



CITY AUDITOR'S OFFICE

# FY 2020/21 Financial and Compliance Audit

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December 8, 2021

AUDIT REPORT NO. 2201

## **CITY COUNCIL**

Mayor David D. Ortega  
Vice Mayor Tammy Caputi  
Tom Durham  
Betty Janik  
Kathy Littlefield  
Linda Milhaven  
Solange Whitehead





Honorable Mayor and Members of the City Council:

Enclosed is the City's FY 2020/21 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 15, 2021, 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 December 8, 2021, meeting.

In the Independent Auditor's Reports on the City's annual comprehensive 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, the budgetary comparison information for the General Fund, the changes in financial position, and where applicable, cash flows of the specified activities and funds.

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

Sincerely,

A handwritten signature in blue ink that reads "Sharron Walker".

Sharron E. Walker, CPA, CFE  
City Auditor

Audit Team:

Paul Christiansen, CPA, CIA – Sr. Auditor



# CITY COUNCIL REPORT



Meeting Date: December 8, 2021  
 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 2020/21 Annual Financial Audit.** Accept the FY 2020/21 financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co., P.C. and adopt Resolution No. 12342 to demonstrate compliance with ARS §41-1494.

## 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 Annual Comprehensive Financial Report 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). Further, 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 2020/21 financial audit reports at its November 15, 2021, meeting. After review and discussion with Heinfeld, Meech & Co., P.C., the Audit Committee voted unanimously (2 – 0, Whitehead absent) to recommend that the City Council accept the reports.

In the 2021 legislative session, House Bill 2906 amended ARS §9-481 to require the CPA performing the financial audit to present the audit results and any findings to the governing body during a regular meeting and not on the consent agenda.

This same legislation also added a requirement for the governing body to demonstrate compliance with a new law, ARS §41-1494, which prohibits the use of "... public monies for training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex. This subsection does not preclude any training on sexual harassment."

## ANALYSIS & ASSESSMENT

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In its *Independent Auditor's Report* on the City's FY 2020/21 comprehensive financial report, 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, on pages 14 - 16 of the City's financial report, also notes in a "Change in Accounting Principle" paragraph that the City implemented newly applicable accounting standards, 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 City's financial report.

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 one significant deficiency in internal control: a significant adjustment was needed to properly state the City's SROG joint venture equity balance. Besides correcting this error, the Accounting department reported it is implementing additional review procedures to validate balances.

The CPA firm's related *Communication to Governance* letter summarizes significant aspects of the City's accounting practices, which includes noting the newly applicable accounting standards. As well, it 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.

The Single Audit reports include the CPA firm's reports on the City's: 1) internal control over financial reporting and compliance based on the financial statement audit and 2) compliance with certain federal funding requirements, internal control over compliance, and the schedule of federal awards expended. The CPA firm did not report any deficiencies in internal control over compliance or instances of noncompliance with federal grant requirements. Also, in the Single Audit report, the CPA firm concluded that the City's schedule of expenditures of federal awards, which totaled almost \$27.6 million, was fairly stated in relation to the City's basic financial statements.

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 report, 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 2020/21. The firm's *Communication to Governance* letters for each component unit did not disclose any matters of concern. 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.

Separately, based on the City Auditor's review of currently available City training and orientation materials, no issues were identified with ARS §41-1494. This law's effective date was September 29, 2021.

## OPTIONS & RECOMMENDATION

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### Recommended Approach

As recommended by the Council's Audit Committee, accept the FY 2020/21 financial audit reports submitted by Heinfeld, Meech & Co., P.C.

In addition, adopt Resolution No. 12342 demonstrating compliance with ARS §41-1494.

## RESPONSIBLE DEPARTMENTS

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

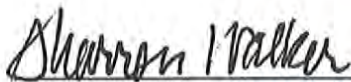
## STAFF CONTACTS

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Sonia Andrews, City Treasurer, and Sharron Walker, City Auditor

## APPROVED BY

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



Date

## ATTACHMENTS

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### Citywide Reports

1. **FY 2020/21 Annual Comprehensive Financial Report**
  - a. Communication to Governance
  - b. Single Audit Report (federal compliance)
  - c. HURF Compliance Report (state compliance)

### Component Unit Reports

2. **DC Ranch Community Facilities District (CFD) Annual Financial Report**
  - a. Communication to Governance
  - b. Report on Internal Control over Financial Reporting and Compliance
3. **McDowell Mountain Ranch CFD Annual Financial Report**
  - a. Communication to Governance
  - b. Report on Internal Control over Financial Reporting and Compliance

- 4. Municipal Property Corporation (MPC) Annual Financial Report**
  - a. Communication to Governance
  - b. Report on Internal Control over Financial Reporting and Compliance
- 5. Scottsdale Mountain CFD Annual Financial Report**
  - a. Communication to Governance
  - b. Report on Internal Control over Financial Reporting and Compliance
- 6. Scottsdale Preserve Authority (SPA) Annual Financial Report**
  - a. Communication to Governance
  - b. Report on Internal Control over Financial Reporting and Compliance
- 7. Via Linda Road CFD Annual Financial Report**
  - a. Communication to Governance
  - b. Report on Internal Control over Financial Reporting and Compliance
- 8. Waterfront Commercial CFD Annual Financial Report**
  - a. Communication to Governance
  - b. Report on Internal Control over Financial Reporting and Compliance
- 9. Resolution No. 12342**





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**City of Scottsdale, Arizona**

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**Comprehensive Annual Financial Report**  
for the fiscal year ended June 30, 2021

**Prepared by:**

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

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# CITY OF SCOTTSDALE, ARIZONA

## Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2021

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# Letter of Transmittal

## For the Fiscal Year Ended June 30, 2021



October 20, 2021

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, 2021, 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, 2021, are fairly stated in conformity with GAAP. This is the most favorable conclusion and is commonly known as an unmodified or "clean" opinion. The independent auditor's report is located on the first page of the Financial Section of this report.

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

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

## **CITY OF SCOTTSDALE PROFILE**

### **History**

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

### **Current Profile**

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing 184.5 square miles, stretching 31 miles from north to south, and 11.4 miles at its widest point. The City is bordered on the west by Phoenix, the state capital, by Tempe on the south, 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 2020 census reporting 241,361 residents. The City is the seventh 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 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 2021, there were no such supplemental budgetary appropriations authorized.

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

## **LOCAL ECONOMY**

### **Business**

Scottsdale has a diverse economy built on medical research, high-tech innovation, tourism, and corporate headquarters. Prior to the Coronavirus pandemic (COVID-19), the average unemployment rate in Scottsdale was 3.4 percent in fiscal year 2020. In June 2020, Scottsdale's unemployment rate increased to 8.9 percent, compared to the state's rate of 10.3 percent, and the national rate of 11.2 percent. As the economy continues to recover, the average unemployment for Scottsdale in fiscal year 2021 decreased to 6.6 percent.

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 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 several 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. Despite the continuing negative effects from COVID-19 on key travel and tourism sectors, the City projects revenue growth in fiscal year 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 its share of sales tax generated from the State of Arizona's applied tax rate. Sales tax is remitted to the City by the state on a weekly basis.

Sales tax revenue represented 45.3 percent of General Fund revenues for fiscal year 2021, totaling \$149.9 million. The City continued to recover from the effects of COVID-19 and its impact to many local businesses and travel reductions. The City achieved a year-over-year increase of 11.0 percent in sales tax revenue for fiscal year 2021 which was a result of strong consumer spending boosted by federal stimulus programs aiding economic recovery. Categories with the highest reported tax revenues were miscellaneous retail stores, rentals, and automotive. The City expects an increase in General Fund sales tax revenue across most categories through fiscal year 2022, when compared to fiscal year 2021 levels, due to the continued recovery from COVID-19.

### **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 \$0.0235 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 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 increase 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 2021, the City amended the financial policy to transfer half of the General Fund sales tax collected on sales of food for home consumption to the Capital Improvement Program, which will be reduced by 16.7 percent each fiscal year until the transfer is eliminated completely.

The City Council has also adopted a *Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy* as required by state law. This policy outlines how the City will maintain stability of required contributions, how and when the City's funding requirements will be met and defines the City's funded ratio target under the PSPRS and when it will be met. In June 2021, the City adopted the annual policy which included funding an additional one-time contribution of \$35 million toward the police pension liability and \$5 million toward the fire pension liability in fiscal year 2022.

## **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, 2021, was 2.12 years. The weighted average earnings rate received by the City on its investments decreased from 2.57 percent in fiscal year 2020 to 1.42 percent in fiscal year 2021.

## **Debt Management**

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

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

The City retained credit ratings of “Aaa,” “AAA,” and “AAA” from the three major credit rating agencies (Moody’s Investors Service, 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 select number of cities in the nation to earn this distinction. Ratings for the City’s revenue bonds, where debt service is supported by enterprise revenues or excise taxes, are also highly rated by the three major credit rating agencies. A summary of the City’s bond ratings follows:

**City of Scottsdale Bonded Debt Ratings**  
As of June 30, 2021

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

**MAJOR INITIATIVES**

The City’s adopted fiscal year 2022 budget reflects increased revenue projections in the local economy as the City continues to recover from the impacts of COVID-19. This budget reflects an increase in the overall General Fund uses of \$92.2 million when compared to the fiscal year 2021 adopted budget to provide core services and the priorities/policy direction of the City Council which include:

- \$40.0 million to pay down unfunded public safety pension liabilities
- \$10.7 million for market adjustments and the citywide pay for performance program
- \$3.5 million net increases in funding for pension related costs
- \$0.9 million for increases in software costs
- \$0.6 million to upgrade an aging fire truck to reduce maintenance cost

Additionally, an estimated \$284.4 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, which address critical infrastructure needs. Projects also include City Council and citizen priorities throughout the City. Significant projects include:

- \$40.4 million to build multi-use sports field in the Bell Road area
- \$27.3 million to replace aging infrastructure and improve public and event spaces on Civic Center Plaza
- \$11.0 million to repair lakes and irrigation at Vista Del Camino Park at the Indian Bend Wash
- \$3.7 million to build a new fire department training facility

## 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 for the fiscal year ended June 30, 2020, marking the forty-eighth consecutive year the City has achieved this prestigious recognition. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for another certificate.

As well, the City received the *Distinguished Budget Presentation Award* for the fiscal year beginning July 1, 2020, 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, 2021.

### Acknowledgments

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

Respectfully submitted,



Sonia Andrews, CPA

City Treasurer/Chief Financial Officer



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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Scottsdale  
Arizona**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

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# Comprehensive Annual Financial Report

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For the Fiscal Year Ended June 30, 2021



## City of Scottsdale, Arizona

### List of Elected and Appointed Officials

#### City Council

David D. Ortega, Mayor

Tammy Caputi

Tom Durham

Betty Janik

Kathy Littlefield

Linda Milhaven

Solange Whitehead

#### Charter Officers

Jim Thompson, City Manager

Sherry R. Scott, City Attorney

Sharron Walker, City Auditor

Ben Lane, City Clerk

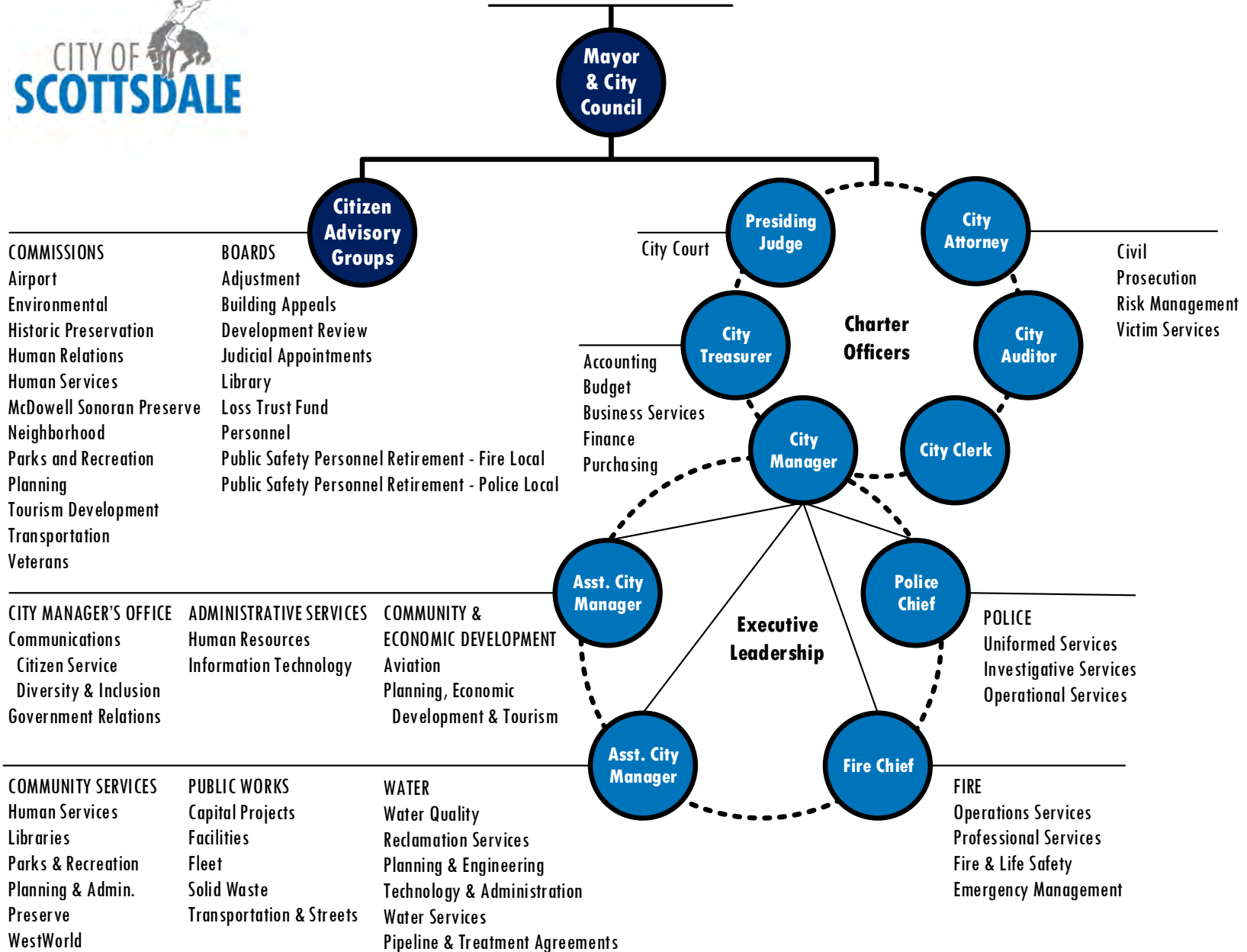
Joseph Olcavage, Presiding Judge

Sonia Andrews, City Treasurer/Chief Financial Officer

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## People of Scottsdale



## Independent Auditor's Report

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

### **Report on Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statements No. 93, *Replacement of Interbank Offered Rates*, and No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2021, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

### ***Other Matters***

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

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



*Supplementary Information*

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

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

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scottsdale, Arizona's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
October 20, 2021

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

This section of the City of Scottsdale, Arizona's (the City) Comprehensive Annual Financial Report presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2021, and 2020. 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 Comprehensive Annual Financial Report.

## FINANCIAL HIGHLIGHTS

- The City's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of fiscal years 2021 and 2020 by \$5.82 billion and \$5.37 billion (*net position*), respectively. Of these amounts, \$354.9 million and \$325.7 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 2021 by \$443.8 million compared to an increase in net position of \$156.1 million during fiscal year 2020. Total revenues exceeded total expenses in the current year due primarily to the capital grants and contributions of \$339.8 million for fiscal year 2021, compared to \$76.7 million in fiscal year 2020.
- As of June 30, 2021, and 2020, the City's governmental funds reported combined ending fund balances of \$447.4 million and \$327.9 million, respectively. Approximately 37 percent of the current year amount (\$164.2 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 \$171.0 million or approximately 66 percent of total General Fund expenditures of \$258.8 million.
- The City's total long-term liabilities increased by \$45.8 million to \$1.52 billion during the current fiscal year. This increase was primarily due to an increase in the City's net pension liabilities.

## 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

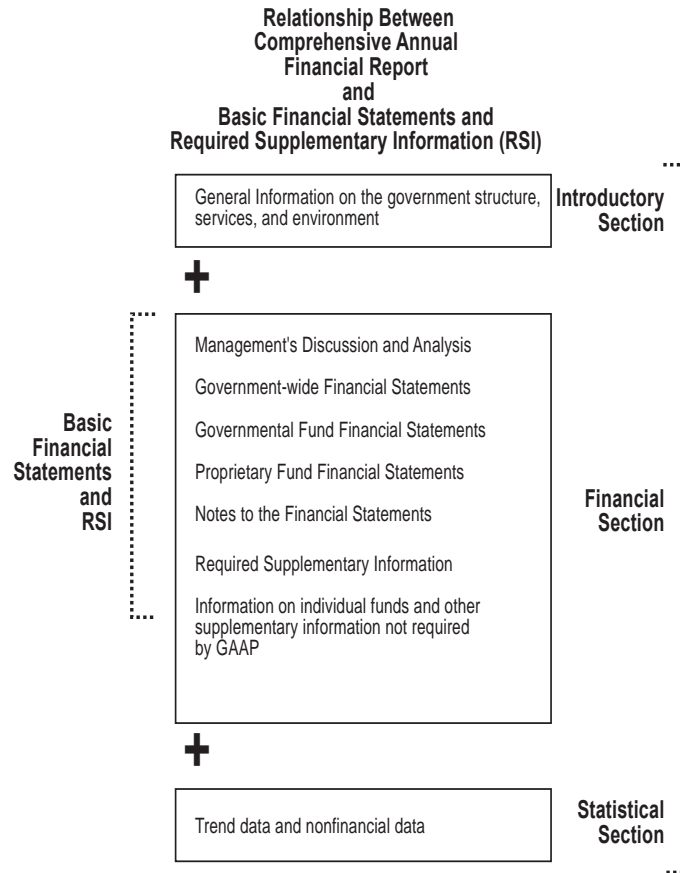
This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021



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

The **statement of net position** presents financial information on all 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.

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the operations of the City of Scottsdale Municipal Property Corporation (MPC), 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. The funds of the City can be divided into two categories, governmental funds and proprietary funds.

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

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

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

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

**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 53-135 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's proportionate share of the cost-sharing multiple-employer pension plan's net pension liability, the changes in the City's net pension liabilities regarding the agent multiple-employer pension plans, schedules of contributions to the pension plans, and changes in the City's total other post-employment benefits (OPEB) liability. Required supplementary information can be found on pages 136-143 of this report.

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

**Combining Statements.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds can be found on pages 144-175 of this report.

**Other Supplementary Information.** The supplemental schedule of changes in long-term debt provides a comprehensive overview of the City's total debt and can be found on pages 176-180 of this report.

**Statistical Information.** The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the City's overall financial health. This section can be found on pages 181-210 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the City to provide services to its citizens, the statement of net position and the statement of activities serve to provide an answer to the question of how the City, as a whole, 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 \$5.82 billion, and \$5.37 billion at the close of the fiscal years 2021 and 2020, respectively.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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

## Net Position

June 30, 2021 and 2020 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Current and other assets	\$ 796,251	\$ 669,236	\$ 501,824	\$ 512,723	\$ 1,298,075	\$ 1,181,959
Capital assets	4,708,884	4,425,682	1,437,854	1,406,651	6,146,738	5,832,333
Total assets	5,505,135	5,094,918	1,939,678	1,919,374	7,444,813	7,014,292
Total deferred outflows of resources	130,740	92,197	20,745	11,356	151,485	103,553
<b>Total assets and deferred outflows of resources</b>	<b>5,635,875</b>	<b>5,187,115</b>	<b>1,960,423</b>	<b>1,930,730</b>	<b>7,596,298</b>	<b>7,117,845</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
Long-term liabilities outstanding	1,137,766	1,080,573	386,458	397,340	1,524,224	1,477,913
Other liabilities	145,490	144,140	50,271	50,141	195,761	194,281
Total liabilities	1,283,256	1,224,713	436,729	447,481	1,719,985	1,672,194
Total deferred inflows of resources	33,993	44,231	23,704	26,550	57,697	70,781
<b>Total liabilities and deferred inflows of resources</b>	<b>1,317,249</b>	<b>1,268,944</b>	<b>460,433</b>	<b>474,031</b>	<b>1,777,682</b>	<b>1,742,975</b>
<b>NET POSITION</b>						
Net investment in capital assets	4,065,844	3,748,249	1,157,026	1,102,183	5,222,870	4,850,432
Restricted	189,263	146,017	51,596	52,728	240,859	198,745
Unrestricted	63,519	23,905	291,368	301,788	354,887	325,693
<b>Total net position</b>	<b>\$ 4,318,626</b>	<b>\$ 3,918,171</b>	<b>\$ 1,499,990</b>	<b>\$ 1,456,699</b>	<b>\$ 5,818,616</b>	<b>\$ 5,374,870</b>

The largest portion, 89.8 percent, of the City's net position reflects its net investment in capital assets (e.g., land, buildings, water and sewer system, and streets and storm drains) less any related outstanding debt used to acquire those assets. These amounted to \$5.22 billion and \$4.85 billion as of June 30, 2021, and 2020, 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, 4.1 percent, of the City's net position, \$240.9 million at June 30, 2021, and \$198.7 million at June 30, 2020, 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, 2021, and 6.1 percent at June 30, 2020, \$354.9 million and \$325.7 million, respectively, may be used to meet the government's ongoing obligations to its citizens and creditors.

**Analysis of Changes in Net Position.** Total revenues exceeded total expenses in the current year, resulting in an increase in the City's total net position of \$443.8 million in fiscal year 2021 compared to an increase in net position of \$156.1 million during fiscal year 2020. The reasons for this overall increase are explained in the governmental and business-type activities discussion herein and depicted in the table that follows.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Changes in Net Position

For the fiscal years ended June 30, 2021 and 2020 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 47,055	\$ 53,089	\$ 209,461	\$ 191,893	\$ 256,516	\$ 244,982
Operating grants and contributions	52,751	55,604	-	-	52,751	55,604
Capital grants and contributions	305,241	50,088	34,573	26,631	339,814	76,719
General revenues						
Property taxes	71,256	68,591	-	-	71,256	68,591
Business taxes	269,303	247,887	177	128	269,480	248,015
Intergovernmental - taxes	67,822	59,410	-	-	67,822	59,410
Intergovernmental - other	17,355	15,890	-	-	17,355	15,890
Interest and investment income	2,487	14,605	870	10,951	3,357	25,556
Other	10,387	7,248	-	-	10,387	7,248
Total revenues	<u>843,657</u>	<u>572,412</u>	<u>245,081</u>	<u>229,603</u>	<u>1,088,738</u>	<u>802,015</u>
<b>EXPENSES</b>						
General Government						
Mayor and City Council	725	770	-	-	725	770
City Clerk	1,209	1,171	-	-	1,209	1,171
City Attorney	6,860	6,731	-	-	6,860	6,731
City Auditor	1,069	1,045	-	-	1,069	1,045
City Court	6,298	6,047	-	-	6,298	6,047
City Manager	3,766	4,647	-	-	3,766	4,647
City Treasurer	9,688	9,825	-	-	9,688	9,825
Public Works	100,705	99,218	-	-	100,705	99,218
Community and Economic Development	35,999	41,946	-	-	35,999	41,946
Public Safety	172,141	173,352	-	-	172,141	173,352
Community Services	64,769	64,247	-	-	64,769	64,247
Administrative Services	19,189	19,375	-	-	19,189	19,375
Scottsdale AZ CARES	11,742	-	-	-	11,742	-
Streetlight and Services Districts	545	555	-	-	545	555
Loss on In-Substance Defeasance of Debt	-	34	-	-	-	34
Interest on Long-Term Debt	17,043	23,928	-	-	17,043	23,928
Water Utility	-	-	106,778	105,222	106,778	105,222
Sewer Utility	-	-	54,152	57,847	54,152	57,847
Airport	-	-	7,024	6,764	7,024	6,764
Solid Waste	-	-	25,290	23,195	25,290	23,195
Total expenses	<u>451,748</u>	<u>452,891</u>	<u>193,244</u>	<u>193,028</u>	<u>644,992</u>	<u>645,919</u>
Increase in net position before transfers	391,909	119,521	51,837	36,575	443,746	156,096
Transfers	8,546	8,432	(8,546)	(8,432)	-	-
Change in net position	<u>400,455</u>	<u>127,953</u>	<u>43,291</u>	<u>28,143</u>	<u>443,746</u>	<u>156,096</u>
Net position - beginning	3,918,171	3,790,212	1,456,699	1,428,556	5,374,870	5,218,768
Net effect of prior period adjustment	-	6	-	-	-	6
Net position - beginning restated	<u>3,918,171</u>	<u>3,790,218</u>	<u>1,456,699</u>	<u>1,428,556</u>	<u>5,374,870</u>	<u>5,218,774</u>
Net position - ending	<u>\$ 4,318,626</u>	<u>\$ 3,918,171</u>	<u>\$ 1,499,990</u>	<u>\$ 1,456,699</u>	<u>\$ 5,818,616</u>	<u>\$ 5,374,870</u>

**Governmental Activities.** Net position for governmental activities increased \$400.5 million after transfers during fiscal year 2021 compared to an increase of \$128.0 million after transfers in fiscal year 2020. Total revenues increased \$271.2 million or 47.4 percent from the prior fiscal year and expenses decreased \$0.1 million or less than 1 percent. Overall, revenues exceeded expenses resulting in an increase in net position.



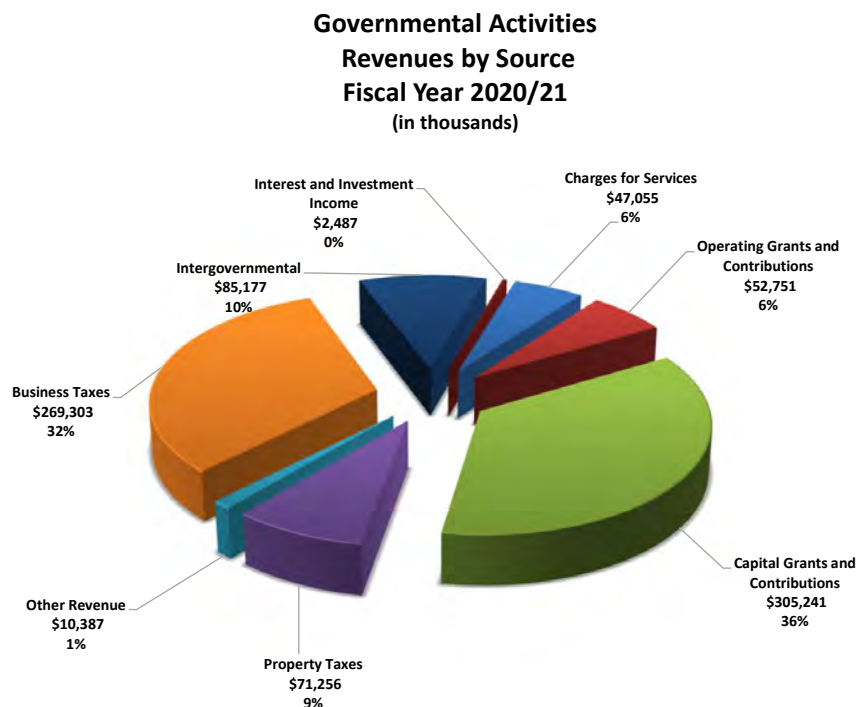
# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

The City experienced improved total revenues from governmental activities over the prior year due primarily to a 509.4 percent increase in capital grants and contributions, a 14.2 percent increase in intergovernmental taxes, and an 8.6 percent increase in business taxes. The growth in capital grants and contributions was due to an increase in developer contributions from the completion of construction projects in fiscal year 2021. The increase in intergovernmental taxes was primarily due to increases in state shared revenues and state sales tax received over the prior fiscal year. Finally, the increase in business taxes was primarily due to more privilege tax revenues received over the prior year as the City had revenue losses from the economic shutdown in the last quarter of 2020 due to COVID-19.

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 \$438.6 million in fiscal year 2021 compared to \$413.6 million in fiscal year 2020. As previously noted, business taxes, which include privilege and franchise taxes, increased \$21.4 million or 8.6 percent from the previous year. Intergovernmental revenues, which includes state shared revenues, increased \$9.9 million or 13.1 percent over fiscal year 2020. Interest and investment income decreased \$12.1 million from the prior year due to lower interest rates being received on the City's long-term investment portfolio and a decrease in the change in fair market value of investments. Additionally, property taxes increased by \$2.7 million or 3.9 percent over the prior year due to increases in property values.

For governmental activities overall, without regard to program, capital grants and contributions (36 percent), are the largest single source of funds, followed by business taxes (32 percent), intergovernmental (including state shared revenues) (10 percent), property taxes (9 percent), operating grants and contributions (6 percent) and charges for services (6 percent).



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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

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 (38.1 percent), followed by the Public Works Division (22.3 percent), and the Community Services Division (14.3 percent).

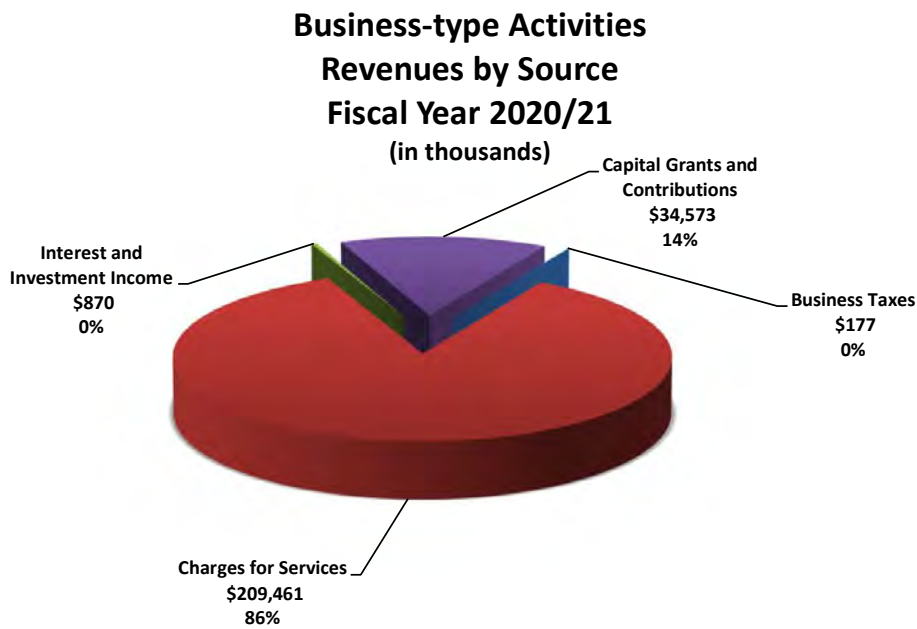
The Public Safety Division provides police and fire/emergency services throughout the City. Expenses decreased by \$1.2 million or 0.7 percent during fiscal year 2021 due to a decrease in personnel costs resulting from staff vacancies and retirements.

The Public Works Division consists of five departments: Capital Project Management, Facilities Management, Fleet Management, Solid Waste Management, and Transportation. Expenses were \$1.5 million or 1.5 percent higher than the prior fiscal year due to increases in capital-related expenditures.

The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, and promoting healthy lifestyles. The division consists of: Human Services, Libraries, Parks & Recreation, Planning and Administration, Preserve, and WestWorld. Expenses were \$0.5 million or 0.8 percent higher than the prior fiscal year due to increases in capital-related expenditures.

**Business-type Activities.** Net position for business-type activities increased by \$43.3 million after transfers during fiscal year 2021 compared to \$28.1 million after transfers in fiscal year 2020. Total revenues increased by \$15.5 million or 6.7 percent due to an increase in developer contributions, charges for services, and business taxes offset by a decrease in interest and investment income. Overall, total revenues exceeded expenses resulting in an increase in net position for the fiscal year.

As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues (86 percent) followed by capital grants and contributions (14 percent).



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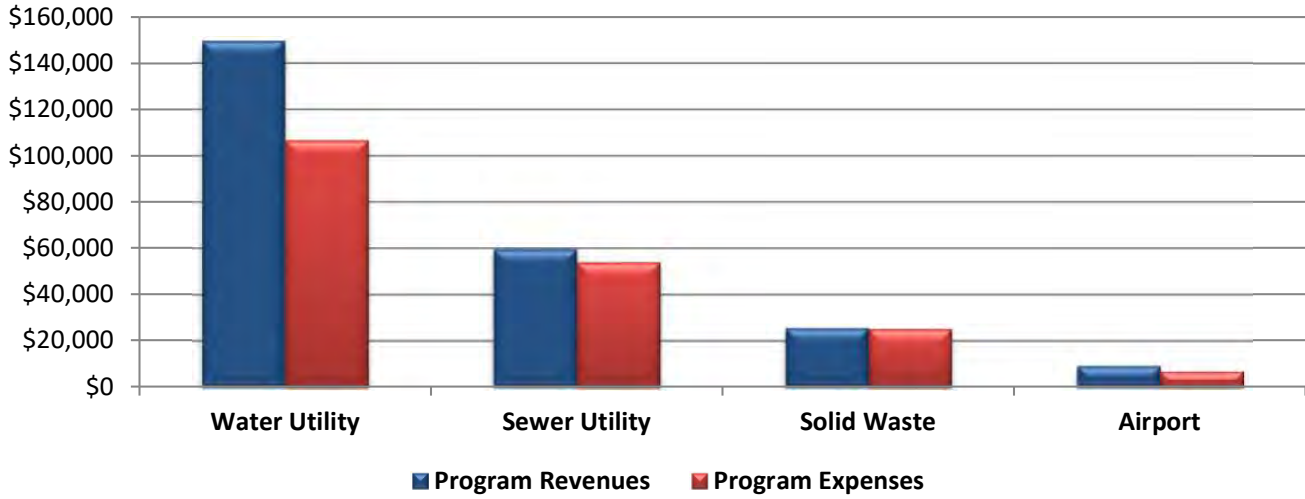
## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

As shown below in the *Business-type Activities Program Revenues and Expenses* chart, the largest of the City's business-type activities, water utility and sewer utility, had expenses of \$106.8 million and \$54.2 million, respectively, in fiscal year 2021, followed by solid waste with \$25.3 million and airport with \$7.0 million.

**Business-type Activities  
Program Revenues and Expenses  
Fiscal Year 2020/21  
(in thousands)**



The City's Water Resources Department manages and operates a safe, reliable water supply and wastewater reclamation system, and in fiscal year 2021 they provided 92,590 water connections to Scottsdale citizens. The Water and Sewer Utility's combined expenses decreased by 1.3 percent in fiscal year 2021 compared to fiscal year 2020. This was caused primarily by a decrease in debt-related expenditures due to the refundings the City completed in fiscal year 2021.

The Solid Waste Department provided delivery of safe, efficient, and environmentally sound refuse collection services to 83,680 residential customers in fiscal year 2021. Total program expenses increased 9.0 percent or \$2.1 million in fiscal year 2021 compared to fiscal year 2020 due to increases in contractual expenditures related to recycling and other collection services.

The Aviation Department operates the City's general aviation reliever facility and is home to many local corporate aircraft. More than 192,185 take-offs and landings occurred in fiscal year 2021 at Scottsdale Airport. Total program expenses increased by 3.8 percent or \$0.3 million in fiscal year 2021 compared to fiscal year 2020, driven primarily by increased contractual expenditures related to building safety improvements and aircraft inspections.

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

## 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, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$447.4 million, an increase of \$119.5 million from the prior year total of \$327.9 million. Approximately 37 percent or \$164.2 million of the current year amount constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, or committed to indicate that it is not available for new spending.

Revenues for governmental functions totaled \$547.0 million in fiscal year 2021, an increase of 2.5 percent, or \$13.5 million, from the previous year total of \$533.5 million. In fiscal year 2021, expenditures for governmental functions totaled \$497.9 million, a decrease of 4.3 percent, or \$22.1 million, from the fiscal year 2020 total of \$520.0 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$49.1 million. This was chiefly due to an increase of \$23.5 million in privilege taxes received in fiscal year 2021, and an increase of \$4.7 million in charges for services, with decreases of \$14.1 million in debt service-related expenditures, and a decrease of \$9.6 million in capital outlay expenditures.

The General Fund is the chief operating fund of the City. At the end of the fiscal year 2021, the unassigned fund balance of the General Fund was \$171.0 million, while the total fund balance was \$171.3 million; the unassigned and total fund balances for the General Fund at the end of fiscal year 2020 were \$136.4 million and \$136.7 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 66.1 percent of the total General Fund expenditures of \$258.8 million in fiscal year 2021 and represented 51.6 percent of the total General Fund expenditures of \$264.1 million in fiscal year 2020. Total fund balance represented 66.2 percent and 51.8 percent of total fund expenditures for fiscal years 2021 and 2020, respectively.

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2021, by \$72.0 million. Total revenues increased \$10.5 million, or 3.3 percent compared to the prior year while expenditures decreased \$5.3 million or 2.0 percent. The most significant reason for the increase in revenues was due to the increased transaction privilege tax over the prior year.

Key General Fund revenues showing an increase over the prior year included \$14.9 million for transaction privilege tax, \$8.1 million for state shared revenues, \$2.1 million for property rental, and \$1.2 million for WestWorld equestrian facility fees. The significant increase for the transaction privilege tax is a result of the recovery from the shutdown experienced from COVID-19 which negatively impacted privilege and bed tax revenues in the last quarter of the prior fiscal year. The City experienced revenue reductions as well. Most significant was the change in the fair value of investments with a decrease of \$10.5 million, followed by a reduction of \$3.2 million in other taxes, and \$1.2 million in cable TV franchise fees.

The Administrative Services Division experienced the largest percentage increase in General Fund expenditures, 22.7 percent, or \$3.3 million, primarily due to the purchase of new software solutions. The Public Works Division expenditures increased \$0.8 million over the prior year due to an increase in contractual services, primarily for maintaining City buildings. The Community Services Division saw a decrease of \$5.9 million in expenditures under the prior year due to the City using special revenues from Scottsdale AZ CARES to fund COVID-19 related mitigation efforts and other community programs to provide assistance to residents in need. 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 2021 by \$34.6 million.

The General Obligation Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt principal, interest, and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$3.5 million, an increase of \$2.5 million from the \$1.0 million balance at June 30, 2020. The increase in fund balance was due to an increase in property tax and the result of issuing refunding bonds offset by the payment to the refunded bonds 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 \$51.2 million, an increase of \$3.9 million from the \$47.3 million at June 30, 2020, caused by increases in building and related permit charges, and other tax revenues.

**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 2021 and 2020, the unrestricted net position for the Water and Sewer Utility Fund was \$281.7 million and \$289.9 million, respectively; the Airport Fund was \$2.8 million and \$5.6 million, respectively; and the Solid Waste Fund was \$2.3 million and \$1.0 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, had an unrestricted net position of \$36.4 million and \$27.5 million, respectively.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

The total growth in net position for the enterprise funds was \$43.9 million and \$27.0 million for fiscal years 2021 and 2020, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 43 of this report.

General Fund revenues on a budgetary basis were \$38.3 million more than projected for fiscal year 2021. The increase in revenues was primarily due to the City receiving more in transaction privilege tax, state shared revenues, and fees than budgeted. The privilege tax was the most significant increase consisting of \$27.3 million more revenues received than projected as the City recovered from the impacts of the COVID-19 shutdowns, and also from increased consumer spending from the federal stimulus funds. Expenditures of \$258.2 million were \$13.5 million less than budgeted expenditures of \$271.7 million. The largest positive expenditure variance occurred in the Community Services and Public Safety Divisions. The Public Safety Division variance was primarily due to savings recognized in personnel services from vacancies and retirements. The Community Services Division had lower expenditures due to utilizing special revenue funding to provide support for COVID-19 related programs and assistance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The City's total capital assets for its governmental and business-type activities as of June 30, 2021 and 2020 were \$6.15 billion and \$5.83 billion, respectively (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, streets and storm drains, water and sewer systems, water rights, vehicles, machinery and equipment, subscription-based information technology arrangements, furniture and fixtures, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation/amortization) between fiscal years 2021 and 2020 was \$314.4 million or 5.4 percent.

