	\$ 3,859	\$ 58,844	\$ 3,220	\$ 2,199	10.86	\$ 155,515	\$ 9,785	\$ 22,185	4.86
2012	134,336	78,837	55,499	3,073	58,572	3,380	2,056	10.77	157,645	11,841	21,141	4.78
2013	138,224	73,647	64,577	12,213	76,790	3,115	1,891	15.34	170,227	12,355	21,480	5.03
2014	142,066	77,891	64,175	15,139	79,314	3,240	1,738	15.93	183,376	18,200	22,994	4.45
2015	139,242	79,154	60,088	5,326	65,414	2,940	1,599	14.41	195,037	16,950	22,299	4.97
2016	152,612	81,586	71,026	5,156	76,182	3,055	1,487	16.77	194,560	20,215	23,220	4.48
2017	148,310	85,909	62,401	6,072	68,473	3,195	1,354	15.05	196,729	22,550	21,599	4.46
2018	160,161	87,130	73,031	6,525	79,556	3,370	1,195	17.43	216,643	26,290	23,908	4.32
2019	164,487	82,748	81,739	4,256	85,995	3,540	1,026	18.83	223,668	30,210	22,474	4.25
2020	173,739	98,549	75,190	7,777	82,967	3,725	849	18.14	230,539	33,675	21,906	4.15

Special Assessment Bonds					Scottsdale Preserve Authority Bonds			
Fiscal Year Ended June 30	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage ⁽²⁾	Sales Tax	Debt Service Principal	Debt Service Interest	Coverage
2011	\$ 733	\$ 757	\$ 86	0.87	\$ 27,199	\$ 3,470	\$ 2,471	4.58
2012	719	755	52	0.89	28,809	3,655	2,835	4.44
2013	591	755	17	0.77	30,376	3,800	2,680	4.69
2014	-	-	-	N/A	32,655	3,960	2,508	5.05
2015	-	-	-	N/A	34,429	4,140	2,330	5.32
2016	-	-	-	N/A	36,029	4,340	2,143	5.56
2017	-	-	-	N/A	35,489	4,175	1,423	6.34
2018	-	-	-	N/A	40,089	4,365	734	7.86
2019	-	-	-	N/A	41,909	4,540	577	8.19
2020	-	-	-	N/A	42,331	4,780	350	8.25

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

⁽¹⁾Includes investment income.

⁽²⁾Coverage ratio is less than 1.0 due to prepayment of amounts that were in fund balance.

⁽³⁾A de minimis amount of the excise taxes are pledged to specific purposes per various resolutions adopted by the City Council. Due to the immateriality of these amounts, they are not deducted from the pledged revenue calculation above.

⁽⁴⁾Includes debt service payments paid out of revenue from the water and sewer fund, the tourism development fund, and the stadium facility fund.

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

Table XVIII

Fiscal Year	Population⁽¹⁾	Personal Income⁽²⁾ (in thousands)	Per Capita Personal Income⁽³⁾	Median Age⁽⁴⁾	Charter and Public School Enrollment⁽⁵⁾	Fiscal Year End Average Unemployment Rate⁽⁶⁾
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	25,979	4.2%
2017	238,000	12,428,360	52,220	46.3	25,847	3.8%
2018	242,500	13,109,550	54,060	46.3	25,598	3.5%
2019	255,300	14,499,508	56,794	46.9	25,606	3.5%
2020	258,100	15,473,869	59,953	47.0	25,606	3.4%

Data Sources and Notes:

⁽¹⁾July 1 Population Estimate U.S. Census 2019. Since 2013, estimates have been rounded to the nearest hundred.

⁽²⁾Calculated by multiplying Per Capita Personal Income by Total Population divided by 1,000.

⁽³⁾U.S. Census, American Community Survey, 5-Year Estimates.

⁽⁴⁾U.S. Census; fiscal years 2011-2012 based on Census 2010; fiscal years 2013-2020 based on U.S. Census, American Community Survey, 5-Year Estimates.

⁽⁵⁾Arizona Department of Education; 2019 data updated to reflect 9 charter and 30 public schools located within Scottsdale city boundaries. At the time of reporting, information for 2020 is not available. 2019 updated based on information made available in November 2019.

⁽⁶⁾State of Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics. The data is from 2019 calendar year that ended within the 2020 fiscal year.

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

Table XIX

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment⁽¹⁾	Employees	Rank	Percentage of Total City Employment⁽¹⁾
HonorHealth ⁽²⁾	7,078	1	3.78%	6,650	1	3.64%
Vanguard ⁽³⁾	3,200	2	1.71%	1,900	6	1.04%
CVS Health ⁽⁴⁾	2,949	3	1.57%	1,802	7	0.99%
City of Scottsdale	2,641	4	1.41%	2,939	5	1.61%
General Dynamics Mission Systems ⁽⁵⁾	2,500	5	1.33%	4,279	2	2.34%
Scottsdale Unified School District ⁽⁶⁾	2,312	7	1.23%	3,500	3	1.91%
Mayo Clinic	1,977	6	1.06%	2,951	4	1.61%
Nationwide Specialty ⁽⁷⁾	1,417	8	0.76%	1,385	8	0.76%
Yelp	800	9	0.43%			
Go Daddy Group	719	10	0.38%	730	10	0.40%
McKesson Speciality Care Solutions				740	9	0.40%
Total	25,593		13.66%	26,876		14.70%

Source: City of Scottsdale, Economic Development Department communications with employers, June 2020.

⁽¹⁾Annual Employment in 2020 according to the ESRI was 187,271; it was reported in the fiscal year 2011 CAFR as 182,771.

⁽²⁾Scottsdale Healthcare was renamed HonorHealth in 2015.

⁽³⁾The Vanguard Group was renamed Vanguard Insurance in 2013 and was then renamed Vanguard in 2014.

⁽⁴⁾CVS Caremark was renamed CVS Health in 2014.

⁽⁵⁾General Dynamics was renamed General Dynamics C4 Systems in 2011 and was then renamed General Dynamics Mission Systems in 2016.

⁽⁶⁾Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2020 numbers only report Scottsdale-based employees. 2011 included all employees.

⁽⁷⁾Scottsdale Insurance Company was renamed Nationwide Specialty in 2015.

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

Table XX

Function	2011	2012⁽¹⁾	2013	2014	2015	2016	2017	2018⁽²⁾	2019⁽³⁾	2020⁽⁴⁾
General Government										
Mayor and City Council	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
City Clerk	9.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0
City Attorney	57.5	53.0	53.5	53.5	53.5	53.5	53.5	53.5	63.5	63.5
City Auditor	7.0	7.0	7.0	7.0	6.0	6.0	6.0	6.0	6.5	6.5
City Court	62.5	58.0	56.5	56.5	55.9	58.5	58.5	58.5	58.5	61.0
City Manager	7.0	5.0	5.0	5.0	7.0	7.2	7.2	16.2	17.2	25.3
City Treasurer	95.5	83.5	93.0	93.0	89.7	89.8	86.7	86.7	101.7	102.7
Public Works	206.0	205.0	204.0	204.0	205.0	205.8	206.8	210.8	210.8	237.0
Community and Economic Development	214.5	188.5	175.5	176.5	173.0	185.1	186.6	179.6	182.2	126.3
Public Safety	957.6	933.6	924.6	934.6	930.6	942.7	936.7	937.7	952.7	963.1
Human Resources	30.5									
Community Services	487.6	459.5	454.2	454.2	448.3	469.6	474.6	476.7	476.9	511.2
Information Technology	75.8									
Administrative Services	35.0	138.8	124.6	127.4	120.9	123.6	125.1	124.1	102.1	95.5
Water/Sewer Utilities	189.0	202.0	204.0	204.0	205.0	211.3	213.3	214.5	215.9	217.9
Airport	14.0	14.0	14.0	14.0	14.5	14.5	14.5	15.5	15.5	15.5
Solid Waste	89.0	89.0	89.0	90.0	90.0	90.8	92.8	92.8	96.8	96.4
Total	2,547.5	2,454.9	2,422.9	2,437.7	2,417.4	2,475.4	2,479.3	2,489.6	2,517.3	2,538.9

Source: The City of Scottsdale's Budget Department.

⁽¹⁾Effective fiscal year 2012, Human Resources and Information Technology were absorbed into the Administrative Services division, and Meter Reading was moved from City Treasurer to Water Resources.

⁽²⁾Effective fiscal year 2018, Citizen Services was moved from Community and Economic Development to City Manager.

⁽³⁾Effective fiscal year 2019, Purchasing was moved from Administrative Services to City Treasurer, and Risk Management was moved from City Treasurer to City Attorney.

⁽⁴⁾Effective fiscal year 2020, Communications was moved from Administrative Services to City Manager, Emergency Management was moved from City Manager to Public Safety, Transportation was moved from Community and Economic Development to Public Works, and WestWorld was moved from Community and Economic Development to Community Services.

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

Table XXI

Division	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	40%	37%	37%	34%	39%	39%	35%	35%	35%	28%
<i>City Auditor</i>										
# of reports performed	17	14	14	14	16	13	13	15	14	11
<i>City Clerk</i>										
# of legal postings	1,241	1,185	1,124	1,080	1,005	1,000	1,067	1,033	946	950
# of minutes	66	63	63	65	57	61	56	70	63	59
<i>City Court</i>										
Charges filed/ charges adjudicated (resolved)	104,301 / 108,003	102,953/ 100,929	93,306/ 90,016	99,063/ 83,441	96,741/ 91,200	100,920/ 92,993	100,092/ 85,295	95,301/ 84,602	83,471/ 78,390	88,444/ 77,118
<i>City Treasurer</i>										
# of Accounts Payable checks issued	45,592	45,112	33,599	32,865	32,491	31,648	31,268	32,074	30,401	29,206
# of customer contacts (utilities and licensing)	255,124	246,319	254,992	209,325	196,549	190,422	195,819	256,784	140,915	96,201
# of Purchasing purchase orders ⁽²⁾	5,310	5,018	4,678	5,019	5,064	5,078	5,143	4,989	4,984	4,725
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent ⁽³⁾	94%	No Survey	No Survey	98%	No Survey	No Survey	96%	No Survey	96%	No Survey
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent ⁽³⁾⁽⁴⁾	91%	No Survey	No Survey	93%	No Survey	No Survey	93%	No Survey	97%	No Survey
News releases, media updates, traffic alerts, construction updates released to news media	281	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total ad value equivalency generated ⁽⁵⁾	N/A	\$20,000	\$78,861	\$64,931	\$34,863	N/A	N/A	N/A	N/A	N/A
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	2,001	4,419	6,400	2,365	0	0	420	0	0	0
% increase of Neighborhood Watch groups annually	5%	5%	5%	2%	0%	5%	5%	2%	7%	1%
Administrative Services										
<i>Human Resources</i>										
Citywide turnover	7.3%	7.1%	7.3%	6.0%	7.8%	9.6%	8.1%	9.8%	9.3%	10.7%
HR operating cost as a % of City payroll	1.8%	1.3%	1.7%	1.4%	1.4%	1.1%	1.2%	1.3%	1.2%	1.2%
<i>Information Technology</i>										
# of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)	1,775,000	1,870,000	1,588,935	1,335,869	1,395,338	2,686,000	2,117,633	1,512,355	1,026,016	2,032,000
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	266.0	266.0	167.3	45.8	51.4	58.6	67.2	82.8	86.9	98.3

(continued)

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

Table XXI

Division	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Community Services										
<i>Preserve</i>										
McDowell Sonoran Preserve Annual Visitors – All trailheads	148,639	177,922	223,538	325,023	659,882	706,682	698,090	732,510	747,000	936,000
<i>Parks and Recreation</i>										
# of square feet of medians and rights of way maintained	23,168,510	23,475,510	22,726,329	22,502,626	22,832,327	22,913,730	22,827,842	22,968,631	22,897,463	22,897,463
<i>WestWorld</i>										
# of special events at WestWorld ⁽⁶⁾	20	20	27	24	52	51	55	49	46	30
Community and Economic Development										
<i>Planning and Development Services</i>										
Customer wait-time (in minutes) at One Stop Shop	6	6	12	15	12	12	15	13	14	13
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	100%	100%	100%	100%	95%	100%	99%	99%	100%
% of inspections performed within 24 hours of the request	100%	100%	100%	100%	100%	98%	98%	98%	98%	99%
# of new Code Enforcement cases processed per year	16,000	16,500	15,603	14,222	15,514	13,781	13,797	12,594	13,676	12,358
<i>Economic Development</i>										
Targeted job creation - number of companies/number of jobs ⁽⁷⁾	7 / 450	8 / 1,595	36 / 1,593	16 / 1,069	13 / 1,180	9 / 1,183	14 / 1,019	12 / 1,852	14 / 1,531	9 / 603
<i>Tourism</i>										
Hotel/Motel average occupancy rate	58.8%	61.5%	63.0%	65.6%	67.8%	67.9%	75.1%	69.1%	70.2%	55.6%
Bed Tax growth (% annual change)	8%	5%	3%	10%	12%	1%	11%	5%	12%	-15%
# of Downtown special events coordinated	95	119	126	275	325	277	174	173	155	129
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	136,089	146,058	137,333	148,971	153,285	162,535	164,622	166,425	176,677	191,284
Public Safety										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) ⁽⁸⁾	31.9	32.8	29.1	27.8	25.5	25.6	26.3	24.7	25.2	25.2
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	4:57	5:11	4:54	5:04	5:25	5:12	4:48	4:57	5:05	5:36
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	25,586	26,344	27,075	28,544	32,425	35,098	36,407	36,877	37,750	37,456
Responses per capita	0.10	0.10	0.12	0.13	0.14	0.15	0.16	0.15	0.15	0.15
Travel time (en-route to on-scene)	4:22	4:18	4:26	4:27	4:33	4:32	4:37	4:46	4:52	5:16

(continued)

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

Table XXI

Division	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Works										
<i>Public Works</i>										
Facility inventory maintained (square feet) ⁽⁹⁾	3,006,106	3,029,606	3,322,968	3,313,468	3,348,774	2,925,697	2,925,697	2,925,697	2,961,661	2,978,196
# of active Capital Projects	183	162	186	150	120	155	150	161	180	185
<i>Solid Waste</i>										
# of homes serviced by Residential Refuse Collection	79,508	79,787	80,013	80,354	80,785	81,187	81,665	82,236	82,711	83,189
# of citizens serviced annually by Household Hazardous Waste collection program	2,573	2,591	2,691	2,905	2,362	3,345	2,770	2,509	2,629	2,426
<i>Transportation and Street Operations</i>										
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) ⁽¹⁰⁾	10,397	10,500	5,043	3,687	4,252	6,638	9,737	8,697	4,748	2,176
Total citywide transit ridership ⁽¹¹⁾	2,539,744	2,499,000	2,599,557	2,589,218	2,635,739	2,297,323	2,186,424	2,178,152	1,933,249	1,501,663
Water Resources										
Water Service Connections	87,458	87,577	87,851	88,348	88,905	89,596	90,172	90,817	91,279	91,802
Drinking Water Supplied (million gallons per day)	67.9	69.2	67.6	70.2	63.9	67.5	67.0	70.9	66.3	67.6
Reclaimed Water Supplied (million gallons per day)	8.7	6.9	8.9	9.7	9.2	9.1	11.6	12.2	11.9	11.6
Sewer Service Connections	77,850	78,018	78,269	79,014	79,588	80,202	80,704	81,306	81,841	82,320
Sewage Treated (million gallons per day)	21.1	20.9	20.7	20.9	21.2	20.5	21.4	22.1	22.1	21.6
# of water meters read annually ⁽¹²⁾	1,051,089	1,043,335	1,055,230	1,059,738	1,066,385	1,078,500	1,085,590	1,072,498	1,099,164	1,099,085

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

⁽¹⁾This presentation is consistent with the organizational structure approved as part of the fiscal year 2020 Budget. It has been noted where changes were approved by the City Council mid-year.