### Capital Assets, Net of Depreciation/Amortization

June 30, 2021 and 2020 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,427,483	\$ 3,220,312	\$ 52,028	\$ 50,536	\$ 3,479,511	\$ 3,270,848
Buildings and Land Improvements	407,498	408,748	61,956	57,891	469,454	466,639
Streets and Storm Drains	734,845	658,444	-	-	734,845	658,444
Machinery and Equipment	36,778	37,388	3,698	4,032	40,476	41,420
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	781,021	785,959	781,021	785,959
Sewer System	-	-	392,724	389,301	392,724	389,301
Motor Vehicles	43,152	47,423	362	414	43,514	47,837
Furniture, Fixtures, and Office Equipment	-	-	1,073	961	1,073	961
Construction in Progress	54,130	53,367	57,730	30,386	111,860	83,753
Subscription-Based Information Technology Arrangements*	4,998	-	91	-	5,089	-
Total	\$ 4,708,884	\$ 4,425,682	\$ 1,437,854	\$ 1,406,651	\$ 6,146,738	\$ 5,832,333

\*New category for Subscription-Based Information Technology Arrangements due to the implementation of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

Significant capital asset events during fiscal year 2021 included the following:

- Land: \$199.3 million for land donated by developers that coincides with public street improvements for finalized permits, and \$6.0 million for state land purchases.
- Buildings and Land Improvements:
  - o \$10.6 million for the construction of Fire Stations 603 & 616.
  - o \$4.9 million for the construction of seven airport hangars.
- Streets: \$96.5 million for new road improvements donated by developers, \$24.7 million related to streets, traffic control, sidewalks, and storm drains, and \$4.9 million for street preservation.
- Vehicles: \$2.6 million for public safety vehicles, \$1.7 million for three trolleys, \$1.3 million for solid waste vehicles, and \$0.3 million for water and other City vehicles.

As of June 30, 2021, the City has construction commitments of \$95.0 million for current projects. Additional information on the City's capital assets can be found in Note IV.D. on pages 86-89 of this report.

**Long-term Debt.** At the end of the fiscal years 2021 and 2020, the City had total long-term liabilities of \$1.52 billion and \$1.48 billion, respectively. Of these amounts, \$448.2 million and \$433.9 million, for fiscal years 2021 and 2020 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, net pension liabilities, and other obligations of \$1.08 billion and \$1.05 billion for fiscal years 2021 and 2020, 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, 2021 and 2020 was \$485.0 million and \$462.1 million, respectively, in the 6 percent capacity and \$1.17 billion and \$1.10 billion, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.I. of the Notes to the Financial Statements and also in Tables XVIa and XVIb in the Statistical Section of this report.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Long-term Liabilities

June 30, 2021 and 2020 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 448,225	\$ 433,865	\$ -	\$ -	\$ 448,225	\$ 433,865
Water and Sewer Revenue Bonds	-	-	8,520	12,450	8,520	12,450
Municipal Property Corporation Bonds	195,390	199,614	265,565	273,791	460,955	473,405
Scottsdale Preserve Authority Bonds	1,350	2,630	-	-	1,350	2,630
Community Facilities Districts						
General Obligation Bonds - Direct Placements	10,826	13,488	-	-	10,826	13,488
Issuance Premiums	34,778	53,610	20,684	26,159	55,462	79,769
Total Bonds Payable	690,569	703,207	294,769	312,400	985,338	1,015,607
Contracts Payable*	451	496	-	-	451	496
Leases	1,799	2,373	-	-	1,799	2,373
Service Concession Arrangements	1,914	2,068	-	-	1,914	2,068
Subscriptions**	4,387	-	70	-	4,457	-
Risk Management Claims	22,981	21,972	-	-	22,981	21,972
Compensated Absences	29,907	27,946	4,016	3,915	33,923	31,861
Total Other Postemployment Benefit Liability	1,923	2,177	-	-	1,923	2,177
Net Pension Liabilities	383,835	320,830	37,748	31,189	421,583	352,019
Pollution Remediation Obligation	-	-	49,855	49,836	49,855	49,836
Total Long-term Liabilities	\$ 1,137,766	\$ 1,081,069	\$ 386,458	\$ 397,340	\$ 1,524,224	\$ 1,478,409

\*The Contracts Payable category was added due to a change in accounting treatment.

\*\*New category for the City's subscription liabilities has been added due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

During fiscal year 2021, the City's total long-term liabilities increased overall by \$45.8 million due to the City's issuance of general obligation bonds and increased net pension liabilities, offset by the City making scheduled principal payments on its debt and completing several debt refundings.

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 2021 and 2020 were \$421.6 million and \$352.0 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 starting on page 113.

Additional information in the City's long-term liabilities can be found in Section IV.I. of the Notes to the Financial Statements on pages 94-108 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Scottsdale's economy has continued to rebound from the negative effects from COVID-19 and the temporary shutdown of resorts, restaurants, and retail establishments. Scottsdale's conservative budgeting practices were designed to weather the financial difficulties and the City has emerged on solid financial footing. In June 2021, the City Council approved a \$1.79 billion budget, which is a \$244.9 million increase from the prior year budget of \$1.54 billion. The adopted fiscal year 2022 budget includes \$935.8 million for general operations, grants, operating contingencies/reserves, and \$849.5 million for capital improvements/capital contingencies.



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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

## REQUESTS FOR INFORMATION

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

# Basic Financial Statements

## Statement of Net Position

June 30, 2021 (in thousands)

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 525,670	\$ 225,244	\$ 750,914
Receivables (net of allowance for uncollectibles)			
Property and Other Local Taxes	37,148	29	37,177
Charges for Services	-	20,994	20,994
Fines	9,786	-	9,786
Intergovernmental and Grants	25,352	2,057	27,409
Interest	1,041	818	1,859
Leases	26,504	24,571	51,075
Other	11,198	2,381	13,579
Internal Balances	(4,586)	4,586	-
Supplies Inventory	1,371	-	1,371
Prepaid Items	582	988	1,570
Prepayments	26,085	-	26,085
Pollution Remediation Recoveries	-	49,855	49,855
Restricted Assets			
Cash with Fiscal Agent	79,922	28,189	108,111
Customer Advances and Deposits	-	1,464	1,464
Joint Venture Construction Deposits	-	2,853	2,853
Advanced Construction Payments	-	3,023	3,023
Advanced Lease Payments	-	1,067	1,067
Water and Sewer System Replacement	-	44,051	44,051
Revenue Bond Reserve	-	4,692	4,692
Service Concession Arrangements	54,342	-	54,342
Equity in Joint Ventures	1,836	84,962	86,798
Capital Assets Not Being Depreciated/Amortized			
Land, Water Rights, and Construction in Progress	3,481,613	196,929	3,678,542
Capital Assets, Net of Accumulated Depreciation/Amortization			
Facilities, Infrastructure, and Equipment	1,227,271	1,240,925	2,468,196
Total Assets	5,505,135	1,939,678	7,444,813
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refundings	22,462	14,011	36,473
Pension-Related Amounts	107,852	6,734	114,586
OPEB-Related Amounts	426	-	426
Total Deferred Outflows of Resources	\$ 130,740	\$ 20,745	\$ 151,485

(continued)

## Statement of Net Position

June 30, 2021 (in thousands)

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts Payable	\$ 24,078	\$ 15,513	\$ 39,591
Accrued Payroll and Benefits	7,390	1,015	8,405
Accrued Compensated Absences	4	-	4
Interest Payable	10,352	5,611	15,963
Matured Bonds, Loans, and Other Payables	66,994	22,578	89,572
Due to Other Governments	4,467	-	4,467
Unearned Revenue	26,228	-	26,228
Liabilities Payable from Restricted Assets			
Advanced Construction Payments	-	3,023	3,023
Advanced Lease Payments	-	1,067	1,067
Customer Advances & Deposits	2,892	1,464	4,356
Other Liabilities	3,085	-	3,085
Noncurrent Liabilities			
Due Within One Year			
Accrued Compensated Absences	12,386	1,684	14,070
Bonds, Loans, and Other Payables	77,806	22,301	100,107
Due in More Than One Year			
Accrued Compensated Absences	17,521	2,332	19,853
Total Other Postemployment Benefit Liability	1,923	-	1,923
Net Pension Liabilities	383,835	37,748	421,583
Bonds, Loans, and Other Payables	644,295	272,538	916,833
Pollution Remediation Obligation	-	49,855	49,855
Total Noncurrent Liabilities	<u>1,137,766</u>	<u>386,458</u>	<u>1,524,224</u>
Total Liabilities	<u>1,283,256</u>	<u>436,729</u>	<u>1,719,985</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases	27,350	23,641	50,991
Pension-Related Amounts	5,528	63	5,591
OPEB-Related Amounts	1,115	-	1,115
Total Deferred Inflows of Resources	<u>33,993</u>	<u>23,704</u>	<u>57,697</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,065,844	1,157,026	5,222,870
Restricted			
Debt Service	6,892	4,692	11,584
Transportation and Preserve Privilege Tax Activities	90,959	-	90,959
Capital Projects	78,702	-	78,702
Grants	3,332	-	3,332
Special Programs	4,446	-	4,446
Streetlight and Services Districts	57	-	57
Community Facilities Districts	105	-	105
Stadium Facility	4,062	-	4,062
Endowments			
Expendable	27	-	27
Nonexpendable	681	-	681
Repair and Replacement	-	44,051	44,051
Joint Venture Construction Deposits	-	2,853	2,853
Unrestricted	<u>63,519</u>	<u>291,368</u>	<u>354,887</u>
Total Net Position	<u>\$ 4,318,626</u>	<u>\$ 1,499,990</u>	<u>\$ 5,818,616</u>

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

**Statement of Activities**

For the Fiscal Year Ended June 30, 2021 (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	\$ 725	\$ 160	\$ 35	\$ -	\$ (530)	\$ -	\$ (530)
City Clerk	1,209	175	-	-	(1,034)	-	(1,034)
City Attorney	6,860	741	27	-	(6,092)	-	(6,092)
City Auditor	1,069	221	31	-	(817)	-	(817)
City Court	6,298	-	1	-	(6,297)	-	(6,297)
City Manager	3,766	562	647	-	(2,557)	-	(2,557)
City Treasurer	9,688	3,521	263	-	(5,904)	-	(5,904)
Public Works	100,705	113	19,231	304,002	222,641	-	222,641
Community and Economic Development	35,999	17,457	5	903	(17,634)	-	(17,634)
Public Safety	172,141	10,251	18,437	-	(143,453)	-	(143,453)
Community Services	64,769	11,338	13,602	336	(39,493)	-	(39,493)
Administrative Services	19,189	1,987	472	-	(16,730)	-	(16,730)
Scottsdale AZ CARES	11,742	-	-	-	(11,742)	-	(11,742)
Streetlight and Services Districts	545	529	-	-	(16)	-	(16)
Interest on Long-Term Debt	17,043	-	-	-	(17,043)	-	(17,043)
Total Governmental Activities	451,748	47,055	52,751	305,241	(46,701)	-	(46,701)
Business-type Activities							
Water Utility	106,778	130,843	-	18,776	-	42,841	42,841
Sewer Utility	54,152	45,391	-	14,210	-	5,449	5,449
Airport	7,024	7,695	-	1,587	-	2,258	2,258
Solid Waste	25,290	25,532	-	-	-	242	242
Total Business-type Activities	193,244	209,461	-	34,573	-	50,790	50,790
Total Government	\$ 644,992	\$ 256,516	\$ 52,751	\$ 339,814	(46,701)	50,790	4,089
General Revenues							
Taxes							
Property Taxes					71,256	-	71,256
Sales and Use Taxes					256,329	177	256,506
Franchise Taxes					12,974	-	12,974
Intergovernmental - Unrestricted							
State Shared Sales					30,615	-	30,615
State Revenue Sharing					37,207	-	37,207
Other					17,355	-	17,355
Interest and Investment Income					2,487	870	3,357
Other Revenue					10,387	-	10,387
Transfers					8,546	(8,546)	-
Total General Revenues and Transfers					447,156	(7,499)	439,657
Change in Net Position					400,455	43,291	443,746
Net Position - Beginning					3,918,171	1,456,699	5,374,870
Net Position - Ending					\$ 4,318,626	\$ 1,499,990	\$ 5,818,616

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

**Balance Sheet**  
**Governmental Funds**

June 30, 2021 (in thousands)

<b>ASSETS</b>	<b>General</b>	<b>General Obligation Bond Debt Service</b>	<b>General CIP Construction Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and Investments	\$ 159,869	\$ 2,864	\$ 51,916	\$ 245,412	\$ 460,061
Cash with Fiscal Agent	-	57,067	-	22,855	79,922
Receivable (net of allowance for uncollectibles)					
Interest	692	-	134	215	1,041
Privilege Tax	17,534	-	-	10,016	27,550
Transient Occupancy Tax	-	-	-	1,944	1,944
Property Tax	1,277	1,155	-	93	2,525
State Shared Sales Tax	1,508	-	-	-	1,508
Franchise Fee	3,044	-	-	64	3,108
Court Receivable	9,732	-	-	54	9,786
Highway User Tax	-	-	-	1,623	1,623
Auto Lieu Tax	513	-	-	-	513
Intergovernmental	-	-	-	18,514	18,514
Grants	-	-	-	5,215	5,215
Leases	25,204	-	-	1,300	26,504
Miscellaneous	5,189	-	1,320	4,390	10,899
Due from Other Funds	4,634	-	-	-	4,634
Supplies Inventory	304	-	-	-	304
Total Assets	<u>\$ 229,500</u>	<u>\$ 61,086</u>	<u>\$ 53,370</u>	<u>\$ 311,695</u>	<u>\$ 655,651</u>

(continued)

# Balance Sheet

## Governmental Funds

June 30, 2021 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 5,410	\$ -	\$ 2,119	\$ 13,957	\$ 21,486
Accrued Payroll and Benefits	6,778	-	4	440	7,222
Due to Other Funds	-	-	-	4,634	4,634
Matured Bond Interest Payable	-	6,961	-	3,391	10,352
Matured Bonds Payable	-	50,075	-	16,919	66,994
Unearned Revenue					
Intergovernmental	-	-	-	23,749	23,749
Other	1,738	-	41	688	2,467
Due to Other Governments	4,458	-	-	9	4,467
Guaranty and Other Deposits	2,887	-	-	5	2,892
Other	3,008	-	-	73	3,081
Total Liabilities	<u>24,279</u>	<u>57,036</u>	<u>2,164</u>	<u>63,865</u>	<u>147,344</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	10,134	581	18	22,847	33,580
Leases	23,789	-	-	3,561	27,350
Total Deferred Inflows of Resources	<u>33,923</u>	<u>581</u>	<u>18</u>	<u>26,408</u>	<u>60,930</u>
Total Liabilities and Deferred Inflows of Resources	<u>58,202</u>	<u>57,617</u>	<u>2,182</u>	<u>90,273</u>	<u>208,274</u>
<b>Fund Balances (Deficits)</b>					
Nonspendable	304	-	-	681	985
Restricted	-	3,469	1,041	195,985	200,495
Committed	-	-	50,147	31,556	81,703
Unassigned	170,994	-	-	(6,800)	164,194
Total Fund Balances (Deficits)	<u>171,298</u>	<u>3,469</u>	<u>51,188</u>	<u>221,422</u>	<u>447,377</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 229,500</u>	<u>\$ 61,086</u>	<u>\$ 53,370</u>	<u>\$ 311,695</u>	<u>\$ 655,651</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, 2021 (in thousands)

Fund Balances - Total Governmental Funds	\$ 447,377
Amounts reported for governmental activities in the statement of net position are different because (see Note II.A. for the detailed reconciliation):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	4,643,832
Changes in equity in joint venture are not financial resources; therefore, are not reported in the funds.	1,833
Prepayments, service concession arrangements, leases, and subscription-based information technology arrangements are not financial resources; therefore, are not reported in the funds.	86,992
Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.	129,677
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(1,108,212)
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.	26,947
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>90,180</u>
Net Position of Governmental Activities	<u>\$ 4,318,626</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, 2021 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes - Local					
Property	\$ 33,128	\$ 33,481	\$ -	\$ 3,217	\$ 69,826
Transaction Privilege	149,917	-	-	85,944	235,861
Transient Occupancy	-	-	-	18,013	18,013
Light and Power Franchise	8,254	-	-	202	8,456
Cable TV Franchise	4,204	-	-	-	4,204
Salt River Project In-Lieu	213	-	-	-	213
Other Taxes	946	-	3,263	-	4,209
Taxes - Intergovernmental					
State Shared Sales	30,615	-	-	-	30,615
State Revenue Sharing	36,882	-	-	325	37,207
Auto Lieu Tax	12,246	-	-	-	12,246
Highway User Tax	-	-	-	17,893	17,893
Local Transportation Assistance Fund	-	-	-	642	642
Business and Liquor Licenses	1,665	-	-	43	1,708
Charges for Current Services					
Building and Related Permits	17,408	-	3,647	51	21,106
Recreation Fees	3,833	-	-	2,093	5,926
WestWorld Equestrian Facility Fees	5,536	-	-	42	5,578
Fire Fees	2,092	-	-	-	2,092
Fines, Fees, and Forfeitures					
Court	3,360	-	-	123	3,483
Parking	243	-	-	-	243
Photo Radar	2,347	-	-	-	2,347
Court Enhancement	-	-	-	1,549	1,549
Library	90	-	-	-	90
Police	-	-	-	104	104
Property Rental	4,617	-	-	2,604	7,221
Interest Earnings	4,370	-	461	1,959	6,790
Net Increase/(Decrease) in the Fair Value of Investments	(4,459)	-	-	156	(4,303)
Intergovernmental					
Federal Grants	-	-	-	27,088	27,088
State Grants	-	-	-	359	359
Miscellaneous	4,393	-	-	4,164	8,557
Developer Contributions	-	-	557	2,166	2,723
Streetlight and Services Districts	-	-	-	529	529
Contributions and Donations	-	-	-	4,398	4,398
Reimbursements from Outside Sources	1,550	-	-	571	2,121
Indirect Costs	6,917	-	-	453	7,370
Other	401	-	2	85	488
Total Revenues	\$ 330,768	\$ 33,481	\$ 7,930	\$ 174,773	\$ 546,952

(continued)

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

## Governmental Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>					
Current					
General Government					
Mayor and City Council	\$ 688	\$ -	\$ -	\$ 35	\$ 723
City Clerk	1,246	-	-	-	1,246
City Attorney	6,369	-	201	27	6,597
City Auditor	1,045	-	-	-	1,045
City Court	4,490	-	136	1,568	6,194
City Manager	2,953	-	21	647	3,621
City Treasurer	9,108	-	138	172	9,418
Public Works	21,084	-	213	20,113	41,410
Community and Economic Development	19,722	-	-	11,537	31,259
Public Safety	136,897	-	785	16,072	153,754
Community Services	34,070	-	241	13,723	48,034
Administrative Services	18,070	-	740	497	19,307
Scottsdale AZ CARES	-	-	-	12,974	12,974
Streetlight and Services Districts	-	-	-	545	545
Debt Service					
Principal	1,897	50,075	-	16,983	68,955
Interest and Fiscal Charges	293	12,533	-	7,808	20,634
Bond Issuance Costs	-	1,303	-	442	1,745
Capital Outlay	876	-	18,666	50,875	70,417
Total Expenditures	<u>258,808</u>	<u>63,911</u>	<u>21,141</u>	<u>154,018</u>	<u>497,878</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>71,960</u>	<u>(30,430)</u>	<u>(13,211)</u>	<u>20,755</u>	<u>49,074</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	11,895	31,501	18,368	73,573	135,337
Transfers Out	(54,292)	-	(1,251)	(71,331)	(126,874)
Financing of Leases	122	-	-	-	122
Financing of Subscription-Based Information Technology Arrangements	4,725	-	-	21	4,746
Sale of General Capital Assets	220	-	-	-	220
Issuance of Refunding Bonds	-	168,220	-	71,325	239,545
Issuance of Long-Term Capital-Related Debt	-	230	-	50,930	51,160
Premium on Long-Term Debt Issued	-	130	-	4,070	4,200
Payment to Refunded Bonds Escrow Agent	-	(167,224)	-	(70,878)	(238,102)
Total Other Financing Sources (Uses)	<u>(37,330)</u>	<u>32,857</u>	<u>17,117</u>	<u>57,710</u>	<u>70,354</u>
Net Change in Fund Balances	34,630	2,427	3,906	78,465	119,428
Fund Balances - Beginning	136,668	1,042	47,282	142,957	327,949
Fund Balances - Ending	<u>\$ 171,298</u>	<u>\$ 3,469</u>	<u>\$ 51,188</u>	<u>\$ 221,422</u>	<u>\$ 447,377</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, 2021 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 119,428
Amounts reported for governmental activities in the statement of activities are different because (see Note II.B. for the detailed reconciliation):	
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(9,282)
Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.	295,984
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.	(58,959)
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.	34,117
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.	217
When leases in which the City is the lessee and for subscription-based information technology arrangements used in governmental activities, an expenditure is recorded in the governmental funds for the amount of the present value of the future lease/subsription payments (PVFLP/PVFSP); however, in the statement of activities, the PVFLP/PVFSP is recognized as an intangible asset and amortized over the lease term.	5,456
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.	(52)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(2,418)
Prepayments are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position. This amount represents the current period prepayments that exceed amortization expense.	421
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 long-term effect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period.	7,284
Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refundings.	3,591
When lease assets and service concession arrangement assets (SCAs) are retired, a loss is recognized on the statement of activities.	(257)
The City recognizes an expense in the statement of activities for a long-term contract payable.	(496)
When lease liabilities are retired, a gain is recognized on the statement of activities.	54
The change in net position of the Internal Service Funds is attributed to governmental activities.	5,367
Change in Net Position of Governmental Activities	<u>\$ 400,455</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, 2021 (in thousands)

REVENUES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Taxes - Local						
Property	\$ 33,065	\$ 33,065	\$ 33,128	\$ -	\$ 33,128	\$ 63
Transaction Privilege	122,632	122,632	149,917	-	149,917	27,285
Light and Power Franchise	8,661	8,661	8,254	-	8,254	(407)
Cable TV Franchise	4,206	4,206	4,204	-	4,204	(2)
Salt River Project In-Lieu	232	232	213	-	213	(19)
Other Taxes	943	943	946	-	946	3
Taxes - Intergovernmental						
State Shared Sales	24,525	24,525	30,615	-	30,615	6,090
State Revenue Sharing	37,082	37,082	36,882	-	36,882	(200)
Auto Lieu Tax	10,595	10,595	12,246	-	12,246	1,651
Business and Liquor Licenses	1,791	1,791	1,665	-	1,665	(126)
Charges for Current Services						
Building and Related Permits	16,518	16,518	17,408	-	17,408	890
Recreation Fees	2,830	2,830	3,833	-	3,833	1,003
WestWorld Equestrian Facility Fees	5,046	4,398	5,536	-	5,536	1,138
Fire Fees	1,767	1,767	2,092	-	2,092	325
Fines, Fees, and Forfeitures						
Court	3,379	3,379	3,360	-	3,360	(19)
Parking	282	282	243	-	243	(39)
Photo Radar	2,656	2,656	2,347	-	2,347	(309)
Library	252	252	90	-	90	(162)
Property Rental	3,326	3,974	4,878	(261)	4,617	904
Interest Earnings	3,506	3,506	3,441	929	4,370	(65)
Net Decrease in the Fair Value of Investments	-	-	-	(4,459)	(4,459)	-
Intergovernmental						
Miscellaneous	4,094	4,094	4,393	-	4,393	299
Reimbursements from Outside Sources	1,473	1,473	1,550	-	1,550	77
Indirect Costs	6,967	6,967	6,917	-	6,917	(50)
Other	422	422	401	-	401	(21)
Total Revenues	\$ 296,250	\$ 296,250	\$ 334,559	\$ (3,791)	\$ 330,768	\$ 38,309

(continued)

# General Fund

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

For the Fiscal Year Ended June 30, 2021 (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	\$ 845	\$ 825	\$ 687	\$ 1	\$ 688	\$ 138
City Clerk	1,194	1,373	1,247	(1)	1,246	126
City Attorney	6,554	6,668	6,347	22	6,369	321
City Auditor	1,103	1,121	1,043	2	1,045	78
City Court	4,550	4,526	4,479	11	4,490	47
City Manager	3,910	3,980	2,946	7	2,953	1,034
City Treasurer	9,992	9,751	9,284	(176)	9,108	467
Public Works	22,970	22,568	21,510	(426)	21,084	1,058
Community and Economic Development	20,077	19,906	19,717	5	19,722	189
Public Safety	141,427	141,797	137,182	(285)	136,897	4,615
Community Services	39,236	38,684	34,043	27	34,070	4,641
Administrative Services	13,462	20,108	19,341	(1,271)	18,070	767
Debt Service						
Principal	154	154	154	1,743	1,897	-
Interest and Fiscal Charges	223	223	223	70	293	-
Capital Outlay	-	-	-	876	876	-
Total Expenditures	<u>265,697</u>	<u>271,684</u>	<u>258,203</u>	<u>605</u>	<u>258,808</u>	<u>13,481</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>30,553</u>	<u>24,566</u>	<u>76,356</u>	<u>(4,396)</u>	<u>71,960</u>	<u>51,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	10,030	10,030	11,895	-	11,895	1,865
Transfers Out	(19,674)	(19,674)	(54,292)	-	(54,292)	(34,618)
Financing of Leases	-	-	122	-	122	122
Financing of Service-Based Information Technology Arrangements	-	-	4,725	-	4,725	4,725
Sale of General Capital Assets	132	132	220	-	220	88
Total Other Financing Sources (Uses)	<u>(9,512)</u>	<u>(9,512)</u>	<u>(37,330)</u>	<u>-</u>	<u>(37,330)</u>	<u>(27,818)</u>
Net Change in Fund Balances	<u>\$ 21,041</u>	<u>\$ 15,054</u>	<u>\$ 39,026</u>	<u>\$ (4,396)</u>	<u>\$ 34,630</u>	<u>\$ 23,972</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, 2021 (in thousands)

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#### Explanation of Differences:

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

Amortized Lease Revenue	\$ (261)
Lease Interest Revenue	929
Net Decrease in the Fair Value of Investments	<u>(4,459)</u>
Total Revenue Adjustments	(3,791)

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

Payroll Accrual and Compensated Absences	<u>605</u>
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Net Decrease in Fund Balance - Budget to GAAP \$ (4,396)

Differences in Presentation between Budget and GAAP Basis:

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

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

## Statement of Fund Net Position

### Proprietary Funds

June 30, 2021 (in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Assets</b>					
Current Assets					
Cash and Investments	\$ 213,856	\$ 3,500	\$ 7,888	\$ 225,244	\$ 65,609
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	29	-	29	-
Charges for Services	18,403	-	2,591	20,994	-
Intergovernmental	-	422	-	422	-
Leases	-	1,053	-	1,053	-
Interest	747	28	43	818	-
Miscellaneous	2,022	359	-	2,381	299
Supplies Inventory	-	-	-	-	1,067
Restricted Cash, Cash Equivalents, and Investments					
Cash with Fiscal Agent	26,901	1,288	-	28,189	-
Customer Advances and Deposits	1,128	336	-	1,464	-
Prepaid Items	988	-	-	988	582
Other Restricted Items					
Joint Venture Construction Deposits	2,853	-	-	2,853	-
Total Current Assets	266,898	7,015	10,522	284,435	67,557
Noncurrent Assets					
Long-Term Receivables	1,648	23,505	-	25,153	-
Equity in Joint Ventures	84,902	5	55	84,962	3
Pollution Remediation Recoveries	49,855	-	-	49,855	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	3,023	-	-	3,023	-
Advanced Lease Payments	-	1,067	-	1,067	-
Water and Sewer System Replacement	44,051	-	-	44,051	-
Revenue Bond Reserve	4,692	-	-	4,692	-
Capital Assets					
Land	41,353	9,564	1,111	52,028	-
Water Rights	87,171	-	-	87,171	-
Water System	1,382,743	-	-	1,382,743	-
Sewer System	682,229	-	-	682,229	-
Buildings and Improvements	-	72,811	7,004	79,815	16,325
Motor Vehicles	-	1,151	-	1,151	90,988
Machinery and Equipment	7,453	813	385	8,651	6,152
Furniture and Fixtures	1,574	220	131	1,925	-
Construction in Progress	54,437	3,229	64	57,730	8
Subscription-Based Information Technology Arrangements	99	59	9	167	168
Less Accumulated Depreciation/Amortization	(896,327)	(15,515)	(3,914)	(915,756)	(55,154)
Total Capital Assets (net of accumulated depreciation/amortization)	1,360,732	72,332	4,790	1,437,854	58,487
Total Noncurrent Assets	1,548,903	96,909	4,845	1,650,657	58,490
Total Assets	1,815,801	103,924	15,367	1,935,092	126,047
<b>Deferred Outflows of Resources</b>					
Deferred Amounts on Refundings	14,011	-	-	14,011	-
Pension-Related Amounts	4,935	309	1,490	6,734	1,063
Total Deferred Outflows of Resources	\$ 18,946	\$ 309	\$ 1,490	\$ 20,745	\$ 1,063

(continued)

## Statement of Fund Net Position

### Proprietary Funds

June 30, 2021 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	\$ 14,407	\$ 710	\$ 396	\$ 15,513	\$ 2,592
Accrued Payroll and Benefits	739	47	229	1,015	171
Accrued Compensated Absences - Current	-	-	-	-	1
Accrued Compensated Absences - Due within one year	1,234	99	351	1,684	236
Unearned Revenue	-	-	-	-	12
Due to Other Funds	-	-	-	-	-
Customer Advances and Deposits	1,128	336	-	1,464	-
Interest Payable	5,178	433	-	5,611	-
Matured Bonds and Other Payables	21,723	855	-	22,578	-
Bonds Payable and Other Payables - Due within one year	21,355	900	-	22,255	7,880
Subscription - Due within one year	14	29	3	46	83
Other Liabilities	-	-	-	-	4
Total Current Liabilities	65,778	3,409	979	70,166	10,979
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,644	187	501	2,332	268
Advanced Construction Payments	3,023	-	-	3,023	-
Advanced Lease Payments	-	1,067	-	1,067	-
Net Pension Liabilities	27,728	1,713	8,307	37,748	5,986
Bonds, Loans, and Other Payables - Due in more than one year	251,646	20,868	-	272,514	15,101
Pollution Remediation Obligation	49,855	-	-	49,855	-
Subscription - Due in more than one year	20	-	4	24	-
Total Noncurrent Liabilities	333,916	23,835	8,812	366,563	21,355
Total Liabilities	399,694	27,244	9,791	436,729	32,334
<b>Deferred Inflows of Resources</b>					
Pension-Related Amounts	46	3	14	63	10
Leases	13	23,628	-	23,641	-
Total Deferred Inflows of Resources	59	23,631	14	23,704	10
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,101,708	50,535	4,783	1,157,026	58,404
Restricted for Water and Sewer System Replacement	44,051	-	-	44,051	-
Restricted for Debt Service	4,692	-	-	4,692	-
Restricted for Joint Venture Construction Deposits	2,853	-	-	2,853	-
Unrestricted	281,690	2,823	2,269	286,782	36,362
Total Net Position	\$ 1,434,994	\$ 53,358	\$ 7,052	\$ 1,495,404	\$ 94,766

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, 2021 (in thousands)

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Total Enterprise Fund Net Position	\$ 1,495,404
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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.

4,586
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Net Position of Business-type Activities
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<u>\$ 1,499,990</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, 2021 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for Sales and Services					
Water Service Fees	\$ 115,997	\$ -	\$ -	\$ 115,997	\$ -
Sewer Service Fees	42,037	-	-	42,037	-
Proprietary - Non-potable water fees	14,041	-	-	14,041	-
Solid Waste Fees	-	-	25,490	25,490	-
Airport Fees	-	7,587	-	7,587	-
Other Services	-	-	-	-	63,298
Other	4,159	108	42	4,309	4,811
Total Operating Revenues	<u>176,234</u>	<u>7,695</u>	<u>25,532</u>	<u>209,461</u>	<u>68,109</u>
<b>OPERATING EXPENSES</b>					
Costs for Sales and Services					
Water Operations	57,574	-	-	57,574	-
Sewer Operations	31,347	-	-	31,347	-
Solid Waste Operations	-	-	22,177	22,177	-
Airport Operations	-	2,879	-	2,879	-
Other Services	-	-	-	-	56,457
Indirect Costs	5,131	555	1,684	7,370	-
Depreciation/Amortization	56,313	2,721	346	59,380	10,049
Total Operating Expenses	<u>150,365</u>	<u>6,155</u>	<u>24,207</u>	<u>180,727</u>	<u>66,506</u>
Operating Income	<u>25,869</u>	<u>1,540</u>	<u>1,325</u>	<u>28,734</u>	<u>1,603</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Transaction Privilege Tax	-	177	-	177	-
Property Tax	-	-	-	-	1,829
Investment Income	839	17	14	870	-
Interest Expense	(9,824)	(783)	-	(10,607)	-
Loss on Sale of Capital Assets	(914)	(97)	(266)	(1,277)	(912)
Net Non-Operating Revenues (Expenses)	<u>(9,899)</u>	<u>(686)</u>	<u>(252)</u>	<u>(10,837)</u>	<u>917</u>
Income Before Contributions and Transfers	<u>15,970</u>	<u>854</u>	<u>1,073</u>	<u>17,897</u>	<u>2,520</u>
Capital Contributions	32,986	1,587	-	34,573	2,131
Transfers In	-	-	-	-	88
Transfers Out	(8,546)	-	-	(8,546)	(5)
Change in Net Position	<u>40,410</u>	<u>2,441</u>	<u>1,073</u>	<u>43,924</u>	<u>4,734</u>
Total Net Position - Beginning	<u>1,394,584</u>	<u>50,917</u>	<u>5,979</u>	<u>1,451,480</u>	<u>90,032</u>
Total Net Position - Ending	<u>\$ 1,434,994</u>	<u>\$ 53,358</u>	<u>\$ 7,052</u>	<u>\$ 1,495,404</u>	<u>\$ 94,766</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, 2021 (in thousands)

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Net Change in Total Enterprise Fund Net Position	\$ 43,924
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Amounts reported for business-type activities in the government-wide statement of net position are different because:

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

(633)

Change in Net Position of Business-type Activities	<u>\$ 43,291</u>
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The notes to the financial statements are an integral part of this statement.

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2021 (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>
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$ 172,500	\$ 7,305	\$ 25,277	\$ 205,082	\$ 63,317
Cash Payments to Suppliers for Goods/Services	(61,543)	(1,976)	(15,988)	(79,507)	(49,509)
Cash Payments to Employees for Services	(22,828)	(1,427)	(7,884)	(32,139)	(5,704)
Other Cash Receipts	4,026	108	42	4,176	4,811
Net Cash Provided by (Used for) Operating Activities	<u>92,155</u>	<u>4,010</u>	<u>1,447</u>	<u>97,612</u>	<u>12,915</u>
<b>Cash Flows from Non-Capital Financing Activities</b>					
Property Tax	-	-	-	-	1,829
Transaction Privilege Tax	-	177	-	177	-
Transfers In	-	-	-	-	88
Transfers Out	(8,546)	-	-	(8,546)	(5)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(8,546)</u>	<u>177</u>	<u>-</u>	<u>(8,369)</u>	<u>1,912</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Contributions from:					
Water and Sewer Development Fees	5,417	-	-	5,417	-
Capital Grants	-	1,259	-	1,259	-
Acquisition and Construction of Property and Equipment	(57,816)	(7,074)	(470)	(65,360)	(7,129)
Water and Sewer Development Fee Credit Agreements	(160)	-	-	(160)	-
Principal Payments on Capital Debt and Other Payables	(9,452)	(786)	-	(10,238)	-
Interest Paid on Capital Debt	(22,745)	(887)	-	(23,632)	-
Investment in Joint Venture	(4,702)	-	(14)	(4,716)	-
Sale of Capital Assets	-	-	-	-	845
Net Cash Used for Capital and Related Financing Activities	<u>(89,458)</u>	<u>(7,488)</u>	<u>(484)</u>	<u>(97,430)</u>	<u>(6,284)</u>
<b>Cash Flows from Investing Activities</b>					
Income Received on Investments	976	19	17	1,012	-
Net Cash Provided by Investing Activities	<u>976</u>	<u>19</u>	<u>17</u>	<u>1,012</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,873)	(3,282)	980	(7,175)	8,543
Cash and Cash Equivalents at Beginning of Year	<u>298,524</u>	<u>9,473</u>	<u>6,908</u>	<u>314,905</u>	<u>57,066</u>
Cash and Cash Equivalents at End of Year	<u>\$ 293,651</u>	<u>\$ 6,191</u>	<u>\$ 7,888</u>	<u>\$ 307,730</u>	<u>\$ 65,609</u>

(continued)

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Cash and Cash Equivalents at End of Year includes:</b>					
Cash and Investments	\$ 213,856	\$ 3,500	\$ 7,888	\$ 225,244	\$ 65,609
Cash with Fiscal Agent	26,901	1,288	-	28,189	-
Restricted Cash and Investments	52,894	1,403	-	54,297	-
Total Cash and Cash Equivalents	<u>\$ 293,651</u>	<u>\$ 6,191</u>	<u>\$ 7,888</u>	<u>\$ 307,730</u>	<u>\$ 65,609</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</b>					
Cash Flows from Operating Activities					
Operating Income	\$ 25,869	\$ 1,540	\$ 1,325	\$ 28,734	\$ 1,603
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Depreciation/Amortization	56,313	2,721	346	59,380	10,049
Current Year Pension Contributions	(1,998)	(127)	(610)	(2,735)	(429)
Change in Equity in Joint Ventures	7,272	-	11	7,283	-
Change in Accounts Receivable	(225)	24	(213)	(414)	54
Change in Lease Receivable	-	328	-	328	-
Change in Miscellaneous Receivable	268	-	-	268	-
Change in Intergovernmental Receivable	244	-	-	244	-
Change in Inventories	-	-	-	-	(462)
Change in Prepaid Expense	303	-	-	303	-
Change in Customer Deposits	125	232	-	357	-
Change in Accounts Payable	876	(54)	(85)	737	623
Change in Unearned Revenue	-	-	-	-	12
Change in Accrued Payroll and Compensated Absences	85	30	107	222	-
Change in Claims Payable	-	-	-	-	1,008
Change in Advanced Payments	(133)	(100)	-	(233)	-
Change in Net Pension Liability	5,090	302	1,167	6,559	886
Change in Deferred Inflows of Resources Leases	13	(766)	-	(753)	-
Change in Deferred Outflows of Resources Related to Pensions	(428)	(25)	(121)	(574)	(87)
Change in Deferred Inflows of Resources Related to Pensions	(1,519)	(95)	(480)	(2,094)	(342)
Total Adjustments	<u>66,286</u>	<u>2,470</u>	<u>122</u>	<u>68,878</u>	<u>11,312</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 92,155</u>	<u>\$ 4,010</u>	<u>\$ 1,447</u>	<u>\$ 97,612</u>	<u>\$ 12,915</u>
<b>Supplemental Disclosure of Non-Cash Financing Activities</b>					
Contributions of Capital Assets from Developers	\$ 27,729	\$ -	\$ -	\$ 27,729	\$ -
Change in Equity in Joint Venture	(5,022)	-	(11)	(5,033)	-
Contributions of Capital Assets from Other Funds	-	-	-	-	2,131
Retirement of Assets	(914)	(97)	(266)	(1,277)	8
Total Non-Cash Financing Activities	<u>\$ 21,793</u>	<u>\$ (97)</u>	<u>\$ (277)</u>	<u>\$ 21,419</u>	<u>\$ 2,139</u>

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

## B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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

The government reports the following major governmental funds:

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

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

The *General CIP Construction Capital Projects Fund* is used to account for and report financial resources that are committed 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 *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.

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including water, sewer, airport, solid waste, vehicle purchase/maintenance, computer replacement, and 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; and 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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.

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

### 5. Capital Assets

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

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

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

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

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

### 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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, 2021. The medical leave conversion and vacation pay amounts are accrued in the government-wide and proprietary fund financial statements. A liability for the current amount of compensated absences is recorded as a current liability as of June 30, 2021, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2021, 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for this category: deferred amounts on refundings, pension-related amounts, and other postemployment benefits (OPEB)-related amounts.

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

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

In addition to liabilities, the government-wide and fund financial statements include a section for deferred inflows of resources. This represents an acquisition of fund balance or net position that applies to a future period(s) and 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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

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

### **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.

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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

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

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

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

## 12. Net Position

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

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

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

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

## 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.



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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## E. Implementation of New Accounting Principles

### 1. Governmental Accounting Standards Board Statement No. 93

The City adopted the provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement established accounting and financial reporting requirements related to the replacement of interbank offered rates, most notably London Interbank Offered Rate, in hedging derivative instruments and leases. This pronouncement did not impact the preparation of these financial statements.

### 2. Governmental Accounting Standards Board Statement No. 96

The City adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

## 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, \$447,377,000, differ from the net position of governmental activities, \$4,318,626,000 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows <sup>(1)</sup>	Internal Service Funds <sup>(2)</sup>	Reclassifications and Eliminations <sup>(3)</sup>	Statement of Net Position Total
Assets					
Cash and Investments	\$ 460,061	\$ -	\$ 65,609	\$ -	\$ 525,670
Cash with Fiscal Agent	79,922	-	-	-	79,922
Receivables (net of allowance for uncollectibles)					
Interest	1,041	-	-	-	1,041
Privilege Tax	27,550	-	-	-	27,550
Transient Occupancy Tax	1,944	-	-	-	1,944
Property Tax	2,525	-	-	-	2,525
State Shared Sales Tax	1,508	-	-	-	1,508
Franchise Fee	3,108	-	-	-	3,108
Court	9,786	-	-	-	9,786
Highway User Tax	1,623	-	-	-	1,623
Auto Lieu Tax	513	-	-	-	513
Intergovernmental	18,514	-	-	-	18,514
Grants	5,215	-	-	-	5,215
Leases	26,504	-	-	-	26,504
Miscellaneous	10,899	-	299	-	11,198
Due from Other Funds	4,634	-	-	(4,634)	-
Supplies Inventory	304	-	1,067	-	1,371
Prepaid Items	-	-	582	-	582
Capital Assets (net of accumulated depreciation)	-	4,643,832	58,402	-	4,702,234
Equity in Joint Venture	-	1,833	3	-	1,836
Lease Assets (net of accumulated amortization)	-	1,652	-	-	1,652
Subscription-Based Information Technology Arrangements (net of accumulated amortization)	-	4,913	85	-	4,998
Prepayments	-	26,085	-	-	26,085
Service Concession Arrangements	-	54,342	-	-	54,342
Total Assets	<u>655,651</u>	<u>4,732,657</u>	<u>126,047</u>	<u>(4,634)</u>	<u>5,509,721</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	-	22,462	-	-	22,462
Pension-Related Amounts	-	106,789	1,063	-	107,852
OPEB-Related Amounts	-	426	-	-	426
Total Deferred Outflows of Resources	<u>-</u>	<u>129,677</u>	<u>1,063</u>	<u>-</u>	<u>130,740</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 655,651</u>	<u>\$ 4,862,334</u>	<u>\$ 127,110</u>	<u>\$ (4,634)</u>	<u>\$ 5,640,461</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 <sup>(1)</sup>	Internal Service Funds <sup>(2)</sup>	Reclassifications and Eliminations <sup>(3)</sup>	Statement of Net Position Total
Liabilities					
Accounts Payable	\$ 21,486	\$ -	\$ 2,592	\$ -	\$ 24,078
Accrued Payroll and Benefits	7,222	(3)	171	-	7,390
Due to Other Funds	4,634	-	4,586	(4,634)	4,586
Accrued Compensated Absences - Current	-	3	1	-	4
Accrued Compensated Absences - Due within one year	-	12,150	236	-	12,386
Accrued Compensated Absences - Due in more than one year	-	17,253	268	-	17,521
Subscription - Due within one year	-	996	83	-	1,079
Matured Bond Interest Payable	10,352	-	-	-	10,352
Matured Bonds Payable	66,994	-	-	-	66,994
Unearned Revenue					
Intergovernmental	23,749	-	-	-	23,749
Other	2,467	-	12	-	2,479
Due to Other Governments	4,467	-	-	-	4,467
Guaranty and Other Deposits	2,892	-	-	-	2,892
Other	3,081	-	4	-	3,085
Bonds, Loans, Capital Leases, and Other Payables	-	1,077,813	28,967	-	1,106,780
Total Liabilities	<u>147,344</u>	<u>1,108,212</u>	<u>36,920</u>	<u>(4,634)</u>	<u>1,287,842</u>
Deferred Inflows of Resources					
Unavailable Revenue	33,580	(33,580)	-	-	-
Leases	27,350	-	-	-	27,350
Pension-Related Amounts	-	5,518	10	-	5,528
OPEB-Related Amounts	-	1,115	-	-	1,115
Total Deferred Inflows of Resources	<u>60,930</u>	<u>(26,947)</u>	<u>10</u>	<u>-</u>	<u>33,993</u>
Total Liabilities and Deferred Inflows of Resources	<u>208,274</u>	<u>1,081,265</u>	<u>36,930</u>	<u>(4,634)</u>	<u>1,321,835</u>
Fund Balances/Net Position					
Total Fund Balances/Net Position	<u>447,377</u>	<u>3,781,069</u>	<u>90,180</u>	<u>-</u>	<u>4,318,626</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	<u>\$ 655,651</u>	<u>\$ 4,862,334</u>	<u>\$ 127,110</u>	<u>\$ (4,634)</u>	<u>\$ 5,640,461</u>

(continued)

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

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

Cost of capital assets	\$ 6,328,665
Accumulated depreciation	<u>(1,684,833)</u>
	<u>\$ 4,643,832</u>

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

	<u>\$ 1,833</u>
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Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid such as long-term prepayments, while others arise from the incurrence of long-term liabilities or the receipt of capital assets from elsewhere within the City, such as service concession arrangements (SCAs), leases, and subscription-based information technology arrangements (SBITAs). These assets are capitalized and amortized over the life of the corresponding agreement.

Prepayments at 7/1/20	\$ 25,664
Prepayments for fiscal year 2021	1,388
Amortization of prepayments	<u>(967)</u>
	<u>\$ 26,085</u>

SCAs at 7/1/20	\$ 55,421
Land improvements net additions for SCAs	3,559
Amortization of SCAs	<u>(4,638)</u>
	<u>\$ 54,342</u>

Leases at 7/1/20	\$ 2,295
Leases for fiscal year 2021	122
Loss on retirement	(53)
Amortization of leases	<u>(712)</u>
	<u>\$ 1,652</u>

SBITAs at 7/1/20	\$ 638
SBITAs for fiscal year 2021	5,334
Amortization of SBITAs	<u>(1,059)</u>
	<u>\$ 4,913</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/OPEB plan by the employer subsequent to the measurement date of the net pension liability/net OPEB liability and before the end of the reporting period.

Deferred amounts on refundings	\$ 22,462
Pension-related amounts	106,789
OPEB-related amounts	426
	<u>\$ 129,677</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, 2021, were:

Leases	\$ (1,799)
Bonds	(655,791)
Service concession arrangements	(1,914)
Subscription-based information technology arrangements	(4,304)
Contracts Payable	(451)
Issuance premium	(34,778)
Accrued vacation and sick leave pay	(29,403)
Total OPEB liability	(1,923)
Net pension liabilities	(377,849)
	<u>\$ (1,108,212)</u>

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

Unavailable court revenue	\$ 3,481
Unavailable property tax revenue	1,180
Unavailable privilege tax revenue	7,521
Unavailable transient occupancy tax revenue	510
Unavailable intergovernmental revenue	18,772
Unavailable other revenue	2,116
	<u>\$ 33,580</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	\$ (5,518)
OPEB-related amounts	(1,115)
	<u>\$ (6,633)</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.

\$ 90,180

(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 \$ (4,634)

Reduction of amount due to other governmental fund \$ 4,634

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

**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, \$119,428,000, differs from the change in net position for the governmental activities, \$400,455,000 reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated in the next table.

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

(in thousands)

REVENUES	Total Governmental Funds	Long-Term Revenue/ Expenses <sup>(4)</sup>	Capital Related Items <sup>(5)</sup>	Internal Service Funds <sup>(6)</sup>	Reclassifications and Eliminations <sup>(7)</sup>	Long-Term Debt Transactions <sup>(8)</sup>	Statement of Activities
Taxes - Local							
Property	\$ 69,826	\$ (399)	\$ -	\$ 1,829	\$ -	\$ -	\$ 71,256
Transaction Privilege	235,861	2,112	-	-	-	-	237,973
Transient Occupancy	18,013	343	-	-	-	-	18,356
Light and Power Franchise	8,456	322	-	-	-	-	8,778
Cable TV Franchise	4,204	(8)	-	-	-	-	4,196
Salt River Project In-Lieu	213	-	-	-	-	-	213
Other Taxes	4,209	45	-	-	-	-	4,254
Taxes - Intergovernmental							
State Shared Sales	30,615	-	-	-	-	-	30,615
State Revenue Sharing	37,207	-	-	-	-	-	37,207
Auto Lieu Tax	12,246	-	-	-	-	-	12,246
Highway User Tax	17,893	-	-	-	-	-	17,893
Local Transportation Assistance Fund	642	-	-	-	-	-	642
Business and Liquor Licenses	1,708	(240)	-	-	-	-	1,468
Charges for Current Services							
Building and Related Permits	21,106	(3,605)	-	-	(44)	-	17,457
Recreation Fees	5,926	(1)	-	-	-	-	5,925
WestWorld Equestrian Facility Fees	5,578	(106)	-	-	-	-	5,472
Fire Fees	2,092	(23)	-	-	-	-	2,069
Fines, Fees, and Forfeitures							
Court	3,483	(234)	-	-	-	-	3,249
Parking	243	(24)	-	-	-	-	219
Photo Radar	2,347	(13)	-	-	-	-	2,334
Court Enhancement	1,549	-	-	-	-	-	1,549
Library	90	(149)	-	-	-	-	(59)
Police	104	-	-	-	-	-	104
Property Rental	7,221	(45)	-	-	-	-	7,176
Interest Earnings	6,790	-	-	-	-	-	6,790
Net Decrease in Fair Value of Investments	(4,303)	-	-	-	-	-	(4,303)
Intergovernmental							
Federal Grants	27,088	(531)	-	-	-	-	26,557
State Grants	359	20	-	-	-	-	379
Miscellaneous	8,557	724	-	-	-	-	9,281
Developer Contributions	2,723	(1,275)	-	-	-	-	1,448
Streetlight and Services Districts	529	-	-	-	-	-	529
Contributions and Donations	4,398	-	-	-	-	-	4,398
Reimbursements from Outside Sources	2,121	640	-	-	-	-	2,761
Indirect Costs	7,370	-	-	-	-	-	7,370
Other	488	(30)	-	-	(8)	-	450
Total Revenues	\$ 546,952	\$ (2,477)	\$ -	\$ 1,829	\$ (52)	\$ -	\$ 546,252

(continued)

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

(in thousands)

EXPENDITURES/EXPENSES	Total Governmental Funds	Long-Term Revenue/ Expenses <sup>(4)</sup>	Capital Related Items <sup>(5)</sup>	Internal Service Funds <sup>(6)</sup>	Reclassifications and Eliminations <sup>(7)</sup>	Long-Term Debt Transactions <sup>(8)</sup>	Statement of Activities
Current							
General Government							
Mayor and City Council	\$ 723	\$ 18	\$ -	\$ (16)	\$ -	\$ -	\$ 725
City Clerk	1,246	(31)	2	(8)	-	-	1,209
City Attorney	6,597	324	15	(76)	-	-	6,860
City Auditor	1,045	33	-	(9)	-	-	1,069
City Court	6,194	135	51	(82)	-	-	6,298
City Manager	3,621	166	6	(27)	-	-	3,766
City Treasurer	9,418	353	37	(112)	(8)	-	9,688
Public Works	41,410	911	58,103	39	(12)	254	100,705
Community and Economic Development	31,259	1,433	3,239	(140)	(44)	252	35,999
Public Safety	153,754	15,101	4,662	(1,349)	(67)	40	172,141
Community Services	48,034	5,906	9,913	(259)	-	1,175	64,769
Administrative Services	19,307	(3,681)	3,671	(132)	-	24	19,189
Scottsdale AZ CARES	12,974	(1,167)	-	(65)	-	-	11,742
Streetlight and Services Districts	545	-	-	-	-	-	545
Debt Service							
Principal	68,955	-	-	-	-	(68,955)	-
Interest and Fiscal Charges	20,634	-	-	-	-	(3,591)	17,043
Bond Issuance Costs	1,745	-	-	-	-	(1,745)	-
Capital Outlay	70,417	-	(70,417)	-	-	-	-
Total Expenditures/Expenses	<u>\$ 497,878</u>	<u>\$ 19,501</u>	<u>\$ 9,282</u>	<u>\$ (2,236)</u>	<u>\$ (131)</u>	<u>\$ (72,546)</u>	<u>\$ 451,748</u>
<b>OTHER FINANCING SOURCES (USES) / CHANGES IN NET POSITION</b>							
Net Transfers from Other Funds	\$ 8,463	\$ -	\$ -	\$ 83	\$ -	\$ -	\$ 8,546
Capital Contributions	-	-	295,984	2,131	(79)	-	298,036
Financing of Leases	122	-	-	-	-	(122)	-
Financing of Subscription-Based Information Technology Arrangements	4,746	-	-	-	-	(4,746)	-
Sale of General Capital Assets	220	7	-	(912)	-	-	(685)
Issuance of Refunding Bonds	239,545	-	-	-	-	(239,545)	-
Issuance of Long-Term Capital-Related Debt	51,160	-	-	-	-	(51,160)	-
Premium on Long-Term Debt Issued	4,200	-	-	-	-	(4,200)	-
Gain on Retirement of Lease Liability	-	-	-	-	-	54	54
Payment to Refunded Bonds Escrow Agent	(238,102)	-	-	-	-	238,102	-
Total	<u>70,354</u>	<u>7</u>	<u>295,984</u>	<u>1,302</u>	<u>(79)</u>	<u>(61,617)</u>	<u>305,951</u>
Net Change for the Year	<u>\$ 119,428</u>	<u>\$ (21,971)</u>	<u>\$ 286,702</u>	<u>\$ 5,367</u>	<u>\$ -</u>	<u>\$ 10,929</u>	<u>\$ 400,455</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	\$ 2,415
Charges for Services/Licenses	(3,975)
Fines, Fees, and Forfeitures	(420)
Intergovernmental	265
Other	(703)
	<u>\$ (2,418)</u>

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

Long-term subscription prepayment	\$ 1,388
Amortization of long-term prepaid leases	(967)
	<u>\$ 421</u>

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

Accrual for long-term compensated absences	\$ (1,998)
OPEB expense	(263)
Pension expense	(50,236)
Change in equity interest for joint venture	(53)
Amortization of service concession arrangements	(4,638)
Amortization of leased assets	(712)
Amortization of subscription-based information technology arrangements	(1,059)
	<u>\$ (58,959)</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	\$ 33,980
Current-year OPEB contributions	137
	<u>\$ 34,117</u>

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

	<u>\$ 217</u>
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(continued)

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

(in thousands)

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

Capitalized leases	\$ 122
Capitalized SBITAs	5,334
	\$ 5,456

When lease assets and service concession arrangement assets (SCAs) are retired, a loss is recognized on the statement of activities.

Lease retirements	\$ (53)
SCA retirements	(204)
	\$ (257)

At the inception of a contract payable, the City recognizes an expense in the statement of activities.

	\$ (496)
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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.

	\$ (52)
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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	\$ 70,417
Depreciation expense	(79,003)
Loss on disposal of capital assets	(696)
	\$ (9,282)

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	\$ 295,984
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(continued)

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

(in thousands)

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

Change in net position	\$ 4,734
Internal payable to Enterprise Fund	633
	\$ 5,367

(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	\$ (131)
Reduction in expenditures/expenses - Governmental Funds	131
	\$

(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. 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	\$ 68,955
Payment to refunded bond escrow - funded by refunding bonds	238,102
	\$ 307,057

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

Amortization of deferred charges on refundings	\$ (3,569)
Interest accretion related to leases	(41)
Amortization of bond premiums and discounts	7,201
	\$ 3,591

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

Lease acquisitions	\$ (122)
Subscription-based information technology arrangements	(4,746)
Refunding bonds	(239,545)
Long-Term capital-related debt	(51,160)
Premium on bonds	(4,200)
	\$ (299,773)

When lease liabilities are retired, a gain is recognized on the statement of activities.

	\$ 54
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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budget and Budgetary Accounting

The City prepared an annual budget that covered fiscal year 2021. The fiscal year 2021 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, Tourism Development, and Stadium Facility) and Debt Service Funds (except for the Community Facilities Districts and the Debt Service Stabilization Funds); therefore, these funds have appropriated budgets, and budget to actual information is presented.

Community Facilities Districts Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, and Permanent Funds have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds. Budgets for the Community Development Block Grant, HOME, Grants, and 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 Permanent Funds are established in accordance with endowment requirements.

On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption 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 2021, there were no supplemental budgetary appropriations to the original budget.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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 Section 8 Special Revenue Fund and the Preserve Privilege Tax Special Revenue Fund exceeded their expenditure appropriation by \$325,000 and \$3,000, 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 \$97,000, \$1,707,000, and \$2,003,000, 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. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These pending reimbursements will be recognized as revenue when received.

The Preserve Privilege Tax Capital Projects Fund had a deficit ending fund balance of \$494,000 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, 2021

(in thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Inventory	\$ 304	\$ -	\$ -	\$ -	\$ 304
Endowment Funds	-	-	-	681	681
Total Nonspendable	304	-	-	681	985
<b>Restricted</b>					
Property Tax for Debt Service	-	3,469	-	-	3,469
Transaction Privilege and Highway User Tax for Transportation Improvements	-	-	-	32,043	32,043
Federal Grants for the Community Development Block Grant Program	-	-	-	144	144
Federal Grants for Section 8 Housing	-	-	-	624	624
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	56,598	56,598
Property Tax for Community Facility Districts	-	-	-	546	546
Property Tax Levy for the Streetlight Improvement Districts	-	-	-	57	57
Contributions for Mayor/City Council Special Events and Programs	-	-	-	3	3
Court Fees for City Court Improvements to Facilities and Operations	-	-	-	2,298	2,298
Contributions for City Court Jury Program Refreshments	-	-	-	7	7
APS Improvement District Fees for Underground Utility Upgrades	-	-	-	36	36
Contributions for Community and Economic Development	-	-	-	49	49
Disbursements from AZ State Crime Laboratory Assessment Fund for Crime Lab Services	-	-	-	125	125
Annual Payment from IGA with the SRP-MIC for Forensic Lab Services	-	-	-	396	396
Contributions for the Fire Department	-	-	-	4	4
Contributions for the Police Department	-	-	-	89	89
Fees for Police Officer Safety Equipment	-	-	-	148	148
Contributions for the School Resource Officers Crisis Canine Program	-	-	-	22	22
Contributions for the Scottsdale Cares Program	-	-	-	182	182
Contributions for Human Services	-	-	-	19	19
Facility/Recreation Fees for Senior Center Special Programs	-	-	-	11	11
Contributions for Parks and Recreation	-	-	-	55	55
Contributions for the Libraries	-	-	-	91	91
Disbursements from Endowments for the Librarians	-	-	-	18	18
Disbursements from the Smart and Safe AZ Fund for the Fire Department	-	-	-	99	99
Disbursements from the Smart and Safe AZ Fund for the Police Department	-	-	-	226	226
Attendee Fees for Westworld User Area Improvements	-	-	-	42	42
Contributions for Stadium Operations	-	-	-	3,817	3,817
Stadium Surcharge for Debt Service	-	-	-	2,372	2,372
Basin Management Property Rental Revenue for Capital Improvements	-	-	1,041	-	1,041
GO Bond Proceeds for Capital Improvements	-	-	-	29,655	29,655
Transaction Privilege Tax for Transportation Capital Improvements	-	-	-	62,411	62,411
MPC Bond Proceeds for Capital Improvements	-	-	-	1,598	1,598
External Contributions for Capital Improvements	-	-	-	2,173	2,173
Endowment Funds	-	-	-	27	27
Total Restricted	-	3,469	1,041	195,985	200,495
<b>Committed</b>					
General Fund Contribution for Capital Improvements	-	-	36,362	-	36,362
In-Lieu Parking Fees for Parking Projects	-	-	381	-	381
In-Lieu Stormwater Fees for Drainage Improvements	-	-	451	-	451
Tourism Development Capital Projects	-	-	4,682	-	4,682
Court Capital Improvement Enhancement Projects	-	-	395	-	395
Risk Management Capital Improvement Contribution	-	-	3	-	3
Stormwater Utility Fee for Capital Improvements	-	-	4,318	-	4,318
Downtown Fees for Capital Improvements	-	-	320	-	320
Downtown Special Capital Improvements	-	-	56	-	56
Greater Airpark Special Capital Improvements	-	-	520	-	520
Airpark Cultural Trust Capital Improvements	-	-	278	-	278
Scottsdale AZ CARES Capital Improvements	-	-	2,381	-	2,381
Court Enhancement Fees for Upgrades to Court Operations	-	-	-	6,707	6,707
Rent Fees for Loloma School Maintenance and Capital Improvements	-	-	-	267	267
In-Lieu Stormwater Fees for Area Drainage Master Studies	-	-	-	47	47
Downtown Cultural Program for Public Works of Art	-	-	-	3,159	3,159
Rent Fees for the Community Arts Trust to Support the Loloma School	-	-	-	190	190
Historic Preservation Program for Rehabilitation of Buildings	-	-	-	407	407
License Fees for the Regulation of the Public Safety Pawn Shop Ordinance	-	-	-	254	254
Cadet Competition Fees for the Scottsdale Police Department Cadet Program	-	-	-	14	14
Sponsorship Fees for Events at the Senior Centers	-	-	-	27	27
Sponsorship Fees for Parks and Recreation Programming	-	-	-	18	18
Golf Course Surcharge for Silverado Golf Course Improvements	-	-	-	866	866
Retail Sale Revenue for McCormick Stillman Railroad Park Operations	-	-	-	670	670
Allocation of Youth Sports Fee for Maintenance/Improvements of Athletic Fields	-	-	-	172	172
Allocation of Aquatic Fee for Maintenance/Improvements of Aquatic Facilities	-	-	-	38	38
Disbursements from the Scottsdale AZ CARES Fund for COVID-19 Response	-	-	-	11,016	11,016
Transient Occupancy Tax for Tourism Development	-	-	-	5,021	5,021
Excise Tax for Debt Reserve	-	-	-	2,683	2,683
Total Committed	-	-	50,147	31,556	81,703
<b>Unassigned</b>	170,994	-	-	(6,800)	164,194
<b>Total Fund Balances</b>	\$ 171,298	\$ 3,469	\$ 51,188	\$ 221,422	\$ 447,377

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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 as of June 30, 2021:

#### Net Position Restrictions (in thousands)

##### Water and Sewer

Restricted for System Replacement	\$	44,051
Restricted for Debt Service		4,692
Restricted for Joint Venture Construction Deposits		2,853
	\$	<u>51,596</u>

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

## IV. DETAILED NOTES ON ALL FUNDS

### A. Cash and Investments

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

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

As of June 30, 2021, the carrying amount of the City's deposits was \$158,038,387 and the bank balance was \$163,355,777. The \$5,317,390 difference represents outstanding checks, deposits in transit, and other reconciling items.

#### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits are required to be fully collateralized per City Charter and City Code. As of June 30, 2021, \$64,154,560 of the City's deposits was exposed to custodial credit risk and was uninsured and collateralized by securities held by the pledging bank's trust department not in the City's name.

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



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Interest Rate Risk

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

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	\$ 260,344	\$ 74,261	\$ 55,145	\$ 46,026	\$ 84,912
U.S. Government Agencies	256,215	52,886	70,780	65,310	67,239
U.S. Government Instrumentalities	11,274	-	6,270	5,004	-
Taxable State Bonds	3,059	-	3,059	-	-
Corporate Notes	87,683	19,229	26,232	17,831	24,391
Asset-Backed Securities	12,068	-	-	6,319	5,749
Negotiable Certificates of Deposit	84,539	59,990	24,549	-	-
Money Market Mutual Funds	39,375	39,375	-	-	-
<b>Total Investments</b>	<b>\$ 754,557</b>	<b>\$ 245,741</b>	<b>\$ 186,035</b>	<b>\$ 140,490</b>	<b>\$ 182,291</b>

## 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 as of June 30, 2021, meet the aforementioned criteria. Presented below are the ratings, as determined by S&P unless otherwise noted, as of June 30, 2021, for each investment type (in thousands):

Investment Type	Total	A-1	A-	A	A+	AA-	AA	AA+	Aaa	AAAm	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 260,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,344
U.S. Government Agencies	256,215	-	-	-	-	-	-	256,215	-	-	-	-
U.S. Government Instrumentalities	11,274	-	-	-	-	-	-	-	-	-	11,274	-
Taxable State Bonds	3,059	-	-	-	-	-	-	3,059	-	-	-	-
Corporate Notes	87,683	-	15,873	11,168	25,393	4,945	16,432	5,607	-	-	8,265	-
Asset-Backed Securities	12,068	-	-	-	-	-	-	-	4,211	-	7,857	-
Negotiable Certificates of Deposit	84,539	64,217	-	-	11,558	8,764	-	-	-	-	-	-
Money Market Mutual Funds	39,375	-	-	-	-	-	-	-	-	39,375	-	-
<b>Total Investments</b>	<b>\$ 754,557</b>	<b>\$ 64,217</b>	<b>\$ 15,873</b>	<b>\$ 11,168</b>	<b>\$ 36,951</b>	<b>\$ 13,709</b>	<b>\$ 16,432</b>	<b>\$ 264,881</b>	<b>\$ 4,211</b>	<b>\$ 39,375</b>	<b>\$ 27,396</b>	<b>\$ 260,344</b>

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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 as of June 30, 2021:

(dollars in thousands)

Issuer	Investment Type	Fair Value	Percent of Holdings
United States Treasury	U.S. Govt. Securities	\$ 260,344	36.40%
Federal National Mortgage Association (FNMA)	U.S. Govt. Agencies	113,210	15.83%
Federal Farm Credit Bank (FFCB)	U.S. Govt. Agencies	3,255	0.46%
Federal Home Loan Bank (FHLB)	U.S. Govt. Agencies	24,496	3.42%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Govt. Agencies	115,254	16.11%
International Bank of Reconstruction and Development	U.S. Govt Instrumentalities	11,274	1.58%
Arizona State Transportation Board	Taxable State Bonds	3,059	0.43%
Adobe Inc.	Corporate Notes	3,848	0.54%
Amazon.com Inc.	Corporate Notes	7,592	1.06%
American Honda Finance	Corporate Notes	3,543	0.49%
Apple Inc.	Corporate Notes	5,607	0.78%
Bank of America Co.	Corporate Notes	4,202	0.59%
Bank Of New York Mellon Corp.	Corporate Notes	3,199	0.45%
Bristol-Myers Squibb Co.	Corporate Notes	4,704	0.66%
Caterpillar Inc	Corporate Notes	4,121	0.58%
Exxon Mobil Corp.	Corporate Notes	4,945	0.69%
JP Morgan Chase & Co.	Corporate Notes	8,127	1.14%
Mastercard Inc.	Corporate Notes	7,038	0.98%
Microsoft Corp.	Corporate Notes	8,264	1.16%
Pepsico Inc.	Corporate Notes	2,413	0.34%
Pfizer Inc.	Corporate Notes	2,063	0.29%
Toyota Motor Corp.	Corporate Notes	3,891	0.54%
Unilever PLC	Corporate Notes	555	0.08%
U.S. Bancorp	Corporate Notes	4,731	0.66%
Wal-Mart Stores Inc.	Corporate Notes	8,840	1.24%
Carmax Auto Owner Trust	Asset-Backed Securities	2,900	0.41%
Honda Auto Receivables	Asset-Backed Securities	4,211	0.59%
Hyundai Auto Receivables	Asset-Backed Securities	1,310	0.18%
Toyota Motor Corp.	Asset-Backed Securities	3,647	0.51%
Bank Of Nova Scotia	Negotiable Certificates of Deposit	16,006	2.24%
Barclays PLC	Negotiable Certificates of Deposit	9,004	1.26%
Credit Suisse Group RK	Negotiable Certificates of Deposit	4,231	0.59%
DNB ASA	Negotiable Certificates of Deposit	3,612	0.50%
Natixis NY Branch	Negotiable Certificates of Deposit	15,006	2.10%
Nordea Bank ABP	Negotiable Certificates of Deposit	5,152	0.72%
Rabobank Nederland	Negotiable Certificates of Deposit	15,005	2.10%
Skandinaviska Enskilda Banken AB	Negotiable Certificates of Deposit	7,327	1.02%
Societe Generale	Negotiable Certificates of Deposit	4,969	0.69%
Sumitomo Mitsui Financial Group Inc.	Negotiable Certificates of Deposit	4,227	0.59%
	<b>Total Investments</b>	<b>\$ 715,182</b>	<b>100.00%</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Investments

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

Cash on Hand	\$	19
Carrying Amount of City Deposits		158,038
Investments		754,557
Endowments		708
<b>Total Cash and Investments</b>	<b>\$</b>	<b>913,322</b>

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, 2021:

## 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	\$ -	\$ 260,344	\$ -
U.S. Government Agencies	-	256,215	-
U.S. Government Instrumentalities	-	11,274	-
Taxable State Bonds	-	3,059	-
Corporate Notes	-	87,683	-
Asset-Backed Securities	-	12,068	-
Negotiable Certificates of Deposit	-	84,539	-
	<b>\$ -</b>	<b>\$ 715,182</b>	<b>\$ -</b>

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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

U.S. Government Securities	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.

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

Primary Government	
Cash and Investments	\$ 750,914
Cash with Fiscal Agent	108,111
Other Restricted Cash	<u>54,297</u>
<b>Total Cash and Investments</b>	<b><u>\$ 913,322</u></b>

Investment income is comprised of the following for the fiscal year ended June 30, 2021 (in thousands):

Net Interest	\$ 10,538
Net Decrease in the Fair Value of Investments	<u>(7,181)</u>
<b>Total Net Investment Income</b>	<b><u>\$ 3,357</u></b>

The net decrease in the fair value of investments for the fiscal year was \$(7,181,057). 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, 2021

## 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, 2021, the amount of donor-restricted endowment funds available for authorization and expenditure is \$26,400.

## C. Receivables

Receivables as of June 30, 2021, for the government's individual major governmental funds, nonmajor governmental funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

### Governmental Activities and Internal Service Funds

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
<b>Receivables</b>					
<b>Property Taxes and Penalties</b>					
Property	\$ 1,277	\$ 1,155	\$ -	\$ 93	\$ 2,525
Court	60,570	-	-	54	60,624
Subtotal Property Taxes and Penalties	<u>61,847</u>	<u>1,155</u>	<u>-</u>	<u>147</u>	<u>63,149</u>
<b>Other Local Taxes</b>					
Privilege	17,678	-	-	10,048	27,726
Transient Occupancy	-	-	-	1,944	1,944
State Shared Sales	1,508	-	-	-	1,508
Franchise Fee	3,044	-	-	64	3,108
Auto Lieu	513	-	-	-	513
Highway User	-	-	-	1,623	1,623
Subtotal Other Local Taxes	<u>22,743</u>	<u>-</u>	<u>-</u>	<u>13,679</u>	<u>36,422</u>
<b>Intergovernmental/Grants</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,729</u>	<u>23,729</u>
<b>Interest and Other</b>					
Interest	692	-	134	215	1,041
Leases	25,204	-	-	1,300	26,504
Miscellaneous	5,273	-	1,320	4,690	11,283
Subtotal Interest and Other	<u>31,169</u>	<u>-</u>	<u>1,454</u>	<u>6,205</u>	<u>38,828</u>
Gross Receivables	115,759	1,155	1,454	43,760	162,128
Less: Allowances for Uncollectibles	<u>(51,066)</u>	<u>-</u>	<u>-</u>	<u>(33)</u>	<u>(51,099)</u>
<b>Net Total Receivables</b>	<u>\$ 64,693</u>	<u>\$ 1,155</u>	<u>\$ 1,454</u>	<u>\$ 43,727</u>	<u>\$ 111,029</u>

The City has a development agreement relating to biomedical research activities with the Translational Genomics Research Institute (TGen) to repay \$1,280,000 with interest through February 2024.

The City has contracts with the Boys and Girls Club to pay a portion of building improvements at the City's recreation center through November 2024, the amount due as of June 30, 2021, is \$76,571.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

The City has an improvement district for underground utilities with expected reimbursements from impacted property owners to pay \$461,172 with interest through November 2032.

Through the use of Community Development Block Grant (CDBG) funds, the City issues Green Housing Rehabilitation Program loans to qualified Scottsdale homeowners. As of June 30, 2021, the loan balances totaled \$2,510,819, of which the majority is not expected to be collected within the next year.

The City has an intergovernmental agreement with the Arizona State Land Department to reimburse the City for capital expenditures for street improvements of \$12,645,550 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 various long-term lease agreements and therefore the lease receivables are not expected to be collected within the next year.

**Business-type Activities and Enterprise Funds**

(in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
<b>Receivables</b>				
Privilege Tax	\$ -	\$ 29	\$ -	\$ 29
Charges for Services	18,534	-	2,611	21,145
Intergovernmental	1,648	422	-	2,070
Interest	747	28	43	818
Lease	-	24,558	-	24,558
Miscellaneous	2,022	359	-	2,381
Gross Receivables	22,951	25,396	2,654	51,001
Less: Allowances for Uncollectibles	(131)	-	(20)	(151)
<b>Net Total Receivables</b>	<b>\$ 22,820</b>	<b>\$ 25,396</b>	<b>\$ 2,634</b>	<b>\$ 50,850</b>

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 \$1,635,233 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.

Within the business-type activity the City has various long-term lease agreements and therefore the lease receivables are not expected to be collected within the next year

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

	Unavailable	Unearned
Property Tax	\$ 1,180	\$ -
Court	3,481	-
Privilege/Transient Occupancy Tax	8,031	-
Intergovernmental	18,772	23,749
Other	2,116	2,467
<b>Total</b>	<b>\$ 33,580</b>	<b>\$ 26,216</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows (in thousands):

Governmental Activities	Beginning Balance, as restated	Increases	Decreases	Ending Balance
<b>Capital Assets, not being depreciated</b>				
Land	\$ 3,220,312	\$ 207,171	\$ -	\$ 3,427,483
Construction in Progress	53,367	73,536	(72,773)	54,130
Total Capital Assets, not being depreciated	<u>3,273,679</u>	<u>280,707</u>	<u>(72,773)</u>	<u>3,481,613</u>
<b>Capital Assets, being depreciated</b>				
Buildings and Land Improvements	804,807	25,792	(16,224)	814,375
Streets and Storm Drains	1,843,246	128,625	(437)	1,971,434
Motor Vehicles	89,644	5,867	(8,200)	87,311
Machinery and Equipment	85,810	6,574	(4,979)	87,405
Total Capital Assets, being depreciated	<u>2,823,507</u>	<u>166,858</u>	<u>(29,840)</u>	<u>2,960,525</u>
<b>Less Accumulated depreciation for</b>				
Buildings and Land Improvements	397,353	21,959	(11,417)	407,895
Streets and Storm Drains	1,184,802	52,019	(232)	1,236,589
Motor Vehicles	43,003	8,095	(6,446)	44,652
Machinery and Equipment	48,641	6,897	(4,770)	50,768
Total Accumulated depreciation	<u>1,673,799</u>	<u>88,970</u>	<u>(22,865)</u>	<u>1,739,904</u>
Total Capital Assets, being depreciated, net	<u>1,149,708</u>	<u>77,888</u>	<u>(6,975)</u>	<u>1,220,621</u>
<b>Lease Assets</b>				
Buildings and Land Improvements	1,570	-	-	1,570
Motor Vehicles	1,075	122	(122)	1,075
Machinery and Equipment	312	-	(41)	271
Total Lease Assets, being amortized	<u>2,957</u>	<u>122</u>	<u>(163)</u>	<u>2,916</u>
<b>Less Accumulated amortization for</b>				
Buildings and Land Improvements	276	276	-	552
Motor Vehicles	293	358	(69)	582
Machinery and Equipment	93	78	(41)	130
Total Accumulated amortization	<u>662</u>	<u>712</u>	<u>(110)</u>	<u>1,264</u>
Total Lease Assets being amortized, net	<u>2,295</u>	<u>(590)</u>	<u>(53)</u>	<u>1,652</u>
<b>Subscription-Based Information Technology Arrangement Assets*</b>				
Subscription-Based Information Technology Arrangements	806	5,335	-	6,141
<b>Less Accumulated amortization for</b>				
Subscription-Based Information Technology Arrangements	-	1,143	-	1,143
Total Subscription-Based Information Technology Arrangement Assets being amortized, net	<u>806</u>	<u>4,192</u>	<u>-</u>	<u>4,998</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 4,426,488</u>	<u>\$ 362,197</u>	<u>\$ (79,801)</u>	<u>\$ 4,708,884</u>

\*New category for the City's subscription-based information technology arrangement assets, and the related accumulated amortization, have been added due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

(in thousands):

<u>Business-type Activities</u>	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets, not being depreciated</b>				
Land	\$ 50,536	\$ 1,631	\$ (139)	\$ 52,028
Water Rights	87,171	-	-	87,171
Construction in Progress	30,386	71,915	(44,571)	57,730
Total Capital Assets, not being depreciated	<u>168,093</u>	<u>73,546</u>	<u>(44,710)</u>	<u>196,929</u>
<b>Capital Assets, being depreciated</b>				
Water System	1,350,524	33,210	(991)	1,382,743
Sewer System	660,691	21,538	-	682,229
Buildings and Land Improvements	73,177	6,992	(354)	79,815
Machinery and Equipment	8,682	619	(650)	8,651
Motor Vehicles	1,151	-	-	1,151
Furniture, Fixtures, and Office Equipment	1,575	357	(7)	1,925
Total Capital Assets, being depreciated	<u>2,095,800</u>	<u>62,716</u>	<u>(2,002)</u>	<u>2,156,514</u>
<b>Less Accumulated depreciation for</b>				
Water System	564,565	37,382	(225)	601,722
Sewer System	271,390	18,115	-	289,505
Buildings and Land Improvements	15,286	2,831	(258)	17,859
Machinery and Equipment	4,650	680	(377)	4,953
Motor Vehicles	737	52	-	789
Furniture, Fixtures, and Office Equipment	614	244	(6)	852
Total Accumulated depreciation	<u>857,242</u>	<u>59,304</u>	<u>(866)</u>	<u>915,680</u>
Total Capital Assets, being depreciated, net	<u>1,238,558</u>	<u>3,412</u>	<u>(1,136)</u>	<u>1,240,834</u>
<b>Subscription-Based Information Technology Arrangement Assets*</b>				
Subscription-Based Information Technology Arrangements	114	53	-	167
<b>Less Accumulated amortization for</b>				
Subscription-Based Information Technology Arrangements	-	76	-	76
Total Subscription-Based Information Technology Arrangement Assets being amortized, net	<u>114</u>	<u>(23)</u>	<u>-</u>	<u>91</u>
<b>Business-type Activities Capital Assets, net</b>	<u>\$ 1,406,765</u>	<u>\$ 76,935</u>	<u>\$ (45,846)</u>	<u>\$ 1,437,854</u>

\*New category for the City's subscription-based information technology arrangement assets, and the related accumulated amortization, have been added due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

<b>Governmental Activities</b>	
City Clerk	\$ 2
City Attorney	15
City Court	51
City Manager	6
Public Works	57,896
Community and Economic Development	3,239
Public Safety	4,321
City Treasurer	21
Community Services	9,912
Administrative Services	3,541
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>9,966</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 88,970</u>

<b>Business-type Activities</b>	
Water and Sewer System	\$ 56,269
Airport	2,692
Solid Waste	<u>343</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 59,304</u>

<b>Governmental Activities</b>	
City Attorney	\$ 84
City Manager	14
Public Works	20
Public Safety	365
City Treasurer	172
Community Services	44
Administrative Services	1,095
Scottsdale AZ CARES	<u>61</u>
Total Amortization Expense - Governmental Activities	<u>\$ 1,855</u>

<b>Business-type Activities</b>	
Water and Sewer System	\$ 44
Airport	29
Solid Waste	<u>3</u>
Total Amortization Expense - Business-type Activities	<u>\$ 76</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Construction Commitments

The City has active construction projects as of June 30, 2021. At year end the government's commitments with contractors for specific projects are as follows (in thousands):

<u>Capital Project Program Classification</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aviation	\$ 7,212	\$ 13,645
Drainage and Flood Control	7,306	3,557
Fire Protection	6,125	831
Municipal Facilities	1,540	2,438
Neighborhood and Community	2,646	4,164
Parks	10,169	14,667
Police	586	874
Preservation	11,371	1,558
Streets	8,467	21,508
Technology	1,435	974
Traffic	174	413
Transit	1,607	1,331
Wastewater	10,616	10,064
Water	38,588	19,004
Total Construction Commitments	<u>\$ 107,842</u>	<u>\$ 95,028</u>
 <b>Governmental Activities</b>		
General CIP Construction Capital Projects Fund	\$ 6,353	\$ 7,418
Nonmajor Governmental Funds	44,932	44,534
Internal Service Funds	-	28
Total Governmental Activities	<u>51,285</u>	<u>51,980</u>
 <b>Business-type Activities</b>		
Water and Sewer Utility	49,316	29,345
Airport	7,212	13,645
Solid Waste	29	58
Total Business-type Activities	<u>56,557</u>	<u>43,048</u>
Total Construction Commitments	<u>\$ 107,842</u>	<u>\$ 95,028</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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, 2021, is as follows (in thousands):

<b>Receivable Fund</b>	<b>Amount</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	\$ 4,634	Nonmajor Governmental Funds	\$ 4,634

The Municipal Property Corporation Bonds Capital Projects Fund, the External Sources Capital Project Fund, the Community Development Block Grant Special Revenue Fund, and HOME Special Revenue Fund had deficit cash balances of \$22,586, \$3,683,382, \$227,867, and \$699,721, 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)

	<b>Transfers Out</b>	<b>Transfers In</b>
<b>Governmental Funds</b>		
General	\$ 54,292	\$ 11,895
Debt Service - General Obligation Bond	-	31,501
Capital Projects - General CIP Construction	1,251	18,368
Nonmajor Governmental Funds	71,331	73,573
Total Governmental Funds	126,874	135,337
<b>Enterprise Funds</b>		
Water and Sewer Utility	8,546	-
Total Enterprise Funds	8,546	-
<b>Internal Service Funds</b>		
Self-Insurance	5	88
Total Internal Service Funds	5	88
<b>Total Transfers</b>	\$ 135,425	\$ 135,425

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

### F. Leases

#### *City as Lessee*

The City, as a lessee, has entered into lease agreements involving a baseball facility, printing and imaging equipment, motor vehicles, a distributed antenna system, and a data center facility space. The City subleases the baseball facility to a professional baseball team.