⁽²⁾Effective fiscal year 2019 the # of Purchasing purchase orders was moved from Administrative Services to City Treasurer to align with an organizational change made by the City Manager.

⁽³⁾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>, search "citizen survey".

⁽⁴⁾Effective fiscal year 2020 the %of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent was moved from Administrative Services to City Manager to align with an organizational change made by the City Manager.

⁽⁵⁾Effective fiscal year 2012 established more appropriate performance measures for the Communications Department activities and products (ad value equivalency). City ceased tracking this statistic effective fiscal year 2016.

⁽⁶⁾Effective fiscal year 2020 the # of special events at WestWorld was moved from Community and Economic Development to Community Services to align with an organizational change made by the City Manager.

⁽⁷⁾Effective fiscal year 2014, only jobs verified through employer to be created or retained within the first 12 months were counted in annual metrics; total announced job creation is significantly higher.

⁽⁸⁾In fiscal year 2012, 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.

⁽⁹⁾3.4 million square feet from fiscal year 2015 was calculated manually. The City hired a consultant who completed a building inventory in fiscal year 2016. Square footage was recalculated based on actual measurements.

⁽¹⁰⁾The statistic for "Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)" has decreased due to implementation of predefined special timing plans in response to special events, construction, and accidents. Prior to fiscal year 2019, signal timing was changed from cycle to cycle when needed during special events, construction, or accidents based on observations.

⁽¹¹⁾Effective fiscal year 2020 Total citywide transit ridership was moved from Community and Economic Development to Public Works to align with an organizational change made by the City Manager.

⁽¹²⁾Effective fiscal year 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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Police Vehicles	352	352	351	359	347	344	344	343	343	341
Fire Stations	15	15	15	15	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement	20,828,414	20,852,234	20,859,993	20,748,525	20,827,420	21,036,767	21,023,295	21,046,327	20,071,109	19,933,597
Equivalent 12' Wide Lane Miles	2,959	2,962	2,963	2,947	2,958	2,877	2,846	2,990	2,851	2,831
Traffic Signals	289	300	303	297	304	307	295	296	296	308
Culture and Recreation										
Parks	41	42	42	42	42	42	42	42	42	42
Parks Acreage	941	974	975	975	975	975	975	975	975	975
Swimming Pools	4	4	4	4	4	4	4	4	4	4
Tennis Courts	55	55	55	55	55	55	55	53	53	53
Community Centers	5	5	6	6	6	6	6	6	6	6
Water										
Water Mains (miles)	2,059	2,064	2,070	2,079	2,079	2,094	2,102	2,117	2,124	2,133
Fire Hydrants	10,687	10,729	10,779	10,874	10,941	11,052	11,135	11,213	11,301	11,375
Sewer										
Sanitary Sewers (miles)	1,421.0	1,422.0	1,424.0	1,429.0	1,441.0	1,452.0	1,456.0	1,468.0	1,483.0	1,505.0
Storm Sewers (miles)	163.0	168.0	169.0	187.7	275.0	285.0	309.0	316.0	325.0	330.0

Source: City of Scottsdale's divisions.

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

Visit our website
www.ScottsdaleAZ.gov/Finance

Attachment 1A -
Communication to Governance
Not Included

Attachment 1B -
Report on Internal Control over
Financial Reporting and Compliance

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements, and have issued our report thereon dated October 16, 2020. Our report included an emphasis of matter paragraph as to comparability due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 90, *Majority Equity Interests*, and Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Scottsdale, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Scottsdale, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 16, 2020

Attachment 1C -
HURF Compliance Report
(state compliance)

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Scottsdale, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City of Scottsdale, Arizona pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City of Scottsdale, Arizona, were used solely for authorized transportation purposes during the year ended June 30, 2020. Management is responsible for the City of Scottsdale, Arizona's compliance with those requirements. Our responsibility is to express an opinion on the City of Scottsdale, Arizona's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about the City of Scottsdale, Arizona's compliance with the requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about the City of Scottsdale, Arizona's compliance with the requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance of the report, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Scottsdale, Arizona's compliance with specified requirements.

In our opinion, the City of Scottsdale, Arizona complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 16, 2020

**Attachment 2 -
DC Ranch Community Facilities
District (CFD)
Annual Financial Report**

DC Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report
Fiscal Year Ended June 30, 2020

DC Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2020

DC Ranch Community Facilities District

For the Fiscal Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
DC Ranch Community Facilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 and each major fund of the DC Ranch Community Facilities District, as of June 30, 2020, and the respective changes in financial position thereof 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 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90 *Majority Equity Interests* and No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, for the year ended June 30, 2020, which represents a change in accounting principle. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 1, the financial statements of the DC Ranch Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona, as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 budgetary comparison 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 District’s basic financial statements. The supplementary budget comparison information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of DC Ranch Community Facilities District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DC Ranch Community Facilities District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DC Ranch Community Facilities District’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As management of the DC Ranch Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2020.

Formed in 1997, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2019/20, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- Tax rate continued to comply with the City-imposed assessment limit of \$3.00 per \$100 assessed valuation; the tax rate was \$0.41 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$199,366. Of this amount, \$46,414 was in the General Fund and \$152,952 was in the Debt Service Fund.
- Governmental fund revenues were less than expenditures by \$11,902, the tax rate decreased from \$0.43 in fiscal year 2018/19 to \$0.41.
- Total long-term debt decreased by \$980,000 due to scheduled principal payments.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use, and the General funds are unassigned.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by approximately \$7.7 million (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets	\$ 97,527	\$ 97,037
Noncurrent Assets	1,265,867	1,249,342
Total Assets	1,363,394	1,346,379
Deferred Outflows of Resources	279,947	319,939
Total Assets and Deferred Outflows of Resources	1,643,341	1,666,318
LIABILITIES		
Current Liabilities	1,131,234	1,117,431
Noncurrent Liabilities	8,165,523	9,184,884
Total Liabilities	9,296,757	10,302,315
NET POSITION		
Restricted	185,746	178,496
Unrestricted	(7,839,162)	(8,814,493)
Total Net Position	\$ (7,653,416)	\$ (8,635,997)

During the fiscal year, the District's total net position increased by \$982,581.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
REVENUES		
Taxes	\$ 1,356,166	\$ 1,356,017
Interest	2,191	-
Total Revenues	<u>1,358,357</u>	<u>1,356,017</u>
EXPENSES		
General Government	71,228	71,141
Debt Service	304,548	336,944
Total Expenses	<u>375,776</u>	<u>408,085</u>
Change in Net Position	982,581	947,932
Net Position, Beginning of Year	<u>(8,635,997)</u>	<u>(9,583,929)</u>
Net Position, End of Year	<u>\$ (7,653,416)</u>	<u>\$ (8,635,997)</u>

Revenues increased in fiscal 2019/20 due to an increase in the taxes levied and interest earnings and expenses decreased due to the reduction in interest on long-term debt, increasing the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2020, the District's governmental funds reported revenues less than expenditures by \$11,902 and an ending fund balance of \$199,366. Of the total ending fund balance, \$46,414 is in the General Fund and \$152,952 is in the Debt Service Fund.

Revenues totaled \$1,343,243 for the fiscal year ended June 30, 2020, of which \$1,341,052 was property tax collected and \$2,191 was from interest earnings.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct parks, paths, trails, roads, athletic fields and related athletic field infrastructure.

The District has issued all of the authorized \$20,000,000 in District general obligation bonds.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
General Obligation Bonds	<u>\$ 7,890,000</u>	<u>\$ 8,870,000</u>

The District's total long-term debt decreased by \$980,000 during the current fiscal year due to payment of principal on the refunding bonds.

Next Year's Budget and Rates

The fiscal year 2020/21 District budget includes a \$0.38 tax rate per \$100 of assessed value. This is a \$0.03 decrease from the rate used for the fiscal year 2019/20 budget. The District's long-term financial plan considers the impacts of COVID-19 and the uncertain timing of the recovery.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2020

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Cash	\$ 45,450	\$ -	\$ 45,450	\$ -	\$ 45,450
Taxes Receivable	964	51,113	52,077	-	52,077
Total Current Assets	46,414	51,113	97,527	-	97,527
NonCurrent Assets					
Restricted Cash	-	1,265,867	1,265,867	-	1,265,867
Total Assets	\$ 46,414	\$ 1,316,980	\$ 1,363,394	\$ -	\$ 1,363,394
Deferred Outflows of Resources					
Deferred Amounts on Refunding				279,947	279,947
Total Assets and Deferred Outflows of Resources				\$ 279,947	\$ 1,643,341
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 980,000	\$ 980,000	\$ -	\$ 980,000
Interest Payable	-	151,234	151,234	-	151,234
Total Current Liabilities	-	1,131,234	1,131,234	-	1,131,234
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,015,000	1,015,000
Due After One Year	-	-	-	7,150,523	7,150,523
Total Noncurrent Liabilities	-	-	-	8,165,523	8,165,523
Total Liabilities	-	1,131,234	1,131,234	8,165,523	9,296,757
Deferred Inflows of Resources					
Unavailable Revenues	-	32,794	32,794	(32,794)	-
Total Liabilities and Deferred Inflows of Resources	-	1,164,028	1,164,028	8,132,729	9,296,757
Fund Balances/Net Position					
Fund Balances					
Restricted	-	152,952	152,952	(152,952)	-
Unassigned	46,414	-	46,414	(46,414)	-
Total Fund Balances	46,414	152,952	199,366	(199,366)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 46,414	\$ 1,316,980	\$ 1,363,394		
Net Position					
Restricted for Debt Service				185,746	185,746
Unrestricted				(7,839,162)	(7,839,162)
Total Net Position				\$ (7,653,416)	\$ (7,653,416)

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES					
Taxes	\$ 67,053	\$ 1,273,999	\$ 1,341,052	\$ 15,114	\$ 1,356,166
Interest	137	2,054	2,191	-	2,191
Total Revenues	<u>67,190</u>	<u>1,276,053</u>	<u>1,343,243</u>	<u>15,114</u>	<u>1,358,357</u>
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 71,228	\$ -	\$ 71,228	\$ -	\$ 71,228
Debt Service					
Principal Retirement	-	980,000	980,000	(980,000)	-
Interest and Fiscal Charges	-	303,917	303,917	631	304,548
Total Expenditures/Expenses	<u>71,228</u>	<u>1,283,917</u>	<u>1,355,145</u>	<u>(979,369)</u>	<u>375,776</u>
Change in Fund Balances/Net Position	(4,038)	(7,864)	(11,902)	994,483	982,581
Fund Balances/Net Position, Beginning of Year	<u>50,452</u>	<u>160,816</u>	<u>211,268</u>	<u>(8,847,265)</u>	<u>(8,635,997)</u>
Fund Balances/Net Position, End of Year	<u>\$ 46,414</u>	<u>\$ 152,952</u>	<u>\$ 199,366</u>	<u>\$ (7,852,782)</u>	<u>\$ (7,653,416)</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the DC Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

During the year ended June 30, 2020, the District evaluated Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90, *Majority Equity Interests* and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and determined that they did not impact the preparation of these financial statements.

A. Reporting Entity

The DC Ranch Community Facilities District was formed by petition to the City of Scottsdale City Council in March 1997. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the DC Ranch Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District has unassigned funds and does not have any nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

A portion of cash and investments held by trustee at June 30, 2020, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item, deferred amount on refunding, that qualifies for reporting in this category. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 32,794
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(8,165,523)
Deferred amounts on refunding are long-term in nature and not reported in the funds.	<u>279,947</u>
Net adjustment to reduce total fund balance to arrive at net position.	(7,852,782)
Total Fund Balance	<u>199,366</u>
Total Net Position	<u><u>\$ (7,653,416)</u></u>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ 15,114
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.	980,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	<u>(631)</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	994,483
Net change in Fund Balance	<u>(11,902)</u>
Change in Net Position	<u><u>\$ 982,581</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2020, the carrying amount of the District’s deposits and bank balance were \$1,311,317.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Districts deposits may not be returned to it. As of June 30, 2020, all of the District’s deposits were uninsured and collateralized by securities held by the pledging bank’s trust department not in the District’s name, and therefore exposed to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2020, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 1,265,867</u>

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2020, were as follows:

	General Fund	Debt Service Fund
Taxes Receivable	\$ 964	\$ 51,113

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	Debt Service Fund
Delinquent Property Taxes Receivable (Unavailable)	\$ 32,794

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds with interest are payable semiannually. Bonds payable at June 30, 2020, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rates (%)	Amount
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. Original issue amount \$14,670,000.	3.41	\$ 7,890,000

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City’s full cash valuation.