The total of the City's lease assets are recorded at a cost of \$2,915,205, less accumulated amortization of \$1,263,534.

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

	<b>Leases</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 513	\$ 66	\$ 579
2023	143	48	191
2024	53	45	98
2025	14	44	58
2026	15	43	58
2027-2031	73	206	279
2032-2036	138	187	325
2037-2041	168	157	325
2042-2046	232	118	350
2047-2051	309	66	375
2052-2053	141	9	150
Total	<u>\$ 1,799</u>	<u>\$ 989</u>	<u>\$ 2,788</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 \$9,082,194. This total includes \$5,513,729 of variable and other payments not previously included in the measurement of the lease receivable.

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

### G. Subscription-Based Information Technology Arrangements

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

- A SCADA (Supervisory Control and Data Acquisition) watch service suite regarding the City's water system
- A geospatial technology system
- Various desktop and server software subscriptions
- Event registration and management software
- Electronic workflows software
- Information technology security software
- Cloud backup services software
- Document management software
- Computer-aided dispatch software
- Payroll and human resources services software
- Performance measurement/strategic planning/benchmarking software
- Risk management software
- A web-based job board software
- Public safety allocation and deployment software
- Airport agreement tracking software

The total of the City's subscription assets are recorded at a cost of \$6,307,696, less accumulated amortization of \$1,219,078.

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

	<b>Subscriptions</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 1,125	\$ 175	\$ 1,300
2023	1,053	130	1,183
2024	731	91	822
2025	761	62	823
2026	787	31	818
Total	<u>\$ 4,457</u>	<u>\$ 489</u>	<u>\$ 4,946</u>

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

In addition to the amounts presented above, the City also had outflows of resources during the fiscal year totaling \$44,600 that were not included in the measurement of the subscription liability. This total consists of a \$35,000 variable amount that is based on the number of calls related to the public safety allocation and deployment software and \$9,600 for the annual payment related to the City's usage of the web-based job board software. The period of the web-based job board software subscription is interminable; therefore, a subscription liability cannot be calculated.

The City has committed to SBITAs involving an electronic document management software and a public safety records management system/computer aided dispatch software. These SBITAs are currently being implemented, and the City has paid a total of \$1,388,002 related to these agreements. These outflows were recorded as prepayments as of June 30, 2021.

### H. 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, 2021, is \$880,000. 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 \$54,762,000 through the fiscal year ended June 30, 2021. These improvements are classified as an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$41,131,000 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, 2021, is \$1,034,000. 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 \$8,542,000 through the fiscal year ended June 30, 2021. These improvements are classified as an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$13,211,000 at fiscal year end pursuant to the service concession arrangement.

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

## I. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding as of June 30, 2021. The totals shown are the principal amount outstanding, net of the amount due July 1, 2021.

### 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, 2021, 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, 2021, the City has \$263,906,600 of unissued various purpose GO bonds that were authorized in November 2019.

### Municipal Property Corporation Bonds

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

The City has pledged to repay \$585,974,252 in MPC Excise Tax Revenue Bonds issued from 2006 through June 30, 2021, 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 2021 for MPC bonds is 4.99 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$569,988,796. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$50,366,680 and \$251,375,085, respectively.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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

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

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

### 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 2021 is 33.24. The total principal and interest remaining to be paid on the bonds is \$1,418,000. Principal and interest paid for the current year and total sales tax were \$1,411,500 and \$46,920,906, respectively.



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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.

### **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. As of June 30, 2021, the funds restricted for this purpose were \$44,050,510.

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 2021 is 19.26. The total principal and interest remaining to be paid on the bonds is \$9,196,788. Principal and interest for the current year and total customer net revenues were \$4,583,625 and \$88,278,000, 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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.

CFDs are created only by petition to the City Council by property owners within the district areas. As the Board of Directors for the CFDs, the City Council has adopted a formal policy that CFD debt will be permitted only when the full cash value of the property, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the CFD and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's net assessed limited property 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, 2021

Bonds payable as of June 30, 2021, consisted of the following:

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

<b>General Obligation Bonds</b>	<b>Bonds Outstanding (in thousands)</b>
2012 Refunding Bonds (issued July 11, 2012) due in annual installments of \$205,000 to \$30,045,000 through July 1, 2025; interest at 2 percent to 5 percent. On December 30, 2020, \$30,045,000 due in 2025 was refunded. Original issue amount \$83,025,000.	\$ 11,835
2013 Preservation Bonds (issued February 13, 2013) due in annual installments of \$1,000,000 to \$8,665,000 through July 1, 2034; interest at 2 percent to 4 percent. On December 30, 2020, \$63,000,000 due 2025 through 2034 was refunded. Original issue amount \$75,000,000.	7,000
2014 Preservation Bonds (issued May 7, 2014) due in annual installments of \$465,000 to \$945,000 through July 1, 2034; interest at 1.75 percent to 4 percent. On December 30, 2020, \$6,690,000 due 2027 through 2034 was defeased. Original issue amount \$14,000,000.	3,390
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.	23,805
2015 Refunding Bonds (issued April 2, 2015) due in annual installments of \$500,000 to \$30,565,000 through July 1, 2034; interest at 3 percent to 4 percent. On December 30, 2020, \$3,290,000 due 2029 through 2034 was refunded. Original issue amount \$160,415,000.	102,975
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.	14,985
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
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.	13,360
2020 Taxable Refunding Bonds (issued December 30, 2020) due in annual installments of \$2,155,000 to \$33,150,000 through July 1, 2034; interest at 0.15 percent to 1.64 percent. Original issue amount \$168,220,000.	164,045
2021 Various Purpose Bonds (issued February 10, 2021) due in annual installments of \$1,135,000 to \$1,965,000 through July 1, 2040; interest at 2 percent to 4 percent. Original issue amount \$31,390,000.	29,990
2021 Various Purpose Taxable Bonds (issued February 10, 2021) due in annual installments of \$325,000 to \$1,195,000 through July 1, 2040; interest at 1.35 percent to 3 percent. Original issue amount \$19,770,000.	19,445
Total General Obligation Bonds Outstanding	<u>\$ 448,225</u>

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

<b>Municipal Property Corporation Bonds</b>	<b>Bonds Outstanding (in thousands)</b>
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.	\$ 44,920
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. On February 17, 2021, \$12,765,000 due 2024 through 2028 was refunded. Original issue amount \$26,295,000.	3,820
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. On February 17, 2021, \$875,000 due 2024 through 2033 was refunded. Original issue amount \$1,440,000.	135
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. On February 17, 2021, \$23,070,000 due 2024 through 2033 was refunded. Original issue amount \$37,265,000.	3,350
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.	13,230
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$685,000 due in 2027 was refunded. Original issue amount \$12,200,000.	8,495
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.	10,735
2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.	8,760
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.	30,950
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$330,000 to \$9,410,000 through July 1, 2035; interest at 0.14 percent to 1.91 percent. Original issue amount \$71,325,000.	70,995
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 195,390</u>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

	<b>Bonds Outstanding (in thousands)</b>
<b>Scottsdale Preserve Authority Bonds</b>	
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>\$ 1,350</u>
<b>Community Facilities Districts General Obligation Bonds - Direct Placements</b>	
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$555,000 to \$1,245,000 through July 15, 2027; interest at 3.41 percent. Original issue amount \$14,670,000.	\$ 6,875
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 through July 15, 2022; interest at 2.84 percent. Original issue amount \$11,555,000.	1,335
2012 Via Linda Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$135,000 to \$210,000 through July 15, 2023; interest at 2.60 percent. Original issue amount \$2,000,000.	415
2019 Waterfront Commercial Community Facilities District General Obligation Refunding Bonds (issued November 14, 2019) due in annual installments of \$172,000 to \$225,000 through July 15, 2032; interest at 2.47. Original issue amount \$2,563,000.	<u>2,201</u>
Total Community Facilities Districts General Obligation Bonds - Direct Placements	<u>\$ 10,826</u>
<b>Total Bonds Payable Recorded in Governmental Activities</b>	<u>\$ 655,791</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

	<b>Bonds Outstanding (in thousands)</b>
<b>Water and Sewer Revenue Bonds</b>	
2008 Water and Sewer Revenue Refunding Bonds (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.	\$ 8,520
<b>Municipal Property Corporation Bonds</b>	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.	\$ 62,150
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$310,000 to \$1,305,000 through July 1, 2034; interest at 3 percent to 5 percent. On February 17, 2021, \$1,040,000 due in 2027 was refunded. Original issue amount \$18,485,000.	12,865
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$3,788,459 to \$5,822,479 through July 1, 2028; interest at 5 percent. On February 17, 2021, \$11,257,479 due 2027 through 2028 was refunded. Original issue amount \$46,811,731.	23,635
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. On February 17, 2021, \$38,350,000 due 2031 through 2033 and 2035 through 2036 was defeased. Original issue amount \$79,970,000.	41,620
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.	33,890
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.	20,430
2021A Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in a single installment of \$7,920,000 on July 1, 2030; interest at 5 percent. Original issue amount \$7,920,000.	7,920
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$145,000 to \$12,750,000 through July 1, 2036; interest at 0.14 percent to 1.96 percent. Original issue amount \$63,860,000.	63,055
Total Municipal Property Corporation Bonds Outstanding	\$ 265,565
<b>Total Bonds Payable Recorded in Business-type Activities</b>	\$ 274,085
<b>Total Long-Term Bonds Payable</b>	\$ 929,876

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Statutory Debt Limitation

Under the provisions of Article 9, section 8 of the Arizona Constitution, outstanding General Obligation (GO) bonded debt (including outstanding “excess premium,” as defined in Arizona Revised Statutes Title 35, Chapter 3, Articles 3 and 4) issued for water, sewers, artificial light, parks, playgrounds and recreational facilities, open space preserves, public safety, and streets and transportation facilities may not exceed 20 percent of a city’s assessed valuation. Outstanding GO bonded debt for all other purposes may not exceed 6 percent of a city’s assessed valuation. GO bonds of community facilities districts are not subject to or included in this calculation. The following summarizes the City’s legal GO bonded debt borrowing capacity as of June 30, 2021:

<b>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</b>		<b>General Obligation Bonds Issued for All Other Purposes</b>	
20% Constitutional Limit	\$ 1,630,940,254	6% Constitutional Limit	\$ 489,282,076
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	(444,366,000)	6% Bonds Outstanding	(3,859,000)
Excess Premium	<u>(12,712,816)</u>	Excess Premium	<u>(425,619)</u>
<b>Available 20% Limitation Borrowing Capacity</b>	<b>\$ <u>1,173,861,438</u></b>	<b>Available 6% Limitation Borrowing Capacity</b>	<b>\$ <u>484,997,457</u></b>

## Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City’s outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2021.

## 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

The City issued \$168,220,000 of Taxable General Obligation Refunding Bonds, Series 2020 (\$167,900,155 advance refunding, \$319,845 current refunding) dated December 30, 2020, with an all-in true interest cost of 1.31 percent to refund \$154,945,000 of Series 2010, Series 2011 Preservation, Series 2011 Refunding Preservation, Series 2012 Preservation, Series 2012 Refunding Preservation, Series 2013 Preservation, Series 2014 Preservation, and Series 2015 Refunding Preservation Bonds with an average interest rate ranging from 3 percent to 5 percent. The City will reduce its total debt service payments over the next 13 years by approximately \$14,485,874 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$13,281,245.

The Scottsdale MPC issued \$7,920,000 of Refunding Bonds, Series 2021A (current refunding) dated February 17, 2021, with an all-in true interest cost of 0.93 percent to refund \$10,710,000 of Series 2010 Bonds with an average interest rate of 4 percent. The City will reduce its total debt service payments over the next 10 years by approximately \$2,351,200 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,803,960.

The Scottsdale MPC issued \$135,185,000 of Taxable Refunding Bonds, Series 2021B (advance refunding) dated February 17, 2021, with an all-in true interest cost of 1.58 percent to refund \$113,220,000 of Series 2013, Series 2015A, Series 2015 Refunding, and Series 2017 Refunding Bonds with an average interest rate ranging from 3 percent to 5 percent. The City will reduce its total debt service payments over the next 16 years by approximately \$10,507,435 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$9,727,987.

The following table reflects refunded debt outstanding as of June 30, 2021, net of any amounts to be paid or retired by the trustee on July 1, 2021 (in thousands):

<b>Refunded Debt Outstanding</b>	
2012 Preservation GO Bonds	\$ 45,600
2012 GO Refunding Bonds	30,045
2013 Preservation GO Bonds	63,000
2013A MPC Excise Tax Revenue Bonds	12,765
2013B MPC Excise Tax Revenue Bonds	875
2013C MPC Excise Tax Revenue Bonds	23,070
2014 Preservation GO Bonds	6,690
2015 GO Refunding Bonds	3,290
2015A MPC Excise Tax Revenue Bonds	1,725
2015 MPC Excise Tax Revenue Refunding Bonds	36,435
2017 MPC Excise Tax Revenue Refunding Bonds	38,350
	<u>\$ 261,845</u>



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Contracts Payable

The City has entered into a contract related to the financing of an underground utility facilities improvement district. The following is a summary of debt service to maturity for the long-term contract as of June 30, 2021:

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

	<b>Contracts Payable (in thousands)</b>
Contract payable to BBVA USA for the financing of an underground utility facilities improvement district; due in annual installments through 2033; interest at 5.72 percent.	<u>\$ 451</u>

## 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, 2021 (in thousands):

Governmental Activities	Beginning Balance, as restated	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 433,865	\$ 219,380	\$ (205,020)	\$ 448,225	\$ 49,340
Municipal Property Corporation Bonds	199,614	71,325	(75,549)	195,390	14,685
Scottsdale Preserve Authority Bonds	2,630	-	(1,280)	1,350	1,350
Community Facilities Districts General Obligation Bonds - Direct Placements	13,488	-	(2,662)	10,826	2,767
Add Issuance Premiums	53,610	4,200	(23,032)	34,778	-
Total Bonds Payable	<u>703,207</u>	<u>294,905</u>	<u>(307,543)</u>	<u>690,569</u>	<u>68,142</u>
Contracts Payable*	496	-	(45)	451	38
Leases	2,373	163	(737)	1,799	513
Service Concession Arrangements	2,068	-	(154)	1,914	154
Subscriptions**	806	4,746	(1,165)	4,387	1,079
Risk Management Claims	21,972	36,930	(35,921)	22,981	7,880
Compensated Absences	27,946	12,387	(10,426)	29,907	12,386
Total Other Postemployment Benefit Liability	2,177	-	(254)	1,923	-
Net Pension Liabilities	<u>320,830</u>	<u>63,005</u>	<u>-</u>	<u>383,835</u>	<u>-</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 1,081,875</u>	<u>\$ 412,136</u>	<u>\$ (356,245)</u>	<u>\$ 1,137,766</u>	<u>\$ 90,192</u>

\*The Contracts Payable category beginning balance was added due to a change in accounting treatment.

\*\*New category for the City's subscription liabilities have been added due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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, 2021, \$504,000 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 \$3,000 in the governmental funds and \$1,000 in the internal service funds.

<b>Business-type Activities</b>	<b>Beginning Balance, as restated</b>	<b>Additional Obligations and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 12,450	\$ -	\$ (3,930)	\$ 8,520	\$ 4,145
Municipal Property Corporation Bonds	273,791	71,780	(80,006)	265,565	18,110
Add Issuance Premiums	26,159	2,938	(8,413)	20,684	-
Total Bonds Payable	312,400	74,718	(92,349)	294,769	22,255
Subscriptions*	114	53	(97)	70	46
Compensated Absences	3,915	1,721	(1,620)	4,016	1,684
Net Pension Liabilities	31,189	6,559	-	37,748	-
Pollution Remediation Obligation	49,836	19	-	49,855	-
<b>Business-type Activities Long-Term Liabilities</b>	<b>\$ 397,454</b>	<b>\$ 83,070</b>	<b>\$ (94,066)</b>	<b>\$ 386,458</b>	<b>\$ 23,985</b>

\*New category for the City's subscription-based information technology arrangements has been added due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities as of June 30, 2021:

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			General Obligation Bonds Issued For All Other Purposes 6% Limitation			Total General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2022	\$ 49,194	\$ 12,147	\$ 61,341	\$ 146	\$ 112	\$ 258	\$ 49,340	\$ 12,259
2023	52,823	10,388	63,211	152	106	258	52,975	10,494	63,469
2024	56,352	8,600	64,952	158	100	258	56,510	8,700	65,210
2025	51,506	6,618	58,124	164	94	258	51,670	6,712	58,382
2026	38,230	5,759	43,989	170	87	257	38,400	5,846	44,246
2027-2031	124,418	15,601	140,019	962	329	1,291	125,380	15,930	141,310
2032-2036	60,536	3,879	64,415	1,124	167	1,291	61,660	4,046	65,706
2037-2041	11,307	563	11,870	983	50	1,033	12,290	613	12,903
2042-2046	-	-	-	-	-	-	-	-	-
2047-2051	-	-	-	-	-	-	-	-	-
2052-2053	-	-	-	-	-	-	-	-	-
Total	\$ 444,366	\$ 63,555	\$ 507,921	\$ 3,859	\$ 1,045	\$ 4,904	\$ 448,225	\$ 64,600	\$ 512,825

Fiscal Year	Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds			Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2022	\$ 14,685	\$ 5,886	\$ 20,571	\$ 1,350	\$ 68	\$ 1,418	\$ 513	\$ 66
2023	13,255	5,362	18,617	-	-	-	143	48	191
2024	13,935	4,804	18,739	-	-	-	53	45	98
2025	14,445	4,398	18,843	-	-	-	14	44	58
2026	15,020	3,958	18,978	-	-	-	15	43	58
2027-2031	75,080	13,225	88,305	-	-	-	73	206	279
2032-2036	40,885	3,988	44,873	-	-	-	138	187	325
2037-2041	8,085	477	8,562	-	-	-	168	157	325
2042-2046	-	-	-	-	-	-	232	118	350
2047-2051	-	-	-	-	-	-	309	66	375
2052-2053	-	-	-	-	-	-	141	9	150
Total	\$ 195,390	\$ 42,098	\$ 237,488	\$ 1,350	\$ 68	\$ 1,418	\$ 1,799	\$ 989	\$ 2,788

Fiscal Year	Community Facilities Districts General Obligation Bonds - Direct Placements			Service Concession Arrangements			Subscriptions		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2022	\$ 2,767	\$ 337	\$ 3,104	\$ 154	\$ 242	\$ 396	\$ 1,079	\$ 172
2023	1,476	254	1,730	154	262	416	1,029	129	1,158
2024	1,310	207	1,517	154	283	437	731	91	822
2025	1,355	164	1,519	154	305	459	761	62	823
2026	1,400	120	1,520	154	327	481	787	31	818
2027-2031	2,293	149	2,442	769	2,023	2,792	-	-	-
2032-2036	225	6	231	375	1,337	1,712	-	-	-
2037-2041	-	-	-	-	-	-	-	-	-
2042-2046	-	-	-	-	-	-	-	-	-
2047-2051	-	-	-	-	-	-	-	-	-
2052-2053	-	-	-	-	-	-	-	-	-
Total	\$ 10,826	\$ 1,237	\$ 12,063	\$ 1,914	\$ 4,779	\$ 6,693	\$ 4,387	\$ 485	\$ 4,872

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Governmental Activities (in thousands)

Fiscal Year	Contracts Payable			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 38	\$ 26	\$ 64	\$ 69,926	\$ 19,056	\$ 88,982
2023	38	24	62	69,070	16,573	85,643
2024	38	22	60	72,731	14,152	86,883
2025	38	19	57	68,437	11,704	80,141
2026	38	17	55	55,814	10,342	66,156
2027-2031	191	53	244	203,786	31,586	235,372
2032-2036	70	5	75	103,353	9,569	112,922
2037-2041	-	-	-	20,543	1,247	21,790
2042-2046	-	-	-	232	118	350
2047-2051	-	-	-	309	66	375
2052-2053	-	-	-	141	9	150
Total	\$ 451	\$ 166	\$ 617	\$ 664,342	\$ 114,422	\$ 778,764

(continued)

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Business-type Activities (in thousands)

<u>Fiscal Year</u>	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 4,145	\$ 447	\$ 4,592	\$ 18,110	\$ 10,043	\$ 28,153
2023	4,375	230	4,605	20,915	9,200	30,115
2024	-	-	-	22,000	8,257	30,257
2025	-	-	-	17,450	7,241	24,691
2026	-	-	-	18,440	6,427	24,867
2027-2031	-	-	-	101,055	20,184	121,239
2032-2036	-	-	-	63,210	5,431	68,641
2037-2041	-	-	-	4,385	153	4,538
Total	\$ 8,520	\$ 677	\$ 9,197	\$ 265,565	\$ 66,936	\$ 332,501

<u>Fiscal Year</u>	Subscriptions			Total Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 46	\$ 3	\$ 49	\$ 22,301	\$ 10,493	\$ 32,794
2023	24	1	25	25,314	9,431	34,745
2024	-	-	-	22,000	8,257	30,257
2025	-	-	-	17,450	7,241	24,691
2026	-	-	-	18,440	6,427	24,867
2027-2031	-	-	-	101,055	20,184	121,239
2032-2036	-	-	-	63,210	5,431	68,641
2037-2041	-	-	-	4,385	153	4,538
Total	\$ 70	\$ 4	\$ 74	\$ 274,155	\$ 67,617	\$ 341,772

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## V. OTHER INFORMATION

### A. Risk Management

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

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

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. As of June 30, 2021, the general liability claims payable totaled \$20,657,000 and the self-insured benefits claims payable totaled \$2,324,000.

	Fiscal Year Ended June 30 (in thousands)	
	2021	2020
Claims Payable, July 1	\$ 21,972	\$ 22,447
Current Year Claims Incurred	36,930	37,123
Current Year Claim Payments	<u>(35,921)</u>	<u>(37,598)</u>
<b>Claims Payable, June 30</b>	<b><u>\$ 22,981</u></b>	<b><u>\$ 21,972</u></b>

### 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, 2021, approximately \$2.2 million in fee waivers have been applied.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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, 2021, these requirements have not been met under any of the agreements. The City's estimated contingent liability related to the agreements at June 30, 2021, is \$56.6 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, 2021, the City did not abate any eligible privilege taxes in connection with the following tax abatement agreement, which comprises the entirety of the City's tax abatement agreements:

- 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, 2021, 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

### D. Joint Ventures

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

The City participates 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, 2020, the latest audited information available from SROG, the City's net investment in SROG was \$85,374,000. SROG's net cash operating expenses for the fiscal year ended June 30, 2020, were \$38,910,201, of which the City's share was \$3,367,188, or 8.65 percent. For the fiscal year ended June 30, 2021, the City paid \$4,679,261 for SROG capital contributions and shared in estimated depreciation/replacement reserve of \$5,250,174, resulting in an estimated equity balance as of June 30, 2021, of \$84,803,087.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020, for the multi-city Sub-Regional Operating Group (the latest SROG Comprehensive Annual Financial Report available) may be obtained from the Arizona Municipal Water Users Association, 3003 North Central Avenue, Suite 1550, 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 Greater 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.



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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, 2020, the latest audited information available from RWC, was \$1,971,110 or 2.87 percent of the RWC's total net position. The City contributed \$255,912 for the fiscal year ended June 30, 2021, and shared in estimated depreciation expenses of \$231,828, resulting in an estimated equity balance as of June 30, 2021, of \$1,995,194. The RWC Comprehensive Annual Financial Statement is available from the Regional Wireless Cooperative, 200 West Washington Street, 14th 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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, fourteen projected cash flows, based on the prior 14 years of historical costs and weighted equally, were used to calculate an average annual cost. To estimate the NGTF liability, eight projected cash flows, based on the prior eight 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 53 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 2021 reimbursable outlays for operating and monitoring the CGTF were \$858,861 and for the NGTF were \$288,873. 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 \$54,817,252 (\$50,926,100 related to governmental activities and \$3,891,152 related to business-type activities).

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

## Arizona State Retirement System

### General Information about the Pension Plan

#### *Plan Description*

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

#### *Benefits Provided*

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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 12.04 percent of their annual pay for the fiscal year ended June 30, 2021, and the City's required contribution rate was 11.65 percent during the same period. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.14 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, 2021, 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 \$13,242,000 for the fiscal year ended June 30, 2021.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

As of June 30, 2021, the City reported a liability of \$181,954,450 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020. As of June 30, 2020, the City's proportion was 1.05015 percent, which was an increase of 0.00099 percent over its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the City recognized a collective pension expense of \$16,318,472. As of June 30, 2021, the City reported a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions from the following sources (in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,646	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	17,550	-
Changes in proportion and differences between City contributions and proportionate share of contributions	76	299
City contributions subsequent to the measurement date	13,242	-
Total	\$ 32,514	\$ 299

The \$13,242,000 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, 2022. 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:

2022	\$ 1,780
2023	5,417
2024	6,348
2025	5,428
2026	-
Thereafter	-

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## *Actuarial Assumptions*

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	
Plan amendments	Immediate
Investment gain/loss	Five years
Assumption gain/loss	Average remaining service lives
Experience gain/loss	Average remaining service lives
Proportion/proportionate share gain/loss	Average remaining service lives
Asset valuation	Fair value
Discount rate	7.5%
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, 2019, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

The expected long-term rate of return on ASRS pension plan investments was determined to be 5.48 percent (excluding investment expense and inflation) using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Contribution to Expected Real Return
Equity	50%	6.39%	3.20%
Fixed Income - Credit	20%	5.44%	1.09%
Fixed Income - Interest Rate Sensitive	10%	0.22%	0.02%
Real estate	20%	5.85%	1.17%
Total	<u>100%</u>		<u>5.48%</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 on the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

### *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	\$ 248,820	\$ 181,954	\$ 126,058

### *Pension Plan Fiduciary Net Position*

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. The financial statements of ASRS are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America that apply to government accounting of fiduciary funds issued by the Governmental Accounting Standards Board. Benefits and refunds are recognized when due and payable. Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and 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, and short-term investment funds. These investments are reported at cost. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

## Public Safety Personnel Retirement System

### General Information about the Pension Plan

#### *Plan Description*

All the City's sworn public safety personnel participate in the Public Safety Personnel Retirement System (PSPRS). PSPRS administers both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The defined contribution plan is only available to police department members who became a member on or after July 1, 2017, and fire department members who became a member on or after January 1, 2012. The defined benefit and defined contribution pension plans are administered in accordance with Title 38, Chapter 5, Articles 4 and 4.1, respectively, of the Arizona Revised Statutes (ARS). PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees (the Board) and 229 local boards. PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <https://www.psprs.com/investments--financials/annual-reports>. The PSPRS other postemployment benefit plan is not further disclosed due to its relative insignificance to the financial statements.

#### *Benefits Provided*

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

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

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

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



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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

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

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

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

<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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

Disability benefits are calculated as follows:

Accidental Disability Retirement:	50% of average monthly compensation, or the monthly Normal Retirement pension that the member is entitled to receive if he or she retired immediately, whichever is greater.
Catastrophic Disability Retirement:	90% of Average Monthly Benefit Compensation for the first 60 months. Thereafter, the benefit is the greater of 62.5% of Average Monthly Benefit Compensation or the member's accrued normal pension.
Ordinary Disability Retirement:	Normal Retirement pension that the member is entitled to receive prorated on Credited Service (maximum of 20 years) over 20.

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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

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

### *Employees Covered by Benefit Terms*

As of June 30, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	304
Inactive plan members entitled to but not yet receiving benefits	122
Active plan members	<u>604</u>
Total	<u><u>1,030</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, 2021

The City's contribution rates for fiscal year ended June 30, 2021 were:

<b>Police</b>	<b>Tier 1</b>		<b>Tier 2</b>		<b>Tier 3</b>	
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	55.72%	55.72%	55.72%	50.66%	49.93%	

<b>Fire</b>	<b>Tier 1</b>		<b>Tier 2</b>		<b>Tier 3</b>		
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	17.68%	17.68%	17.68%	4.00%	13.10%	3.00%	11.77%

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 (40.93 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, 2021, were \$21,874,465.

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 \$2,027,675 of fire insurance premium tax for the City's fire pension plan for the fiscal year ended June 30, 2021. PSPRS accounts for the fire insurance premium tax collected for the City as employer contributions.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

### Net Pension Liability

The City's net pension liability of \$239,628,819 was measured as of June 30, 2020, 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, 2020, measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.50%
Tier 1/2 Investment Rate of Return	7.30%
Tier 3 Investment Rate of Return	7.00%
Mortality rates	<b>Active Lives:</b> PubS-2010 Employee mortality, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2019. 100% of active deaths are assumed to be in the line of duty. <b>Inactive Lives:</b> PubS-2010 Healthy Retiree mortality, loaded 110% for males and females, projected with future mortality improvements reflected generationally using 75% of scale MP-2019. <b>Beneficiaries:</b> PubS-2010 Survivor mortality, projected with future mortality improvements reflected generationally using 75% of scale MP-2019. <b>Disabled Lives:</b> PubS-2010 Disabled mortality, projected with future mortality improvements reflected generationally using 75% of scale MP-2019.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation adopted as of June 30, 2020, as provided by PSPRS, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash - Mellon	1%	-0.60%
Core Bonds	2%	0.22%
Other Assets (Capital Appreciation)	7%	5.61%
Diversifying Strategies	12%	3.22%
International Public Equity	15%	6.09%
Global Private Equity	18%	8.42%
Private Credit	22%	5.31%
U.S. Public Equity	23%	4.93%
	<u>100%</u>	

### *Discount Rate*

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
<b>Balances at 6/30/20</b>	\$ 378,894	\$ 190,914	\$ 187,980
<b>Adjustment to Beginning of Year</b>	-	(118)	118
<b>Changes for the year:</b>			
Service cost	7,402	-	7,402
Interest	27,559	-	27,559
Changes of benefit terms	-	-	-
Differences between expected and actual experience	12,629	-	12,629
Changes of assumptions	-	-	-
Contributions-employer	-	18,854	(18,854)
Contributions-employee	-	3,649	(3,649)
Net investment income	-	2,471	(2,471)
Benefit payments, including refunds of employee contributions	(17,538)	(17,538)	-
Administrative expense	-	(202)	202
Other changes	-	35	(35)
<b>Net changes</b>	<u>30,052</u>	<u>7,269</u>	<u>22,783</u>
<b>Balances at 6/30/21</b>	<u>\$ 408,946</u>	<u>\$ 198,065</u>	<u>\$ 210,881</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
<b>Balances at 6/30/20</b>	\$ 110,280	\$ 98,906	\$ 11,374
<b>Adjustment to Beginning of Year</b>	-	(86)	86
<b>Changes for the year:</b>			
Service cost	5,457	-	5,457
Interest	8,387	-	8,387
Changes of benefit terms	-	-	-
Differences between expected and actual experience	11,517	-	11,517
Changes of assumptions	-	-	-
Contributions-employer	-	4,219	(4,219)
Contributions-employee	-	2,653	(2,653)
Net investment income	-	1,307	(1,307)
Benefit payments, including refunds of employee contributions	(1,705)	(1,705)	-
Administrative expense	-	(106)	106
Other changes	-	-	-
<b>Net changes</b>	23,656	6,368	17,288
<b>Balances at 6/30/21</b>	\$ 133,936	\$ 105,188	\$ 28,748

*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):

	<b>1% Decrease</b> <b>(6.30%/6.00%)</b>	<b>Discount Rate</b> <b>(7.30%/7.00%)</b>	<b>1% Increase</b> <b>(8.30%/8.00%)</b>
Police net pension liability	\$ 267,913	\$ 210,881	\$ 164,515
Fire net pension liability	51,046	28,748	10,633



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

### *Pension Plan Fiduciary Net Position*

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

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

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

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

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$38,263,426 related to the defined benefit plan and the defined benefit portion of the hybrid plan and \$229,205 related to the defined contribution plan and the defined contribution portion of the hybrid plan. As of June 30, 2021, 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	\$ 26,744	\$ 5,291
Changes of assumptions	17,358	-
Net difference between projected and actual earnings on pension plan investments	16,095	-
City contributions subsequent to the measurement date	21,874	-
Total	<u>\$ 82,071</u>	<u>\$ 5,291</u>

City contributions subsequent to the measurement date of \$21,874,465 were reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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:

2022	\$ 12,187
2023	13,322
2024	11,278
2025	9,295
2026	3,575
Thereafter	5,249

### 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.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2021

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, 2021, the City recognized pension expense of \$6,149.

### 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.

The projected liability for active employees, as of June 30, 2021, was \$16,114,167. The projected liability was considered payable within one year or greater and was therefore considered noncurrent and included in both the proprietary fund and government-wide financial statements. Significant actuarial assumptions of the January 1, 2021, 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-2020; 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, 2021.

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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.

### *Employees Covered by Benefit Terms*

The following employees were covered by the benefit terms:

As of June 30, 2021, Membership Consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	18
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>671</u>
Total	<u><u>689</u></u>

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

### Total OPEB Liability

The City's total OPEB liability of \$1,922,986 was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

#### *Actuarial Assumptions and Other Inputs*

The total OPEB liability in the July 1, 2020, 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	2.66%
Healthcare Cost Trend Rates*	0.96% for 2022, 7.50% for 2023, and then decreasing 0.5% per year to an ultimate rate of 4.50% for 2029 and later years
Retirees' Share of Benefit-Related Costs	100%

\*The initial trend rate reflects the City's actual projected cost increases from fiscal year 2021 to 2022.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade 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-2020.
Disabled Police and Fire retirees:	SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2020.
Surviving Spouses:	SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020.

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

### Changes in the Total OPEB Liability

(in thousands)

	<u>Total OPEB Liability</u>
<b>Balance at 6/30/20</b>	\$ 2,177
<b>Changes for the year:</b>	
Service cost	274
Interest	83
Differences between expected and actual experience	(587)
Changes of assumptions/other inputs	121
Benefit payments	(145)
<b>Net changes</b>	<u>(254)</u>
<b>Balance at 6/30/21</b>	<u>\$ 1,923</u>

Changes in assumptions reflect the following:

1. Change in the discount rate from 3.51 percent as of the beginning of the year to 2.66 percent as of the end of the year.
2. Mortality table has been updated from SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020 for current actives.
3. Mortality table has been updated from SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2020 for disabled retirees.
4. Mortality table has been updated from SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020 for surviving spouses.
5. Healthcare trend rates have been updated to reflect actual premium increases from fiscal year 2021 to fiscal year 2022, followed by an annual trend of 7.5 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

### *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 (1.66 percent) or 1-percentage-point higher (3.66 percent) than the current discount rate (in thousands):

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 1,961	\$ 1,923	\$ 1,868

### *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 (-0.04 percent increasing to 3.50 percent) or 1-percentage-point higher (1.96 percent increasing to 5.50 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (-0.04% increasing to 3.50%)	Healthcare Cost Trend Rates (0.96% increasing to 4.50%)	1% Increase (1.96% increasing to 5.50%)
Total OPEB Liability	\$ 1,702	\$ 1,923	\$ 2,178

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$263,159. As of June 30, 2021, 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	\$ -	\$ 1,087
Change of assumptions or other inputs	288	28
City contributions subsequent to the measurement date	138	-
Total	\$ 426	\$ 1,115

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## Notes to Financial Statements

**For the Fiscal Year Ended June 30, 2021**

The \$137,438 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, 2022. 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:**

2022	\$	(94)
2023		(94)
2024		(94)
2025		(94)
2026		(94)
Thereafter		(357)



# Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

## 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 Seven Fiscal Years (dollars in thousands)**

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

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

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

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

## 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 Seven Fiscal Years (dollars in thousands)**

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

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

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

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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

	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Service cost	\$ 5,457	\$ 6,378	\$ 5,098	\$ 5,009	\$ 4,077	\$ 3,720	\$ 3,509
Interest	8,387	7,654	6,729	5,797	4,655	4,037	3,449
Changes of benefit terms	-	-	-	639	7,546	-	(448)
Differences between expected and actual experience	11,517	(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	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
<b>Net change in total pension liability</b>	<b>23,656</b>	<b>12,596</b>	<b>8,776</b>	<b>13,658</b>	<b>17,274</b>	<b>8,060</b>	<b>7,349</b>
<b>Total pension liability-beginning</b>	<b>110,280</b>	<b>97,684</b>	<b>88,908</b>	<b>75,250</b>	<b>57,976</b>	<b>49,916</b>	<b>42,567</b>
<b>Total pension liability-ending (a)</b>	<b>\$ 133,936</b>	<b>\$ 110,280</b>	<b>\$ 97,684</b>	<b>\$ 88,908</b>	<b>\$ 75,250</b>	<b>\$ 57,976</b>	<b>\$ 49,916</b>
<b>Plan fiduciary net position</b>							
Contributions-employer	\$ 4,219	\$ 2,830	\$ 6,061	\$ 2,737	\$ 2,974	\$ 2,247	\$ 2,392
Contributions-employee	2,653	2,946	1,981	2,551	2,693	2,337	2,629
Net investment income	1,307	4,863	5,520	7,822	358	2,046	6,294
Benefit payments, including refunds of employee contributions	(1,705)	(1,259)	(1,047)	(932)	(1,430)	(691)	(780)
Administrative expense	(106)	(85)	(85)	(70)	(52)	(50)	(51)
Other changes	-	-	16	1	(53)	12	(60)
<b>Net change in plan fiduciary net position</b>	<b>6,368</b>	<b>9,295</b>	<b>12,446</b>	<b>12,109</b>	<b>4,490</b>	<b>5,901</b>	<b>10,424</b>
<b>Plan fiduciary net position-beginning</b>	<b>98,906</b>	<b>89,627</b>	<b>77,181</b>	<b>65,072</b>	<b>60,582</b>	<b>54,681</b>	<b>44,257</b>
<b>Adjustment to Beginning of Year</b>	<b>(86)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$ 105,188</b>	<b>\$ 98,906</b>	<b>\$ 89,627</b>	<b>\$ 77,181</b>	<b>\$ 65,072</b>	<b>\$ 60,582</b>	<b>\$ 54,681</b>
<b>City's net pension liability (asset)-ending ((a) - (b))</b>	<b>\$ 28,748</b>	<b>\$ 11,374</b>	<b>\$ 8,057</b>	<b>\$ 11,727</b>	<b>\$ 10,178</b>	<b>\$ (2,606)</b>	<b>\$ (4,765)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>	78.54%	89.69%	91.75%	86.81%	86.47%	104.49%	109.55%
<b>Covered payroll</b>	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
<b>City's net pension liability as a percentage of covered payroll</b>	114.14%	46.66%	34.74%	49.90%	47.34%	0.00%	0.00%

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

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

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 13,242	\$ 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	(13,242)	(13,151)	(12,384)	(11,437)	(11,540)	(11,049)	(11,092)	(10,635)	(9,949)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 110,303	\$ 114,944	\$ 110,748	\$ 105,097	\$ 107,259	\$ 101,917	\$ 101,962	\$ 99,077	\$ 97,257
Contributions as a percentage of covered payroll	12.01%	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, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 19,171	\$ 18,850	\$ 17,296	\$ 15,341	\$ 12,328	\$ 11,635	\$ 8,921	\$ 7,997
Employer contributions in relation to the actuarially determined contribution	(19,171)	(18,850)	(17,296)	(15,341)	(12,328)	(11,635)	(8,921)	(7,997)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 33,349	\$ 35,069	\$ 31,628	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
Contributions as a percentage of covered payroll	57.49%	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, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,731	\$ 4,167	\$ 4,577	\$ 3,924	\$ 2,840	\$ 2,626	\$ 2,276	\$ 2,392
Employer contributions in relation to the actuarially determined contribution	(4,731)	(4,167)	(4,577)	(3,924)	(2,840)	(2,626)	(2,276)	(2,392)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 25,764	\$ 25,187	\$ 24,376	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
Contributions as a percentage of covered payroll	18.36%	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, 2021

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

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

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

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

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

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## Notes to Required Supplementary Information

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For the Fiscal Year Ended June 30, 2021

### I. ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

### II. FACTORS THAT AFFECT TRENDS

#### Arizona State Retirement System (ASRS)

The actuarial assumptions related to funding used in the June 30, 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 cost method, the inflation rate, the investment rate, and the mortality table. The ASRS Board adopted the experience study recommended changes, which were first applied to the June 30, 2017, actuarial valuation.

#### Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2020, 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 percent to 3.5 percent. The total pension liability as of June 30, 2021, 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, 2021, 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 those provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.



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## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

**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.

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## 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 consists of amounts committed by the City Council to be used for the repayment of debt, as well as stadium surcharge amounts restricted for the payment of debt service.

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

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

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## 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 that are used for 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, 2021 (in thousands)

<b>ASSETS</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
Cash and Investments	\$ 139,673	\$ 5,055	\$ 99,976	\$ 708	\$ 245,412
Cash with Fiscal Agent	12	20,689	2,154	-	22,855
Receivables (net of allowance for uncollectibles)					
Interest	124	-	91	-	215
Privilege Tax	8,454	-	1,562	-	10,016
Transient Occupancy Tax	1,944	-	-	-	1,944
Property Tax	2	91	-	-	93
Franchise Fee	64	-	-	-	64
Court	54	-	-	-	54
Highway User Tax	1,623	-	-	-	1,623
Intergovernmental	4,643	-	13,871	-	18,514
Grants	3,470	-	1,745	-	5,215
Leases	1,300	-	-	-	1,300
Miscellaneous	4,036	-	354	-	4,390
Total Assets	<u>\$ 165,399</u>	<u>\$ 25,835</u>	<u>\$ 119,753</u>	<u>\$ 708</u>	<u>\$ 311,695</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>					
Liabilities					
Accounts Payable	\$ 3,607	\$ -	\$ 10,350	\$ -	\$ 13,957
Accrued Payroll and Benefits	391	-	49	-	440
Due to Other Funds	928	-	3,706	-	4,634
Matured Bond Interest Payable	-	3,391	-	-	3,391
Matured Bonds Payable	-	16,919	-	-	16,919
Unearned Revenue					
Intergovernmental	23,749	-	-	-	23,749
Other	688	-	-	-	688
Due to Other Governments	9	-	-	-	9
Guaranty and Other Deposits	5	-	-	-	5
Other	73	-	-	-	73
Total Liabilities	<u>29,450</u>	<u>20,310</u>	<u>14,105</u>	<u>-</u>	<u>63,865</u>
Deferred Inflows of Resources					
Unavailable Revenues	8,318	29	14,500	-	22,847
Leases	3,561	-	-	-	3,561
Total Deferred Inflows of Resources	<u>11,879</u>	<u>29</u>	<u>14,500</u>	<u>-</u>	<u>26,408</u>
Total Liabilities and Deferred Inflows of Resources	<u>41,329</u>	<u>20,339</u>	<u>28,605</u>	<u>-</u>	<u>90,273</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	681	681
Restricted	97,308	2,813	95,837	27	195,985
Committed	28,873	2,683	-	-	31,556
Unassigned	(2,111)	-	(4,689)	-	(6,800)
Total Fund Balances (Deficits)	<u>124,070</u>	<u>5,496</u>	<u>91,148</u>	<u>708</u>	<u>221,422</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 165,399</u>	<u>\$ 25,835</u>	<u>\$ 119,753</u>	<u>\$ 708</u>	<u>\$ 311,695</u>

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Taxes - Local					
Property	\$ 120	\$ 3,097	\$ -	\$ -	\$ 3,217
Transaction Privilege	72,470	-	13,474	-	85,944
Transient Occupancy	18,013	-	-	-	18,013
Light and Power Franchise	202	-	-	-	202
Taxes - Intergovernmental					
State Revenue Sharing	325	-	-	-	325
Highway User Tax	17,893	-	-	-	17,893
Local Transportation Assistance Fund	642	-	-	-	642
Business and Liquor Licenses	43	-	-	-	43
Charges for Current Services					
Building and Related Permits	51	-	-	-	51
Recreation Fees	2,093	-	-	-	2,093
WestWorld Equestrian Facility Fees	42	-	-	-	42
Fines, Fees, and Forfeitures					
Court	123	-	-	-	123
Court Enhancement	1,549	-	-	-	1,549
Police	104	-	-	-	104
Property Rental	2,604	-	-	-	2,604
Interest Earnings	854	-	1,105	-	1,959
Net Increase in the Fair Value of Investments	-	-	-	156	156
Intergovernmental					
Federal Grants	25,021	-	2,067	-	27,088
State Grants	359	-	-	-	359
Miscellaneous	1,032	-	3,132	-	4,164
Developer Contributions	-	-	2,166	-	2,166
Streetlight and Services Districts	529	-	-	-	529
Contributions and Donations	4,348	-	50	-	4,398
Reimbursements from Outside Sources	563	-	8	-	571
Indirect Costs	453	-	-	-	453
Other	85	-	-	-	85
Total Revenues	<u>149,518</u>	<u>3,097</u>	<u>22,002</u>	<u>156</u>	<u>174,773</u>
<b>EXPENDITURES</b>					
Current					
General Government					
Mayor and City Council	35	-	-	-	35
City Attorney	27	-	-	-	27
City Court	1,568	-	-	-	1,568
City Manager	647	-	-	-	647
City Treasurer	172	-	-	-	172
Public Works	17,849	-	2,264	-	20,113
Community and Economic Development	11,537	-	-	-	11,537
Public Safety	15,481	-	591	-	16,072
Community Services	13,437	-	241	45	13,723
Administrative Services	35	-	462	-	497
Scottsdale AZ CARES	12,974	-	-	-	12,974
Streetlight and Services Districts	545	-	-	-	545
Debt Service					
Principal	64	16,919	-	-	16,983
Interest and Fiscal Charges	27	7,781	-	-	7,808
Bond Issuance Costs	-	442	-	-	442
Capital Outlay	2,463	-	48,412	-	50,875
Total Expenditures	<u>76,861</u>	<u>25,142</u>	<u>51,970</u>	<u>45</u>	<u>154,018</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>72,657</u>	<u>(22,045)</u>	<u>(29,968)</u>	<u>111</u>	<u>20,755</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	31,655	21,614	20,304	-	73,573
Transfers Out	(68,383)	-	(2,948)	-	(71,331)
Financing of Subscription-Based Information Technology Arrangements	21	-	-	-	21
Issuance of Refunding Bonds	-	71,325	-	-	71,325
Issuance of Long-Term Capital-Related Debt	-	-	50,930	-	50,930
Premium on Long-Term Debt Issued	-	-	4,070	-	4,070
Payment to Refunded Bonds Escrow Agent	-	(70,878)	-	-	(70,878)
Total Other Financing Sources and (Uses)	<u>(36,707)</u>	<u>22,061</u>	<u>72,356</u>	<u>-</u>	<u>57,710</u>
Net Change in Fund Balances	35,950	16	42,388	111	78,465
Fund Balances - Beginning	88,120	5,480	48,760	597	142,957
Fund Balances - Ending	<u>\$ 124,070</u>	<u>\$ 5,496</u>	<u>\$ 91,148</u>	<u>\$ 708</u>	<u>\$ 221,422</u>

**Combining Balance Sheet**  
**Nonmajor Special Revenue Governmental Funds**

June 30, 2021 (in thousands)

<b>ASSETS</b>	<b>Transportation</b>	<b>Community Development Block Grant</b>	<b>HOME</b>	<b>Grants</b>	<b>Section 8</b>	<b>Preserve Privilege Tax</b>	<b>Scottsdale Mountain CFD</b>	<b>McDowell Mountain Ranch CFD</b>
Cash and Investments	\$ 29,527	\$ -	\$ -	\$ 13,456	\$ 735	\$ 52,552	\$ 29	\$ 13
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	-	112	-	-
Privilege Tax	2,983	-	-	-	-	5,471	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	-	-
Franchise Fee	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	-	-
Highway User Tax	1,623	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	758	700	2,012	-	-	-	-
Leases	-	-	-	-	-	-	-	-
Miscellaneous	97	2,510	-	46	21	-	-	-
Total Assets	<u>\$ 34,230</u>	<u>\$ 3,268</u>	<u>\$ 700</u>	<u>\$ 15,514</u>	<u>\$ 756</u>	<u>\$ 58,135</u>	<u>\$ 29</u>	<u>\$ 13</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 1,114	\$ 65	\$ -	\$ 163	\$ 26	\$ 53	\$ -	\$ -
Accrued Payroll and Benefits	239	9	-	46	12	-	-	-
Due to Other Funds	-	228	700	-	-	-	-	-
Unearned Revenue								
Intergovernmental	-	302	-	14,643	-	-	-	-
Other	-	4	-	629	-	-	-	-
Due to Other Governments	-	1	-	-	2	-	-	-
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Other	-	-	-	-	71	-	-	-
Total Liabilities	<u>1,353</u>	<u>614</u>	<u>700</u>	<u>15,481</u>	<u>111</u>	<u>53</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenues	834	2,649	97	1,740	21	1,484	-	-
Leases	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>834</u>	<u>2,649</u>	<u>97</u>	<u>1,740</u>	<u>21</u>	<u>1,484</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,187</u>	<u>3,263</u>	<u>797</u>	<u>17,221</u>	<u>132</u>	<u>1,537</u>	<u>-</u>	<u>-</u>
<b>Fund Balances (Deficits)</b>								
Restricted	32,043	144	-	-	624	56,598	29	13
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(139)	(97)	(1,707)	-	-	-	-
Total Fund Balances (Deficits)	<u>32,043</u>	<u>5</u>	<u>(97)</u>	<u>(1,707)</u>	<u>624</u>	<u>56,598</u>	<u>29</u>	<u>13</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 34,230</u>	<u>\$ 3,268</u>	<u>\$ 700</u>	<u>\$ 15,514</u>	<u>\$ 756</u>	<u>\$ 58,135</u>	<u>\$ 29</u>	<u>\$ 13</u>

(continued)

**Combining Balance Sheet**  
**Nonmajor Special Revenue Governmental Funds**

June 30, 2021 (in thousands)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Stadium Facility	Total
<b>ASSETS</b>								
Cash and Investments	\$ 42	\$ 7	\$ -	\$ 48	\$ 32,369	\$ 7,239	\$ 3,656	\$ 139,673
Cash with Fiscal Agent	-	-	12	-	-	-	-	12
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	12	-	-	124
Privilege Tax	-	-	-	-	-	-	-	8,454
Transient Occupancy Tax	-	-	-	-	-	1,944	-	1,944
Property Tax	2	-	-	-	-	-	-	2
Franchise Fee	-	-	-	-	64	-	-	64
Court	-	-	-	-	54	-	-	54
Highway User Tax	-	-	-	-	-	-	-	1,623
Intergovernmental	-	-	-	-	4,643	-	-	4,643
Grants	-	-	-	-	-	-	-	3,470
Leases	-	-	-	-	1,300	-	-	1,300
Miscellaneous	-	-	-	9	778	154	421	4,036
Total Assets	<u>\$ 44</u>	<u>\$ 7</u>	<u>\$ 12</u>	<u>\$ 57</u>	<u>\$ 39,220</u>	<u>\$ 9,337</u>	<u>\$ 4,077</u>	<u>\$ 165,399</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>								
<b>Liabilities</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 625	\$ 1,551	\$ 10	\$ 3,607
Accrued Payroll and Benefits	-	-	-	-	72	8	5	391
Due to Other Funds	-	-	-	-	-	-	-	928
Unearned Revenue								
Intergovernmental	-	-	-	-	8,804	-	-	23,749
Other	-	-	-	-	55	-	-	688
Due to Other Governments	-	-	-	-	6	-	-	9
Guaranty and Other Deposits	-	-	-	-	-	-	-	5
Other	-	-	-	-	2	-	-	73
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,564</u>	<u>1,559</u>	<u>15</u>	<u>29,450</u>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenues	-	-	-	-	738	510	245	8,318
Leases	-	-	-	-	1,314	2,247	-	3,561
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,052</u>	<u>2,757</u>	<u>245</u>	<u>11,879</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,616</u>	<u>4,316</u>	<u>260</u>	<u>41,329</u>
<b>Fund Balances (Deficits)</b>								
Restricted	44	7	12	57	3,920	-	3,817	97,308
Committed	-	-	-	-	23,852	5,021	-	28,873
Unassigned	-	-	-	-	(168)	-	-	(2,111)
Total Fund Balances (Deficits)	<u>44</u>	<u>7</u>	<u>12</u>	<u>57</u>	<u>27,604</u>	<u>5,021</u>	<u>3,817</u>	<u>124,070</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 44</u>	<u>\$ 7</u>	<u>\$ 12</u>	<u>\$ 57</u>	<u>\$ 39,220</u>	<u>\$ 9,337</u>	<u>\$ 4,077</u>	<u>\$ 165,399</u>

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Transportation	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
<b>REVENUES</b>								
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24
Transaction Privilege	25,549	-	-	-	-	46,921	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
State Revenue Sharing	-	-	-	-	-	-	-	-
Highway User Tax	17,893	-	-	-	-	-	-	-
Local Transportation Assistance Fund	642	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Building and Related Permits	-	-	-	-	-	-	-	-
Recreation Fees	-	-	-	-	-	-	-	-
WestWorld Equestrian Facility Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-
Property Rental	5	63	-	-	-	-	-	-
Interest Earnings	-	-	-	-	-	715	-	-
Intergovernmental								
Federal Grants	-	1,458	604	16,381	6,578	-	-	-
State Grants	-	-	-	359	-	-	-	-
Miscellaneous	78	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,024	-	-	-	-
Reimbursements from Outside Sources	381	-	-	-	13	-	-	-
Indirect Costs	453	-	-	-	-	-	-	-
Other	10	-	-	-	-	-	-	-
Total Revenues	45,011	1,521	604	17,764	6,591	47,636	-	24
<b>EXPENDITURES</b>								
Current								
General Government								
Mayor and City Council	-	-	-	10	-	-	-	-
City Attorney	-	-	-	27	-	-	-	-
City Court	-	-	-	-	-	-	-	-
City Manager	-	-	-	647	-	-	-	-
City Treasurer	62	-	-	-	-	3	4	11
Public Works	16,422	-	-	1,260	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-
Public Safety	-	-	-	14,137	-	-	-	-
Community Services	1,880	1,510	525	875	6,336	-	-	-
Administrative Services	35	-	-	-	-	-	-	-
Scottsdale AZ CARES	-	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Debt Service								
Principal	19	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Capital Outlay	2,035	3	-	61	18	-	-	-
Total Expenditures	20,453	1,513	525	17,017	6,354	3	4	11
Excess (Deficiency) of Revenues over (under) Expenditures	24,558	8	79	747	237	47,633	(4)	13
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	1,818	-	-	33	-	-	-	-
Transfers Out	(12,825)	(6)	-	(51)	-	(38,967)	-	-
Financing of Subscription-Based Information Technology Arrangements	21	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(10,986)	(6)	-	(18)	-	(38,967)	-	-
Net Change in Fund Balances (Deficits)	13,572	2	79	729	237	8,666	(4)	13
Fund Balances (Deficits) - Beginning	18,471	3	(176)	(2,436)	387	47,932	33	-
Fund Balances (Deficits) - Ending	\$ 32,043	\$ 5	\$ (97)	\$ (1,707)	\$ 624	\$ 56,598	\$ 29	\$ 13

(continued)



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

**Nonmajor Special Revenue Governmental Funds**

For the Fiscal Year Ended June 30, 2021 (in thousands)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Stadium Facility	Total
<b>REVENUES</b>								
Taxes - Local								
Property	\$ 69	\$ 17	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 120
Transaction Privilege	-	-	-	-	-	-	-	72,470
Transient Occupancy	-	-	-	-	-	18,013	-	18,013
Light and Power Franchise	-	-	-	-	202	-	-	202
Taxes - Intergovernmental								
State Revenue Sharing	-	-	-	-	325	-	-	325
Highway User Tax	-	-	-	-	-	-	-	17,893
Local Transportation Assistance Fund	-	-	-	-	-	-	-	642
Business and Liquor Licenses	-	-	-	-	43	-	-	43
Charges for Current Services								
Building and Related Permits	-	-	-	-	51	-	-	51
Recreation Fees	-	-	-	-	2,093	-	-	2,093
WestWorld Equestrian Facility Fees	-	-	-	-	42	-	-	42
Fines, Fees, and Forfeitures								
Court	-	-	-	-	123	-	-	123
Court Enhancement	-	-	-	-	1,549	-	-	1,549
Police	-	-	-	-	104	-	-	104
Property Rental	-	-	-	-	1,304	846	386	2,604
Interest Earnings	-	-	-	-	101	12	26	854
Intergovernmental								
Federal Grants	-	-	-	-	-	-	-	25,021
State Grants	-	-	-	-	-	-	-	359
Miscellaneous	-	-	-	-	954	-	-	1,032
Streetlight and Services Districts	-	-	-	529	-	-	-	529
Contributions and Donations	-	-	-	-	300	-	3,024	4,348
Reimbursements from Outside Sources	-	-	-	-	157	12	-	563
Indirect Costs	-	-	-	-	-	-	-	453
Other	-	-	-	-	75	-	-	85
Total Revenues	<u>69</u>	<u>17</u>	<u>10</u>	<u>529</u>	<u>7,423</u>	<u>18,883</u>	<u>3,436</u>	<u>149,518</u>
<b>EXPENDITURES</b>								
Current								
General Government								
Mayor and City Council	-	-	-	-	25	-	-	35
City Attorney	-	-	-	-	-	-	-	27
City Court	-	-	-	-	1,568	-	-	1,568
City Manager	-	-	-	-	-	-	-	647
City Treasurer	71	10	11	-	-	-	-	172
Public Works	-	-	-	-	167	-	-	17,849
Community and Economic Development	-	-	-	-	115	11,422	-	11,537
Public Safety	-	-	-	-	1,344	-	-	15,481
Community Services	-	-	-	-	1,920	-	391	13,437
Administrative Services	-	-	-	-	-	-	-	35
Scottsdale AZ CARES	-	-	-	-	12,974	-	-	12,974
Streetlight and Services Districts	-	-	-	545	-	-	-	545
Debt Service								
Principal	-	-	-	-	45	-	-	64
Interest and Fiscal Charges	-	-	-	-	27	-	-	27
Capital Outlay	-	-	-	-	346	-	-	2,463
Total Expenditures	<u>71</u>	<u>10</u>	<u>11</u>	<u>545</u>	<u>18,531</u>	<u>11,422</u>	<u>391</u>	<u>76,861</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2)</u>	<u>7</u>	<u>(1)</u>	<u>(16)</u>	<u>(11,108)</u>	<u>7,461</u>	<u>3,045</u>	<u>72,657</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	-	-	-	-	29,770	34	-	31,655
Transfers Out	-	-	-	-	(7,470)	(7,185)	(1,879)	(68,383)
Financing of Subscription-Based Information Technology Arrangements	-	-	-	-	-	-	-	21
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,300</u>	<u>(7,151)</u>	<u>(1,879)</u>	<u>(36,707)</u>
Net Change in Fund Balances (Deficits)	<u>(2)</u>	<u>7</u>	<u>(1)</u>	<u>(16)</u>	<u>11,192</u>	<u>310</u>	<u>1,166</u>	<u>35,950</u>
Fund Balances (Deficits) - Beginning	46	-	13	73	16,412	4,711	2,651	88,120
Fund Balances (Deficits) - Ending	<u>\$ 44</u>	<u>\$ 7</u>	<u>\$ 12</u>	<u>\$ 57</u>	<u>\$ 27,604</u>	<u>\$ 5,021</u>	<u>\$ 3,817</u>	<u>\$ 124,070</u>

## Transportation – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ 21,154	\$ 21,154	\$ 25,549	\$ -	\$ 25,549	\$ 4,395
Taxes - Intergovernmental						
Highway User Tax	18,000	18,000	17,893	-	17,893	(107)
Local Transportation Assistance Fund	655	655	642	-	642	(13)
Property Rental	-	-	5	-	5	5
Intergovernmental						
Miscellaneous	120	120	78	-	78	(42)
Reimbursements from Outside Sources	6	6	381	-	381	375
Indirect Costs	453	453	453	-	453	-
Other	-	-	10	-	10	10
Total Revenues	<u>40,388</u>	<u>40,388</u>	<u>45,011</u>	<u>-</u>	<u>45,011</u>	<u>4,623</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Treasurer	60	62	62	-	62	-
Public Works	23,830	21,822	18,429	(2,007)	16,422	3,393
Community Services	1,898	1,898	1,880	-	1,880	18
Administrative Services	19	40	35	-	35	5
Debt Service						
Principal	-	-	-	19	19	-
Capital Outlay	-	-	-	2,035	2,035	-
Total Expenditures	<u>25,807</u>	<u>23,822</u>	<u>20,406</u>	<u>47</u>	<u>20,453</u>	<u>3,416</u>
Excess of Revenues over Expenditures	<u>14,581</u>	<u>16,566</u>	<u>24,605</u>	<u>(47)</u>	<u>24,558</u>	<u>8,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	1,818	-	1,818	1,818
Transfers Out	(10,627)	(10,627)	(12,825)	-	(12,825)	(2,198)
Financing of SBITAs	-	-	21	-	21	21
Total Other Financing Sources (Uses)	<u>(10,627)</u>	<u>(10,627)</u>	<u>(10,986)</u>	<u>-</u>	<u>(10,986)</u>	<u>(359)</u>
Net Change in Fund Balance	<u>\$ 3,954</u>	<u>\$ 5,939</u>	<u>\$ 13,619</u>	<u>\$ (47)</u>	<u>\$ 13,572</u>	<u>\$ 7,680</u>

#### Explanation of Differences:

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

    Payroll Accruals \$ 47

#### Differences in Presentation between Budget and GAAP Basis:

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

## 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, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Property Rental	\$ 55	\$ 55	\$ 63	\$ -	\$ 63	\$ 8
Intergovernmental						
Federal Grants	1,952	1,952	1,458	-	1,458	(494)
Total Revenues	<u>2,007</u>	<u>2,007</u>	<u>1,521</u>	<u>-</u>	<u>1,521</u>	<u>(486)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	2,001	2,715	1,513	(3)	1,510	1,202
Capital Outlay	-	-	-	3	3	-
Total Expenditures	<u>2,001</u>	<u>2,715</u>	<u>1,513</u>	<u>-</u>	<u>1,513</u>	<u>1,202</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>6</u>	<u>(708)</u>	<u>8</u>	<u>-</u>	<u>8</u>	<u>716</u>
<b>OTHER FINANCING USES</b>						
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>\$ -</u>	<u>\$ (714)</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 716</u>

#### Explanation of Differences:

Differences in Presentation between Budget and GAAP Basis:

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

## HOME – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2021 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 685	\$ 685	\$ 604	\$ -	\$ 604	\$ (81)
Total Revenues	<u>685</u>	<u>685</u>	<u>604</u>	<u>-</u>	<u>604</u>	<u>(81)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	685	685	525	-	525	160
Total Expenditures	<u>685</u>	<u>685</u>	<u>525</u>	<u>-</u>	<u>525</u>	<u>160</u>
Excess of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>79</u>	<u>-</u>	<u>79</u>	<u>79</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 79</u>

## Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 8,567	\$ 8,567	\$ 16,381	\$ -	\$ 16,381	\$ 7,814
State Grants	12,901	12,901	359	-	359	(12,542)
Contributions and Donations	2,117	2,117	1,024	-	1,024	(1,093)
Total Revenues	<u>23,585</u>	<u>23,585</u>	<u>17,764</u>	<u>-</u>	<u>17,764</u>	<u>(5,821)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	5	10	10	-	10	-
City Attorney	-	150	24	3	27	126
City Manager	670	647	647	-	647	-
City Treasurer	-	70	-	-	-	70
Public Works	120	1,253	1,260	-	1,260	(7)
Community and Economic Development	5	-	-	-	-	-
Public Safety	21,013	15,301	14,173	(36)	14,137	1,128
Community Services	1,772	1,215	903	(28)	875	312
Capital Outlay	-	-	-	61	61	-
Total Expenditures	<u>23,585</u>	<u>18,646</u>	<u>17,017</u>	<u>-</u>	<u>17,017</u>	<u>1,629</u>
Excess of Revenues over Expenditures	-	4,939	747	-	747	(4,192)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	33	-	33	33
Transfers Out	-	-	(51)	-	(51)	(51)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>(18)</u>	<u>(18)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 4,939</u>	<u>\$ 729</u>	<u>\$ -</u>	<u>\$ 729</u>	<u>\$ (4,210)</u>

#### Explanation of Differences:

Differences in Presentation between Budget and GAAP Basis:

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

## Section 8 – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 5,824	\$ 5,824	\$ 6,578	\$ -	\$ 6,578	\$ 754
Reimbursements from Outside Sources	-	-	13	-	13	13
Total Revenues	<u>5,824</u>	<u>5,824</u>	<u>6,591</u>	<u>-</u>	<u>6,591</u>	<u>767</u>
<b>EXPENDITURES</b>						
Current						
Community Services	5,824	6,027	6,352	(16)	6,336	(325)
Capital Outlay	-	-	-	18	18	-
Total Expenditures	<u>5,824</u>	<u>6,027</u>	<u>6,352</u>	<u>2</u>	<u>6,354</u>	<u>(325)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	-	(203)	239	(2)	237	442
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (203)</u>	<u>\$ 239</u>	<u>\$ (2)</u>	<u>\$ 237</u>	<u>\$ 442</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 2</u>
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#### Differences in Presentation between Budget and GAAP Basis:

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

## 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, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ 38,399	\$ 38,399	\$ 46,921	\$ -	\$ 46,921	\$ 8,522
Interest Earnings	745	745	715	-	715	(30)
Total Revenues	<u>39,144</u>	<u>39,144</u>	<u>47,636</u>	<u>-</u>	<u>47,636</u>	<u>8,492</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Treasurer	-	-	3	-	3	(3)
Total Expenditures	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>(3)</u>
Excess of Revenues over Expenditures	<u>39,144</u>	<u>39,144</u>	<u>47,633</u>	<u>-</u>	<u>47,633</u>	<u>8,489</u>
<b>OTHER FINANCING USES</b>						
Transfers Out	<u>(39,031)</u>	<u>(39,031)</u>	<u>(38,967)</u>	<u>-</u>	<u>(38,967)</u>	<u>64</u>
Total Other Financing Uses	<u>(39,031)</u>	<u>(39,031)</u>	<u>(38,967)</u>	<u>-</u>	<u>(38,967)</u>	<u>64</u>
Net Change in Fund Balance	<u>\$ 113</u>	<u>\$ 113</u>	<u>\$ 8,666</u>	<u>\$ -</u>	<u>\$ 8,666</u>	<u>\$ 8,553</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, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Streetlight and Services Districts	\$ 553	\$ 553	\$ 529	\$ -	\$ 529	\$ (24)
Total Revenues	<u>553</u>	<u>553</u>	<u>529</u>	<u>-</u>	<u>529</u>	<u>(24)</u>
<b>EXPENDITURES</b>						
Current						
Streetlight and Services Districts	610	610	545	-	545	65
Total Expenditures	<u>610</u>	<u>610</u>	<u>545</u>	<u>-</u>	<u>545</u>	<u>65</u>
Deficiency of Revenues under Expenditures	(57)	(57)	(16)	-	(16)	41
Net Change in Fund Balance	<u>\$ (57)</u>	<u>\$ (57)</u>	<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ (16)</u>	<u>\$ 41</u>



**Special Programs – Special Revenue Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
For the Fiscal Year Ended June 30, 2021 (in thousands)

REVENUES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Taxes - Local						
Light and Power Franchise	\$ 252	\$ 252	\$ 202	\$ -	\$ 202	\$ (50)
Taxes - Intergovernmental						
State Revenue Sharing	-	-	325	-	325	325
Business and Liquor Licenses	55	55	43	-	43	(12)
Charges for Current Services						
Building and Related Permits	15	15	51	-	51	36
Recreation Fees	2,348	2,348	2,093	-	2,093	(255)
WestWorld Equestrian Facility Fees	-	-	42	-	42	42
Fines, Fees, and Forfeitures						
Court	155	155	123	-	123	(32)
Court Enhancement	1,916	1,916	1,549	-	1,549	(367)
Police	146	146	104	-	104	(42)
Property Rental	1,680	1,680	1,318	(14)	1,304	(362)
Interest Earnings	123	123	99	2	101	(24)
Intergovernmental						
Miscellaneous	238	238	954	-	954	716
Developer Contributions	100	100	-	-	-	(100)
Contributions and Donations	331	331	300	-	300	(31)
Reimbursements from Outside Sources	112	112	157	-	157	45
Other	39	39	75	-	75	36
Total Revenues	<u>7,510</u>	<u>7,510</u>	<u>7,435</u>	<u>(12)</u>	<u>7,423</u>	<u>(75)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	28	28	25	-	25	3
City Court	1,870	1,893	1,567	1	1,568	326
Public Works	364	364	180	(13)	167	184
Community and Economic Development	3,672	3,491	116	(1)	115	3,375
Public Safety	1,662	1,672	1,355	(11)	1,344	317
Community Services	2,758	2,781	2,043	(123)	1,920	738
Scottsdale AZ CARES	-	24,183	13,165	(191)	12,974	11,018
Debt Service						
Principal	-	-	45	-	45	(45)
Interest and Fiscal Charges	-	-	27	-	27	(27)
Capital Outlay	-	-	-	346	346	-
Total Expenditures	<u>10,354</u>	<u>34,412</u>	<u>18,523</u>	<u>8</u>	<u>18,531</u>	<u>15,889</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,844)</u>	<u>(26,902)</u>	<u>(11,088)</u>	<u>(20)</u>	<u>(11,108)</u>	<u>15,814</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	10	29,638	29,770	-	29,770	132
Transfers Out	(2,144)	(2,144)	(7,470)	-	(7,470)	(5,326)
Total Other Financing Sources (Uses)	<u>(2,134)</u>	<u>27,494</u>	<u>22,300</u>	<u>-</u>	<u>22,300</u>	<u>(5,194)</u>
Net Change in Fund Balance	<u>\$ (4,978)</u>	<u>\$ 592</u>	<u>\$ 11,212</u>	<u>\$ (20)</u>	<u>\$ 11,192</u>	<u>\$ 10,620</u>

**Explanation of Differences:**

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

Amortized Lease Revenue	\$ (14)
Lease Interest Revenue	2
Total Revenue Adjustments	<u>(12)</u>

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

Payroll Accrual and Compensated Absences	<u>8</u>
--	----------

Net Decrease in Fund Balance - Budget to GAAP \$ (20)

Differences in Presentation between Budget and GAAP Basis:

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

## Tourism Development – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Transient Occupancy Tax	\$ 15,020	\$ 15,020	\$ 18,013	\$ -	\$ 18,013	\$ 2,993
Property Rental	1,500	1,500	1,696	(850)	846	196
Interest Earnings	-	-	-	12	12	-
Reimbursements from Outside Sources	-	-	12	-	12	12
Total Revenues	<u>16,520</u>	<u>16,520</u>	<u>19,721</u>	<u>(838)</u>	<u>18,883</u>	<u>3,201</u>
<b>EXPENDITURES</b>						
Current						
Community and Economic Development	10,029	11,760	11,421	1	11,422	339
Total Expenditures	<u>10,029</u>	<u>11,760</u>	<u>11,421</u>	<u>1</u>	<u>11,422</u>	<u>339</u>
Excess of Revenues over Expenditures	6,491	4,760	8,300	(839)	7,461	3,540
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	34	-	34	34
Transfers Out	(7,190)	(7,190)	(7,185)	-	(7,185)	5
Total Other Financing Sources (Uses)	<u>(7,190)</u>	<u>(7,190)</u>	<u>(7,151)</u>	<u>-</u>	<u>(7,151)</u>	<u>39</u>
Net Change in Fund Balance	<u>\$ (699)</u>	<u>\$ (2,430)</u>	<u>\$ 1,149</u>	<u>\$ (839)</u>	<u>\$ 310</u>	<u>\$ 3,579</u>

#### Explanation of Differences:

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

Amortized Lease Revenue	\$ (850)
Lease Interest Revenue	12
Total Revenue Adjustments	<u>(838)</u>

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

Payroll Accrual and Compensated Absences	<u>1</u>
--	----------

Net Decrease in Fund Balance - Budget to GAAP \$ (839)

## Stadium Facility – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Property Rental	\$ 490	\$ 490	\$ 386	\$ -	\$ 386	\$ (104)
Interest Earnings	10	10	26	-	26	16
Contributions and Donations	3,145	3,145	3,024	-	3,024	(121)
Reimbursements from Outside Sources	264	264	-	-	-	(264)
Total Revenues	<u>3,909</u>	<u>3,909</u>	<u>3,436</u>	<u>-</u>	<u>3,436</u>	<u>(473)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	684	687	393	(2)	391	294
Total Expenditures	<u>684</u>	<u>687</u>	<u>393</u>	<u>(2)</u>	<u>391</u>	<u>294</u>
Excess of Revenues over Expenditures	<u>3,225</u>	<u>3,222</u>	<u>3,043</u>	<u>2</u>	<u>3,045</u>	<u>(179)</u>
<b>OTHER FINANCING USES</b>						
Transfers Out	(670)	(670)	(1,879)	-	(1,879)	(1,209)
Total Other Financing Uses	<u>(670)</u>	<u>(670)</u>	<u>(1,879)</u>	<u>-</u>	<u>(1,879)</u>	<u>(1,209)</u>
Net Change in Fund Balance	<u>\$ 2,555</u>	<u>\$ 2,552</u>	<u>\$ 1,164</u>	<u>\$ 2</u>	<u>\$ 1,166</u>	<u>\$ (1,388)</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ (2)</u>
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**Combining Balance Sheet**  
**Nonmajor Debt Service Governmental Funds**  
June 30, 2021 (in thousands)

	<b>Municipal Property Corporation</b>	<b>Debt Service Stabilization</b>	<b>McDowell Mountain Ranch CFD</b>	<b>DC Ranch CFD</b>	<b>Via Linda Road CFD</b>	<b>Waterfront Commercial CFD</b>	<b>Scottsdale Preserve Authority</b>	<b>Total</b>
<b>ASSETS</b>								
Cash and Investments	\$ -	\$ 5,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,055
Cash with Fiscal Agent	16,093	-	1,494	1,278	230	248	1,346	20,689
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Property Tax	-	-	27	57	6	1	-	91
<b>Total Assets</b>	<b>\$ 16,093</b>	<b>\$ 5,055</b>	<b>\$ 1,521</b>	<b>\$ 1,335</b>	<b>\$ 236</b>	<b>\$ 249</b>	<b>\$ 1,346</b>	<b>\$ 25,835</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities</b>								
Matured Bond Interest Payable	\$ 3,116	\$ -	\$ 37	\$ 135	\$ 8	\$ 29	\$ 66	\$ 3,391
Matured Bonds Payable	12,977	-	1,280	1,015	195	172	1,280	16,919
<b>Total Liabilities</b>	<b>16,093</b>	<b>-</b>	<b>1,317</b>	<b>1,150</b>	<b>203</b>	<b>201</b>	<b>1,346</b>	<b>20,310</b>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenues	-	-	9	17	2	1	-	29
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>16,093</b>	<b>-</b>	<b>1,326</b>	<b>1,167</b>	<b>205</b>	<b>202</b>	<b>1,346</b>	<b>20,339</b>
<b>Fund Balances</b>								
Restricted	-	2,372	195	168	31	47	-	2,813
Committed	-	2,683	-	-	-	-	-	2,683
<b>Total Fund Balances</b>	<b>-</b>	<b>5,055</b>	<b>195</b>	<b>168</b>	<b>31</b>	<b>47</b>	<b>-</b>	<b>5,496</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 16,093</b>	<b>\$ 5,055</b>	<b>\$ 1,521</b>	<b>\$ 1,335</b>	<b>\$ 236</b>	<b>\$ 249</b>	<b>\$ 1,346</b>	<b>\$ 25,835</b>

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

**Nonmajor Debt Service Governmental Funds**

For the Fiscal Year Ended June 30, 2021 (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
<b>REVENUES</b>								
Taxes - Local								
Property	\$ -	\$ -	\$ 1,351	\$ 1,299	\$ 207	\$ 240	\$ -	\$ 3,097
Total Revenues	-	-	1,351	1,299	207	240	-	3,097
<b>EXPENDITURES</b>								
Debt Service								
Principal	12,977	-	1,280	1,015	195	172	1,280	16,919
Interest and Fiscal Charges	7,228	-	75	269	16	59	134	7,781
Bond Issuance Costs	442	-	-	-	-	-	-	442
Total Expenditures	20,647	-	1,355	1,284	211	231	1,414	25,142
Excess (Deficiency) of Revenues over (under) Expenditures	(20,647)	-	(4)	15	(4)	9	(1,414)	(22,045)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	20,200	-	-	-	-	-	1,414	21,614
Issuance of Refunding Bonds	71,325	-	-	-	-	-	-	71,325
Payment to Refunded Bonds Escrow Agent	(70,878)	-	-	-	-	-	-	(70,878)
Total Other Financing Sources (Uses)	20,647	-	-	-	-	-	1,414	22,061
Net Change in Fund Balances	-	-	(4)	15	(4)	9	-	16
Fund Balances - Beginning	-	5,055	199	153	35	38	-	5,480
Fund Balances - Ending	\$ -	\$ 5,055	\$ 195	\$ 168	\$ 31	\$ 47	\$ -	\$ 5,496

# 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, 2021 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Taxes - Local						
Property	\$ 33,373	\$ 33,373	\$ 33,481	\$ -	\$ 33,481	\$ 108
Total Revenues	<u>33,373</u>	<u>33,373</u>	<u>33,481</u>	<u>-</u>	<u>33,481</u>	<u>108</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	47,590	47,590	50,075	-	50,075	(2,485)
Interest and Fiscal Charges	17,650	17,650	12,533	-	12,533	5,117
Bond Issuance Costs	-	-	1,303	-	1,303	(1,303)
Total Expenditures	<u>65,240</u>	<u>65,240</u>	<u>63,911</u>	<u>-</u>	<u>63,911</u>	<u>1,329</u>
Deficiency of Revenues under Expenditures	<u>(31,867)</u>	<u>(31,867)</u>	<u>(30,430)</u>	<u>-</u>	<u>(30,430)</u>	<u>1,437</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	31,867	31,867	31,501	-	31,501	(366)
Issuance of Refunding Bonds	-	-	168,220	-	168,220	168,220
Issuance of Long-Term Capital-Related Debt	-	-	230	-	230	230
Premium on Long-Term Debt Issued	-	-	130	-	130	130
Payment to Refunded Bonds Escrow Agent	-	-	(167,224)	-	(167,224)	(167,224)
Total Other Financing Sources (Uses)	<u>31,867</u>	<u>31,867</u>	<u>32,857</u>	<u>-</u>	<u>32,857</u>	<u>990</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,427</u>	<u>\$ -</u>	<u>\$ 2,427</u>	<u>\$ 2,427</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, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>						
Debt Service						
Principal	12,647	12,647	12,977	-	12,977	(330)
Interest and Fiscal Charges	8,213	8,213	7,228	-	7,228	985
Bond Issuance Costs	-	-	442	-	442	(442)
Total Expenditures	20,860	20,860	20,647	-	20,647	213
Deficiency of Revenues under Expenditures	(20,860)	(20,860)	(20,647)	-	(20,647)	213
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	20,860	20,860	20,200	-	20,200	(660)
Issuance of Refunding Bonds	-	-	71,325	-	71,325	71,325
Payment to Refunded Bonds Escrow Agent	-	-	(70,878)	-	(70,878)	(70,878)
Total Other Financing Sources (Uses)	20,860	20,860	20,647	-	20,647	(213)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# 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, 2021 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>						
Debt Service						
Principal	1,280	1,280	1,280	-	1,280	-
Interest and Fiscal Charges	134	134	134	-	134	-
Total Expenditures	1,414	1,414	1,414	-	1,414	-
Deficiency of Revenues under Expenditures	(1,414)	(1,414)	(1,414)	-	(1,414)	-
<b>OTHER FINANCING SOURCES</b>						
Transfers In	1,414	1,414	1,414	-	1,414	-
Total Other Financing Sources	1,414	1,414	1,414	-	1,414	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



# Combining Balance Sheet

## Nonmajor Capital Projects Governmental Funds

June 30, 2021 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
<b>ASSETS</b>						
Cash and Investments	\$ 34,666	\$ 64,547	\$ 763	\$ -	\$ -	\$ 99,976
Cash with Fiscal Agent	-	-	-	2,154	-	2,154
Receivables (net of allowance for uncollectibles)						
Interest	-	91	-	-	-	91
Privilege Tax	-	1,562	-	-	-	1,562
Intergovernmental	-	12,646	-	-	1,225	13,871
Grants	-	-	-	-	1,745	1,745
Miscellaneous	-	-	-	-	354	354
Total Assets	<u>\$ 34,666</u>	<u>\$ 78,846</u>	<u>\$ 763</u>	<u>\$ 2,154</u>	<u>\$ 3,324</u>	<u>\$ 119,753</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 5,016	\$ 3,338	\$ 1,249	\$ 533	\$ 214	\$ 10,350
Accrued Payroll and Benefits	14	27	8	-	-	49
Due to Other Funds	-	-	-	23	3,683	3,706
Total Liabilities	<u>5,030</u>	<u>3,365</u>	<u>1,257</u>	<u>556</u>	<u>3,897</u>	<u>14,105</u>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenues	-	13,070	-	-	1,430	14,500
Total Liabilities and Deferred Inflows of Resources	<u>5,030</u>	<u>16,435</u>	<u>1,257</u>	<u>556</u>	<u>5,327</u>	<u>28,605</u>
<b>Fund Balances (Deficits)</b>						
Restricted	29,655	62,411	-	1,598	2,173	95,837
Unassigned	(19)	-	(494)	-	(4,176)	(4,689)
Total Fund Balances (Deficits)	<u>29,636</u>	<u>62,411</u>	<u>(494)</u>	<u>1,598</u>	<u>(2,003)</u>	<u>91,148</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 34,666</u>	<u>\$ 78,846</u>	<u>\$ 763</u>	<u>\$ 2,154</u>	<u>\$ 3,324</u>	<u>\$ 119,753</u>

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

### Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ -	\$ 13,474	\$ -	\$ -	\$ -	\$ 13,474
Interest Earnings	6	1,088	-	-	11	1,105
Intergovernmental						
Federal Grants	-	-	-	-	2,067	2,067
Miscellaneous	-	-	-	-	3,132	3,132
Developer Contributions	-	1,275	-	-	891	2,166
Contributions and Donations	-	-	-	-	50	50
Reimbursements from Outside Sources	-	8	-	-	-	8
Total Revenues	<u>6</u>	<u>15,845</u>	<u>-</u>	<u>-</u>	<u>6,151</u>	<u>22,002</u>
<b>EXPENDITURES</b>						
Current						
Public Works	57	583	-	-	1,624	2,264
Public Safety	591	-	-	-	-	591
Community Services	1	-	240	-	-	241
Administrative Services	422	36	-	-	4	462
Capital Outlay	24,555	10,755	6,339	2,411	4,352	48,412
Total Expenditures	<u>25,626</u>	<u>11,374</u>	<u>6,579</u>	<u>2,411</u>	<u>5,980</u>	<u>51,970</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(25,620)</u>	<u>4,471</u>	<u>(6,579)</u>	<u>(2,411)</u>	<u>171</u>	<u>(29,968)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	12,825	6,140	-	1,339	20,304
Transfers Out	(93)	(1,817)	-	(85)	(953)	(2,948)
Issuance of Long-Term Capital-Related Debt	50,930	-	-	-	-	50,930
Premium on Long-Term Debt Issued	4,070	-	-	-	-	4,070
Total Other Financing Sources (Uses)	<u>54,907</u>	<u>11,008</u>	<u>6,140</u>	<u>(85)</u>	<u>386</u>	<u>72,356</u>
Net Change in Fund Balances (Deficits)	29,287	15,479	(439)	(2,496)	557	42,388
Fund Balances (Deficits) - Beginning	349	46,932	(55)	4,094	(2,560)	48,760
Fund Balances (Deficits) - Ending	<u>\$ 29,636</u>	<u>\$ 62,411</u>	<u>\$ (494)</u>	<u>\$ 1,598</u>	<u>\$ (2,003)</u>	<u>\$ 91,148</u>

# Combining Balance Sheet

## Nonmajor Permanent Governmental Funds

June 30, 2021 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
<b>ASSETS</b>					
Cash and Investments	\$ 475	\$ 150	\$ 46	\$ 37	\$ 708
Total Assets	<u>\$ 475</u>	<u>\$ 150</u>	<u>\$ 46</u>	<u>\$ 37</u>	<u>\$ 708</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances					
Nonspendable	457	144	44	36	681
Restricted	18	6	2	1	27
Total Fund Balances	<u>475</u>	<u>150</u>	<u>46</u>	<u>37</u>	<u>708</u>
Total Liabilities and Fund Balances	<u>\$ 475</u>	<u>\$ 150</u>	<u>\$ 46</u>	<u>\$ 37</u>	<u>\$ 708</u>

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

### Nonmajor Permanent Governmental Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	<u>Rassner Memorial Scottsdale Library Endowment</u>	<u>Scottsdale Community Endowment</u>	<u>Scottsdale Employee Endowment</u>	<u>Herbert R. Drinkwater Youth Services Endowment</u>	<u>Total</u>
<b>REVENUES</b>					
Net Increase in the Fair Value of Investments	\$ 105	\$ 33	\$ 10	\$ 8	\$ 156
Total Revenues	<u>105</u>	<u>33</u>	<u>10</u>	<u>8</u>	<u>156</u>
<b>EXPENDITURES</b>					
Current					
Community Services	39	4	-	2	45
Total Expenditures	<u>39</u>	<u>4</u>	<u>-</u>	<u>2</u>	<u>45</u>
Excess of Revenues over Expenditures	<u>66</u>	<u>29</u>	<u>10</u>	<u>6</u>	<u>111</u>
Net Change in Fund Balances	66	29	10	6	111
Fund Balances - Beginning	409	121	36	31	597
Fund Balances - Ending	<u>\$ 475</u>	<u>\$ 150</u>	<u>\$ 46</u>	<u>\$ 37</u>	<u>\$ 708</u>

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## INTERNAL SERVICE FUNDS

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

### **Fleet Management Fund**

This fund 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, 2021 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Current Assets				
Cash and Investments	\$ 16,990	\$ 46,740	\$ 1,879	\$ 65,609
Receivables (net of allowance for uncollectibles)				
Miscellaneous	131	168	-	299
Supplies Inventory	1,067	-	-	1,067
Prepaid Items	582	-	-	582
Total Current Assets	<u>18,770</u>	<u>46,908</u>	<u>1,879</u>	<u>67,557</u>
Noncurrent Assets				
Equity in Joint Venture	3	-	-	3
Capital Assets				
Buildings and Improvements	16,325	-	-	16,325
Motor Vehicles	90,988	-	-	90,988
Machinery and Equipment	1,272	33	4,847	6,152
Construction in Progress	8	-	-	8
Subscription-Based Information Technology Arrangements	-	168	-	168
Less Accumulated Depreciation/Amortization	(52,920)	(94)	(2,140)	(55,154)
Total Capital Assets (net of accumulated depreciation/amortization)	<u>55,673</u>	<u>107</u>	<u>2,707</u>	<u>58,487</u>
Total Noncurrent Assets	<u>55,676</u>	<u>107</u>	<u>2,707</u>	<u>58,490</u>
Total Assets	<u>74,446</u>	<u>47,015</u>	<u>4,586</u>	<u>126,047</u>
<b>Deferred Outflows of Resources</b>				
Pension-Related Amounts	871	192	-	1,063
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	1,660	882	50	2,592
Accrued Payroll and Benefits	134	37	-	171
Accrued Compensated Absences - Current	-	1	-	1
Accrued Compensated Absences - Due within one year	184	52	-	236
Other Payables - Due within one year	-	7,880	-	7,880
Subscription - Due within one year	-	83	-	83
Unearned Revenue	-	12	-	12
Other Liabilities	-	4	-	4
Total Current Liabilities	<u>1,978</u>	<u>8,951</u>	<u>50</u>	<u>10,979</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	208	60	-	268
Net Pension Liabilities	4,851	1,135	-	5,986
Other Payables - Due in more than one year	-	15,101	-	15,101
Total Noncurrent Liabilities	<u>5,059</u>	<u>16,296</u>	<u>-</u>	<u>21,355</u>
Total Liabilities	<u>7,037</u>	<u>25,247</u>	<u>50</u>	<u>32,334</u>
<b>Deferred Inflows of Resources</b>				
Pension-Related Amounts	8	2	-	10
<b>NET POSITION</b>				
Net Investment in Capital Assets	55,673	24	2,707	58,404
Unrestricted	12,599	21,934	1,829	36,362
Total Net Position	<u>\$ 68,272</u>	<u>\$ 21,958</u>	<u>\$ 4,536</u>	<u>\$ 94,766</u>

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

### Internal Service Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 17,040	\$ 36,676	\$ 753	\$ 54,469
Self-Insurance Contributions - Employee	-	8,430	-	8,430
Self-Insurance Contributions - Retiree	-	274	-	274
State Contributions	-	125	-	125
Other	2,122	2,689	-	4,811
Total Operating Revenues	<u>19,162</u>	<u>48,194</u>	<u>753</u>	<u>68,109</u>
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	12,370	-	-	12,370
Self-Insurance Administration	-	2,702	-	2,702
Self-Insurance Claims	-	8,853	-	8,853
Self-Insurance Benefits	-	29,100	-	29,100
Insurance and Bond Premiums	-	3,429	-	3,429
Computer Replacement	-	-	3	3
Depreciation/Amortization	9,071	90	888	10,049
Total Operating Expenses	<u>21,441</u>	<u>44,174</u>	<u>891</u>	<u>66,506</u>
Operating Income (Loss)	<u>(2,279)</u>	<u>4,020</u>	<u>(138)</u>	<u>1,603</u>
Non-Operating Revenues (Expenses)				
Property Tax	-	1,829	-	1,829
Loss on Sale of Capital Assets	(904)	-	(8)	(912)
Net Non-Operating Revenues (Expenses)	<u>(904)</u>	<u>1,829</u>	<u>(8)</u>	<u>917</u>
Income (Loss) Before Contributions and Transfers	<u>(3,183)</u>	<u>5,849</u>	<u>(146)</u>	<u>2,520</u>
Capital Contributions	2,131	-	-	2,131
Transfers In	-	88	-	88
Transfers Out	-	(5)	-	(5)
Change in Net Position	<u>(1,052)</u>	<u>5,932</u>	<u>(146)</u>	<u>4,734</u>
Total Net Position - Beginning	69,324	16,026	4,682	90,032
Total Net Position - Ending	<u>\$ 68,272</u>	<u>\$ 21,958</u>	<u>\$ 4,536</u>	<u>\$ 94,766</u>

## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2021 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 17,040	\$ 45,524	\$ 753	\$ 63,317
Cash Payments to Suppliers for Goods/Services	(8,184)	(41,322)	(3)	(49,509)
Cash Payments to Employees for Services	(4,475)	(1,229)	-	(5,704)
Other Cash Receipts	2,122	2,689	-	4,811
Net Cash Provided by Operating Activities	<u>6,503</u>	<u>5,662</u>	<u>750</u>	<u>12,915</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Property Tax	-	1,829	-	1,829
Transfers In	-	88	-	88
Transfers Out	-	(5)	-	(5)
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>1,912</u>	<u>-</u>	<u>1,912</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(6,223)	(88)	(818)	(7,129)
Sale of Capital Assets	845	-	-	845
Net Cash Used for Capital and Related Financing Activities	<u>(5,378)</u>	<u>(88)</u>	<u>(818)</u>	<u>(6,284)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,125	7,486	(68)	8,543
Cash and Cash Equivalents at Beginning of Year	<u>15,865</u>	<u>39,254</u>	<u>1,947</u>	<u>57,066</u>
Cash and Cash Equivalents at End of Year	<u>\$ 16,990</u>	<u>\$ 46,740</u>	<u>\$ 1,879</u>	<u>\$ 65,609</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ (2,279)	\$ 4,020	\$ (138)	\$ 1,603
Income Provided by Operating Activities				
Depreciation	9,071	90	888	10,049
Current Year Pension Contributions	(358)	(71)	-	(429)
Change in Accounts Receivable	-	54	-	54
Change in Inventories	(462)	-	-	(462)
Change in Accounts Payable	225	398	-	623
Change in Unearned Revenue	-	12	-	12
Change in Accrued Payroll	17	21	-	38
Change in Compensated Absences Payable	(42)	4	-	(38)
Change in Claims Payable	-	1,008	-	1,008
Change in Net Pension Liability	681	205	-	886
Change in Deferred Outflows of Resources Related to Pensions	(70)	(17)	-	(87)
Change in Deferred Inflows of Resources Related to Pensions	(280)	(62)	-	(342)
Total Adjustments	<u>8,782</u>	<u>1,642</u>	<u>888</u>	<u>11,312</u>
Net Cash Provided by Operating Activities	<u>\$ 6,503</u>	<u>\$ 5,662</u>	<u>\$ 750</u>	<u>\$ 12,915</u>
<b>Supplemental Disclosure of Non-Cash Financing Activities</b>				
Changes to Property, Plant, and Equipment				
Contributions of Capital Assets from Other Funds	\$ 2,131	\$ -	\$ -	\$ 2,131
Retirement of Assets	-	-	8	8
	<u>\$ 2,131</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 2,139</u>



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**OTHER SUPPLEMENTARY INFORMATION**

**Debt Requirements**

The Schedule of Changes in Long-Term Debt for the current fiscal year presents the City's debt by 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, 2021 (in thousands)

	July 1, 2020	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2021	Governmental Activities	Business-type Activities	Final Payment Date
<b>GENERAL OBLIGATION BONDS</b>										
Governmental Activities										
2010 GO Various Purpose	\$ 415	\$ -	\$ -	\$ -	\$ 415	\$ -	\$ -	\$ -	\$ -	12/30/20
2011 GO Preservation	1,845	-	910	-	935	-	-	-	-	07/01/21
2011 GO Refunding Preservation	8,310	-	3,340	-	4,970	-	-	-	-	07/01/21
2012 GO Preservation	47,100	-	1,500	-	45,600	-	-	-	-	07/01/21
2012 GO Refunding Various Purpose	4,238	-	4,238	-	-	-	-	-	-	07/01/21
2012 GO Refunding Preservation	43,307	-	1,427	-	30,045	-	11,835	11,835	-	07/01/24
2013 GO Preservation	71,500	-	1,500	-	63,000	-	7,000	7,000	-	07/01/24
2014 GO Preservation	10,690	-	610	-	6,690	-	3,390	3,390	-	07/01/26
2014 GO Refunding Various Purpose	30,899	-	10,066	-	-	-	20,833	20,833	-	07/01/23
2014 GO Refunding Preservation	4,331	-	1,359	-	-	-	2,972	2,972	-	07/01/23
2015 GO Refunding Various Purpose	73,915	-	6,325	-	-	-	67,590	67,590	-	07/01/28
2015 GO Refunding Preservation	46,195	-	7,520	-	3,290	-	35,385	35,385	-	07/01/28
2017A GO Preservation	17,410	-	-	-	-	-	17,410	17,410	-	07/01/34
2017B GO Preservation Acquisition Refinancing	18,495	-	3,510	-	-	-	14,985	14,985	-	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	15,230	-	1,870	-	-	-	13,360	13,360	-	07/01/27
2020 GO Taxable Refunding Various Purpose	-	-	320	320	-	-	-	-	-	07/01/21
2020 GO Taxable Refunding Preservation	-	-	3,855	167,900	-	-	164,045	164,045	-	07/01/34
2021 GO Various Purpose	-	31,390	1,400	-	-	-	29,990	29,990	-	07/01/40
2021 GO Taxable Various Purpose	-	19,770	325	-	-	-	19,445	19,445	-	07/01/40
2010 GO Bonds Issuance Premium	40	-	-	-	38	(2)	-	-	-	-
2011 GO Preserve Series Issuance Premium	30	-	-	-	11	(19)	-	-	-	-
2011 GO Refunding Series Issuance Premium	1,142	-	-	-	597	(545)	-	-	-	-
2012 GO Preserve Issuance Premium	1,522	-	-	-	1,421	(101)	-	-	-	-
2012 GO Refunding Series Issuance Premium	3,065	-	-	-	1,743	(476)	846	846	-	-
2013 GO Preserve Issuance Premium	2,023	-	-	-	1,719	(124)	180	180	-	-
2014 GO Preserve Issuance Premium	398	-	-	-	240	(34)	124	124	-	-
2014 GO Refunding Series Issuance Premium	3,111	-	-	-	-	(1,037)	2,074	2,074	-	-
2015 GO Refunding Series Issuance Premium	10,354	-	-	-	274	(1,268)	8,812	8,812	-	-
2017A GO Preserve Series Issuance Premium	2,265	-	-	-	-	(162)	2,103	2,103	-	-
2017B GO Preserve Acquisition Refinancing Series Issuance Premium	1,939	-	-	-	-	(484)	1,455	1,455	-	-
2017 GO Refunding Series Issuance Premium	5,476	-	-	-	-	(391)	5,085	5,085	-	-
2017C GO Various Purpose Issuance Premium	2,558	-	-	-	-	(365)	2,193	2,193	-	-
2021 GO Various Purpose Issuance Premium	-	3,617	-	-	-	(73)	3,544	3,544	-	-
2021 GO Taxable Various Purpose Issuance Premium	-	583	-	-	-	(12)	571	571	-	-
Total General Obligation Bonds	\$ 467,788	\$ 55,360	\$ 50,075	\$ 168,220	\$ 160,988	\$ (5,093)	\$ 475,212	\$ 475,212	\$ -	
<b>REVENUE BONDS</b>										
Business-type Activities										
2008 Utility Revenue Series Refunding	\$ 12,450	\$ -	\$ 3,930	\$ -	\$ -	\$ -	\$ 8,520	\$ -	\$ 8,520	07/01/23
2008 Refunding Series Issuance Premium	812	-	-	-	-	(270)	542	-	542	
Total Revenue Bonds	\$ 13,262	\$ -	\$ 3,930	\$ -	\$ -	\$ (270)	\$ 9,062	\$ -	\$ 9,062	

\*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, 2021 (in thousands)

	July 1, 2020	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2021	Governmental Activities	Business-type Activities	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Activities										
2006 MPC Refunding	\$ 47,865	\$ -	\$ 2,945	\$ -	\$ -	\$ -	\$ 44,920	\$ 44,920	\$ -	07/01/34
2013A MPC	18,255	-	1,670	-	12,765	-	3,820	3,820	-	07/01/23
2013B MPC	1,075	-	65	-	875	-	135	135	-	07/01/23
2013C MPC	27,970	-	1,550	-	23,070	-	3,350	3,350	-	07/01/23
2014 MPC Refunding	15,030	-	1,800	-	-	-	13,230	13,230	-	07/01/27
2015A MPC	9,700	-	520	-	685	-	8,495	8,495	-	07/01/34
2015A MPC Taxable	11,375	-	640	-	-	-	10,735	10,735	-	07/01/34
2015 MPC Refunding	26,939	-	1,762	-	25,177	-	-	-	-	07/01/21
2019A MPC	9,070	-	310	-	-	-	8,760	8,760	-	07/01/39
2019B MPC Taxable	32,335	-	1,385	-	-	-	30,950	30,950	-	07/01/39
2021B MPC Taxable Refunding	-	-	330	71,325	-	-	70,995	70,995	-	07/01/35
2006 Refunding Series Issuance Premium	3,459	-	-	-	-	(247)	3,212	3,212	-	-
2013A MPC Series Issuance Premium	2,568	-	-	-	1,656	(397)	515	515	-	-
2013B MPC Series Issuance Premium	127	-	-	-	98	(13)	16	16	-	-
2013C MPC Series Issuance Premium	3,206	-	-	-	2,517	(315)	374	374	-	-
2014 Refunding Series Issuance Premium	1,423	-	-	-	-	(203)	1,220	1,220	-	-
2015A Series Issuance Premium	823	-	-	-	56	(57)	710	710	-	-
2015A Taxable Series Issuance Premium	193	-	-	-	-	(14)	179	179	-	-
2015 Refunding Series Issuance Premium	6,097	-	-	-	5,461	(636)	-	-	-	-
2019A Series Issuance Premium	1,201	-	-	-	-	(63)	1,138	1,138	-	-
2019B Taxable Series Issuance Premium	75	-	-	-	-	(4)	71	71	-	-
Subtotal Governmental Activities	218,786	-	12,977	71,325	72,360	(1,949)	202,825	202,825	-	-
Business-type Activities										
2006 MPC Refunding	71,060	-	8,910	-	-	-	62,150	-	62,150	07/01/30
2010 MPC Bonds Water/Sewer	12,440	-	1,730	-	10,710	-	-	-	-	07/01/21
2015A MPC Bonds Water/Sewer	14,695	-	790	-	1,040	-	12,865	-	12,865	07/01/34
2015 MPC Refunding	39,021	-	4,128	-	11,258	-	23,635	-	23,635	07/01/26
2017 MPC Refunding	79,970	-	-	-	38,350	-	41,620	-	41,620	07/01/34
2017A MPC Bonds Water	35,320	-	1,430	-	-	-	33,890	-	33,890	07/01/37
2017B MPC Bonds Aviation	21,285	-	855	-	-	-	20,430	-	20,430	07/01/37
2021A MPC Refunding	-	-	-	7,920	-	-	7,920	-	7,920	07/01/30
2021B MPC Taxable Refunding	-	-	805	63,860	-	-	63,055	-	63,055	07/01/36
2006 Refunding Series Issuance Premium	5,635	-	-	-	-	(563)	5,072	-	5,072	-
2010 Water/Sewer Issuance Premium	454	-	-	-	367	(87)	-	-	-	-
2015A Series Issuance Premium	1,246	-	-	-	84	(87)	1,075	-	1,075	-
2015 Refunding Series Issuance Premium	4,978	-	-	-	1,324	(702)	2,952	-	2,952	-
2017 Refunding Series Issuance Premium	8,830	-	-	-	4,069	(494)	4,267	-	4,267	-
2017A Series Issuance Premium	2,782	-	-	-	-	(164)	2,618	-	2,618	-
2017B Series Issuance Premium	1,422	-	-	-	-	(84)	1,338	-	1,338	-
2021A Refunding Issuance Premium	-	-	-	2,938	-	(118)	2,820	-	2,820	-
Subtotal Business-type Activities	299,138	-	18,648	74,718	67,202	(2,299)	285,707	-	285,707	-
Total Municipal Property Corporation Bonds	\$ 517,924	\$ -	\$ 31,625	\$ 146,043	\$ 139,562	\$ (4,248)	\$ 488,532	\$ 202,825	\$ 285,707	-
<b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>										
Governmental Activities										
2011 Excise Tax Refunding	\$ 2,630	\$ -	\$ 1,280	\$ -	\$ -	\$ -	\$ 1,350	\$ 1,350	\$ -	07/01/22
2011 Excise Tax Revenue Issuance Premium	195	-	-	-	-	(97)	98	98	-	-
Total Scottsdale Preserve Authority Bonds	\$ 2,825	\$ -	\$ 1,280	\$ -	\$ -	\$ (97)	\$ 1,448	\$ 1,448	\$ -	-

\*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, 2021 (in thousands)

	July 1, 2020	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations, and Contract Adjustments	June 30, 2021	Governmental Activities	Business-type Activities	Final Payment Date
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Activities										
DC Ranch Refunding Series 2012	\$ 7,890	\$ -	\$ 1,015	\$ -	\$ -	\$ -	\$ 6,875	\$ 6,875	\$ -	07/15/27
McDowell Mtn Ranch Refunding Series 2012	2,615	-	1,280	-	-	-	1,335	1,335	-	07/15/22
Via Linda Road Refunding Series 2012	610	-	195	-	-	-	415	415	-	07/15/23
Waterfront Commercial Refunding Series 2019	2,373	-	172	-	-	-	2,201	2,201	-	07/15/32
DC Ranch 2012 Issuance Premium	276	-	-	-	-	(40)	236	236	-	
McDowell Mtn Ranch 2012 Issuance Premium	44	-	-	-	-	(22)	22	22	-	
Total Community Facilities District Bonds	\$ 13,808	\$ -	\$ 2,662	\$ -	\$ -	\$ (62)	\$ 11,084	\$ 11,084	\$ -	
Total Bonds	\$ 1,015,607	\$ 55,360	\$ 89,572	\$ 314,263	\$ 300,550	\$ (9,770)	\$ 985,338	\$ 690,569	\$ 294,769	
<b>CONTRACTS PAYABLE**</b>										
Governmental Activities										
BBVA USA	\$ 496	\$ -	\$ 45	\$ -	\$ -	\$ -	\$ 451	\$ 451	\$ -	01/01/33
Total Contracts	\$ 496	\$ -	\$ 45	\$ -	\$ -	\$ -	\$ 451	\$ 451	\$ -	
<b>LEASES</b>										
Governmental Activities										
Imaging Equipment - City Treasurer	\$ 153	\$ -	\$ 57	\$ -	\$ -	\$ -	\$ 96	\$ 96	\$ -	12/31/22
Baseball Facility - Community Services	1,031	-	-	-	-	41	1,072	1,072	-	12/01/52
Distributed Antenna System - Administrative Services	61	-	5	-	-	-	56	56	-	12/01/29
Data Center Space - Administrative Services	322	-	255	-	-	-	67	67	-	09/01/21
Street Maintenance Equipment - Public Works	14	-	14	-	-	-	-	-	-	12/31/20
Vehicles - Public Safety	792	122	406	-	-	-	508	508	-	06/01/24
Total Leases	\$ 2,373	\$ 122	\$ 737	\$ -	\$ -	\$ 41	\$ 1,799	\$ 1,799	\$ -	
<b>SUBSCRIPTIONS***</b>										
Governmental Activities										
Event Registration and Management System - Public Safety	\$ -	\$ 20	\$ 5	\$ -	\$ -	\$ -	\$ 15	\$ 15	\$ -	01/14/25
Platform for Payroll and HRIS Services - Administrative Services/City Treasurer	596	-	195	-	-	-	401	401	-	04/01/23
Performance Measurement/Strategic Planning/Benchmarking - City Manager/City Treasurer	-	83	27	-	-	-	56	56	-	07/01/22
Risk Management Information System - Self Insurance	168	-	85	-	-	-	83	83	-	07/01/21
Event Management Software - Community Services	42	-	28	-	-	-	14	14	-	04/27/22
Imaging - Administrative Services	-	219	76	-	-	-	143	143	-	12/02/22
Geospatial Technology System - Public Works/Administrative Services	-	43	10	-	-	-	33	33	-	07/01/22
Enterprise Software - Administrative Services	-	4,266	718	-	-	-	3,548	3,548	-	08/01/25
Server Software - Administrative Services	-	115	21	-	-	-	94	94	-	08/01/25
Subtotal Governmental Activities	806	4,746	1,165	-	-	-	4,387	4,387	-	
Business-type Activities										
Airport Agreement Tracking - Airport	59	-	30	-	-	-	29	-	29	07/01/21
SCADA Watch Service Suite - Water and Sewer Utility	55	-	55	-	-	-	-	-	-	05/22/21
Geospatial Technology System - Water and Sewer Utility	-	44	10	-	-	-	34	-	34	07/01/22
Geospatial Technology System - Solid Waste	-	9	2	-	-	-	7	-	7	07/01/22
Subtotal Business-type Activities	114	53	97	-	-	-	70	-	70	
Total Subscriptions	\$ 920	\$ 4,799	\$ 1,262	\$ -	\$ -	\$ -	\$ 4,457	\$ 4,387	\$ 70	
<b>SERVICE CONCESSION ARRANGEMENTS</b>										
Governmental Activities										
Bureau of Reclamation\Westworld	\$ 960	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 880	\$ 880	\$ -	2032
Bureau of Reclamation\TPC	1,108	-	74	-	-	-	1,034	1,034	-	2035
Total Service Concession Arrangements	\$ 2,068	\$ -	\$ 154	\$ -	\$ -	\$ -	\$ 1,914	\$ 1,914	\$ -	
<b>TOTAL BONDS, CONTRACTS, LEASES, SUBSCRIPTIONS, AND SERVICE CONCESSION ARRANGEMENTS</b>										
	\$ 1,021,464	\$ 60,281	\$ 91,770	\$ 314,263	\$ 300,550	\$ (9,729)	\$ 993,959	\$ 699,120	\$ 294,839	
Compensated Absences								\$ 29,907	\$ 4,016	
Total Other Postemployment Benefit Liability								1,923	-	
Net Pension Liabilities								383,835	37,748	
Risk Management Claims								22,981	-	
Pollution Remediation Obligation								-	49,855	
<b>Total Long-Term Debt</b>								\$ 1,137,766	\$ 386,458	

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

\*\*The Contracts Payable category beginning balance was added due to a change in accounting treatment.

\*\*\*New category for the City's subscription-based information technology arrangements has been added due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.



## Statistical Section

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<b>Financial Trends</b>	<b>182</b>
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>191</b>
These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax, and sales and use taxes.	
<b>Debt Capacity</b>	<b>198</b>
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>204</b>
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
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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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 4,065,844
Restricted	100,275	100,472	109,615	117,485	122,932	125,366	123,057	119,657	146,017	189,263
Unrestricted	74,124	133,897	180,942	(19,464)	(3,679)	(43,632)	(27,779)	(5,012)	23,905	63,519
Total Governmental Activities Net Position	<u>\$ 2,974,850</u>	<u>\$ 2,990,555</u> <sup>(1)</sup>	<u>\$ 2,975,662</u> <sup>(2)</sup>	<u>\$ 2,761,290</u> <sup>(3)</sup>	<u>\$ 3,526,229</u> <sup>(5)</sup>	<u>\$ 3,611,868</u>	<u>\$ 3,699,341</u> <sup>(7)</sup>	<u>\$ 3,790,212</u>	<u>\$ 3,918,171</u> <sup>(8)</sup>	<u>\$ 4,318,626</u>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 1,157,026
Restricted	38,576	41,545	47,101	46,901	47,521	48,911	48,926	52,204	52,728	51,596
Unrestricted	243,067	242,763	273,321	253,109	255,503	256,129	250,500	282,796	301,788	291,368
Total Business-type Activities Net Position	<u>\$ 1,318,628</u>	<u>\$ 1,343,188</u>	<u>\$ 1,366,767</u> <sup>(2)</sup>	<u>\$ 1,336,660</u> <sup>(4)</sup>	<u>\$ 1,362,025</u> <sup>(6)</sup>	<u>\$ 1,374,515</u>	<u>\$ 1,399,290</u>	<u>\$ 1,428,556</u>	<u>\$ 1,456,699</u>	<u>\$ 1,499,990</u>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$ 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	\$ 5,222,870
Restricted	138,851	142,017	156,716	164,386	170,453	174,277	171,983	171,861	198,745	240,859
Unrestricted	317,191	376,660	454,263	233,645	251,824	212,497	222,721	277,784	325,693	354,887
Total Primary Government Net Position	<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>	<u>\$ 5,818,616</u>

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

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

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

<sup>(4)</sup>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.

<sup>(5)</sup>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.

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

<sup>(7)</sup>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.

<sup>(8)</sup>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

	2012	2013	2014 <sup>(1)</sup>	2015	2016	2017 <sup>(2)</sup>	2018 <sup>(3)</sup>	2019	2020	2021
<b>Expenses</b>										
Governmental Activities										
General Government										
Mayor and City Council	\$ 734	\$ 791	\$ 840	\$ 790	\$ 813	\$ 869	\$ 638	\$ 704	\$ 770	\$ 725
City Clerk	1,118	921	1,042	927	1,129	845	695	952	1,171	1,209
City Attorney	5,419	5,778	5,810	6,103	6,893	6,460	6,486	6,890	6,731	6,860
City Auditor	617	647	754	792	821	802	800	898	1,045	1,069
City Court	5,736	5,621	5,705	5,682	4,964	5,421	5,530	5,509	6,047	6,298
City Manager	842	807	864	1,828	1,974	2,288	3,062	3,691	4,647	3,766
City Treasurer	4,498	6,420	6,069	5,088	5,658	5,792	6,071	8,209	9,825	9,688
Public Works	34,416	36,405	43,597	40,631	38,291	40,035	42,205	47,420	99,218	100,705
Community and Economic Development	126,622	147,514	134,626	138,899	102,892	102,813	102,153	102,680	41,946	35,999
Public Safety	115,740	118,033	127,026	135,647	136,261	172,452	153,256	153,817	173,352	172,141
Community Services	54,442	56,382	55,190	55,134	53,322	54,155	54,710	56,730	64,247	64,769
Administrative Services	17,318	16,863	17,552	17,849	20,264	19,326	21,173	17,974	19,375	19,189
Scottsdale AZ CARES	-	-	-	-	-	-	-	-	-	11,742
Streetlight and Service Districts	572	569	576	583	589	589	605	584	555	545
(Gain) Loss on In-Substance Defeasance of Debt	-	-	-	-	-	(32)	-	-	34	-
Interest on Long-Term Debt	40,647	38,389	35,486	34,134	31,665	28,462	28,724	26,364	23,928	17,043
Bond Issuance Costs	-	-	998	1,643	-	672	-	-	-	-
Total Governmental Activities Expenses	<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>	<u>451,748</u>
Business-type Activities										
Water Utility	90,829	90,205	91,496	95,958	100,854	95,745	96,493	96,010	105,222	106,778
Sewer Utility	41,218	43,169	45,421	44,352	42,058	50,535	52,142	50,462	57,847	54,152
Airport	3,681	3,785	4,014	3,703	3,894	4,151	7,624	5,370	6,764	7,024
Solid Waste	17,671	19,146	19,608	20,911	20,786	20,181	19,735	21,790	23,195	25,290
Total Business-type Activities Expenses	<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>	<u>193,244</u>
Total Primary Government Expenses	<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>	<u>\$ 644,992</u>

<sup>(1)</sup>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.

<sup>(2)</sup>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.