The District’s bond issuance contains the following provisions that would constitute an event of default by the District.

- Failure to pay the principal and interest when due and payable.

Changes in Long-term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Private Placement General Obligation Bonds	\$ 8,870,000	\$ -	\$ (980,000)	\$ 7,890,000	\$ 1,015,000
Plus Issuance Premium	314,884	-	(39,361)	275,523	-
Total	<u>\$ 9,184,884</u>	<u>\$ -</u>	<u>\$ (1,019,361)</u>	<u>\$ 8,165,523</u>	<u>\$ 1,015,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,015,000	\$ 269,049
2022	1,050,000	234,438
2023	1,085,000	198,633
2024	1,125,000	161,634
2025	1,165,000	123,271
2026-2027	2,450,000	125,999
Total	<u>\$ 7,890,000</u>	<u>\$ 1,113,024</u>

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$3,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 67,830	\$ 67,053	\$ (777)
Interest Income	-	137	
Total Revenues	<u>67,830</u>	<u>67,190</u>	<u>(777)</u>
EXPENDITURES			
Current			
General Government			
City Treasurer - Finance and Accounting	72,100	71,228	872
Total Expenditures	<u>72,100</u>	<u>71,228</u>	<u>872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,270)	(4,038)	95
Fund Balance, Beginning of Year	<u>\$ 55,180</u>	<u>\$ 50,452</u>	<u>(4,728)</u>
Fund Balance, End of Year	<u>\$ 50,910</u>	<u>\$ 46,414</u>	<u>\$ (4,633)</u>

Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 1,290,435	\$ 1,273,999	\$ (16,436)
Interest Income		2,054	2,054
Total Revenues	<u>1,290,435</u>	<u>1,276,053</u>	<u>(14,382)</u>
EXPENDITURES			
Debt Service			
Principal Retirement	980,000	980,000	-
Interest and Fiscal Charges	305,467	303,917	1,550
Total Expenditures	<u>1,285,467</u>	<u>1,283,917</u>	<u>1,550</u>
Excess of Revenues Over Expenditures	4,968	(7,864)	(12,832)
Fund Balance, Beginning of Year	<u>149,465</u>	<u>160,816</u>	<u>11,351</u>
Fund Balance, End of Year	<u><u>\$ 154,433</u></u>	<u><u>\$ 152,952</u></u>	<u><u>\$ (1,481)</u></u>

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
DC Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise DC Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statements No. 84, 87, 90, and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DC Ranch Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DC Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of DC Ranch Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DC Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Attachment 2A -
DC Ranch CFD
Communication to Governance
Not Included

**Attachment 2B -
DC Ranch CFD
Report on Internal Control over
Financial Reporting and Compliance**

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
DC Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise DC Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statements No. 84, 87, 90, and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DC Ranch Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DC Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of DC Ranch Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DC Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 5, 2020

**Attachment 3 -
McDowell Mountain Ranch CFD
Annual Financial Report**

McDowell Mountain Ranch Community Facilities District

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



Annual Financial Report

Fiscal Year Ended June 30, 2020

McDowell Mountain Ranch Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2020

McDowell Mountain Ranch Community Facilities District

For the Fiscal Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McDowell Mountain Ranch Community Facilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of McDowell Mountain Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 and each major fund of the McDowell Mountain Ranch Community Facilities District, as of June 30, 2020, and the respective changes in financial position thereof 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 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90 *Majority Equity Interests* and No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* for the year ended June 30, 2020, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the McDowell Mountain Ranch Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona, as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 budgetary comparison 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 District’s basic financial statements. The supplementary budget comparison information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of McDowell Mountain Ranch Community Facilities District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the McDowell Mountain Ranch Community Facilities District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McDowell Mountain Ranch Community Facilities District’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As management of the McDowell Mountain Ranch Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2020.

Formed in 1994, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2019/20, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- Tax rate continued to comply with the City-imposed assessment limit of \$3.00 per \$100 assessed valuation; the tax rate was \$0.67 per \$100 assessed valuation.
- Governmental funds reported an ending fund balance of \$199,508; the entire amount was restricted for debt service.
- Governmental fund revenues were less than expenditures by \$7,188, the tax rate decreased from \$0.70 in fiscal year 2018/19 to \$0.67.
- Total long-term debt decreased by \$1,230,000 due to scheduled principal payments.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use, and the General funds are unassigned.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets at the close of the most recent fiscal year by approximately \$2.4 million (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets	\$ 27,941	\$ 26,613
Noncurrent Assets	1,474,588	1,456,542
Total Assets	1,502,529	1,483,155
LIABILITIES		
Current Liabilities	1,284,599	1,266,568
Noncurrent Liabilities	2,659,341	3,911,512
Total Liabilities	3,943,940	5,178,080
NET POSITION		
Restricted	217,930	216,587
Unrestricted	(2,659,341)	(3,911,512)
Total Net Position	\$ (2,441,411)	\$ (3,694,925)

During the fiscal year, the District's total net position increased by \$1,253,514.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
REVENUES		
Taxes	\$ 1,349,607	\$ 1,351,141
Interest	2,301	
Total Revenues	<u>1,351,908</u>	<u>1,351,141</u>
EXPENSES		
General Government	10,917	10,820
Debt Service	87,477	121,415
Total Expenses	<u>98,394</u>	<u>132,235</u>
Change in Net Position	1,253,514	1,218,906
Net Position, Beginning of Year	(3,694,925)	(4,913,831)
Net Position, End of Year	<u>\$ (2,441,411)</u>	<u>\$ (3,694,925)</u>

Revenues increased in fiscal year 2019/20 due to interest earnings and expenses decreased due to the reduction in long-term debt interest, increasing the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2019/20, the District's governmental funds reported revenues less than expenditures by \$7,188 and an ending fund balance of \$199,508. The entire fund balance is restricted for debt service.

Revenues totaled \$1,343,377 for the fiscal year ended June 30, 2020, of which \$1,341,076 was property tax collected and \$2,301 was from interest earnings.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used for the completion of Thompson Peak Parkway and other infrastructure, such as water and sewer lines necessary for the McDowell Mountain Ranch development.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

The District has issued \$18,860,000 of the \$20,000,000 authorized bonds. In fiscal years 1998/99 and 2012/2013, the City Council and the District Board approved the issuance of refunding bonds to consolidate and reduce the costs of the District debt. Refunding bonds totaling \$11,555,000 were issued.

In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
General Obligation Bonds	<u>\$ 2,615,000</u>	<u>\$ 3,845,000</u>

The District's total long-term debt decreased by \$1,230,000 during the current fiscal year due to the payment of principal on the refunding bonds.

Next Year's Budget and Rates

The fiscal year 2020/21 District budget includes a \$0.64 tax rate per \$100 of assessed value. This is a \$0.03 decrease from the rate used in the fiscal year 2019/20 budget. The District's long-term financial plan considers the impacts of COVID-19 and the uncertain timing of the recovery.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2020

<u>ASSETS</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets					
Current Assets					
Taxes Receivable	\$ -	\$ 27,941	\$ 27,941	\$ -	\$ 27,941
Noncurrent Assets					
Restricted Cash	-	1,474,588	1,474,588	-	1,474,588
Total Assets	<u>\$ -</u>	<u>\$ 1,502,529</u>	<u>\$ 1,502,529</u>	<u>\$ -</u>	<u>\$ 1,502,529</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 1,230,000	\$ 1,230,000	\$ -	\$ 1,230,000
Interest Payable	-	54,599	54,599	-	54,599
Total Current Liabilities	<u>-</u>	<u>1,284,599</u>	<u>1,284,599</u>	<u>-</u>	<u>1,284,599</u>
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,280,000	1,280,000
Due After One Year	-	-	-	1,379,341	1,379,341
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,659,341</u>	<u>2,659,341</u>
Total Liabilities	<u>-</u>	<u>1,284,599</u>	<u>1,284,599</u>	<u>2,659,341</u>	<u>3,943,940</u>
Deferred Inflows of Resources					
Unavailable Revenues	-	18,422	18,422	(18,422)	-
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>1,303,021</u>	<u>1,303,021</u>	<u>2,640,919</u>	<u>3,943,940</u>
Fund Balances/Net Position					
Fund Balances					
Restricted	-	199,508	199,508	(199,508)	-
Total Fund Balances	<u>-</u>	<u>199,508</u>	<u>199,508</u>	<u>(199,508)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 1,502,529</u>	<u>\$ 1,502,529</u>		
Net Position					
Restricted for Debt Service				217,930	217,930
Unrestricted				(2,659,341)	(2,659,341)
Total Net Position				<u>\$ (2,441,411)</u>	<u>\$ (2,441,411)</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2020

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES					
Taxes	\$ 10,917	\$ 1,330,159	\$ 1,341,076	\$ 8,531	\$ 1,349,607
Interest	-	2,301	2,301	-	2,301
Total Revenues	10,917	1,332,460	1,343,377	8,531	1,351,908
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 10,917	-	\$ 10,917	-	\$ 10,917
Debt Service					
Principal Retirement	-	1,230,000	1,230,000	(1,230,000)	-
Interest and Fiscal Charges	-	109,648	109,648	(22,171)	87,477
Total Expenditures/Expenses	10,917	1,339,648	1,350,565	(1,252,171)	98,394
Change in Fund Balances/Net Position	-	(7,188)	(7,188)	1,260,702	1,253,514
Fund Balances/Net Position, Beginning of Year	-	206,696	206,696	(3,901,621)	(3,694,925)
Fund Balances/Net Position, End of Year	\$ -	\$ 199,508	\$ 199,508	\$ (2,640,919)	\$ (2,441,411)

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the McDowell Mountain Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

During the year ended June 30, 2020, the District evaluated Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90, *Majority Equity Interests* and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and determined that they did not impact the preparation of these financial statements.

A. Reporting Entity

The McDowell Mountain Ranch Community Facilities District was formed by petition to the City of Scottsdale City Council in January 1994. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the McDowell Mountain Ranch Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District does not have any unassigned, nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

Cash and investments held by trustee at June 30, 2020, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 18,422
Issuance premium is long-term in nature to be amortized over the life of the bonds, therefore, is not reported in the funds.	(44,341)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	<u>(2,615,000)</u>
Net adjustment to reduce total fund balance to arrive at net position.	(2,640,919)
Total Fund Balance	<u>199,508</u>
Total Net Position	<u><u>\$ (2,441,411)</u></u>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ 8,531
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.	1,230,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	<u>22,171</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	1,260,702
Net change in Fund Balance	<u>(7,188)</u>
Change in Net Position	<u><u>\$ 1,253,514</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2020, the carrying amount of the District’s deposits and bank balance were \$1,474,588.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2020, all of the District’s deposits were uninsured and collateralized by securities held by the pledging bank’s trust department not in the District’s name, and therefore exposed to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2020, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 1,474,588</u>

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2020, were as follows:

	<u>Debt Service Fund</u>
Taxes Receivable	<u>\$ 27,941</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	Debt Service Fund
Delinquent Property Taxes Receivable (Unavailable)	\$ 18,422

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds with interest are payable semiannually. Bonds payable at June 30, 2020, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rates (%)	Amount
2012 McDowell Mountain Ranch Refunding Bonds due in annual installments of \$1,020,000 to \$1,335,000 beginning July 15, 2013 through July 15, 2022. Original issue amount \$11,555,000.	2.84	\$ 2,615,000

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's full cash valuation.

The District's bond issuance contains the following provisions that would constitute an event of default by the District:

- Failure to pay the principal and interest when due and payable.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Changes in Long-term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Private Placement General Obligation Bonds	\$ 3,845,000	\$ -	\$ (1,230,000)	\$ 2,615,000	\$ 1,280,000
Plus Issuance Premium	66,512	-	(22,171)	44,341	-
Total	<u>\$ 3,911,512</u>	<u>\$ -</u>	<u>\$ (1,252,171)</u>	<u>\$ 2,659,341</u>	<u>\$ 1,280,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,280,000	\$ 74,266
2022	1,335,000	37,914
Total	<u>\$ 2,615,000</u>	<u>\$ 112,180</u>

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$3,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 11,100	\$ 10,917	\$ (183)
EXPENDITURES			
Current			
General Government			
City Treasurer - Finance and Accounting	11,100	10,917	183
Total Expenditures	<u>11,100</u>	<u>10,917</u>	<u>183</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 1,338,635	\$ 1,330,159	\$ (8,476)
Interest Income	-	2,301	2,301
Total Revenues	<u>1,338,635</u>	<u>1,332,460</u>	<u>(6,175)</u>
EXPENDITURES			
Debt Service			
Principal Retirement	1,230,000	1,230,000	-
Interest and Fiscal Charges	110,198	109,648	550
Total Expenditures	<u>1,340,198</u>	<u>1,339,648</u>	<u>550</u>
Excess of Revenues Over Expenditures	(1,563)	(7,188)	(5,625)
Fund Balance, Beginning of Year	<u>204,213</u>	<u>206,696</u>	<u>2,483</u>
Fund Balance, End of Year	<u><u>\$ 202,650</u></u>	<u><u>\$ 199,508</u></u>	<u><u>\$ (3,142)</u></u>

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
McDowell Mountain Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of McDowell Mountain Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise McDowell Mountain Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, 87, 90, and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McDowell Mountain Ranch Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell Mountain Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Attachment 3A -
McDowell Mountain Ranch CFD
Communication to Governance
Not Included

Attachment 3B -
McDowell Mountain Ranch CFD
Report on Internal Control over
Financial Reporting and Compliance

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
McDowell Mountain Ranch Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of McDowell Mountain Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise McDowell Mountain Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, 87, 90, and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McDowell Mountain Ranch Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of McDowell Mountain Ranch Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McDowell Mountain Ranch Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 5, 2020

Attachment 4 -
Municipal Property
Corporation (MPC)
Annual Financial Report

City of Scottsdale Municipal Property Corporation

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



Annual Financial Report

Fiscal Year Ended June 30, 2020

City of Scottsdale Municipal Property Corporation
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2020

City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2020

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City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2020

Board Members

Fredda Bisman

Judith Frost

Kenneth Harder

James Jenkins

Dennis Robbins

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Scottsdale Municipal Property Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Scottsdale Municipal Property Corporation (Corporation), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Corporation'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 and each major fund of the City of Scottsdale Municipal Property Corporation, as of June 30, 2020, and the respective changes in financial position thereof 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 1, the Corporation implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90 *Majority Equity Interests* and No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* for the year ended June 30, 2020, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Scottsdale Municipal Property Corporation are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona, as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of City of Scottsdale Municipal Property Corporation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale Municipal Property Corporation’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scottsdale Municipal Property Corporation’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As management of the City of Scottsdale Municipal Property Corporation (Corporation) we offer readers of the City of Scottsdale Municipal Property Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2020. The Corporation is a component unit of the City of Scottsdale, Arizona (City).

FINANCIAL HIGHLIGHTS

For the fiscal year ending 2019/20, the Corporation's:

- Total assets and deferred outflows of resources were greater than total liabilities, resulting in an ending fund balance of \$4,093,498 (net position).
- Total net position decreased by \$12,001,014 due to a new bond issuance and increased construction costs during the year. In addition to this decrease there was a prior period adjustment of \$4,252,745, due to capital expenses which incurred prior to the bond issuance, resulting in a total net decrease of \$16,253,759
- Debt Service Fund and Capital Projects Fund reported ending fund balances of \$0 and \$4,093,498, respectively.
- Issued \$9,275,000 in new bonds for construction of flood control improvements and \$33,275,000 for stadium improvements.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the Corporation's basic financial statements. Because of its limited purpose, the Corporation's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and (2) Notes to the Basic Financial Statements. Because the Corporation only has one governmental program, the government-wide and fund financial statements are combined.

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Corporation'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 useful indicators of whether or not the financial position of the Corporation is improving or deteriorating.

The *Statement of Activities* presents information showing how the Corporation's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as expenses related to accrued interest.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Corporation maintains two governmental funds, a debt service fund and a capital projects fund. Information is presented on the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Corporation does not adopt an annual appropriated budget for its revenues and expenditures. The debt service payments are budgeted as part of the City's annual budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as useful indicators of a Corporation's financial position. The total assets and deferred outflows of resources were greater than total liabilities, resulting in an ending fund balance for the close of the most recent fiscal year of \$4,093,498 (net position).

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets	\$ 556,573,512	\$ 561,410,674
Deferred Outflows of Resources	11,984,049	13,022,228
Total Assets and Deferred Outflows of Resources	<u>568,557,561</u>	<u>574,432,902</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Long-Term Liabilities Outstanding	517,924,168	511,399,211
Other Liabilities	46,539,895	42,686,434
Total Liabilities	<u>564,464,063</u>	<u>554,085,645</u>
NET POSITION		
Restricted for Capital Projects	4,093,498	20,347,257
Total Net Position	<u>\$ 4,093,498</u>	<u>\$ 20,347,257</u>

Over the fiscal year, the Corporation's total net position decreased by \$12,001,014 in addition to a prior period adjustment of \$4,252,745 for a net decrease of \$16,253,759. Total revenue increased by \$42,555,235 as a result of new debt issued and by higher lease payments. Total expenses increased by \$47,121,377 primarily due to higher capital project expenses.

Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
REVENUES		
Lease Payments	\$ 62,663,541	\$ 19,900,734
Investment Income	337,544	545,116
Total Revenues	<u>63,001,085</u>	<u>20,445,850</u>
EXPENSES		
General Government	55,317,547	7,975,090
Interest and Fiscal Charges	19,684,552	19,905,632
Total Expenses	<u>75,002,099</u>	<u>27,880,722</u>
Increase\Decrease in Net Position	(12,001,014)	(7,434,872)
Net Position, Beginning of Year	20,347,257	27,782,129
Cumulative Effect of Prior Period Adjustment	(4,252,745)	
Net Position, End of Year	<u>\$ 4,093,498</u>	<u>\$ 20,347,257</u>

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Financial Analysis of the Corporation's Funds

The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Corporation's ability to pay the debt service on the bonds it issues to fund construction or acquisition of public infrastructure.

As of June 30, 2020, the Corporation's governmental funds reported combined ending fund balances of \$4,093,498. The fund balance for the Debt Service Fund was \$0. The fund balance for the Capital Projects Fund was \$4,093,498 which represents unspent bond funds subsequent to a debt issuance in the current fiscal years.

Debt Administration

The total net Excise Revenue Debt at June 30, 2020 was \$517,924,168. The Corporation's total long-term debt increased by \$6,524,957 during the current fiscal year due to the issuance of new bonds net of the payment of principal on outstanding debt.

Outstanding Debt

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Excise Revenue Bonds	<u>\$ 517,924,168</u>	<u>\$ 511,399,211</u>

Economic Factors

The City's long-term financial plan considers the impacts of COVID-19 and the uncertain timing of the recovery. The City continues to focus on efficient spending and lower revenues that are forecasted to reflect the economy's condition.

Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances for all of those with an interest. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2020

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (see Note 2.A.)	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Restricted Cash and Short-term Investments	\$ 44,812,584	\$ 5,820,809	\$ 50,633,393	\$ -	\$ 50,633,393
Amount Due from City of Scottsdale	505,940,119	-	505,940,119	-	505,940,119
Total Assets	550,752,703	5,820,809	556,573,512	-	556,573,512
Deferred Outflows of Resources					
Deferred Amounts on Refunding				11,984,049	11,984,049
Total Assets and Deferred Outflows of Resources				11,984,049	568,557,561
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Accounts Payable	-	1,727,311	1,727,311	-	1,727,311
Bond Interest Payable	11,137,584	-	11,137,584	-	11,137,584
Matured Bonds Payable	33,675,000	-	33,675,000	-	33,675,000
Long-term Liabilities					
Due Within One Year	-	-	-	30,490,000	30,490,000
Due After One Year	-	-	-	487,434,168	487,434,168
Total Liabilities	44,812,584	1,727,311	46,539,895	517,924,168	564,464,063
Deferred Inflows of Resources					
Unavailable Revenue	505,940,119	-	505,940,119	(505,940,119)	-
Fund Balances					
Restricted	-	4,093,498	4,093,498	(4,093,498)	-
Total Fund Balances	-	4,093,498	4,093,498	(4,093,498)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 550,752,703	\$ 5,820,809	\$ 556,573,512		
Net Position					
Restricted for Debt Service				-	-
Restricted for Capital Projects				4,093,498	4,093,498
Total Net Position				\$ 4,093,498	\$ 4,093,498

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

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

For the Fiscal Year Ended June 30, 2020

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (see Note 2.B.)	Statement of Activities
REVENUES					
Lease Payments Received from the City of Scottsdale	\$ 55,100,405	\$ -	\$ 55,100,405	\$ 7,563,136	\$ 62,663,541
Investment Income	1,135	336,409	337,544	-	337,544
Total Revenues	55,101,540	336,409	55,437,949	7,563,136	63,001,085
EXPENDITURES/EXPENSES					
Current					
General Government	-	-	-	55,317,547	55,317,547
Capital Improvements	-	55,317,547	55,317,547	(55,317,547)	-
Debt Service		-			
Principal	33,675,000	-	33,675,000	(33,675,000)	-
Interest and Fiscal Charges	21,925,166	-	21,925,166	(2,634,399)	19,290,767
Bond Sale Costs	393,785	-	393,785	-	393,785
Total Expenditures	55,993,951	55,317,547	111,311,498	(36,309,399)	75,002,099
Excess (Deficiency) of Revenues over Expenditures	(892,411)	(54,981,138)	(55,873,549)	43,872,535	(12,001,014)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	487,876	(487,876)	-	-	-
Proceeds of Bonds	404,535	42,145,465	42,550,000	(42,550,000)	-
Bond Premium	-	1,322,535	1,322,535	(1,322,535)	-
Total Other Financing Sources (Uses)	892,411	42,980,124	43,872,535	(43,872,535)	-
Excess (Deficiency) of Revenues over Expenditures	-	(12,001,014)	(12,001,014)	-	(12,001,014)
Fund Balance/Net Position, Beginning of Year As Previously Reported	-	20,347,257	20,347,257	-	20,347,257
Cumulative Effect of Prior Period Adjustment	-	(4,252,745)	(4,252,745)	-	(4,252,745)
Fund Balance/Net Position, Beginning of Year as Restated	-	16,094,512	16,094,512	-	16,094,512
Fund Balances/Net Position, End of Year	\$ -	\$ 4,093,498	\$ 4,093,498	\$ -	\$ 4,093,498

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Scottsdale Municipal Property Corporation (Corporation) a component unit of the City of Scottsdale, Arizona (City) conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the Corporation follows.

During the year ended June 30, 2020, the MPC evaluated Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90, *Majority Equity Interests* and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and determined that they did not impact the preparation of these financial statements.

A. Reporting Entity

The City of Scottsdale Municipal Property Corporation, a nonprofit corporation, was incorporated in February 1967 under the laws of the State of Arizona, for the purpose of constructing or otherwise acquiring or equipping buildings, structures or improvements on land owned by the City of Scottsdale, Arizona for the benefit, common good and general welfare of the City and its inhabitants. Upon dissolution, any remaining assets are to be distributed to the City. The Corporation is governed by a Board of Directors approved by the City. For financial reporting purposes, transactions of the Corporation are included as if the Corporation were part of the City's operations.

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 Corporation. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on rates, fees and charges for support. The Corporation had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustment column to arrive at government-wide financial statement amounts.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the Corporation 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease payments from the City and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Corporation.

The Corporation reports the following major governmental funds:

- The *Debt Service Fund* accounts for the resources accumulated and used for the payment of long-term debt including principal, interest and related costs.
- The *Capital Projects Fund* accounts for resources accumulated and used for the acquisition or construction of major capital facilities.

When both restricted and unrestricted funds are available for use, it is the Corporation's policy to use restricted funds first, and then unrestricted funds. Currently, the Corporation does not have any nonspendable, committed or assigned fund balance.

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

1. Cash and Investments

Arizona Revised Statutes authorize the Corporation to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories, bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government, or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance. This policy is in compliance with the Corporation's by-laws and trust agreements.

Cash and investments held by a trustee at June 30, 2020, plus accrued interest, are restricted as to usage.

The Corporation's deposits at June 30, 2020 were collateralized with securities held by the pledging financial institution's trust department or agency in the Corporation's name.

2. Capital Assets

Capital assets acquired or constructed by the Corporation are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the Corporation owns no capital assets.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. Bond issuance costs are expensed as 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.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Corporation has only one item that qualifies for reporting in this category. It is the deferred amount on refunding. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of, the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

5. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors has not authorized anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. The Corporation has not formally adopted a spending priority policy and therefore use the spending priority indicated in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, GASB 54 indicates to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, GASB 54 indicates to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported in two categories: restricted net position and unrestricted net position. Restricted net position accounts for the portion of net position restricted by bond covenants. Unrestricted net position is the remaining net position not included in the previous category. An unrestricted net position did not occur as of the end of the fiscal year.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

A standard practice is to file a Declaration of Official Intent under Treasury Regulation Section 1.150-2 to reimburse planned expenditures with proceeds of tax-exempt obligations. This declaration was filed in July 2017 and MPC Excise Tax Revenue Bonds, Series 2019A and MPC Excise Tax Revenue Bonds, Taxable Series 2019B eligible expenditures were incurred in fiscal year 2018/19 but not recorded in the MPC annual report as a payable to the city. As a result, fund balance and net position were restated as follows:

	<u>Capital Projects Fund</u>	<u>Governmental Activities</u>
Fund Balance/Net Position, July 1	\$ 20,347,257	\$ 20,347,257
Prior Period Adjustment	<u>(4,252,745)</u>	<u>(4,252,745)</u>
Fund Balance/Net Position as restated, July 1	<u>\$ 16,094,512</u>	<u>\$ 16,094,512</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts Reported in the Statement of Net Position are Different Because:

Amounts due from the City of Scottsdale for retirement of debt are long-term in nature and are deferred inflows in the governmental funds.

Prior Year Receivable	\$	498,376,983	
New Debt Issued		42,550,000	
Debt Service Payments Made		(33,675,000)	
Amortization Amount on Refunding		1,038,179	
Deferred Premium on New Bonds		1,322,535	
Amortization of Premium on Existing Bonds		(3,672,578)	
			\$ 505,940,119

Long-term liabilities applicable to the Corporation's governmental activities are not due and payable in the current period and accordingly are not reported as fund payables in the governmental funds.

Bonds Payable	(473,405,000)		
Deferred Issuance Premium	(44,519,168)		(517,924,168)

Deferred Amount on Refunding are long-term in nature and are not reported as deferred outflows of resources in the governmental funds.

	11,984,049		11,984,049
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Net adjustment to reduce total fund balance in the governmental funds to arrive at net position.

-

Total Fund Balances

4,093,498

Total Net Position

\$ 4,093,498

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Amounts Reported in the Statement of Activities are Different Because:

Contractual agreement provides for repayment of debt by the City to the Corporation; thus, in the statement of activities revenues are recorded at the inception of the agreement rather than as received. Revenues recognized in the fund statements are those that provide current financial resources. Changes in the total debt outstanding will result in adjustments to the revenue in the statement of activities.