<sup>(3)</sup>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 IIIb

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Program Revenue</b>										
Governmental Activities										
Charges for Services:										
General Government										
Mayor and City Council	\$ 153	\$ 225	\$ 225	\$ 176	\$ 155	\$ 157	\$ 149	\$ 142	\$ 146	\$ 160
City Clerk	245	299	279	227	148	178	165	171	227	175
City Attorney	627	764	756	737	656	688	1,082	792	795	741
City Auditor	172	204	197	188	176	167	181	203	210	221
City Court	-	-	-	-	-	-	-	-	-	-
City Manager	300	250	219	232	225	226	411	349	373	562
City Treasurer	2,468	2,598	2,606	2,719	2,610	2,583	2,688	3,036	3,045	3,521
Public Works	3,543	1,498	1,580	1,861	6,149	2,041	1,569	1,567	1,763	113
Community and Economic Development	10,958	14,736	17,981	19,474	17,464	18,455	19,503	20,562	22,102	17,457
Public Safety	10,102	9,139	10,268	10,350	11,459	11,739	11,203	11,107	11,088	10,251
Community Services	5,573	5,523	5,914	6,334	6,269	6,268	6,820	7,078	9,908	11,338
Administrative Services	2,549	3,155	2,890	2,827	2,926	3,096	3,094	2,617	2,815	1,987
Scottsdale AZ CARES	-	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	551	551	400	531	577	602	584	591	617	529
Operating Grants and Contributions	28,144	31,255	27,710	28,397	29,708	29,724	30,760	34,233	55,604	52,751
Capital Grants and Contributions	112,163	66,917	38,817	14,831	82,162	107,334	60,819	35,620	50,088	305,241
Total Governmental Activities Program Revenues	<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>	<u>405,047</u>
Business-type Activities										
Charges for Services:										
Water Utility	97,944	100,615	104,722	98,495	110,560	107,031	117,537	109,947	119,345	130,843
Sewer Utility	36,032	36,939	39,917	39,541	39,741	40,434	40,666	45,419	44,047	45,391
Airport	3,248	3,552	3,635	4,020	4,404	4,390	4,335	5,493	5,851	7,695
Solid Waste	20,744	20,458	20,162	20,232	20,120	20,269	19,687	21,344	22,650	25,532
Capital Grants and Contributions	8,607	25,638	22,019	11,726	22,545	17,539	23,865	17,833	26,631	34,573
Total Business-type Activities Revenues	<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>	<u>244,034</u>
Total Primary Government Revenues	<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>	<u>\$ 649,081</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (231,173)	\$ (298,026)	\$ (326,293)	\$ (356,846)	\$ (244,852)	\$ (257,691)	\$ (287,080)	\$ (314,354)	\$ (294,110)	\$ (46,701)
Business-type Activities	13,176	30,897	29,916	9,090	29,778	19,051	30,096	26,404	25,496	50,790
Total Primary Government Net Expense	<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>	<u>\$ 4,089</u>

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

Table IIc

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes	\$ 227,963	\$ 234,582	\$ 248,642	\$ 257,860	\$ 265,416	\$ 262,144	\$ 287,456	\$ 306,274	\$ 316,478	\$ 340,559
Intergovernmental - Unrestricted	44,035	49,054	52,715	56,316	57,630	61,851	66,299	70,380	75,300	85,177
Interest and Investment Income	1,063	985	1,274	1,372	2,955	1,132	2,218	11,860	14,605	2,487
Miscellaneous and Special Items	20,502	12,557	8,422	13,829	9,987	10,568	10,548	9,130	7,248	10,387
Transfers	7,366	7,244	6,202	6,579	7,174	7,635	7,756	7,581	8,432	8,546
Total Governmental Activities	<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>	<u>447,156</u>
Business-type Activities										
Taxes	132	144	154	169	145	158	144	167	128	177
Interest and Investment Income	421	763	964	1,346	2,531	916	2,291	10,276	10,951	870
Miscellaneous	7,610	-	-	-	-	-	-	-	-	-
Transfers	(7,366)	(7,244)	(6,202)	(6,579)	(7,174)	(7,635)	(7,756)	(7,581)	(8,432)	(8,546)
Total Business-type Activities	<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>	<u>(7,499)</u>
Total Primary Government	<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>	<u>\$ 439,657</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 69,756	\$ 6,396	\$ (9,038)	\$ (20,890)	\$ 98,310	\$ 85,639	\$ 87,197	\$ 90,871	\$ 127,953	\$ 400,455
Business-type Activities	13,973	24,560	24,832	4,026	25,280	12,490	24,775	29,266	28,143	43,291
Total Primary Government	<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>	<u>\$ 443,746</u>

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

**Table III**

	2012	2013	2014	2015	2016	2017	2018 <sup>(1)</sup>	2019	2020	2021
General Fund										
Nonspendable	\$ 264	\$ 265	\$ 266	\$ 227	\$ 249	\$ 269	\$ 264	\$ 271	\$ 278	\$ 304
Restricted	260	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	52,105	48,679	52,354	56,017	65,347	58,518	72,809	97,097	136,390	170,994
Total General Fund	<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>	<u>\$ 171,298</u>
All Other Governmental Funds										
Nonspendable	\$ 2,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619	\$ 604	\$ 555	\$ 681
Restricted	108,073	114,676	105,837	113,237	116,847	105,777	115,391	112,267	133,424	200,495
Committed	7,345	16,298	20,848	49,554	52,508	58,644	62,867	65,100	67,703	81,703
Assigned	37,183	39,666	7,362	-	-	-	-	-	-	-
Unassigned, Reported in:										
Special Revenue Funds	(447)	(1,394)	(1,194)	(1,083)	(1,010)	(2,175)	(681)	(708)	(2,807)	(2,111)
Debt Service Funds	-	-	-	-	-	-	-	(589)	-	-
Capital Project Funds	-	-	-	(4,770)	(4,720)	(11,205)	(6,957)	(13,154)	(7,594)	(4,689)
Total All Other Governmental Funds	<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>	<u>\$ 276,079</u>

<sup>(1)</sup>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

	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017	2018	2019	2020	2021
<b>Revenues</b>										
Taxes - Local	\$ 228,823	\$ 236,652	\$ 249,289	\$ 258,851	\$ 264,414	\$ 264,299	\$ 288,335	\$ 310,433	\$ 317,143	\$ 340,782
Taxes - Intergovernmental	53,834	59,813	63,816	68,603	70,526	75,978	81,197	83,962	87,760	98,603
Business and Liquor Licenses	1,805	1,763	1,782	1,925	1,894	1,861	1,768	1,918	1,869	1,708
Charges for Current Services	16,985	20,870	24,078	25,855	24,404	25,225	27,063	29,774	30,009	34,702
Fines, Fees, and Forfeitures	9,133	8,472	8,343	10,000	10,617	10,532	10,387	8,960	8,831	7,816
Special Assessments	719	591	-	-	-	-	-	-	-	-
Property Rental	4,630	4,232	4,270	5,282	4,922	5,854	5,859	6,089	4,031	7,221
Interest Earnings	2,837	2,624	2,974	1,934	2,373	2,634	4,224	6,956	8,595	6,790
Net Increase (Decrease) in the Fair Value of Investments	(1,403)	(1,639)	(1,700)	(562)	582	(1,502)	(2,006)	4,904	6,010	(4,303)
Intergovernmental	67,725	53,462	40,116	19,846	16,070	20,725	27,335	25,479	47,850	36,004
Developer Contributions	101	203	64	653	319	498	835	412	1,128	2,723
Streetlight and Services Districts	551	551	400	531	577	602	584	591	617	529
Contributions and Donations	2,521	2,813	2,178	3,558	2,268	2,589	2,333	2,575	9,069	4,398
Reimbursements from Outside Sources	12,642	5,934	2,446	3,445	1,942	2,266	1,840	2,415	2,193	2,121
Indirect Costs	9,096	7,595	7,102	6,987	6,501	6,993	7,455	6,899	7,614	7,370
Other	3,265	2,438	1,652	5,134	954	1,110	869	751	737	488
<b>Total Revenues</b>	<b>\$ 413,264</b>	<b>\$ 406,374</b>	<b>\$ 406,810</b>	<b>\$ 412,042</b>	<b>\$ 408,363</b>	<b>\$ 419,664</b>	<b>\$ 458,078</b>	<b>\$ 492,118</b>	<b>\$ 533,456</b>	<b>\$ 546,952</b>

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

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

Table IVb

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenditures</b>										
General Government										
Mayor and City Council	\$ 711	\$ 775	\$ 835	\$ 784	\$ 818	\$ 887	\$ 653	\$ 747	\$ 782	\$ 723
City Clerk	1,113	893	1,035	917	1,138	873	735	1,004	1,163	1,246
City Attorney	5,391	5,662	5,702	6,012	7,118	6,576	6,747	7,471	6,826	6,597
City Auditor	614	665	740	782	824	823	816	948	1,049	1,045
City Court	5,628	5,422	5,515	5,584	4,975	5,381	5,692	5,797	5,970	6,194
City Manager	813	829	842	1,832	1,965	2,200	3,094	3,746	4,531	3,621
City Treasurer	4,253	5,449	5,061	4,904	5,785	5,657	5,979	8,593	9,714	9,418
Public Works	27,307	29,658	33,381	34,518	32,850	33,636	35,013	35,154	44,382	41,410
Community and Economic Development	38,369	70,351	41,063	44,550	42,735	46,320	47,696	48,860	34,431	31,259
Public Safety	107,934	111,960	119,159	123,761	128,527	137,304	136,075	146,250	157,557	153,754
Community Services	44,762	45,346	45,035	44,998	45,508	46,224	47,056	48,786	52,924	48,034
Administrative Services	14,450	14,141	14,950	15,050	15,648	15,919	16,309	15,279	14,727	19,307
Scottsdale AZ CARES	-	-	-	-	-	-	-	-	-	12,974
Streetlight and Services Districts	572	569	576	583	589	589	605	584	555	545
Debt Service										
Principal	44,700	63,234	59,387	105,930	53,313	57,956	68,017	66,053	70,076	68,955
Interest and Fiscal Charges	40,487	38,789	37,323	36,706	34,664	31,285	32,052	29,752	27,854	20,634
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	6,983	-
Bond Issuance Costs	774	1,915	998	1,643	-	672	241	-	508	1,745
Capital Outlay	129,025	181,189	99,722	52,164	26,674	75,099	54,311	64,395	80,009	70,417
<b>Total Expenditures</b>	<b>\$ 466,903</b>	<b>\$ 576,847</b>	<b>\$ 471,324</b>	<b>\$ 480,718</b>	<b>\$ 403,131</b>	<b>\$ 467,401</b>	<b>\$ 461,091</b>	<b>\$ 483,419</b>	<b>\$ 520,041</b>	<b>\$ 497,878</b>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (53,639)	\$ (170,473)	\$ (64,514)	\$ (68,676)	\$ 5,232	\$ (47,737)	\$ (3,013)	\$ 8,699	\$ 13,415	\$ 49,074

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

Table IVc

	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017	2018	2019	2020	2021
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 81,579	\$ 78,171	\$ 89,669	\$ 89,806	\$ 85,080	\$ 101,427	\$ 103,926	\$ 108,177	\$ 119,124	\$ 135,337
Transfers Out	(75,826)	(70,919)	(82,696)	(83,211)	(79,079)	(94,074)	(96,272)	(100,735)	(110,525)	(126,874)
Financing of Leases	-	-	296	-	-	-	-	244	1,025	122
Financing of Subscription-Based Information Technology Arrangements	-	-	-	-	-	-	-	-	-	4,746
Issuance of Refunding Bonds	-	111,250	105,885	207,173	-	58,480	-	-	2,563	239,545
Issuance of Long-Term Capital-Related Debt	50,000	140,000	14,000	26,815	-	17,410	25,500	-	42,550	51,160
Premium on Long-Term Debt Issued	2,448	22,082	12,742	23,871	-	12,955	3,496	-	1,323	4,200
Payment to Refunded Bonds Escrow Agent	-	(99,684)	(108,099)	(168,069)	-	(68,105)	-	-	(2,563)	(238,102)
Sale of General Capital Assets	-	-	-	-	4,806	251	214	191	149	220
<b>Total Other Financing Sources (Uses)</b>	<b>58,201</b>	<b>180,900</b>	<b>31,797</b>	<b>96,385</b>	<b>10,807</b>	<b>28,344</b>	<b>36,864</b>	<b>7,877</b>	<b>53,646</b>	<b>70,354</b>
<b>Net Change in Fund Balances</b>	<b>\$ 4,562</b>	<b>\$ 10,427</b>	<b>\$ (32,717)</b>	<b>\$ 27,709</b>	<b>\$ 16,039</b>	<b>\$ (19,393)</b>	<b>\$ 33,851</b>	<b>\$ 16,576</b>	<b>\$ 67,061</b>	<b>\$ 119,428</b>
Debt Service as a Percentage of Non-capital Expenditures	25.2%	25.8%	26.0%	33.3%	23.4%	22.7%	24.3%	22.5%	22.2%	21.0%

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

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

Table V

Sales and Use Taxes						
Fiscal Year	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn Preserve	Privilege and Use - Transportation	Privilege and Use - Public Safety	Transient Occupancy
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 <sup>(1)</sup>	11,974	22,407
2020	67,911	122,923	42,331	35,022	12,094	18,793
2021	69,826	136,511	46,921	39,023	13,406	18,013

Franchise Taxes					
Fiscal Year	Cable TV Franchise	Light and Power Franchise	Intergovernmental		
			State Shared Sales	State Revenue Sharing	Other
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
2021	4,204	8,456	30,615	37,207	4,209

<sup>(1)</sup>The Privilege and Use-Transportation tax rate increased from 0.2 percent to 0.3 percent, effective February 1, 2019.

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

**Table VI**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017<sup>(1)</sup></u>	<u>2018</u>	<u>2019<sup>(2)</sup></u>	<u>2020</u>	<u>2021</u>
Automotive	\$ 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	\$ 1,940,656
Construction	786,402	861,934	1,073,279	1,057,986	969,281	901,684	962,050	997,164	1,044,980	1,223,155
Food Stores	626,883	639,362	655,787	690,837	713,187	677,978	763,117	796,551	860,447	883,237
Hotel/Motel	420,494	440,522	488,117	525,421	543,121	641,146	682,078	730,329	595,455	551,361
Major Department Stores	897,617	907,857	917,406	937,370	927,469	888,674	966,996	970,656	944,390	1,037,297
Miscellaneous Retail Stores	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	3,054,740
Other Taxable Activity	525,480	626,171	666,504	695,566	728,596	756,718	926,445	1,059,397	1,119,896	1,368,741
Rentals	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	1,746,613
Restaurants	799,231	794,034	844,186	925,948	961,340	957,757	1,065,825	1,144,395	1,008,526	1,170,867
Utilities	430,169	432,356	435,579	435,879	497,773	451,318	467,609	455,118	466,345	476,372
<b>Total</b>	<u>\$ 7,870,594</u>	<u>\$ 8,287,703</u>	<u>\$ 8,951,075</u>	<u>\$ 9,533,017</u>	<u>\$ 9,870,619</u>	<u>\$ 9,930,370</u>	<u>\$ 11,047,103</u>	<u>\$ 11,865,181</u>	<u>\$ 11,952,067</u>	<u>\$ 13,453,039</u>
City Sales Tax	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.75%	1.75%	1.75%

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

<sup>(2)</sup> 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
2012	1.65%	0.70%	6.60%	2012	1.45%	0.00%	6.60%
2013	1.65%	0.70%	5.60% <sup>(1)</sup>	2013	1.45%	0.00%	5.60% <sup>(1)</sup>
2014	1.65%	0.70%	5.60%	2014	1.45%	0.00%	5.60%
2015	1.65%	0.70%	5.60%	2015	1.45%	0.00%	5.60%
2016	1.65%	0.70%	5.60%	2016	1.45%	0.00%	5.60%
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% <sup>(3)</sup>	0.70%	5.60%	2019	1.55% <sup>(3)</sup>	0.00%	5.60%
2020	1.75%	0.70%	5.60%	2020	1.55%	0.00%	5.60%
2021	1.75%	0.70%	5.60%	2021	1.55%	0.00%	5.60%

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
2012	5.00%	1.77%	6.50%	2012	0.0180	0.0031	0.0305
2013	5.00%	1.77%	5.50% <sup>(1)</sup>	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 <sup>(2)</sup>	0.0180	0.0031	0.0305
2019	5.00%	1.77%	5.50%	2019	0.0180	0.0031	0.0305
2020	5.00%	1.77%	5.50%	2020	0.0180	0.0031	0.0305
2021	5.00%	1.77%	5.50%	2021	0.0180	0.0031	0.0305

Source: City Tax Audit Section

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

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

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

**Transient Occupancy Tax** applies to transactions involving transient lodging.

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

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

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

<sup>(3)</sup> 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 2021				Fiscal Year 2012			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	687	2.11%	\$ 33,434	14.16%	528	2.43%	\$ 16,105	11.70%
Construction	3,295	10.12%	21,555	9.13%	7,219	33.25%	13,876	10.08%
Food Stores	222	0.68%	15,489	6.56%	172	0.79%	10,512	7.63%
Hotel/Motel	585	1.80%	9,296	3.94%	83	0.38%	7,089	5.15%
Major Department Stores	56	0.17%	17,775	7.53%	29	0.13%	14,947	10.86%
Miscellaneous Retail Stores	7,712	23.69%	52,294	22.16%	4,746	21.86%	23,051	16.75%
Other Taxable Activity	9,971	30.63%	26,845	11.37%	3,756	17.30%	12,486	9.07%
Rentals	8,642	26.56%	30,472	12.91%	4,014	18.48%	19,611	14.25%
Restaurants	977	3.00%	20,483	8.68%	906	4.17%	12,761	9.27%
Utilities	402	1.24%	8,395	3.56%	262	1.21%	7,220	5.24%
<b>Total</b>	<b>32,549</b>	<b>100.00%</b>	<b>\$ 236,038</b>	<b>100.00%</b>	<b>21,715</b>	<b>100.00%</b>	<b>\$ 137,658</b>	<b>100.00%</b>

**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
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
2021	0.5039	0.5042	1.0081	2.6334	0.9939	0.0500	3.6773

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
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
2021	1.4009	1.2881	0.1792	0.4426	0.0090	0.1400	0.0556	0.3046	3.8200	8.5054

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2020".

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 2021 the rates were as follows: DC Ranch CFD - \$0.3843, McDowell Mountain Ranch CFD - \$0.6425, Via Linda Road CFD - \$1.0244, and the Waterfront Commercial CFD - \$3.8963.

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

Table X

Taxpayer	2021			2012		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		Value
Arizona Public Service Company	\$ 64,784	1	0.979%	\$ 60,208	1	1.058%
Scottsdale Fashion Square LLC	44,500	2	0.672%	49,818	2	0.875%
SDQ FEE LLC	21,556	3	0.326%	14,427	7	0.253%
XHR Scottsdale Ranch LLC	17,333	4	0.262%	-	-	-
Excel Promenade LLC	15,819	5	0.239%	-	-	-
Portales Corporate Center LLC <sup>(1)</sup>	15,792	6	0.239%	14,018	8	0.246%
Weingarten Nostat Inc.	14,912	7	0.225%	-	-	-
Stockdale Galleria LLC	12,588	8	0.190%	-	-	-
Southwest Gas Corporation	12,523	9	0.189%	-	-	-
SCP 7201 LLC	11,946	10	0.181%	-	-	-
Scottsdale Princess Partnership	-	-	-	21,788	3	0.383%
Qwest Corporation	-	-	-	18,583	4	0.326%
General Dynamics Decision Systems, Inc.	-	-	-	15,392	5	0.270%
WJ Small Grandchildrens Trust	-	-	-	14,949	6	0.263%
Gainey Drive Associates	-	-	-	13,594	9	0.239%
Pacific Promenade LLC	-	-	-	12,887	10	0.226%
<b>Total</b>	<b>\$ 231,753</b>		<b>3.502%</b>	<b>\$ 235,664</b>		<b>4.139%</b>

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

**Note:** The Salt River Project Agricultural Improvement and Power District's (SRP) assessed valuation is not reflected in the total assessed valuation of the City. SRP is subject to a "voluntary contribution" in-lieu of ad valorem taxation. The fiscal year 2020 assessed valuation of the SRP within the City is \$20,694,520 as provided by SRP.

<sup>(1)</sup>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			
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
2021 P	4,813,338	1,465,046	770,044	1,207	241,822	(674,280)	6,617,177	0.50
2021 S	5,719,222	1,988,445	1,215,429	1,873	252,043	(1,022,311)	8,154,701	0.50

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
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%	1,097	65,370	99.3%
2021	68,267	67,423	98.8%	-	67,423	98.8%

**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

<b>Governmental Activities</b>										
Fiscal Year Ended June 30	General Obligation Bonds	Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Leases	Service Concession Arrangements	Subscriptions
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	-
2021	475,212	202,825	1,448	-	-	11,084	451	1,799	1,914	4,387

<b>Business-type Activities</b>						
Fiscal Year Ended June 30	Revenue Bonds	Municipal Property Corporation Bonds	Subscriptions	Total Primary Government	Percentage of Personal Income	Per Capita
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
2021	9,062	285,707	70	993,959	6.57%	4,118

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

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

**Table XIV**

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities - General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Net General Bonded Debt</b>	<b>Percentage of Total Taxable Assessed Value of Property</b>	<b>Per Capita</b>
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
2021	475,212	3,469	471,743	5.8%	1,955

**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, 2021**  
(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	\$ 250,065	14.4800%	\$ 36,204
Maricopa County Special Healthcare District	429,125	16.5500%	71,014
Tempe Elementary School District No. 3	138,845	0.0000%	-
Balsz Elementary School District No. 31	28,715	6.0300%	1,732
Scottsdale Unified School District No. 48	259,600	69.8100%	181,221
Paradise Valley Unified School District No. 69	347,418	30.4400%	105,744
Cave Creek Unified School District No. 93	29,745	62.2100%	18,504
Fountain Hills Unified School District No. 98	7,780	3.5000%	273
Phoenix Union High School District No. 210	394,405	0.3700%	1,476
Tempe Union High School District No. 213	82,360	0.0000%	-
Western Maricopa Education Center District No. 402	157,075	6.8500%	10,753
Subtotal, overlapping debt			426,921
<b>City direct debt</b>	699,120	100.0000%	699,120
<b>Total direct and overlapping debt</b>			<u><u>\$ 1,126,041</u></u>

**Sources:** The various entities, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and *Maricopa County 2020 Tax Levy*, and the Department of Finance 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 proportion of overlapping debt applicable to the City is computed on the ratio of 2020-21 net assessed limited property valuation for the overlapping jurisdiction within the City to the total net assessed limited property valuation of the overlapping jurisdiction.

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

Table XVIa

	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018	2019	2020	2021
<b>20% Limitation</b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 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	\$ 1,630,940
Total Net Debt Applicable to 20% Limit	524,675	561,126	553,121	532,888	513,768	521,179	511,046	479,265	433,865	444,366
Excess Premium						8,180	10,637	10,415	10,181	12,713
Legal 20% Debt Margin (Available Borrowing Capacity)	<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>	<u>\$ 1,173,861</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	46.09%	55.23%	57.28%	51.47%	43.13%	41.23%	37.65%	33.90%	28.83%	28.03%
<b>6% Limitation</b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 341,519	\$ 304,799	\$ 289,671	\$ 310,606	\$ 357,384	\$ 385,159	\$ 415,706	\$ 433,396	\$ 462,114	\$ 489,282
Total Net Debt Applicable to 6% Limit	69,750	78,009	65,944	54,022	37,747	26,116	14,419	3,950	-	3,859
Excess Premium						-	-	-	-	426
Legal 6% Debt Margin (Available Borrowing Capacity)	<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>	<u>\$ 484,997</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	20.42%	25.59%	22.77%	17.39%	10.56%	6.78%	3.47%	0.91%	0.00%	0.88%

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

<sup>(2)</sup>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, 2021**  
(in thousands)

**Table XVIb**

**Legal Debt Margin Calculation for Fiscal Year 2021**

Assessed Valuation as of June 30, 2021	\$	8,154,701
<b><u>20% Limitation</u></b>		
Debt Limit Equal to 20% of Assessed Valuation	\$	1,630,940
Debt applicable to limit:		
General Obligation Bonds		444,366
Excess Premium		12,713
Legal 20% Debt Margin (Available Borrowing Capacity)	\$	1,173,861
<b><u>6% Limitation</u></b>		
Debt Limit Equal to 6% of Assessed Valuation	\$	489,282
Debt applicable to limit:		
General Obligation Bonds		3,859
Excess Premium		426
Legal 6% Debt Margin (Available Borrowing Capacity)	\$	484,997

**Source:** City of Scottsdale, City Treasurer

**Notes:**

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

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

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

Table XVII

Water and Sewer Revenue Bonds									Municipal Property Corporation Bonds			
Fiscal Year Ended June 30	Operating Revenue <sup>(1)</sup>	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax <sup>(3)</sup>	Debt Service Principal <sup>(4)</sup>	Debt Service Interest <sup>(4)</sup>	Coverage
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
2021	177,073	94,052	83,021	5,257	88,278	3,930	654	19.26	251,375	31,625	18,742	4.99
Special Assessment Bonds					Scottsdale Preserve Authority Bonds							
Fiscal Year Ended June 30	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage <sup>(2)</sup>	Sales Tax	Debt Service Principal	Debt Service Interest	Coverage				
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				
2021	-	-	-	N/A	46,921	1,280	132	33.24				

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

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

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

<sup>(3)</sup>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.

<sup>(4)</sup>Includes debt service payments paid out of revenue from the water and sewer fund, the special programs fund, the tourism development fund, and the stadium facility fund.

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

**Table XVIII**

<u>Fiscal Year</u>	<u>Population<sup>(1)</sup></u>	<u>Personal Income<sup>(2)</sup> (in thousands)</u>	<u>Per Capita Personal Income<sup>(3)</sup></u>	<u>Median Age<sup>(4)</sup></u>	<u>Charter and Public School Enrollment<sup>(5)</sup></u>	<u>Fiscal Year End Average Unemployment Rate<sup>(6)</sup></u>
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	25,281	3.5%
2020	258,100	15,473,869	59,953	47.0	25,606	3.4%
2021	241,361	15,128,990	62,682	47.7	25,800	6.6%

**Data Sources and Notes:**

- <sup>(1)</sup>U.S. Census; fiscal years 2012-2020 based on U.S. Census July 1 population estimates. Fiscal years 2013-2020 estimates have been rounded to the nearest hundred. Fiscal year 2021 population is based on the April 1, 2020 Decennial Census results released in August 2021.
- <sup>(2)</sup>Calculated by multiplying Per Capita Personal Income by Total Population divided by 1,000.
- <sup>(3)</sup>U.S. Census, American Community Survey, 5-Year Estimates.
- <sup>(4)</sup>U.S. Census; fiscal year 2012 based on Census 2010; fiscal years 2013-2021 based on U.S. Census, American Community Survey, 5-Year Estimates.
- <sup>(5)</sup>Arizona Department of Education based on Oct 1 enrollment of fiscal year for all charter and district schools located within Scottsdale city boundaries; fiscal year 2019 updated to correct prior reporting error.
- <sup>(6)</sup>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 2020 calendar year that ended within the 2021 fiscal year.

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

Table XIX

Employer	2021			2012		
	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>
HonorHealth <sup>(2)</sup>	7,251	1	3.41%	6,700	1	6.04%
General Dynamics Mission Systems <sup>(3)</sup>	2,800	2	1.32%	2,700	3	2.43%
Vanguard <sup>(4)</sup>	2,800	3	1.32%	1,899	7	1.71%
City of Scottsdale	2,549	4	1.20%	2,455	4	2.21%
CVS Health <sup>(5)</sup>	2,544	5	1.20%	2,238	5	2.02%
Scottsdale Unified School District <sup>(6)</sup>	2,108	6	0.99%	3,600	2	3.24%
Mayo Clinic	1,915	7	0.90%	2,061	6	1.86%
Axon	1,600	8	0.75%			
Nationwide Specialty <sup>(7)</sup>	1,474	9	0.69%	1,501	8	1.35%
Yelp	900	10	0.42%			
Troon Golf				1,342	9	1.21%
International Cruise and Excursion				1,000	10	0.90%
<b>Total</b>	<b>25,941</b>		<b>12.20%</b>	<b>25,496</b>		<b>22.97%</b>

**Source:** City of Scottsdale, Economic Development Department communications with employers, June 2021.

<sup>(1)</sup>Annual Employment in 2021 according to ESRI was 212,644; the fiscal year 2012 Annual Financial Report reported annual employment as 110,984.

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

<sup>(3)</sup>General Dynamics C4 Systems was renamed General Dynamics Mission Systems in 2016.

<sup>(4)</sup>The Vanguard Group was renamed Vanguard Insurance in 2013 and was then renamed Vanguard in 2014.

<sup>(5)</sup>CVS Caremark was renamed CVS Health in 2014.

<sup>(6)</sup>Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2021 numbers only report Scottsdale-based employees.

<sup>(7)</sup>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**

<b>Function</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018<sup>(1)</sup></b>	<b>2019<sup>(2)</sup></b>	<b>2020<sup>(3)</sup></b>	<b>2021</b>
General Government										
Mayor and City Council	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
City Clerk	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	53.0	53.5	53.5	53.5	53.5	53.5	53.5	63.5	63.5	63.5
City Auditor	7.0	7.0	7.0	6.0	6.0	6.0	6.0	6.5	6.5	6.5
City Court	58.0	56.5	56.5	55.9	58.5	58.5	58.5	58.5	61.0	60.0
City Manager	5.0	5.0	5.0	7.0	7.2	7.2	16.2	17.2	25.3	24.2
City Treasurer	83.5	93.0	93.0	89.7	89.8	86.7	86.7	101.7	102.7	102.5
Public Works	205.0	204.0	204.0	205.0	205.8	206.8	210.8	210.8	237.0	238.2
Community and Economic Development	188.5	175.5	176.5	173.0	185.1	186.6	179.6	182.2	126.3	127.3
Public Safety	933.6	924.6	934.6	930.6	942.7	936.7	937.7	952.7	963.1	971.7
Community Services	459.5	454.2	454.2	448.3	469.6	474.6	476.7	476.9	511.2	502.5
Administrative Services	138.8	124.6	127.4	120.9	123.6	125.1	124.1	102.1	95.5	97.5
Water/Sewer Utilities	202.0	204.0	204.0	205.0	211.3	213.3	214.5	215.9	217.9	215.9
Airport	14.0	14.0	14.0	14.5	14.5	14.5	15.5	15.5	15.5	15.5
Solid Waste	89.0	89.0	90.0	90.0	90.8	92.8	92.8	96.8	96.4	96.4
<b>Total</b>	<b>2,454.9</b>	<b>2,422.9</b>	<b>2,437.7</b>	<b>2,417.4</b>	<b>2,475.4</b>	<b>2,479.3</b>	<b>2,489.6</b>	<b>2,517.3</b>	<b>2,538.9</b>	<b>2,538.7</b>

**Source:** The City of Scottsdale's Budget Department.

<sup>(1)</sup>Effective fiscal year 2018, Citizen Services was moved from Community and Economic Development to City Manager.

<sup>(2)</sup>Effective fiscal year 2019, Purchasing was moved from Administrative Services to City Treasurer, and Risk Management was moved from City Treasurer to City Attorney.

<sup>(3)</sup>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<sup>(1)</sup>  
 Last Ten Fiscal Years

Table XXI

Division	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Government</b>										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	37%	37%	34%	39%	39%	35%	35%	35%	28%	20%
<i>City Auditor</i>										
# of reports performed	14	14	14	16	13	13	15	14	11	14
<i>City Clerk</i>										
# of legal postings	1,185	1,124	1,080	1,005	1,000	1,067	1,033	946	950	912
# of minutes	63	63	65	57	61	56	70	63	59	63
<i>City Court</i>										
Charges filed/ charges adjudicated (resolved)	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	74,419/ 65,915
<i>City Treasurer</i>										
# of Accounts Payable checks issued	45,112	33,599	32,865	32,491	31,648	31,268	32,074	30,401	29,206	28,051
# of customer contacts (utilities and licensing)	246,319	254,992	209,325	196,549	190,422	195,819	256,784	140,915	96,201	101,694
# of Purchasing purchase orders <sup>(2)</sup>	5,018	4,678	5,019	5,064	5,078	5,143	4,989	4,984	4,725	4,356
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent <sup>(3)</sup>	No Survey	No Survey	98%	No Survey	No Survey	96%	No Survey	96%	No Survey	97%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent <sup>(3)(4)</sup>	No Survey	No Survey	93%	No Survey	No Survey	93%	No Survey	97%	No Survey	94%
Total ad value equivalency generated <sup>(5)</sup>	\$20,000	\$78,861	\$64,931	\$34,863	N/A	N/A	N/A	N/A	N/A	N/A
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	4,419	6,400	2,365	0	0	420	0	0	0	0
% increase of Neighborhood Watch groups annually	5%	5%	2%	0%	5%	5%	2%	7%	1%	2%
<b>Administrative Services</b>										
<i>Human Resources</i>										
Citywide turnover	7.1%	7.3%	6.0%	7.8%	9.6%	8.1%	9.8%	9.3%	10.7%	9.5%
HR operating cost as a % of City payroll	1.3%	1.7%	1.4%	1.4%	1.1%	1.2%	1.3%	1.2%	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)	1,870,000	1,588,935	1,335,869	1,395,338	2,686,000	2,117,633	1,512,355	1,026,016	2,032,000	820,000
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	266.0	167.3	45.8	51.4	58.6	67.2	82.8	86.9	98.3	103.5

(continued)



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

Table XXI

Division	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Community Services</b>										
<i>Preserve</i>										
McDowell Sonoran Preserve Annual Visitors – All trailheads	177,922	223,538	325,023	659,882	706,682	698,090	732,510	747,000	936,000	992,000
<i>Parks and Recreation</i>										
# of square feet of medians and rights of way maintained	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	23,261,040
<i>WestWorld</i>										
# of special events at WestWorld <sup>(6)</sup>	20	27	24	52	51	55	49	46	30	48
<b>Community and Economic Development</b>										
<i>Planning and Development Services</i>										
Customer wait-time (in minutes) at One Stop Shop	6	12	15	12	12	15	13	14	13	7
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	100%	100%	100%	95%	100%	99%	99%	100%	100%
% of inspections performed within 24 hours of the request	100%	100%	100%	100%	98%	98%	98%	98%	99%	99%
# of new Code Enforcement cases processed per year	16,500	15,603	14,222	15,514	13,781	13,797	12,594	13,676	12,358	12,076
<i>Economic Development</i>										
Targeted job creation - number of companies/number of jobs <sup>(7)</sup>	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	7 / 1,005
<i>Tourism</i>										
Hotel/Motel average occupancy rate	61.5%	63.0%	65.6%	67.8%	67.9%	75.1%	69.1%	70.2%	55.6%	47.1%
Bed Tax growth (% annual change)	5%	3%	10%	12%	1%	11%	5%	12%	-15%	4%
# of Downtown special events coordinated	119	126	275	325	277	174	173	155	129	43
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	146,058	137,333	148,971	153,285	162,535	164,622	166,425	176,677	191,284	192,185
<b>Public Safety</b>										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) <sup>(8)</sup>	32.8	29.1	27.8	25.5	25.6	26.3	24.7	25.2	25.2	22.5
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	5:11	4:54	5:04	5:25	5:12	4:48	4:57	5:05	5:36	5:30
Percent of Emergency Calls Answered within 10 seconds (Target 91% of the time)	N/A	96%	90%	95%	91%	93%	98%	94%	88%	91%
<i>Fire</i>										
Total incidents	26,344	27,075	28,544	32,425	35,098	36,407	36,877	37,750	37,456	37,317
Responses per capita	0.10	0.12	0.13	0.14	0.15	0.16	0.15	0.15	0.15	0.14
Travel time (en-route to on-scene)	4:18	4:26	4:27	4:33	4:32	4:37	4:46	4:52	5:16	5:29

(continued)

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

Table XXI

Division	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Public Works</b>										
<i>Public Works</i>										
Facility inventory maintained (square feet) <sup>(9)</sup>	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	2,978,196
# of active Capital Projects	162	186	150	120	155	150	161	180	185	190
<i>Solid Waste</i>										
# of homes serviced by Residential Refuse Collection	79,787	80,013	80,354	80,785	81,187	81,665	82,236	82,711	83,189	83,680
# of citizens serviced annually by Household Hazardous Waste collection program	2,591	2,691	2,905	2,362	3,345	2,770	2,509	2,629	2,426	2,393
<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) <sup>(10)</sup>	10,500	5,043	3,687	4,252	6,638	9,737	8,697	4,748	2,176	2,657
Total citywide transit ridership <sup>(11)</sup>	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	646,306
<b>Water Resources</b>										
Water Service Connections	87,577	87,851	88,348	88,905	89,596	90,172	90,817	91,279	91,802	92,590
Drinking Water Supplied (million gallons per day)	69.2	67.6	70.2	63.9	67.5	67.0	70.9	66.3	67.6	74.0
Reclaimed Water Supplied (million gallons per day)	6.9	8.9	9.7	9.2	9.1	11.6	12.2	11.9	11.6	12.0
Sewer Service Connections	78,018	78,269	79,014	79,588	80,202	80,704	81,306	81,841	82,320	82,834
Sewage Treated (million gallons per day)	20.9	20.7	20.9	21.2	20.5	21.4	22.1	22.1	21.6	22.2
# of water meters read annually	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	1,110,050

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

<sup>(1)</sup>This presentation is consistent with the organizational structure approved as part of the fiscal year 2022 Budget.

<sup>(2)</sup>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.

<sup>(3)</sup>The complete results for the most recent survey, as well as archived copies of prior year surveys can be found at <https://www.scottsdaleaz.gov>, search "citizen survey".

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

<sup>(5)</sup>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.

<sup>(6)</sup>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.

<sup>(7)</sup>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.

<sup>(8)</sup>Crime stats are for the prior calendar year end, rather than fiscal year end.

<sup>(9)</sup>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.

<sup>(10)</sup>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.

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

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

**Table XXII**

<b>Function</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Public Safety										
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Police Vehicles	352	351	359	347	344	344	343	343	341	344
Fire Stations	15	15	15	15	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement	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	20,080,026
Equivalent 12' Wide Lane Miles	2,962	2,963	2,947	2,958	2,877	2,846	2,990	2,851	2,831	2,852
Traffic Signals	300	303	297	304	307	295	296	296	308	311
Culture and Recreation										
Parks	42	42	42	42	42	42	42	42	42	43
Parks Acreage	974	975	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	53	53	53	49
Community Centers	5	6	6	6	6	6	6	6	6	6
Water										
Water Mains (miles)	2,064	2,070	2,079	2,079	2,094	2,102	2,117	2,124	2,133	2,143
Fire Hydrants	10,729	10,779	10,874	10,941	11,052	11,135	11,213	11,301	11,375	11,480
Sewer										
Sanitary Sewers (miles)	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	1,513.0
Storm Sewers (miles)	168.0	169.0	187.7	275.0	285.0	309.0	316.0	325.0	330.0	337.0

**Source:** City of Scottsdale's divisions.

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

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

**Attachment 1A -  
Communication to Governance**

October 22, 2021

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, the associated reconciliations, and the aggregate remaining fund information City of Scottsdale, Arizona (City) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Scottsdale, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the City, we assisted with the preparation of the Data Collection Form submission to the Federal Audit Clearinghouse. In providing these services, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the City's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Single Audit Reporting Package
- Independent Accountant’s Report on compliance of Highway User Revenue Fund expenditures in accordance with Arizona Revised Statutes 9-481(B)(2)
- Report on HUD Financial Data Schedules
- Examination report on the Annual Expenditure Limitation Report

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the City Council and management of City of Scottsdale, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona



Attachment 1B -  
Single Audit Report  
(federal compliance)



**City of Scottsdale, Arizona**  
**Single Audit Reporting Package**  
Year Ended June 30, 2021

**CITY OF SCOTTSDALE, ARIZONA  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2021**

<b><u>CONTENTS</u></b>	<b><u>Page</u></b>
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**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, 2021, 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 20, 2021. Our report included an emphasis of matter paragraph as to comparability due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 93, Replacement of *Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2021-001 that we consider to be a significant deficiency.

### Report on 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*.

### City of Scottsdale, Arizona's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Scottsdale, Arizona's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Scottsdale, Arizona's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### 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.  
Scottsdale, Arizona  
October 20, 2021

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited City of Scottsdale, Arizona's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Scottsdale, Arizona's major federal programs for the year ended June 30, 2021. City of Scottsdale, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Scottsdale, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Scottsdale, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Scottsdale, Arizona's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Scottsdale, Arizona's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Scottsdale, Arizona's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about City of Scottsdale, Arizona's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Scottsdale, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Scottsdale, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements. We issued our report thereon dated October 20, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
November 8, 2021



CITY OF SCOTTSDALE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor (See Notes)	Federal Grant/Pass-Through Number	FY 20/21 Expenditures	Payments to Subrecipients	Total FY 20/21 Expenditures
<b>Department of Agriculture</b>						
Forest Service Schools and Roads Cluster:						
Forest Service: Schools and Roads - Grants to States	10.665	MCDEM		\$ 19,718	\$ -	\$ 19,718
Total Forest Service Schools and Roads Cluster:				19,718	-	19,718
<b>Total Department of Agriculture</b>				<b>\$ 19,718</b>	<b>\$ -</b>	<b>\$ 19,718</b>
<b>Department of Housing and Urban Development</b>						
CDBG - Entitlement Grants Cluster:						
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-18-MC-04-0503	\$ 25,077	\$ -	\$ 25,077
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-19-MC-04-0503	443,069	-	443,069
Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MC-04-0503	513,451	191,720	705,171
COVID-19 - Assistant Secretary for Community Planning and Development: Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MW-04-0503	551,203	-	551,203
Total CDBG - Entitlement Grants Cluster:				1,532,800	191,720	1,724,520
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-16-DC-04-0227	-	49	49
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-17-DC-04-0227	-	75,580	75,580
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-18-DC-04-0227	12,481	311,158	323,639
Assistant Secretary for Community Planning and Development: Home Investment Partnerships Program	14.239	MCHSD	M-19-DC-04-0227	-	125,565	125,565
				12,481	512,352	524,833
Housing Voucher Cluster:						
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032AF	397,708	-	397,708
Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032VO	5,721,463	-	5,721,463
COVID-19 - Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032AF0132	94,221	-	94,221
COVID-19 - Assistant Secretary for Public and Indian Housing: Section 8 Housing Choice Vouchers	14.871	N/A	AZ032AF0133	86,402	-	86,402
Total Housing Voucher Cluster:				6,299,794	-	6,299,794
Assistant Secretary for Public and Indian Housing: Family Self-Sufficiency Program	14.896	N/A	FSS20AZ3304	32,576	-	32,576
Assistant Secretary for Public and Indian Housing: Family Self-Sufficiency Program	14.896	N/A	FSS21AZ4052	21,133	-	21,133
				53,709	-	53,709
<b>Total Department of Housing and Urban Development</b>				<b>\$ 7,898,784</b>	<b>\$ 704,072</b>	<b>\$ 8,602,856</b>
<b>Department of Justice</b>						
COVID-19 - OJP Bureau Of Justice Assistance: Coronavirus Emergency Supplemental Funding Program	16.034	N/A	2020-VD-BX-1666	\$ 4,115	\$ -	\$ 4,115
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2019-DJ-BX-0884	26,893	-	26,893
Office of Justice Programs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2020-DJ-BX-0279	4,457	-	4,457
				31,350	-	31,350
OJP Bureau Of Justice Assistance: DNA Backlog Reduction Program	16.741	N/A	2019-DN-BX-0128	132,784	-	132,784
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program (Coverdell Program)	16.742	ACJC	CV 19-20-004	8,742	-	8,742
OJP Bureau Of Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program (Coverdell Program)	16.742	ACJC	CV 20-21-004	1,707	-	1,707
				10,449	-	10,449
<b>Total Department of Justice</b>				<b>\$ 178,698</b>	<b>\$ -</b>	<b>\$ 178,698</b>

CITY OF SCOTTSDALE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass- Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 20/21 Expenditures	Payments to Subrecipients	Total FY 20/21 Expenditures
<b>Department of Transportation</b>						
Federal Aviation Administration: Airport Improvement Program (AIP)	20.106	N/A	3-04-0032-038-2020	\$ 541,093	\$ -	\$ 541,093
COVID-19 - Federal Aviation Administration: Airport Improvement Program (AIP)	20.106	N/A	3-04-0032-040-2021	412,756	-	412,756
				<u>953,849</u>	<u>-</u>	<u>953,849</u>
Highway Planning and Construction Cluster:						
Federal Highway Administration: Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ADOT	CMAQ SCT-0(229)D	177,032	-	177,032
Federal Highway Administration: Highway Planning and Construction (Federal-Aid Highway Program)	20.205	ADOT	HSIP SCT-0(217)D	77,571	-	77,571
Total Highway Planning and Construction Cluster:				<u>254,603</u>	<u>-</u>	<u>254,603</u>
Federal Transit Cluster:						
Federal Transit Administration: Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	COP	AZ-90-X-131	1,428,437	-	1,428,437
COVID-19 - Federal Transit Administration: Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	COP	AZ-2020-015-00	1,260,387	-	1,260,387
Total Federal Transit Cluster:				<u>2,688,824</u>	<u>-</u>	<u>2,688,824</u>
Highway Safety Cluster:						
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2020-PTS-056	42,701	-	42,701
National Highway Traffic Safety Administration: State and Community Highway Safety	20.600	GOHS	2021-PTS-061	91,738	-	91,738
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2020-405d-038	4,910	-	4,910
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2020-405h-022	27,401	-	27,401
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2020-CIOT-023	8,000	-	8,000
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2021-405d-038	129,600	-	129,600
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2021-405d-053	14,959	-	14,959
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2021-405h-017	45,891	-	45,891
National Highway Traffic Safety Administration: National Priority Safety Programs	20.616	GOHS	2021-CIOT-023	8,000	-	8,000
Total Highway Safety Cluster:				<u>373,200</u>	<u>-</u>	<u>373,200</u>
<b>Total Department of Transportation</b>				<u>\$ 4,270,476</u>	<u>\$ -</u>	<u>\$ 4,270,476</u>
<b>Department of the Treasury</b>						
Department of the Treasury: Equitable Sharing	21.016	MCACAAR	N/A	\$ 401,208	\$ -	\$ 401,208
COVID-19 - Departmental Offices: Coronavirus Relief Fund	21.019	AGOV	ERMT-20-079	12,389,370	-	12,389,370
COVID-19 - Departmental Offices: Coronavirus Relief Fund	21.019	MCHSD		206,973	-	206,973
				<u>12,596,343</u>	<u>-</u>	<u>12,596,343</u>
<b>Total Department of the Treasury</b>				<u>\$ 12,997,551</u>	<u>\$ -</u>	<u>\$ 12,997,551</u>
<b>Institute of Museum and Library Services</b>						
Grants to States (G2S)	45.310	ASTA	2019-0010-0-R	\$ 685	\$ -	\$ 685
Grants to States (G2S)	45.310	ASTA	2019-0260-9	5,149	-	5,149
Grants to States (G2S)	45.310	ASTA	2020-0260-CITSCI-03	1,370	-	1,370
Grants to States (G2S)	45.310	ASTA	2020-0340-STAFF-02	4,000	-	4,000
COVID-19 Grants to States (G2S)	45.310	ASTA	2020-0720-42	2,808	-	2,808
COVID-19 Grants to States (G2S)	45.310	ASTA	2020-0730-18	7,714	-	7,714
				<u>21,726</u>	<u>-</u>	<u>21,726</u>
National Leadership Grants (NLG)	45.312	ASU	LG-95-17-0158-17	787	-	787
<b>Total Institute of Museum and Library Services</b>				<u>\$ 22,513</u>	<u>\$ -</u>	<u>\$ 22,513</u>
<b>National Institutes of Health</b>						
Administration for Children and Families: Temporary Assistance for Needy Families (TANF)	93.558	MCHSD	TANF	\$ 16,159	\$ -	\$ 16,159
Administration for Children and Families: Low-Income Home Energy Assistance	93.568	MCHSD	LIHEAP	170,167	-	170,167

CITY OF SCOTTSDALE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Federal Grantor Agency/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass- Through Grantor (See Notes)	Federal Grant/ Pass-Through Number	FY 20/21 Expenditures	Payments to Subrecipients	Total FY 20/21 Expenditures
<b>National Institutes of Health (cont'd)</b>						
Administration for Children and Families: Community Services Block Grant (CSBG)	93.569	MCHSD	CSBG	31,029	-	31,029
<b>Total National Institutes of Health</b>				<u>\$ 217,355</u>	<u>\$ -</u>	<u>\$ 217,355</u>
<b>Department of Homeland Security</b>						
COVID-19 - Federal Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	DR-4524	<u>\$ 393,596</u>	<u>\$ -</u>	<u>\$ 393,596</u>
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	190820-01	4,329	-	4,329
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	190820-02	1,000	-	1,000
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	200217-01	78,143	-	78,143
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	200820-01	40,000	-	40,000
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	200820-02	23,302	-	23,302
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	200821-01	35,913	-	35,913
Federal Emergency Management Agency: Homeland Security Grant Program (HSGP)	97.067	AZDOHS	200821-02	158,457	-	158,457
				<u>341,144</u>	<u>-</u>	<u>341,144</u>
Federal Emergency Management Agency: Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	EMW-2017-FH-00439	205,174	-	205,174
Federal Emergency Management Agency: Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	EMW-2018-FH-00238	315,216	-	315,216
				<u>520,390</u>	<u>-</u>	<u>520,390</u>
<b>Total Department of Homeland Security</b>				<u>\$ 1,255,130</u>	<u>\$ -</u>	<u>\$ 1,255,130</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 26,860,225</u>	<u>\$ 704,072</u>	<u>\$ 27,564,297</u>

(See Notes to Schedule of Expenditures of Federal Awards)

**CITY OF SCOTTSDALE, ARIZONA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2021**

**1. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Scottsdale, Arizona (City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 of the U.S. Code of Federal Regulations - Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards provided to sub-recipients are treated as expenditures when paid to the sub-recipient.