New Debt Issued	\$	42,550,000	
Debt Service Payments Made		(33,675,000)	
Amortization Amount on Refunding		1,038,179	
Deferred Premium on New Bonds		1,322,535	
Amortization of Premium on Existing Bonds		<u>(3,672,578)</u>	\$ 7,563,136

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

Amortization Amount on Refunding		(1,038,179)	
Amortization of Premium on Existing Bonds		<u>3,672,578</u>	2,634,399

Repayment of bond principal is reported as an expenditure in governmental funds, and thus, has the effect of reducing fund balance because current financial resources have been used. For the statement of activities, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Principal Payments Made		<u>33,675,000</u>	33,675,000
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of activities, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

Bond Proceeds		(42,550,000)	
Premium on Bonds		<u>(1,322,535)</u>	<u>(43,872,535)</u>

Net Adjustment To Reduce Net Change In Fund Balances To Arrive At Net Change In Net Position

Net Change In Fund Balances			<u>(12,001,014)</u>
Net Change In Net Position			<u>\$ (12,001,014)</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Corporation does not adopt an annual appropriation budget. However, debt service payments are budgeted as part of the City's annual budget.

NOTE 5 – DETAILED NOTES ON ALL FUNDS

A. Assets

Deposits

Deposits – At June 30, 2020, the Corporation's deposits consisted of the following:

	<u>Fair Value</u>
Accounts With Trustee	<u>\$ 50,892,033</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. As of June 30, 2020, \$50,642,033 of the Corporation's deposits was uninsured and collateralized by securities held by the pledging bank's trust department not in the Corporation's name, and therefore exposed to custodial credit risk.

B. Liabilities

Obligations Under Long-term Debt

The Corporation issues 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. The following bonds, or portions thereof, are paid out of the City's Water and Sewer Fund:

- a portion of the 2006 MPC Excise Tax Revenue Refunding Bonds,
- the 2010 MPC Excise Tax Revenue Bonds,
- a portion of the 2015 MPC Excise Tax Revenue Refunding Bonds,
- a portion of the 2015A MPC Excise Tax Revenue Bonds,
- the 2017 MPC Excise Tax Revenue Refunding Bonds,
- the 2017A MPC Excise Tax Revenue Bonds.

The 2017B MPC Excise Tax Revenue Bonds are paid out of the City's Aviation Fund.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 5 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

In a prior year, the Corporation refinanced other bond issues through the issuance of refunding bonds. The proceeds from the issuance of the bonds were used to purchase U.S. government securities that were placed in an irrevocable trust with an escrow agent to provide debt service payments on the bonds being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Corporation’s financial statements.

The table below reflects defeased debt outstanding at June 30, 2020, net of any amounts to be paid or retired by the trustee on July 1, 2020.

Bonds payable at June 30, 2020, consisted of the outstanding bonds presented below:

Classified in Debt Service Fund - General Government Purposes Municipal Property Corporation Bonds	Bonds Outstanding
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	\$ 47,865,000
2013A Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$830,000 to \$2,920,000 through July 1, 2028; interest at 3 percent to 5 percent. Original issue amount \$26,295,000.	18,255,000
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.	1,075,000
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.	27,970,000
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.	15,030,000
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.	9,700,000
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.	11,375,000
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.	26,939,241
2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.	9,070,000
2019B Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$940,000 to \$2,125,000 through July 1, 2039; interest at 1.85 percent to 2.9 percent. Original issue amount \$33,275,000.	32,335,000
Total Municipal Property Corporation Bonds Outstanding-General Fund	<u>\$ 199,614,241</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 5 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Classified in Debt Service Fund - Water and Sewer Purposes

Municipal Property Corporation Bonds

	Bonds Outstanding
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.	\$ 71,060,000
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. On March 1, 2017, \$55,510,000 due 2023 through 2028 and 2031 through 2036 was refunded. Original issue amount \$75,000,000.	12,440,000
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.	14,695,000
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.	39,020,759
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. Original issue amount \$79,970,000.	79,970,000
2017A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$1,080,000 to \$2,730,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$39,065,000.	35,320,000
Total Municipal Property Corporation Bonds Outstanding-Water and Sewer	\$ 252,505,759
2017B Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$645,000 to \$1,655,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$23,520,000.	21,285,000
Total Municipal Property Corporation Bonds Outstanding-Aviation	\$ 21,285,000
Total bonds outstanding	\$ 473,405,000

The bonds, which mature 8 to 30 years after their respective date of issuance, may be redeemed in whole or in part on any interest payment date, at redemption prices reflecting a premium above par, plus accrued interest to the date of redemptions.

The City is obligated under contracts to pay the Corporation amounts sufficient to retire the Corporation's bonds and related interest in exchange for the assets acquired or constructed in connection with the issuance of bonds. The City has collateralized the bonds of the Corporation by (1) a first lien pledge of all excise, transaction privilege, and franchise taxes collected by the City, except those taxes required by law to be expended for specific purposes, and (2) a pledge of all net revenue derived by the City from the facilities constructed or acquired with the bonds proceeds. The Corporation retains legal title to the properties until the amounts due from the City are paid in full. The City has the sole right to the use of the facilities and is responsible for all operating and maintenance costs.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 5 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

The contract lease agreements mentioned above are, in substance, long-term sales contracts for an amount equal to the Corporation's bonded debt and interest thereon. Accordingly, the accompanying balance sheet reflects a receivable from the City the present value of the amounts due thereunder, which corresponds to the principal portion plus premium and deferred amount on refunding of the bonded debt payable.

The City has pledged to maintain two-times the debt service, as security for bonds issued by the Corporation. The City has committed to make lease payments to the Corporation each year sufficient to cover the principal and interest requirements on the Corporation's bonds. The Corporation has pledged, as sole security for the bonds, the annual lease payments from the City. Total principal and interest remaining on the debt is \$633,214,111.

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

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

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

C. Interfund Transfers

Interfund transfers occurred to move residual amounts from completed construction projects in the Construction Fund to the Debt Service Fund to be used for future debt service interest payments.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 6 – CHANGES IN LONG TERM DEBT

A. Summary of Changes

The Corporation issued new debt of \$9,275,000 with a premium of \$1,244,492.50 with an all-in true interest cost of 2.39% and \$33,275,000 with a premium of \$78,042.50 with an all-in true cost of 2.70% for the purpose of constructing assets.

The Corporation made principal payments of \$33,675,000, amortized deferred issuance premiums of \$3,672,578 and deferred amount on refundings of \$1,038,179 during the current fiscal year.

The following is a summary of changes in long-term debt:

	Municipal Property Corporation Bonds Payable	Deferred Issuance Premium	Long Term Liabilities
Beginning Balances	\$ 464,530,000	\$ 46,869,211	\$ 511,399,211
Increases:			
New Bond Issue	42,550,000	1,322,535	43,872,535
Total Increases	42,550,000	1,322,535	43,872,535
Decreases:			
Existing Bonds	(33,675,000)	(3,672,578)	(37,347,578)
Total Decreases	(33,675,000)	(3,672,578)	(37,347,578)
Ending Balances	\$ 473,405,000	\$ 44,519,168	\$ 517,924,168
Amounts Due Within One Year	\$ 30,490,000		
Amounts Due in More than One Year	\$ 442,915,000		

The following is a summary of annual debt service requirements to maturity as of June 30, 2020:

Fiscal Year	Principal	Interest	Total
2021	\$ 30,490,000	\$ 20,683,028	\$ 51,173,028
2022	30,270,000	19,258,455	49,528,455
2023	31,715,000	17,822,270	49,537,270
2024	33,470,000	16,328,105	49,798,105
2025	29,610,000	14,728,988	44,338,988
2026-2030	169,685,000	51,708,494	221,393,494
2031-2035	121,460,000	17,664,061	139,124,061
2036-2039	26,705,000	1,615,710	28,320,710
Total	\$ 473,405,000	\$ 159,809,111	\$ 633,214,111

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 7 – OTHER INFORMATION

A. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Corporation does not have separate insurance coverage but is included under the City of Scottsdale, Arizona's self-insured risk management program. 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 City's Comprehensive Annual Financial Report, Note V.A.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
City of Scottsdale Municipal Property Corporation

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of City of Scottsdale Municipal Property Corporation, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Scottsdale Municipal Property Corporation's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement Nos. 88 and 89.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Scottsdale Municipal Property Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale Municipal Property Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale Municipal Property Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Scottsdale Municipal Property Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Attachment 4A -
MPC
Communication to Governance
Not Included

Attachment 4B -
MPC
Report on Internal Control over
Financial Reporting and Compliance

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
City of Scottsdale Municipal Property Corporation

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of City of Scottsdale Municipal Property Corporation, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Scottsdale Municipal Property Corporation's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement Nos. 88 and 89.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Scottsdale Municipal Property Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 5, 2020

**Attachment 5 -
Scottsdale Mountain CFD
Annual Financial Report**

Scottsdale Mountain Community Facilities District

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



Annual Financial Report

Fiscal Year Ended June 30, 2020

Scottsdale Mountain Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2020

Scottsdale Mountain Community Facilities District

For the Fiscal Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Scottsdale Mountain Community Facilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Scottsdale Mountain Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 and each major fund of the Scottsdale Mountain Community Facilities District, as of June 30, 2020, and the respective changes in financial position thereof 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 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90 *Majority Equity Interests* and No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, for the year ended June 30, 2020, which represents a change in accounting principle. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Scottsdale Mountain Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona, as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 budgetary comparison 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of Scottsdale Mountain Community Facilities District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Scottsdale Mountain Community Facilities District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scottsdale Mountain Community Facilities District’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As management of the Scottsdale Mountain Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2020.

Formed in 1992, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2019/20, the District's:

- Tax collections and beginning fund balances were sufficient to pay expenses.
- Governmental funds reported an ending fund balance of \$33,417.
- Governmental fund revenues were less than expenditures by \$8,600.
- Significant bond indentures were satisfied and no longer applicable; debt service was paid in full June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the General funds are unassigned.

The District currently maintains one general governmental fund. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund.

The District adopts an annual budget for its General Fund. A supplementary budgetary schedule has been provided to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$51,165 (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City.

Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets	\$ 51,165	\$ 60,024
Total Assets	51,165	60,024
LIABILITIES		
Current Liabilities	-	-
Total Liabilities	-	-
NET POSITION		
Unrestricted	51,165	60,024
Total Net Position	\$ 51,165	\$ 60,024

During the fiscal year, the District's total net position decreased by \$8,859.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
REVENUES		
Taxes	\$ (3)	\$ 23,160
Interest	66	54
Total Revenues	63	23,214
EXPENSES		
General Government	8,922	9,521
Debt Service	-	-
Total Expenses	8,922	9,521
Change in Net Position	(8,859)	13,693
Net Position, Beginning of Year	60,024	46,331
Net Position, End of Year	\$ 51,165	\$ 60,024

Revenues decreased in fiscal year 2019/20 because the District can no longer levy for taxes since debt service is paid in full and expenses decreased due to the elimination of long-term debt resulting in a decrease in the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending.

As of the end of fiscal year 2019/20, the District's governmental funds reported revenues less than expenditures by \$8,600 and an ending fund balance of \$33,417. The entire fund balance is unassigned.

Revenues totaled \$322 for the fiscal year ended June 30, 2020, of which \$256 was property tax and \$66 was interest.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire land included in the Scottsdale Mountain Preserve, to construct water and sewer lines and related infrastructure, and to address drainage within this district.

The District issued \$5,450,000 of the \$7,000,000 authorized bonds. In fiscal year 2001/02, the District Board approved the issuance of bonds to refund outstanding District general obligation bonds. Refunding bonds totaling \$5,375,000 were issued. All outstanding bonds were paid in full as of June 30, 2018.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay administrative fees.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Next Year's Budget and Rates

The District will not levy taxes since all debt has been satisfied. The fiscal year 2020/21 budget includes estimated ongoing expenses until the District is dissolved.

Future Discontinuance of District

The District has no further long-term obligations; as of fiscal year ending June 30, 2018, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, annual tax preparation and filing fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
 June 30, 2020

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Current Assets			
Cash	\$ 33,417	\$ -	\$ 33,417
Taxes Receivable	17,748	-	17,748
Total Assets	<u>\$ 51,165</u>	<u>\$ -</u>	<u>\$ 51,165</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</u>			
Liabilities	\$ -	\$ -	\$ -
Deferred Inflows of Resources			
Unavailable Revenues	17,748	(17,748)	-
Total Liabilities and Deferred Inflows of Resources	<u>17,748</u>	<u>(17,748)</u>	<u>-</u>
Fund Balances/Net Position			
Fund Balances			
Unassigned	33,417	(33,417)	-
Total Fund Balances	<u>33,417</u>	<u>(33,417)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 51,165</u>		
Net Position			
Unrestricted		51,165	51,165
Total Net Position		<u>\$ 51,165</u>	<u>\$ 51,165</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund
 For the Fiscal Year Ended June 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Taxes	\$ 256	\$ (259)	\$ (3)
Interest	66	-	66
Total Revenues	<u>322</u>	<u>(259)</u>	<u>63</u>
EXPENDITURES/EXPENSES			
Current			
General Government			
City Treasurer - Finance and Accounting	\$ 8,922	\$ -	\$ 8,922
Total Expenditures/Expenses	<u>8,922</u>	<u>-</u>	<u>8,922</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,600)	(259)	(8,859)
Fund Balances/Net Position, Beginning of Year	<u>42,017</u>	<u>18,007</u>	<u>60,024</u>
Fund Balances/Net Position, End of Year	<u>\$ 33,417</u>	<u>\$ 17,748</u>	<u>\$ 51,165</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Scottsdale Mountain Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

During the year ended June 30, 2020, the District evaluated Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90, *Majority Equity Interests* and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and determined that they did not impact the preparation of these financial statements.

A. Reporting Entity

The Scottsdale Mountain Community Facilities District was formed by petition to the City of Scottsdale City Council in February 1992. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the Scottsdale Mountain Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District does not have any restricted, nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

Cash and investments held by trustee at June 30, 2020, plus accrued interest, are unrestricted as to usage.

2. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. 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.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

5. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 17,748
Net adjustment to reduce total fund balance to arrive at net position.	17,748
Total Fund Balance	<u>33,417</u>
Total Net Position	<u><u>\$ 51,165</u></u>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ (259)
Net adjustments to reconcile net changes in fund balances to change in net position.	(259)
Net change in Fund Balance	<u>(8,600)</u>
Change in Net Position	<u><u>\$ (8,859)</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2020, the carrying amount of the District’s deposits and bank balance were \$33,417.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned. As of June 30, 2020, the District had no deposits that were exposed to custodial credit risk.

2. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2020, were as follows:

	<u>General Fund</u>
Taxes Receivable	\$ 17,748

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	<u>General Fund</u>
Delinquent Property Taxes Receivable (Unavailable)	\$ 17,748

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issued general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds were issued for governmental activities only. All District bonds have been paid in full.

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's full cash valuation.

Changes in Long-term Liabilities

Since all debt service obligations were satisfied on June 30, 2018, there were no changes in Long-term Liabilities.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$1,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

B. Future Discontinuance of District

The District has no further long-term obligations; as of fiscal year ending June 30, 2018, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, annual tax preparation and filing fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ -	\$ 256	\$ 256
Interest	-	66	66
Total Revenues	-	322	322
EXPENDITURES			
Current			
General Government			
City Treasurer - Finance and Accounting	40,682	8,922	31,760
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,682)	(8,600)	32,082
Other Financing Sources (Uses)			
Transfers In	-	-	-
Fund Balance, Beginning of Year	40,682	42,017	(82,699)
Fund Balance, End of Year	\$ -	\$ 33,417	\$ (50,617)

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Scottsdale Mountain Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of Scottsdale Mountain Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Scottsdale Mountain Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scottsdale Mountain Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scottsdale Mountain Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Scottsdale Mountain Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scottsdale Mountain Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Attachment 5A -
Scottsdale Mountain CFD
Communication to Governance
Not Included

Attachment 5B -
Scottsdale Mountain CFD
Report on Internal Control over
Financial Reporting and Compliance

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Scottsdale Mountain Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of Scottsdale Mountain Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Scottsdale Mountain Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scottsdale Mountain Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scottsdale Mountain Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Scottsdale Mountain Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scottsdale Mountain Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 5, 2020

Attachment 6 -
Scottsdale Preserve Authority (SPA)
Annual Financial Report

Scottsdale Preserve Authority
(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report
Fiscal Year Ended June 30, 2020

Scottsdale Preserve Authority
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2020

Scottsdale Preserve Authority

For the Fiscal Year ended June 30, 2020

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Based on an Audit of Financial Statements Performed in Accordance with Government
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Scottsdale Preserve Authority

For the Fiscal Year ended June 30, 2020

Board Members

Fredda Bisman

Judith Frost

Kenneth Harder

James Jenkins

Dennis Robbins

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Scottsdale Preserve Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Scottsdale Preserve Authority (SPA), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the SPA'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 and each major fund of the Scottsdale Preserve Authority, as of June 30, 2020, and the respective changes in financial position thereof 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 1, the SPA implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90 *Majority Equity Interests* and No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* for the year ended June 30, 2020, which represents a change in accounting principle. Our opinion is not modified with respect to this matter

Emphasis of Matter

As discussed in Note 1, the financial statements of the Scottsdale Preserve Authority are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona, as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of Scottsdale Preserve Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Scottsdale Preserve Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scottsdale Preserve Authority’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As management of the Scottsdale Preserve Authority (SPA), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the SPA for the fiscal year ended June 30, 2020. The SPA is a component unit of the City of Scottsdale, Arizona (City).

FINANCIAL HIGHLIGHTS

For the fiscal year ending 2019/20, the SPA's:

- Total assets and deferred outflows of resources were equal to total liabilities, resulting in an ending fund balance of \$0 (net position).
- Debt Service Fund reported an ending fund balance of \$0.
- Total long-term debt decreased by \$4,780,000 due to the payment of principal on outstanding debt.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the SPA's basic financial statements. Because of its limited purpose, the SPA's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and (2) Notes to the Basic Financial Statements.

Because the SPA only has one governmental program, the government-wide and fund financial statements are combined.

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the SPA's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the SPA's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the SPA is improving or deteriorating.

The *Statement of Activities* presents information showing how the SPA's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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 SPA, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use, and the General funds are unassigned.

The SPA maintains two governmental funds, general fund and debt service fund. Information is presented on the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

The SPA does not adopt an annual appropriated budget for its revenues and expenses. The debt service payments are budgeted as part of the City's annual budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of a government's financial position. Total assets and deferred outflows of resources and total liabilities of the SPA were equal at the close of the most recent fiscal year with a balance of \$0 (net position).

Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Noncurrent Assets	\$ 7,649,775	\$ 12,964,779
Total Assets	7,649,775	12,964,779
Deferred Outflows of Resources	129,749	295,291
Total Assets and Deferred Outflows of Resources	7,779,524	13,260,070
LIABILITIES		
Current Liabilities	4,954,938	4,828,438
Noncurrent Liabilities	2,824,586	8,431,632
Total Liabilities	7,779,524	13,260,070
NET POSITION		
Unrestricted	-	-
Total Net Position	\$ -	\$ -

The SPA's total net position for fiscal year 2019/20 remains the same as the prior fiscal year at \$0.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
REVENUES		
Payments Received from City of Scottsdale	\$ 33,447	\$ 428,089
Total Revenues	33,447	428,089
EXPENSES		
General Government	4,530	4,440
Debt Service	28,917	423,649
Total Expenses	33,447	428,089
Change in Net Position	-	-
Net Position, Beginning of Year	-	-
Net Position, End of Year	\$ -	\$ -

Revenues and expenses decreased compared to the previous fiscal year due to the reduction in interest on long-term debt.

Financial Analysis of the SPA's Funds

The focus of the SPA's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the SPA's ability to pay the debt service on the revenue bonds it issues to fund acquisition of preserve land or construction of land improvements.

As of the end of the fiscal year 2019/20, the SPA's governmental funds reported revenues equal to expenses and an ending fund balance of \$0. The Debt Service Fund and the General Fund each had a fund balance of \$0. The General Fund is used to pay administration expenses related to the SPA revenue bonds.

Debt Administration

The SPA's total long-term debt decreased by \$4,780,000 during the current fiscal year due to the payment of principal on outstanding debt. The total Excise Revenue Debt at June 30, 2020, was \$2,630,000.

Outstanding Debt

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Excise Tax Revenue Bonds	\$ 2,630,000	\$ 7,410,000

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Economic Factors

The City's long-term financial plan considers the impacts of COVID-19 and the uncertain timing of the recovery. The City continues to focus on efficient spending and lower revenues that are forecasted to reflect the economy's condition.

Requests for Information

This financial report is designed to provide a general overview of the SPA's finances for all of those with an interest. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2020

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Noncurrent Assets					
Cash, Restricted	\$ -	\$ 4,954,938	\$ 4,954,938	\$ -	\$ 4,954,938
Long-term Receivable from City of Scottsdale	-	2,694,837	2,694,837	-	2,694,837
Total Assets	<u>\$ -</u>	<u>\$ 7,649,775</u>	<u>\$ 7,649,775</u>	<u>-</u>	<u>7,649,775</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				129,749	129,749
Total Assets and Deferred Outflows of Resources				<u>129,749</u>	<u>7,779,524</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Interest Payable	\$ -	\$ 174,938	\$ 174,938	\$ -	\$ 174,938
Matured Bonds Payable	-	4,780,000	4,780,000	-	4,780,000
Total Current Liabilities	<u>-</u>	<u>4,954,938</u>	<u>4,954,938</u>	<u>-</u>	<u>4,954,938</u>
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,280,000	1,280,000
Due After One Year	-	-	-	1,544,586	1,544,586
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,824,586</u>	<u>2,824,586</u>
Total Liabilities	<u>-</u>	<u>4,954,938</u>	<u>4,954,938</u>	<u>2,824,586</u>	<u>7,779,524</u>
Deferred Inflows of Resources					
Unavailable Revenue	-	2,694,837	2,694,837	(2,694,837)	-
Total Liabilities and Deferred Inflows of Resources		<u>7,649,775</u>	<u>7,649,775</u>	<u>129,749</u>	<u>7,779,524</u>
Fund Balances/Net Position					
Fund Balances					
Restricted	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 7,649,775</u>	<u>\$ 7,649,775</u>		
Net Position					
Unrestricted				<u>-</u>	<u>-</u>
Total Net Position				<u>\$ -</u>	<u>\$ -</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES					
Payments Received from City of Scottsdale	\$ 4,530	\$ 5,134,909	\$ 5,139,439	\$ (5,105,992)	\$ 33,447
Total Revenues	<u>4,530</u>	<u>5,134,909</u>	<u>5,139,439</u>	<u>(5,105,992)</u>	<u>33,447</u>
EXPENDITURES/EXPENSES					
General Government					
City Treasurer - Finance and Accounting	4,530	-	4,530	-	4,530
Debt Service					
Principal Retirement	-	4,780,000	4,780,000	(4,780,000)	-
Interest and Fiscal Charges	-	354,909	354,909	(325,992)	28,917
Total Expenditures/Expenses	<u>4,530</u>	<u>5,134,909</u>	<u>5,139,439</u>	<u>(5,105,992)</u>	<u>33,447</u>
Net Change in Fund Balances/Net Position	-	-	-	-	-
Fund Balances/Net Position, Beginning of Year	-	-	-	-	-
Fund Balances/Net Position, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Scottsdale Preserve Authority (SPA), a 501c3 nonprofit corporation, a component unit of the City of Scottsdale, conform to the accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the SPA follows.

During the year ended June 30, 2020, the SPA evaluated Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90, *Majority Equity Interests* and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and determined that they did not impact the preparation of these financial statements.

A. Reporting Entity

The Scottsdale Preserve Authority is a nonprofit corporation created by the City in 1996 to finance land acquisitions for the McDowell Sonoran Preserve (Preserve). The Preserve was created by the City to protect the McDowell Mountains and related Sonoran desert lands and is supported by six public votes. For financial reporting purposes, transactions of the SPA are included as if the SPA were part of the City's operations. The SPA issues its own bonds which are repaid through the two-tenths of one percent City sales tax approved by voters. A timeline of events for the SPA follows:

- May 23, 1995, voters approved proposition 400 which stated that funds collected by a sales tax increase (0.2 percent) can be used for 4,000 acres of land acquisition only, within Scottsdale's city boundaries.
- July 1, 1995, sales tax increase went into effect.
- September 10, 1996, voters approved proposition 404 for the use of revenue bonds to acquire land, using proceeds from the sales tax increase.
- November 10, 1998, voters approved proposition 411, expanding the boundary in which the Preserve tax could be used for land acquisition to include an additional 19,940 acres.
- May 18, 2004, voters approved question 1 for a sales tax increase (0.15 percent) to be used for Preserve land acquisition and constructing land improvements.
- July 1, 2004, the additional sales tax increase went into effect.

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 SPA. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The SPA had no business-type activities during the fiscal year.

Financial statements are provided for the major governmental funds, with an adjustments column to arrive at government-wide financial statement amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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. For this purpose, the SPA 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Installment payments from the City associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received.

The SPA reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the SPA, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the SPA is to use restricted funds and then unassigned funds as they are needed. Currently the SPA does not have any unassigned, nonspendable, committed or assigned funds.

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

1. Cash and Investments

As a 501c3 non-profit corporation, investments are not restricted by the Arizona Revised Statutes. The City of Scottsdale's investment policy authorizes the SPA to invest public monies 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).

Cash and investments held by trustee at June 30, 2020, plus accrued interest, is restricted as to usage.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Restricted Assets

Cash and investments held by the SPA's trustee are classified as a restricted asset on the Statement of Net Position because its use is limited by applicable bond covenants.

3. Capital Assets

Land acquired and construction of land improvements by the SPA is dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the SPA owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. Bond issuance costs are expensed as 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 source. 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The SPA has one item that qualifies for reporting in this category. It is the deferred amounts on refunding. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The SPA has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors has not authorized anyone to assign fund balances. Unassigned fund balances are considered the remaining amounts. The SPA has not formally adopted a spending priority policy and therefore uses the spending priority indicated in GASB Statement 54. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the SPA's practice to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, GASB Statement 54 indicates to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts Reported in the Statement of Net Position are Different Because:

Amounts receivable from the City for retirement of debts are reported as deferred inflows of resources as they are not considered available.	\$ 2,694,837
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(2,630,000)
Deferred Issuance Premiums are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	(194,586)
Deferred amounts on refunding are long-term in nature and not reported in the funds.	<u>129,749</u>
Net adjustment to reduce total fund balance to arrive at net position	-
Total Fund Balance	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

B. Amounts Reported in the Statement of Activities are Different Because:

The contractual agreement provides for repayment of debt by the City to the SPA. Thus, in the statement of activities, revenues are recorded at the inception of the agreement rather than as received. Revenues in the fund statements that provide current financial resources for payment of principal have been previously recognized as revenues in the statement of activities resulting in the following adjustments to the revenue

Principal and premium and deferred refunding cost payment from City of Scottsdale	\$ (5,105,992)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position	4,780,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities	<u>325,992</u>
Net Adjustments to Change in net position	-
Net Change in Fund Balance	<u>-</u>
Change in Net Position	<u><u>\$ -</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The SPA does not adopt an annual appropriation budget. However, debt service payments are budgeted as part of the City's annual budget.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2020, the carrying amount of the SPA's deposits and bank balance were \$4,954,938.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the SPA's deposits may not be returned to it. As of June 30, 2020, \$4,954,938 of the SPA's deposits was uninsured and collateralized by securities held by the pledging bank's trust department not in the SPA's name, and therefore exposed to custodial credit risk.

2. Restricted Assets

Restricted assets at June 30, 2020, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 4,954,938</u>

B. Liabilities

Obiligations Under Long-term Debt

Revenue Bonds

The SPA issues excise tax revenue bonds to provide funds to acquire land for the McDowell Sonoran Preserve. Revenue bonds have been issued for governmental activities only. The bonds are generally callable with interest payable semiannually. Bonds payable at June 30, 2020, consisted of the outstanding revenue bonds presented below.

<u>Purpose</u>	<u>Bonds Outstanding</u>
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>2,630,000</u>
Total Scottsdale Preserve Authority Bonds	<u>\$ 2,630,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

The City is obligated under agreements to pay the SPA amounts sufficient to retire the SPA's bonds and related interest in exchange for the properties acquired in connection with the issuance of the bonds. The City has collateralized the SPA bonds by a pledge of the Preserve Excise Tax, which is a two-tenths (.2) of one percent (1%) transaction privilege and use tax, and a one and one half-tenths (.15) of one percent (1%) transaction privilege and use tax of the City approved by the qualified electors of the City on May 23, 1995 and May 18, 2004, respectively. The revenues generated by the Preserve Excise Tax have consistently been greater than 150 percent of the annual debt service payments on the SPA bonds as required in the agreements.

The agreements mentioned above are, in substance, long-term sales contracts for an amount equal to the SPA's bonded debt and interest thereon. Accordingly, the accompanying balance sheet reflects a receivable from the City for the present value of the amounts due, which corresponds to the principal portion of the bonded debt payable.

The SPA bond issuances contain the following provisions that would constitute an event of default.

- Non-punctual payment of principal or interest.
- Default in the performance or observance of any covenant, agreement, or condition in the indenture or in the bonds not cured within 60 days of notice of default. The SPA is also considered to be in default if the issue is not curable within 60 days and corrective action is not diligently pursued to the satisfaction of the trustee within 60 days.
- Bankruptcy, insolvency, and/or receivership.
- Default on any bonds which are on a parity basis with the bonds in question.

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

Changes in Long-term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Excise Tax Revenue Bonds	\$ 7,410,000	\$ -	\$ (4,780,000)	\$ 2,630,000	\$ 1,280,000
Issuance Premium	632,430	-	(437,844)	194,586	-
Total	<u>\$ 8,042,430</u>	<u>\$ -</u>	<u>\$ (5,217,844)</u>	<u>\$ 2,824,586</u>	<u>\$ 1,280,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	1,280,000	131,500
2022	1,350,000	67,500
Total	<u>\$ 2,630,000</u>	<u>\$ 199,000</u>

NOTE 5 – OTHER INFORMATION

A. Risk Management

The SPA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The SPA does not have separate insurance coverage but is included under the City of Scottsdale, Arizona's risk management.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Scottsdale Preserve Authority

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Scottsdale Preserve Authority, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Scottsdale Preserve Authority's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 88.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scottsdale Preserve Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scottsdale Preserve Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Scottsdale Preserve Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scottsdale Preserve Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Attachment 6A -
SPA
Communication to Governance
Not Included

Attachment 6B -
SPA
Report on Internal Control over
Financial Reporting and Compliance

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Scottsdale Preserve Authority

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Scottsdale Preserve Authority, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Scottsdale Preserve Authority's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 88.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Scottsdale Preserve Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scottsdale Preserve Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Scottsdale Preserve Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scottsdale Preserve Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 5, 2020

**Attachment 7 -
Via Linda Road CFD
Annual Financial Report**

Via Linda Road Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report
Fiscal Year Ended June 30, 2020

Via Linda Road Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2020

Via Linda Road Community Facilities District

For the Fiscal Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Via Linda Road Community Facilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 and each major fund of the Via Linda Road Community Facilities District, as of June 30, 2020, and the respective changes in financial position thereof 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 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90 *Majority Equity Interests* and No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* for the year ended June 30, 2020, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Via Linda Road Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona, as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 budgetary comparison 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 District's basic financial statements. The supplementary budget comparison information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of Via Linda Road Community Facilities District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Via Linda Road Community Facilities District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Via Linda Road Community Facilities District's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As management of the Via Linda Road Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2020.

Formed in 1998, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2019/20, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- Tax rate continued to comply with the City-imposed assessment limit of \$3.00 per \$100 assessed valuation; the tax rate was \$1.03 per \$100 assessed valuation.
- Governmental funds reported an ending fund balance of \$34,998; the entire amount was restricted for debt service.
- Governmental fund revenues were less than expenditures by \$2,058, the tax rate decreased from \$1.12 in fiscal year 2018/19 to \$1.03.
- Total long-term debt decreased by \$190,000 due to scheduled principal payments.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use, and the General funds are unassigned.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets at the close of the most recent fiscal year by approximately \$600,000 (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets	\$ 3,387	\$ 3,936
Noncurrent Assets	234,308	237,957
Total Assets	<u>237,695</u>	<u>241,893</u>
LIABILITIES		
Current Liabilities	200,400	202,870
Noncurrent Liabilities	610,000	800,000
Total Liabilities	<u>810,400</u>	<u>1,002,870</u>
NET POSITION		
Restricted	37,295	39,023
Unrestricted	(610,000)	(800,000)
Total Net Position	<u>\$ (572,705)</u>	<u>\$ (760,977)</u>

During the fiscal year, the District's total net position increased by \$188,272.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
REVENUES		
Taxes	\$ 220,058	\$ 228,145
Interest	376	-
Total Revenues	220,434	228,145
EXPENSES		
General Government	10,912	10,820
Debt Service	21,250	26,190
Total Expenses	32,162	37,010
Change in Net Position	188,272	191,135
Net Position, Beginning of Year	(760,977)	(952,112)
Net Position, End of Year	\$ (572,705)	\$ (760,977)

Revenues decreased in fiscal year 2019/20 due to a decrease in taxes levied and expenses decreased due to the reduction in interest on long-term debt, increasing the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2019/20 the District's governmental funds reported revenues less than expenditures by \$2,058 and an ending fund balance of \$34,998. This entire fund balance is restricted for debt service.

Revenues totaled \$220,104 for the fiscal year ended June 30, 2020, of which \$219,728 was property tax collected and \$376 was from interest earnings.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct an extension of Via Linda Road eastward and the development of trailheads.

The District has issued \$3,225,000 of the \$3,500,000 authorized bonds. In fiscal year 2012/13, the City Council and the District Board approved the issuance of \$2,000,000 refunding bonds to reduce the total debt service payments over the next 11 years.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
General Obligation Bonds	<u>\$ 610,000</u>	<u>\$ 800,000</u>

The District's total long-term debt decreased by \$190,000 during the current fiscal year due to the payment of principal on the general obligation refunding bonds.

Next Year's Budget and Rates

The fiscal year 2020/21 District budget includes a \$1.02 tax rate per \$100 of assessed value. This is a \$.01 decrease from the rate used in the fiscal year 2019/20 budget. The District's long-term financial plan considers the impacts of COVID-19 and the uncertain timing of the recovery.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Taxes Receivable	\$ -	\$ 3,387	\$ 3,387	\$ -	\$ 3,387
Noncurrent Assets					
Restricted Cash	-	234,308	234,308	-	234,308
Total Assets	<u>\$ -</u>	<u>\$ 237,695</u>	<u>\$ 237,695</u>	<u>\$ -</u>	<u>\$ 237,695</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 190,000	\$ 190,000	\$ -	\$ 190,000
Matured Interest Payable	-	10,400	10,400	-	10,400
Total Current Liabilities	<u>-</u>	<u>200,400</u>	<u>200,400</u>	<u>-</u>	<u>200,400</u>
Noncurrent Liabilities					
Due Within One Year	-	-	-	195,000	195,000
Due After One Year	-	-	-	415,000	415,000
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,000</u>	<u>610,000</u>
Total Liabilities	<u>-</u>	<u>200,400</u>	<u>200,400</u>	<u>610,000</u>	<u>810,400</u>
Deferred Inflows of Resources					
Unavailable Revenues	-	2,297	2,297	(2,297)	-
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>202,697</u>	<u>202,697</u>	<u>607,703</u>	<u>810,400</u>
Fund Balances/Net Position					
Fund Balances					
Restricted	-	34,998	34,998	(34,998)	-
Total Fund Balances	<u>-</u>	<u>34,998</u>	<u>34,998</u>	<u>(34,998)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 237,695</u>	<u>\$ 237,695</u>		
Net Position					
Restricted for Debt Service				37,295	37,295
Unrestricted				(610,000)	(610,000)
Total Net Position				<u>\$ (572,705)</u>	<u>\$ (572,705)</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES					
Taxes	\$ 10,912	\$ 208,816	\$ 219,728	\$ 330	\$ 220,058
Interest	-	376	376	-	376
Total Revenues	<u>10,912</u>	<u>209,192</u>	<u>220,104</u>	<u>330</u>	<u>220,434</u>
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 10,912	\$ -	\$ 10,912	\$ -	\$ 10,912
Debt Service					
Principal Retirement	-	190,000	190,000	(190,000)	-
Interest and Fiscal Charges	-	21,250	21,250	-	21,250
Total Expenditures/Expenses	<u>10,912</u>	<u>211,250</u>	<u>222,162</u>	<u>(190,000)</u>	<u>32,162</u>
Change in Fund Balances/Net Position	-	(2,058)	(2,058)	190,330	188,272
Fund Balances/Net Position, Beginning of Year	-	37,056	37,056	(798,033)	(760,977)
Fund Balances/Net Position, End of Year	<u>\$ -</u>	<u>\$ 34,998</u>	<u>\$ 34,998</u>	<u>\$ (607,703)</u>	<u>\$ (572,705)</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

During the year ended June 30, 2020, the District evaluated Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90, *Majority Equity Interests* and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and determined that they did not impact the preparation of these financial statements.

A. Reporting Entity

The Via Linda Road Community Facilities District was formed by petition to the City of Scottsdale City Council in April 1998. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the Via Linda Road Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District does not have any unassigned, nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

Cash and investments held by trustee at June 30, 2020, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 2,297
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	<u>(610,000)</u>
Net adjustment to reduce total fund balance to arrive at net position.	(607,703)
Total Fund Balance	<u>34,998</u>
Total Net Position	<u><u>\$ (572,705)</u></u>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ 330
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.	<u>190,000</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	190,330
Net change in Fund Balance	<u>(2,058)</u>
Change in Net Position	<u><u>\$ 188,272</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2020, the carrying amount of the District’s deposits and bank balance were \$234,308.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2020, all of the District’s deposits were uninsured and collateralized by securities held by the pledging bank’s trust department not in the District’s name, and therefore exposed to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2020, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 234,308</u>

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2020, were as follows:

	<u>Debt Service Fund</u>
Taxes Receivable	<u>\$ 3,387</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	Debt Service Fund
Delinquent Property Taxes Receivable (Unavailable)	<u>\$ 2,297</u>

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds with interest are payable semiannually. Bonds payable at June 30, 2020, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rates (%)	Amount
2012 Via Linda Refunding Bonds due in annual installments of \$135,000 to \$210,000 beginning July 15, 2013 through July 15, 2023. Original issue amount \$2,000,000.	2.60	<u>\$ 610,000</u>

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's full cash valuation.

The District's bond issuance contains the following provisions that would constitute an event of default by the District:

- Failure to pay the principal and interest when due and payable.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Changes in Long-term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Private Placement General Obligation Bonds	\$ 800,000	\$ -	\$ (190,000)	\$ 610,000	\$ 195,000
Total	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ (190,000)</u>	<u>\$ 610,000</u>	<u>\$ 195,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 195,000	\$ 15,860
2022	205,000	10,790
2023	210,000	5,460
Total	<u>\$ 610,000</u>	<u>\$ 32,110</u>

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$1,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 11,100	\$ 10,912	\$ (188)
EXPENDITURES			
Current			
General Government			
City Treasurer - Finance and Accounting	11,100	10,912	188
Total Expenditures	<u>11,100</u>	<u>10,912</u>	<u>188</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 208,366	\$ 208,816	\$ 450
Interest Income	-	376	376
Total Revenues	<u>208,366</u>	<u>209,192</u>	<u>826</u>
EXPENDITURES			
Debt Service			
Principal Retirement	190,000	190,000	-
Interest and Fiscal Charges	21,800	21,250	550
Total Expenditures	<u>211,800</u>	<u>211,250</u>	<u>550</u>
Excess of Revenues Over Expenditures	(3,434)	(2,058)	1,376
Fund Balance, Beginning of Year	<u>36,781</u>	<u>37,056</u>	<u>275</u>
Fund Balance, End of Year	<u>\$ 33,347</u>	<u>\$ 34,998</u>	<u>\$ 1,651</u>

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Via Linda Road Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Via Linda Road Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Via Linda Road Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, 87, 90, and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Via Linda Road Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Via Linda Road Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Via Linda Road Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Via Linda Road Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Attachment 7A -
Via Linda Road CFD
Communication to Governance
Not Included

Attachment 7B -
Via Linda Road CFD
Report on Internal Control over
Financial Reporting and Compliance

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Via Linda Road Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Via Linda Road Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Via Linda Road Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, 87, 90, and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Via Linda Road Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Via Linda Road Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Via Linda Road Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Via Linda Road Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 5, 2020

**Attachment 8 -
Waterfront Commercial CFD
Annual Financial Report**

Waterfront Commercial Community Facilities District

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



Annual Financial Report

Fiscal Year Ended June 30, 2020

Waterfront Commercial Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2020

Waterfront Commercial Community Facilities District

For the Fiscal Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Waterfront Commercial Community Facilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Waterfront Commercial Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 and each major fund of the Waterfront Commercial Community Facilities District, as of June 30, 2020, and the respective changes in financial position thereof 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 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90 *Majority Equity Interests* and No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* for the year ended June 30, 2020, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Waterfront Commercial Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona, as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 budgetary comparison 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 District’s basic financial statements. The supplementary budget comparison information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of Waterfront Commercial Community Facilities District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waterfront Commercial Community Facilities District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterfront Commercial Community Facilities District’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

As management of the Waterfront Commercial Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2020.

Formed in 2005, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2019/20, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- The tax rate was \$5.80 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$50,372. Of this amount, \$12,588 was in the General Fund and \$37,784 was in the Debt Service Fund.
- Governmental fund revenues were less than expenditures by \$350,504; the tax rate increased from \$5.69 in fiscal year 2018/19 to \$5.80.
- Issued \$2,563,000 in refunding bonds at a lower interest rate to achieve debt service savings.
- Total long-term debt decreased by \$437,000 due to scheduled principal payments and the issuance of refunding bonds.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

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 District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use, and the General funds are unassigned.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets at the close of the most recent fiscal year by approximately \$2.3 million (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets	\$ 37,208	\$ 13,686
Noncurrent Assets	269,870	615,286
Total Assets	<u>307,078</u>	<u>628,972</u>
LIABILITIES		
Current Liabilities	232,380	228,066
Noncurrent Liabilities	2,373,000	2,810,664
Total Liabilities	<u>2,605,380</u>	<u>3,038,730</u>
NET POSITION		
Restricted	62,110	388,002
Unrestricted	(2,360,412)	(2,797,760)
Total Net Position	<u>\$ (2,298,302)</u>	<u>\$ (2,409,758)</u>

During the fiscal year, the District's total net position increased by \$111,456.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
REVENUES		
Taxes	\$ 318,589	\$ 301,415
Interest	3,633	9,347
Total Revenues	<u>322,222</u>	<u>310,762</u>
EXPENSES		
General Government	12,168	10,845
Debt Service	198,598	179,073
Total Expenses	<u>210,766</u>	<u>189,918</u>
Change in Net Position	111,456	120,844
Net Position, Beginning of Year	(2,409,758)	(2,530,602)
Net Position, End of Year	<u>\$ (2,298,302)</u>	<u>\$ (2,409,758)</u>

Revenues increased in fiscal year 2019/20 due to an increase in taxes levied and expenses increased due to the cost of refunding of long-term debt, increasing the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2019/20 the District's governmental funds reported revenues less than expenditures by \$350,504 and an ending fund balance of \$50,372. Of the total ending fund balance, \$12,588 is in the General Fund and \$37,784 is in the Debt Service Fund.

Revenues totaled \$297,926 for the fiscal year ended June 30, 2020, of which \$294,293 was property tax and \$3,633 was interest.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct public amenities including retail space and permanent parking easement.

The District has issued \$3,805,000 of the \$9,000,000 authorized bonds. In fiscal year 2019/20, the City Council and the District Board approved the issuance of 2,563,000 in refunding bonds to reduce the total debt service payments over the remaining life of the bonds.

In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
General Obligation Bonds	<u>\$ 2,373,000</u>	<u>\$ 2,810,000</u>

The District's total long-term debt decreased by \$437,000 during the current fiscal year due to the payment of principal and the issuance of refunding bonds.

Next Year's Budget and Rates

The fiscal year 2020/21 District budget includes a \$3.95 tax rate per \$100 of assessed value. This is a \$1.85 decrease from the rate used in the fiscal year 2019/20 budget. The District's long-term financial plan considers the impacts of COVID-19 and the uncertain timing of the recovery.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Current Assets					
Cash	\$ 12,576	\$ -	\$ 12,576	-	\$ 12,576
Taxes Receivable	12	24,620	24,632	-	24,632
Total Current Assets	12,588	24,620	37,208	-	37,208
Noncurrent Assets					
Restricted Cash	-	269,870	269,870	-	269,870
Total Assets	<u>\$ 12,588</u>	<u>\$ 294,490</u>	<u>\$ 307,078</u>	<u>-</u>	<u>\$ 307,078</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 190,000	\$ 190,000	-	\$ 190,000
Matured Interest Payable	-	42,380	42,380	-	42,380
Total Current Liabilities	-	232,380	232,380	-	232,380
Noncurrent Liabilities					
Due Within One Year	-	-	-	172,000	172,000
Due After One Year	-	-	-	2,201,000	2,201,000
Total Noncurrent Liabilities	-	-	-	2,373,000	2,373,000
Total Liabilities	-	232,380	232,380	2,373,000	2,605,380
Deferred Inflows of Resources					
Unavailable Revenues	-	24,326	24,326	(24,326)	-
Total Liabilities and Deferred Inflows of Resources	-	256,706	256,706	2,348,674	2,605,380
Fund Balances/Net Position					
Fund Balances					
Restricted	-	37,784	37,784	(37,784)	-
Unassigned	12,588	-	12,588	(12,588)	-
Total Fund Balances	12,588	37,784	50,372	(50,372)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,588</u>	<u>\$ 294,490</u>	<u>\$ 307,078</u>		
Net Position					
Restricted for Debt Service				62,110	62,110
Unrestricted				(2,360,412)	(2,360,412)
Total Net Position				<u>(2,298,302)</u>	<u>\$ (2,298,302)</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES					
Taxes	\$ 24,750	\$ 269,543	\$ 294,293	24,296	\$ 318,589
Interest	100	3,533	3,633	-	3,633
Total Revenues	<u>24,850</u>	<u>273,076</u>	<u>297,926</u>	<u>24,296</u>	<u>322,222</u>
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 12,168	-	\$ 12,168	-	\$ 12,168
Debt Service					
Principal Retirement	-	437,000	437,000	(437,000)	-
Interest and Fiscal Charges	-	118,062	118,062	(664)	117,398
Bond Insurance Costs		81,200	81,200	-	81,200
Total Expenditures/Expenses	<u>12,168</u>	<u>636,262</u>	<u>648,430</u>	<u>(437,664)</u>	<u>210,766</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,682	(363,186)	(350,504)	461,960	111,456
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	(12,998)	12,998	-	-	-
Proceeds of Refunding Bonds	-	2,563,000	2,563,000	(2,563,000)	-
Payment to Refunding Bond Agent	-	(2,563,000)	(2,563,000)	2,563,000	-
Total Other Financing Sources (Uses)	<u>(12,998)</u>	<u>12,998</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balances/Net Position	(316)	(350,188)	(350,504)	461,960	111,456
Fund Balances/Net Position, Beginning of Year	<u>12,904</u>	<u>387,972</u>	<u>400,876</u>	<u>(2,810,634)</u>	<u>(2,409,758)</u>
Fund Balances/Net Position, End of Year	<u>\$ 12,588</u>	<u>\$ 37,784</u>	<u>\$ 50,372</u>	<u>(2,348,674)</u>	<u>\$ (2,298,302)</u>

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Waterfront Commercial Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

During the year ended June 30, 2020, the District evaluated Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*, No. 87, *Leases*, No. 90, *Majority Equity Interests* and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and determined that they did not impact the preparation of these financial statements

A. Reporting Entity

The Waterfront Commercial Community Facilities District was formed by petition to the City of Scottsdale City Council in September 2005. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the Waterfront Commercial Community Facilities District are included as if the District were part of the City's operations.

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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

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. 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.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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. For this purpose, the District 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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District has unassigned funds and does not have any nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

A portion of cash and investments held by trustee at June 30, 2020, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 24,326
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the governmental funds.	(2,373,000)
Net adjustment to total fund balance to arrive at net position.	(2,348,674)
Total Fund Balance	<u>50,372</u>
Total Net Position	<u><u>\$ (2,298,302)</u></u>

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ 24,296
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it reduces the liability in the statement of activities.	437,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	664
The issuance of long-term debt provides current financial resources to governmental funds; however, it has no effect on net position.	(2,563,000)
Payment to bond refunding escrow agent to refund long-term debt consumes current financial resources; however, it has no effect on net position.	<u>2,563,000</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	461,960
Net change in Fund Balance	<u>(350,504)</u>
Change in Net Position	<u><u>\$ 111,456</u></u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2020, the carrying amount of the District’s deposits and bank balance were \$282,446.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2020, \$32,446 the District’s deposits were uninsured and collateralized by securities held by the pledging bank’s trust department not in the District’s name, and therefore exposed to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2020, as follows:

	Debt Service Fund
Restricted Cash	\$ 269,870

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2020, were as follows:

	General Fund	Debt Service Fund
Taxes Receivable	\$ 12	\$ 24,620

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	Debt Service Fund
Delinquent Property Taxes Receivable (Unavailable)	<u>\$ 24,326</u>

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The Waterfront Commercial Community Facilities District issued \$2,563,000 of District General Obligation Refunding Bonds, Series 2019, (current refunding) dated November 14, 2019, with an average interest rate of 2.47%, and deposited \$404,332 of existing resources, to refund \$2,810,000 of Series 2007 District General Obligation Bonds with interest rates ranging from 5.75% to 6.05%. The District will reduce its total debt service payments over the current and following 12 years by approximately \$1,128,989, and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt, less \$404,332 contribution of resources other than refunding bond proceeds) of approximately \$532,574.

The proceeds from the issuance of the bonds were used to purchase U.S. government securities that were placed in an irrevocable trust with an escrow agent to provide debt service payments on the bonds being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the District's financial statements. As of June 30, 2020, there was no defeased debt outstanding.

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds are generally callable with interest payable semiannually. Bonds payable at June 30, 2020, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rates (%)	Amount
2019 Waterfront Commercial Community Facilities District General Obligation Refunding Bonds (issued November 14, 2019) due in annual installments of \$172,000 to \$225,000 beginning July 15, 2020 through July 15, 2032. Original issue amount \$2,563,000.	2.60	<u>\$ 2,373,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, 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 District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City’s full cash valuation.

The District’s bond issuance contains the following provisions that would constitute an event of default by the District:

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

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

Changes in Long-Term Liabilities

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 2,810,000	\$ -	\$ (2,810,000)	\$ -	\$ -
Private Placement General Obligation Bonds	-	2,563,000	(190,000)	2,373,000	172,000
Plus Issuance Premium	664	-	(664)	-	-
Total	<u>\$ 2,810,664</u>	<u>\$ 2,563,000</u>	<u>\$ (3,000,664)</u>	<u>\$ 2,373,000</u>	<u>\$ 172,000</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 172,000	\$ 58,613
2022	177,000	54,365
2023	181,000	49,993
2024	185,000	45,522
2025	190,000	40,953
2026-2030	1,023,000	131,972
2030-2032	445,000	16,549
Total	<u>\$ 2,373,000</u>	<u>\$ 397,967</u>

C. Interfund Transfers

The transfer to the Debt Service Fund from the General fund was needed because the transfer from the original trustee to the new trustee did not split the funds and the entire amount was deposited into the General Fund at the new trustee.

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$3,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

B. Concentration Information

The District has one major taxpayer that accounts for approximately fifty percent of full cash valuation. Delinquent payments by this taxpayer could result in a significant loss of revenue.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Taxes	\$ 11,435	\$ 24,750	\$ 13,315
Interest	25	100	75
Total Revenues	<u>11,460</u>	<u>24,850</u>	<u>13,390</u>
EXPENDITURES			
Current			
General Government			
City Treasurer - Finance and Accounting	11,100	12,168	(1,068)
Total Expenditures	<u>11,100</u>	<u>12,168</u>	<u>(1,068)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	360	12,682	12,322
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)		(12,998)	
Fund Balance, Beginning of Year	<u>13,545</u>	<u>12,904</u>	<u>(641)</u>
Fund Balance, End of Year	<u>\$ 13,905</u>	<u>\$ 12,588</u>	<u>\$ 11,681</u>

Supplementary Information

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

For the Fiscal Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 306,804	\$ 269,543	\$ (37,261)
Interest Income	200	3,533	3,333
Total Revenues	<u>307,004</u>	<u>273,076</u>	<u>(33,928)</u>
EXPENDITURES			
Debt Service			
Principal Retirement	150,000	437,000	(287,000)
Interest and Fiscal Charges	171,083	118,062	53,021
Bond Issuance Costs	-	81,200	81,200
Total Expenditures	<u>321,083</u>	<u>636,262</u>	<u>(233,979)</u>
Excess of Revenues Over Expenditures	(14,079)	(363,186)	(267,907)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	12,998	(12,998)
Proceeds of Refunding Bonds	-	2,563,000	(2,563,000)
Payment to Refunding Bond Agent	-	(2,563,000)	2,563,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>12,998</u>	<u>(12,998)</u>
Change in Fund Balances/Net Position	-	(350,188)	350,188
Fund Balance, Beginning of Year	<u>56,514</u>	<u>387,972</u>	<u>331,458</u>
Fund Balance, End of Year	<u>\$ 42,435</u>	<u>\$ 37,784</u>	<u>\$ 4,651</u>

The Scottsdale Waterfront Commercial Community Facilities District did not budget for the 2019 refunding bonds transaction.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Waterfront Commercial Community Facilities District

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Waterfront Commercial Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Waterfront Commercial Community Facilities District's basic financial statements and have issued our report thereon dated October 5, 2020. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, 87, 90, and 95.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterfront Commercial Community Facilities District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterfront Commercial Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterfront Commercial Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterfront Commercial Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 5, 2020

**Attachment 8A -
Waterfront Commercial CFD
Communication to Governance
Not Included**

**Attachment 8B -
Waterfront Commercial CFD
Report on Internal Control over
Financial Reporting and Compliance**

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Waterfront Commercial Community Facilities District

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Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 5, 2020

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Audit Committee

Councilwoman Kathy Littlefield, Chair
Councilmember Virginia Korte
Vice Mayor Solange Whitehead

City Auditor's Office

Kyla Anderson, Senior Auditor
Paul Christiansen, Senior Auditor
Lai Cluff, Senior Auditor
Cathleen Davis, Senior Auditor
Brad Hubert, Senior Auditor
Sharron Walker, City Auditor

The City Auditor's Office conducts audits to promote operational efficiency, effectiveness, accountability and integrity.