**2. THE REPORTING ENTITY**

The City, for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by Government Accounting Standards Board (GASB).

The City administers certain federal financial assistance programs through sub-recipients. Those sub-recipients are not considered part of the City reporting entity.

**3. PASS-THROUGH GRANTOR'S REFERENCE**

The City receives certain federal awards passed through the following non-Federal agencies:

ACJC	Arizona Criminal Justice Commission
ADOT	Arizona Department of Transportation
AGOV	Arizona Governor's Office
ASTA	Arizona Secretary of State
ASU	Arizona State University
AZDOHS	Arizona Department of Homeland Security
COP	City of Phoenix
GOHS	Governor's Office of Highway Safety
MCACAAR	Maricopa County Arizona, County Attorney's
MCDEM	Maricopa County Department of Emergency Management
MCHSD	Maricopa County Human Services Department

**4. INDIRECT COST RATE**

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**5. PRIOR YEAR NUMBERS**

Some balances disclosed in the Schedule of Federal Awards as of June 30, 2021, include adjustments from the prior fiscal year. Prior year expenditures totaling \$8,001 are included in Assistance Listing 93.558 and \$53,054 are included in Assistance Listing 93.568 due to receiving confirmation that the grants were federally funded after FY19/20 SEFA was completed. Prior year expenditures totaling \$130,990 are included in Assistance Listing 97.036 due to the announcement on February 2, 2021, in which the Federal Emergency Management Agency (FEMA) eliminated the match requirement for the COVID-19 Disaster Recovery grant and also due to an expansion of eligible expenditures. Additionally, Assistance Listing 16.543 was overstated by \$7,189 due to a change in funding being reclassified from federal to state. The Schedule as of June 30, 2021, represents the activity in these programs net of the prior year over/understatements for the respective programs.

**CITY OF SCOTTSDALE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**Summary of Auditor’s Results:**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.507	Federal Transit Cluster
21.019	COVID 19 – Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$826,929

Auditee qualified as low-risk auditee: Yes

**Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: Yes**

**Findings and Questioned Costs Related to Federal Awards: No**

**Summary Schedule of Prior Audit Findings required to be reported: Yes**

**CITY OF SCOTTSDALE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Finding Number:** FS-2021-001

**Repeat Finding:** No

**Type of Finding:** Significant Deficiency

**Description:** Audit Adjustment

CRITERIA

Internal control over financial reporting must provide reasonable assurance that material misstatements to the financial records are prevented or detected on a timely basis.

CONDITION

A significant adjustment was needed to properly state the City's financial statements.

CAUSE

A clerical error was made when sourcing financial data for a journal entry from the fiscal year 2020 Sub-Regional Operating Group (SROG) Annual Comprehensive Financial Report. The error was not detected during review of the journal entry.

EFFECT

A material misstatement to the City's financial statements may not be prevented or detected in a timely manner.

CONTEXT

The equity in the SROG joint venture was misstated resulting in an overstatement of assets and an understatement of expenses in the amount of \$11.4 million. The City's financial statements were corrected for this error.

RECOMMENDATION

Journal entries should be reviewed for accuracy before they are posted to the general ledger. Additionally, the City should consider employing year over year analysis of account balances and activity and further investigate significant and or unexpected changes.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan



**City Treasurer's Office**

7447 E. Indian School Road, Suite 210  
Scottsdale, AZ 85251

PHONE 480-312-2437  
FAX 480-312-7897  
WEB [www.ScottsdaleAZ.gov](http://www.ScottsdaleAZ.gov)

October 20, 2021

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Anna Henthorn  
Accounting Director

**CITY OF SCOTTSDALE, ARIZONA  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2021**

**Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards***

Finding Number: FS-2021-001

Contact Person: Anna Henthorn, Accounting Director

Anticipated Completion Date: November 4, 2021

Planned Corrective Action: The Enterprise Finance department will update procedures to further validate the equity balance, used for the journal entry calculation, matches the City's equity balance obtained from the Sub-Regional Operating Group (SROG) Annual Comprehensive Financial Report. The journal entry will be verified and approved by the Finance Manager, the Accounting Manager, and the Accounting Director. The Accounting department will also complete a year over year analysis on the change of the SROG activity to ensure the activity is reasonable and follow up with the Enterprise Finance department on any unexplained variances.



**CITY OF SCOTTSDALE, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

**Status of Findings and Questioned Costs Related to Federal Awards**

Finding Number: 2020-001

Program Name/Assistance Listing Title: Housing Voucher Cluster

Assistance Listing Number: 14.871

Status: Fully corrected.

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, 2021. 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, 2021.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
October 20, 2021

# Fraud Prevention Checklist

The most cost-effective way to limit fraud losses is to prevent fraud from occurring. This checklist is designed to help organizations test the effectiveness of their fraud prevention measures.

## **1. Is ongoing anti-fraud training provided to all employees of the organization?**

- Do employees understand what constitutes fraud?
- Have the costs of fraud to the company and everyone in it — including lost profits, adverse publicity, job loss and decreased morale and productivity — been made clear to employees?
- Do employees know where to seek advice when faced with uncertain ethical decisions, and do they believe that they can speak freely?
- Has a policy of zero-tolerance for fraud been communicated to employees through words and actions?

## **2. Is an effective fraud reporting mechanism in place?**

- Have employees been taught how to communicate concerns about known or potential wrongdoing?
- Is there an anonymous reporting channel available to employees, such as a third-party hotline?
- Do employees trust that they can report suspicious activity anonymously and/or confidentially and without fear of reprisal?
- Has it been made clear to employees that reports of suspicious activity will be promptly and thoroughly evaluated?
- Do reporting policies and mechanisms extend to vendors, customers and other outside parties?

## **3. To increase employees' perception of detection, are the following proactive measures taken and publicized to employees?**

- Is possible fraudulent conduct aggressively sought out, rather than dealt with passively?
- Does the organization send the message that it actively seeks out fraudulent conduct through fraud assessment questioning by auditors?
- Are surprise fraud audits performed in addition to regularly scheduled audits?
- Is continuous auditing software used to detect fraud and, if so, has the use of such software been made known throughout the organization?

- 4. Is the management climate/tone at the top one of honesty and integrity?**
  - Are employees surveyed to determine the extent to which they believe management acts with honesty and integrity?
  - Are performance goals realistic?
  - Have fraud prevention goals been incorporated into the performance measures against which managers are evaluated and which are used to determine performance-related compensation?
  - Has the organization established, implemented and tested a process for oversight of fraud risks by the board of directors or others charged with governance (e.g., the audit committee)?
- 5. Are fraud risk assessments performed to proactively identify and mitigate the company's vulnerabilities to internal and external fraud?**
- 6. Are strong anti-fraud controls in place and operating effectively, including the following?**
  - Proper separation of duties
  - Use of authorizations
  - Physical safeguards
  - Job rotations
  - Mandatory vacations
- 7. Does the internal audit department, if one exists, have adequate resources and authority to operate effectively and without undue influence from senior management?**
- 8. Does the hiring policy include the following (where permitted by law)?**
  - Past employment verification
  - Criminal and civil background checks
  - Credit checks
  - Drug screening
  - Education verification
  - References check
- 9. Are employee support programs in place to assist employees struggling with addictions, mental/ emotional health, family or financial problems?**
- 10. Is an open-door policy in place that allows employees to speak freely about pressures, providing management the opportunity to alleviate such pressures before they become acute?**
- 11. Are anonymous surveys conducted to assess employee morale?**

Attachment 2 -  
DC Ranch Community Facilities  
District (CFD)

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



**Annual Financial Report**  
Fiscal Year Ended June 30, 2021

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

**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**



# DC Ranch Community Facilities District

For the Fiscal Year ended June 30, 2021

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## Independent Auditor's Report

Board of Directors  
DC Ranch Community Facilities District

### **Report on Audit of Financial Statements**

#### *Opinions*

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of DC Ranch Community Facilities District as of June 30, 2021, 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.

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

### ***Other Matters***

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

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Budget 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 information for the Debt Service Fund is the responsibility of management and was 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 Supplementary Budget information for the Debt Service Fund information 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 21, 2021, 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.  
Scottsdale, Arizona  
October 21, 2021

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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, 2021.

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 2020/21, 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 \$0.38 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$211,521. Of this amount, \$44,157 was in the General Fund and \$167,364 was in the Debt Service Fund.
- Governmental fund revenues were more than expenditures by \$12,155, the tax rate decreased from \$0.41 in fiscal year 2019/20 to \$0.38.
- Total long-term debt decreased by \$1,015,000 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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, 2021

## 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 \$6.6 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, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Current Assets	\$ 100,401	\$ 97,527
Noncurrent Assets	1,278,239	1,265,867
Total Assets	1,378,640	1,363,394
Deferred Outflows of Resources	239,955	279,947
Total Assets and Deferred Outflows of Resources	1,618,595	1,643,341
<b>LIABILITIES</b>		
Current Liabilities	1,149,525	1,131,234
Noncurrent Liabilities	7,111,163	8,165,523
Total Liabilities	8,260,688	9,296,757
<b>NET POSITION</b>		
Restricted	184,958	185,746
Unrestricted	(6,827,051)	(7,839,162)
Total Net Position	\$ (6,642,093)	\$ (7,653,416)

During the fiscal year, the District's total net position increased by \$1,011,323.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Taxes	\$ 1,352,012	\$ 1,356,166
Interest	120	2,191
Total Revenues	<u>1,352,132</u>	<u>1,358,357</u>
<b>EXPENSES</b>		
General Government	70,678	71,228
Debt Service	270,131	304,548
Total Expenses	<u>340,809</u>	<u>375,776</u>
Change in Net Position	1,011,323	982,581
Net Position, Beginning of Year	<u>(7,653,416)</u>	<u>(8,635,997)</u>
Net Position, End of Year	<u>\$ (6,642,093)</u>	<u>\$ (7,653,416)</u>

Revenues decreased in fiscal 2020/21 due to an decrease 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 2021, the District's governmental funds reported revenues more than expenditures by \$12,155 and an ending fund balance of \$211,521. Of the total ending fund balance, \$44,157 is in the General Fund and \$167,364 is in the Debt Service Fund.

Revenues totaled \$1,367,332 for the fiscal year ended June 30, 2021, of which \$1,367,212 was property tax collected and \$120 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.



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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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, 2021 and 2020

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	Governmental Activities	
	2021	2020
General Obligation Bonds	<u>\$ 6,875,000</u>	<u>\$ 7,890,000</u>

The District's total long-term debt decreased by \$1,015,000 during the current fiscal year due to payment of principal on the refunding bonds.

## Next Year's Budget and Rates

The fiscal year 2021/22 District budget includes a \$0.37 tax rate per \$100 of assessed value. This is a \$0.01 decrease from the rate used for the fiscal year 2020/21 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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Current Assets					
Cash	\$ 42,123	\$ -	\$ 42,123	\$ -	\$ 42,123
Taxes Receivable	2,034	56,244	58,278	-	58,278
Total Current Assets	<u>44,157</u>	<u>56,244</u>	<u>100,401</u>	<u>-</u>	<u>100,401</u>
NonCurrent Assets					
Restricted Cash	<u>-</u>	<u>1,278,239</u>	<u>1,278,239</u>	<u>-</u>	<u>1,278,239</u>
Total Assets	<u>\$ 44,157</u>	<u>\$ 1,334,483</u>	<u>\$ 1,378,640</u>	<u>\$ -</u>	<u>\$ 1,378,640</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				<u>239,955</u>	<u>239,955</u>
Total Assets and Deferred Outflows of Resources				<u>\$ 239,955</u>	<u>\$ 1,618,595</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 1,015,000	\$ 1,015,000	\$ -	\$ 1,015,000
Interest Payable	<u>-</u>	<u>134,525</u>	<u>134,525</u>	<u>-</u>	<u>134,525</u>
Total Current Liabilities	<u>-</u>	<u>1,149,525</u>	<u>1,149,525</u>	<u>-</u>	<u>1,149,525</u>
Noncurrent Liabilities					
Due Within One Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050,000</u>	<u>1,050,000</u>
Due After One Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,061,163</u>	<u>6,061,163</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,111,163</u>	<u>7,111,163</u>
Total Liabilities	<u>-</u>	<u>1,149,525</u>	<u>1,149,525</u>	<u>7,111,163</u>	<u>8,260,688</u>
Deferred Inflows of Resources					
Unavailable Revenues	<u>-</u>	<u>17,594</u>	<u>17,594</u>	<u>(17,594)</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>1,167,119</u>	<u>1,167,119</u>	<u>7,093,569</u>	<u>8,260,688</u>
Fund Balances/Net Position					
Fund Balances					
Restricted	<u>-</u>	<u>167,364</u>	<u>167,364</u>	<u>(167,364)</u>	<u>-</u>
Unassigned	<u>44,157</u>	<u>-</u>	<u>44,157</u>	<u>(44,157)</u>	<u>-</u>
Total Fund Balances	<u>44,157</u>	<u>167,364</u>	<u>211,521</u>	<u>(211,521)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 44,157</u>	<u>\$ 1,334,483</u>	<u>\$ 1,378,640</u>		
Net Position					
Restricted for Debt Service				<u>184,958</u>	<u>184,958</u>
Unrestricted				<u>(6,827,051)</u>	<u>(6,827,051)</u>
Total Net Position				<u>\$ (6,642,093)</u>	<u>\$ (6,642,093)</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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>					
Taxes	\$ 68,360	\$ 1,298,852	\$ 1,367,212	\$ (15,200)	\$ 1,352,012
Interest	61	59	120	-	120
Total Revenues	<u>68,421</u>	<u>1,298,911</u>	<u>1,367,332</u>	<u>(15,200)</u>	<u>1,352,132</u>
<b>EXPENDITURES/EXPENSES</b>					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 70,678	\$ -	\$ 70,678	\$ -	\$ 70,678
Debt Service					
Principal Retirement	-	1,015,000	1,015,000	(1,015,000)	-
Interest and Fiscal Charges	-	269,499	269,499	632	270,131
Total Expenditures/Expenses	<u>70,678</u>	<u>1,284,499</u>	<u>1,355,177</u>	<u>(1,014,368)</u>	<u>340,809</u>
Change in Fund Balances/Net Position	(2,257)	14,412	12,155	999,168	1,011,323
Fund Balances/Net Position, Beginning of Year	<u>46,414</u>	<u>152,952</u>	<u>199,366</u>	<u>(7,852,782)</u>	<u>(7,653,416)</u>
Fund Balances/Net Position, End of Year	<u>\$ 44,157</u>	<u>\$ 167,364</u>	<u>\$ 211,521</u>	<u>\$ (6,853,614)</u>	<u>\$ (6,642,093)</u>

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

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, the District evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) 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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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 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 balance sheet.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.



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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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.	\$ 17,594
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(7,111,163)
Deferred amounts on refunding are long-term in nature and not reported in the funds.	<u>239,955</u>
Net adjustment to reduce total fund balance to arrive at net position.	(6,853,614)
Total Fund Balance	<u>211,521</u>
<b>Total Net Position</b>	<u><u>\$ (6,642,093)</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.	\$ (15,200)
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.	1,015,000
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>(632)</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	999,168
Net change in Fund Balance	<u>12,155</u>
<b>Change in Net Position</b>	<u><u>\$ 1,011,323</u></u>

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, the carrying amount of the District’s deposits and bank balance were \$1,320,362.

#### *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, 2021, 1,278,239 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, 2021, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 1,278,239</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, 2021

## 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, 2021, were as follows:

	General Fund	Debt Service Fund
Taxes Receivable	\$ 2,034	\$ 56,244

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)	\$ 17,594

### 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, 2021, 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	\$ 6,875,000

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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	\$ 7,890,000	\$ -	\$ (1,015,000)	\$ 6,875,000	\$ 1,050,000
Plus Issuance Premium	275,523	-	(39,360)	236,163	-
Total	<u>\$ 8,165,523</u>	<u>\$ -</u>	<u>\$ (1,054,360)</u>	<u>\$ 7,111,163</u>	<u>\$ 1,050,000</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>
2022	\$ 1,050,000	\$ 234,438
2023	1,085,000	198,633
2024	1,125,000	161,634
2025	1,165,000	123,272
2026	1,205,000	83,544
2027	1,245,000	42,454
Total	<u>\$ 6,875,000</u>	<u>\$ 843,975</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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ 67,639	\$ 68,360	\$ 721
Interest Income	-	61	
Total Revenues	<u>67,639</u>	<u>68,421</u>	<u>721</u>
<b>EXPENDITURES</b>			
Current			
General Government			
City Treasurer - Finance and Accounting	72,500	70,678	1,822
Total Expenditures	<u>72,500</u>	<u>70,678</u>	<u>1,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,861)	(2,257)	2,543
Fund Balance, Beginning of Year	<u>56,791</u>	<u>46,414</u>	<u>(10,377)</u>
Fund Balance, End of Year	<u>\$ 51,930</u>	<u>\$ 44,157</u>	<u>\$ (7,834)</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, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 1,287,606	\$ 1,298,852	\$ 11,246
Interest Income		59	59
Total Revenues	<u>1,287,606</u>	<u>1,298,911</u>	<u>11,305</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	1,015,000	1,015,000	-
Interest and Fiscal Charges	272,049	269,499	2,550
Total Expenditures	<u>1,287,049</u>	<u>1,284,499</u>	<u>2,550</u>
Excess of Revenues Over Expenditures	557	14,412	13,855
Fund Balance, Beginning of Year	<u>155,175</u>	<u>152,952</u>	<u>(2,223)</u>
Fund Balance, End of Year	<u><u>\$ 155,732</u></u>	<u><u>\$ 167,364</u></u>	<u><u>\$ 11,632</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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

Report on 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.  
Scottsdale, Arizona  
October 21, 2021

**Attachment 2A -  
DC Ranch CFD  
Communication to Governance**

October 22, 2021

Board of Directors  
DC Ranch Community Facilities District

We have audited 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, (District) as of and for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by DC Ranch Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the District, we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable

assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the Board of Directors and management of DC Ranch Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona

**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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

#### Report on 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.  
Scottsdale, Arizona  
October 21, 2021

**Attachment 3 -  
McDowell Mountain Ranch CFD  
Annual Financial Report**

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# McDowell Mountain Ranch Community Facilities District

(A Component Unit of the City of Scottsdale, Arizona)



## Annual Financial Report

Fiscal Year Ended June 30, 2021

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**McDowell Mountain Ranch Community Facilities District**  
(A Component Unit of the City of Scottsdale, Arizona)

**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**

# McDowell Mountain Ranch Community Facilities District

For the Fiscal Year ended June 30, 2021

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## Independent Auditor's Report

Board of Directors  
McDowell Mountain Ranch Community Facilities District

### **Report on Audit of Financial Statements**

#### *Opinions*

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the McDowell Mountain Ranch Community Facilities District, as of June 30, 2021, 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.

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

### ***Other Matters***

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

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Budget 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 information for the Debt Service Fund is the responsibility of management and was 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 Supplementary Budget information for the Debt Service Fund information 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 21, 2021, 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.  
Scottsdale, Arizona  
October 21, 2021



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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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, 2021.

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 2020/21, 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 \$0.64 per \$100 assessed valuation.
- Governmental funds reported an ending fund balance of \$208,521; Of this amount, \$13,453 was in the General Fund and \$195,068 was in the Debt Service Fund.
- Governmental fund revenues were more than expenditures by \$9,013, the tax rate decreased from \$0.67 in fiscal year 2019/20 to \$0.64.
- Total long-term debt decreased by \$1,280,000 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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, 2021

## 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 \$1.1 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, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Current Assets	\$ 40,663	\$ 27,941
Noncurrent Assets	1,494,038	1,474,588
Total Assets	<u>1,534,701</u>	<u>1,502,529</u>
<b>LIABILITIES</b>		
Current Liabilities	1,317,133	1,284,599
Noncurrent Liabilities	1,357,171	2,659,341
Total Liabilities	<u>2,674,304</u>	<u>3,943,940</u>
<b>NET POSITION</b>		
Restricted	204,115	217,930
Unrestricted	(1,343,718)	(2,659,341)
Total Net Position	<u>\$ (1,139,603)</u>	<u>\$ (2,441,411)</u>

During the fiscal year, the District's total net position increased by \$1,301,808.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Taxes	\$ 1,364,635	\$ 1,349,607
Interest	81	2,301
Total Revenues	<u>1,364,716</u>	<u>1,351,908</u>
<b>EXPENSES</b>		
General Government	10,362	10,917
Debt Service	52,546	87,477
Total Expenses	<u>62,908</u>	<u>98,394</u>
Change in Net Position	1,301,808	1,253,514
Net Position, Beginning of Year	(2,441,411)	(3,694,925)
Net Position, End of Year	<u>\$ (1,139,603)</u>	<u>\$ (2,441,411)</u>

Revenues increased in fiscal year 2020/21 due to an increase in taxes collected 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 2020/21, the District's governmental funds reported revenues more than expenditures by \$9,013 and an ending fund balance of \$208,521. Of the total ending fund balance, \$13,453 is in the General Fund and \$195,068 is in the Debt Service Fund.

Revenues totaled \$1,374,091 for the fiscal year ended June 30, 2021, of which \$1,374,010 was property tax collected and \$81 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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, 2021 and 2020

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	Governmental Activities	
	2021	2020
General Obligation Bonds	<u>\$ 1,335,000</u>	<u>\$ 2,615,000</u>

The District's total long-term debt decreased by \$1,280,000 during the current fiscal year due to the payment of principal on the refunding bonds.

## Next Year's Budget and Rates

The fiscal year 2021/22 District budget includes a \$0.57 tax rate per \$100 of assessed value. This is a \$0.07 decrease from the rate used in the fiscal year 2020/21 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, 2021

<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					
Cash	\$ 13,362	\$ -	\$ 13,362	\$ -	\$ 13,362
Taxes Receivable	91	27,210	27,301	-	27,301
Total Current Assets	13,453	27,210	40,663	-	40,663
Noncurrent Assets					
Restricted Cash	-	1,494,038	1,494,038	-	1,494,038
Total Assets	<u>\$ 13,453</u>	<u>\$ 1,521,248</u>	<u>\$ 1,534,701</u>	<u>\$ -</u>	<u>\$ 1,534,701</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 1,280,000	\$ 1,280,000	\$ -	\$ 1,280,000
Interest Payable	-	37,133	37,133	-	37,133
Total Current Liabilities	-	1,317,133	1,317,133	-	1,317,133
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,335,000	1,335,000
Due After One Year	-	-	-	22,171	22,171
Total Noncurrent Liabilities	-	-	-	1,357,171	1,357,171
Total Liabilities	-	1,317,133	1,317,133	1,357,171	2,674,304
Deferred Inflows of Resources					
Unavailable Revenues	-	9,047	9,047	(9,047)	-
Total Liabilities and Deferred Inflows of Resources	-	1,326,180	1,326,180	1,348,124	2,674,304
Fund Balances/Net Position					
Fund Balances					
Restricted	-	195,068	195,068	(195,068)	-
Unassigned	13,453	-	13,453	(13,453)	-
Total Fund Balances	13,453	195,068	208,521	(208,521)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,453</u>	<u>\$ 1,521,248</u>	<u>\$ 1,534,701</u>		
Net Position					
Restricted for Debt Service				204,115	204,115
Unrestricted				(1,343,718)	(1,343,718)
Total Net Position				<u>\$ (1,139,603)</u>	<u>\$ (1,139,603)</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, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>REVENUES</b>					
Taxes	\$ 23,800	\$ 1,350,210	\$ 1,374,010	\$ (9,375)	\$ 1,364,635
Interest	15	66	81	-	81
Total Revenues	<u>23,815</u>	<u>1,350,276</u>	<u>1,374,091</u>	<u>(9,375)</u>	<u>1,364,716</u>
<b>EXPENDITURES/EXPENSES</b>					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 10,362	\$ -	\$ 10,362	\$ -	\$ 10,362
Debt Service					
Principal Retirement	-	1,280,000	1,280,000	(1,280,000)	-
Interest and Fiscal Charges	-	74,716	74,716	(22,170)	52,546
Total Expenditures/Expenses	<u>10,362</u>	<u>1,354,716</u>	<u>1,365,078</u>	<u>(1,302,170)</u>	<u>62,908</u>
Change in Fund Balances/Net Position	13,453	(4,440)	9,013	1,292,795	1,301,808
Fund Balances/Net Position, Beginning of Year	<u>-</u>	<u>199,508</u>	<u>199,508</u>	<u>(2,640,919)</u>	<u>(2,441,411)</u>
Fund Balances/Net Position, End of Year	<u>\$ 13,453</u>	<u>\$ 195,068</u>	<u>\$ 208,521</u>	<u>\$ (1,348,124)</u>	<u>\$ (1,139,603)</u>

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



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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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, 2021, the District evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) 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.

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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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, 2021, 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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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 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 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.

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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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.	\$ 9,047
Issuance premium is long-term in nature to be amortized over the life of the bonds, therefore, is not reported in the funds.	(22,171)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	<u>(1,335,000)</u>
Net adjustment to reduce total fund balance to arrive at net position.	(1,348,124)
Total Fund Balance	<u>208,521</u>
<b>Total Net Position</b>	<b><u><u>\$ (1,139,603)</u></u></b>

**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.	\$ (9,375)
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.	1,280,000
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>22,170</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	1,292,795
Net change in Fund Balance	<u>9,013</u>
<b>Change in Net Position</b>	<b><u><u>\$ 1,301,808</u></u></b>

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## NOTE 4 – DETAILED NOTES ON ALL FUNDS

### A. Assets

#### 1. Deposits

**Deposits** – At June 30, 2021, the carrying amount of the District’s deposits and bank balance were \$1,507,400.

#### *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, 2021, \$1,494,038 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, 2021, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 1,494,038</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, 2021, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Taxes Receivable	<u>\$ 91</u>	<u>\$ 27,210</u>

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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:

	<b>Debt Service Fund</b>
Delinquent Property Taxes Receivable (Unavailable)	\$ 9,047

### 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, 2021, 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	\$ 1,335,000

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, 2021

## 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	\$ 2,615,000	\$ -	\$ (1,280,000)	\$ 1,335,000	\$ 1,335,000
Plus Issuance Premium	44,341	-	(22,170)	22,171	-
Total	<u>\$ 2,659,341</u>	<u>\$ -</u>	<u>\$ (1,302,170)</u>	<u>\$ 1,357,171</u>	<u>\$ 1,335,000</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>
2022	\$ 1,335,000	\$ 37,914
Total	<u>\$ 1,335,000</u>	<u>\$ 37,914</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, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 11,500	\$ 23,800	\$ 12,300
Interest Income	-	15	15
Total Revenues	<u>11,500</u>	<u>23,815</u>	<u>12,315</u>
<b>EXPENDITURES</b>			
Current			
General Government			
City Treasurer - Finance and Accounting	<u>11,500</u>	<u>10,362</u>	<u>1,138</u>
Total Expenditures	<u>11,500</u>	<u>10,362</u>	<u>1,138</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	13,453	13,453
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 13,453</u></u>	<u><u>\$ 13,453</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, 2021

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Taxes	\$ 1,355,288	\$ 1,350,210	\$ (5,078)
Interest Income	-	66	66
Total Revenues	<u>1,355,288</u>	<u>1,350,276</u>	<u>(5,012)</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	1,280,000	1,280,000	-
Interest and Fiscal Charges	<u>75,266</u>	<u>74,716</u>	<u>550</u>
Total Expenditures	<u>1,355,266</u>	<u>1,354,716</u>	<u>550</u>
Excess of Revenues Over Expenditures	22	(4,440)	(4,462)
Fund Balance, Beginning of Year	<u>205,133</u>	<u>199,508</u>	<u>(5,625)</u>
Fund Balance, End of Year	<u><u>\$ 205,155</u></u>	<u><u>\$ 195,068</u></u>	<u><u>\$ (10,087)</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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

Report on 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.  
Scottsdale, Arizona  
October 21, 2021

Attachment 3A -  
McDowell Mountain Ranch CFD  
Communication to Governance



October 22, 2021

Board of Directors  
McDowell Mountain Ranch Community Facilities District

We have audited the 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, for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by McDowell Mountain Ranch Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the District, we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable

assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the Board of Directors and management of McDowell Mountain Ranch Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona

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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

#### Report on 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.  
Scottsdale, Arizona  
October 21, 2021

Attachment 4 -  
Municipal Property  
Corporation (MPC)  
Annual Financial Report

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**City of Scottsdale Municipal Property Corporation**

(A Component Unit of the City of Scottsdale, Arizona)



**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**

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**City of Scottsdale Municipal Property Corporation**  
(A Component Unit of the City of Scottsdale, Arizona)

**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**

# City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2021

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# City of Scottsdale Municipal Property Corporation

For the Fiscal Year ended June 30, 2021

## **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 Audit of Financial Statements**

#### ***Opinions***

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, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Scottsdale Municipal Property Corporation, as of June 30, 2021, 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.

#### ***Basis for Opinions***

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

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

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, 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.  
Scottsdale, Arizona  
October 21, 2021

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

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, 2021. The Corporation is a component unit of the City of Scottsdale, Arizona (City).

## FINANCIAL HIGHLIGHTS

For the fiscal year ending 2020/21, the Corporation's:

- Total assets and deferred outflows of resources were greater than total liabilities, resulting in an ending fund balance of \$1,598,166 (net position).
- Total net position decreased by \$2,495,332 due to refunding bond issuances.
- Debt Service Fund and Capital Projects Fund reported ending fund balances of \$0 and \$1,598,166, respectively.
- Issued \$7,920,000 in current and \$135,185,000 in advanced taxable refunding bonds to achieve a debt service savings of \$12,858,635.
- 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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 \$1,598,166 (net position).



# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Net Position

June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Assets	\$ 514,499,554	\$ 556,573,512
Deferred Outflows of Resources	16,189,496	11,984,049
Total Assets and Deferred Outflows of Resources	<u>530,689,050</u>	<u>568,557,561</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Long-Term Liabilities Outstanding	488,531,889	517,924,168
Other Liabilities	40,558,995	46,539,895
Total Liabilities	<u>529,090,884</u>	<u>564,464,063</u>
<b>NET POSITION</b>		
Restricted for Capital Projects	1,598,166	4,093,498
Total Net Position	<u>\$ 1,598,166</u>	<u>\$ 4,093,498</u>

Over the fiscal year, the Corporation's total net position decreased by \$2,495,332. Total revenue decreased by \$46,306,111 as a result of new refunding debt issued and by lower lease payments. Total expenses decreased by \$55,811,793 primarily due to lower capital project and debt expenses.

## Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Lease Payments	\$ 16,603,726	\$ 62,663,541
Investment Income	244	337,544
Other Revenue	91,004	-
Total Revenues	<u>16,694,974</u>	<u>63,001,085</u>
<b>EXPENSES</b>		
General Government	2,410,903	55,317,547
Interest and Fiscal Charges	15,892,402	19,684,552
Bond Sale Costs	887,001	-
Total Expenses	<u>19,190,306</u>	<u>75,002,099</u>
Increase \ (Decrease) in Net Position	(2,495,332)	(12,001,014)
Net Position, Beginning of Year	4,093,498	20,347,257
Cumulative Effect of Prior Period Adjustment	-	(4,252,745)
Net Position, End of Year	<u>\$ 1,598,166</u>	<u>\$ 4,093,498</u>

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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, 2021, the Corporation's governmental funds reported combined ending fund balances of \$1,598,166. The fund balance for the Debt Service Fund was \$0. The fund balance for the Capital Projects Fund was \$1,598,166 which represents unspent bond funds subsequent to a debt issuance in prior fiscal years.

## Debt Administration

The total net Excise Revenue Debt at June 30, 2021 was \$488,531,889. The Corporation's total long-term debt decreased by \$29,392,279 during the current fiscal year due to the issuance of new refunding bonds net of the payment of principal on outstanding debt.

## Outstanding Debt

For the Fiscal Years Ended June 30, 2021 and 2020

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	Governmental Activities	
	2021	2020
Excise Revenue Bonds	<u>\$ 488,531,889</u>	<u>\$ 517,924,168</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, 2021

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (see Note 2.A.)	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Restricted Cash and Short-term Investments	\$ 40,025,166	\$ 2,131,995	\$ 42,157,161	\$ -	\$ 42,157,161
Amount Due from City of Scottsdale	472,342,393	-	472,342,393	-	472,342,393
Total Assets	<u>512,367,559</u>	<u>2,131,995</u>	<u>514,499,554</u>	<u>-</u>	<u>514,499,554</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				16,189,496	16,189,496
Total Assets and Deferred Outflows of Resources				<u>16,189,496</u>	<u>530,689,050</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>					
Liabilities					
Accounts Payable	-	533,829	533,829	-	533,829
Bond Interest Payable	8,400,166	-	8,400,166	-	8,400,166
Matured Bonds Payable	31,625,000	-	31,625,000	-	31,625,000
Long-term Liabilities					
Due Within One Year	-	-	-	32,795,000	32,795,000
Due After One Year	-	-	-	455,736,889	455,736,889
Total Liabilities	<u>40,025,166</u>	<u>533,829</u>	<u>40,558,995</u>	<u>488,531,889</u>	<u>529,090,884</u>
Deferred Inflows of Resources					
Unavailable Revenue	472,342,393	-	472,342,393	(472,342,393)	-
Fund Balances					
Restricted	-	1,598,166	1,598,166	(1,598,166)	-
Total Fund Balances	<u>-</u>	<u>1,598,166</u>	<u>1,598,166</u>	<u>(1,598,166)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 512,367,559</u>	<u>\$ 2,131,995</u>	<u>\$ 514,499,554</u>		
Net Position					
Restricted for Debt Service				-	-
Restricted for Capital Projects				1,598,166	1,598,166
Total Net Position				<u>\$ 1,598,166</u>	<u>\$ 1,598,166</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, 2021

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (see Note 2.B.)	Statement of Activities
<b>REVENUES</b>					
Lease Payments Received from the City of Scottsdale	\$ 50,201,452	\$ -	\$ 50,201,452	\$ (33,597,726)	\$ 16,603,726
Investment Income	11	233	244	-	244
Other Revenues	91,004	-	91,004	-	91,004
<b>Total Revenues</b>	<b>50,292,467</b>	<b>233</b>	<b>50,292,700</b>	<b>(33,597,726)</b>	<b>16,694,974</b>
<b>EXPENDITURES/EXPENSES</b>					
Current					
General Government	-	-	-	2,410,903	2,410,903
Capital Improvements	-	2,410,903	2,410,903	(2,410,903)	-
Debt Service					
Principal	31,625,000	-	31,625,000	(31,625,000)	-
Interest and Fiscal Charges	18,761,231	-	18,761,231	(2,868,829)	15,892,402
Bond Sale Costs	887,001	-	887,001	-	887,001
<b>Total Expenditures</b>	<b>51,273,232</b>	<b>2,410,903</b>	<b>53,684,135</b>	<b>(34,493,829)</b>	<b>19,190,306</b>
Excess (Deficiency) of Revenues over Expenditures	(980,765)	(2,410,670)	(3,391,435)	896,103	(2,495,332)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	84,662	(84,662)	-	-	-
Issuance of Refunding Bonds	143,105,000	-	143,105,000	(143,105,000)	-
Bond Premium	2,937,686	-	2,937,686	(2,937,686)	-
Payment to Escrow Agent - Refunding	(145,146,583)	-	(145,146,583)	145,146,583	-
<b>Total Other Financing Sources (Uses)</b>	<b>980,765</b>	<b>(84,662)</b>	<b>896,103</b>	<b>(896,103)</b>	<b>-</b>
Net change in Fund Balances	-	(2,495,332)	(2,495,332)	-	(2,495,332)
Fund Balance/Net Position, Beginning of Year	-	4,093,498	4,093,498	-	4,093,498
Fund Balances/Net Position, End of Year	\$ -	\$ 1,598,166	\$ 1,598,166	\$ -	\$ 1,598,166

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

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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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, 2021, the MPC evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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, 2021, plus accrued interest, are restricted as to usage.

The Corporation's deposits at June 30, 2021 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.

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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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.



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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## NOTE 2 – 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	\$	505,940,119	
New Debt Issued		143,105,000	
Debt Service Payments Made		(31,625,000)	
Current Refunded Bond Payments		(10,710,000)	
Advance Refunded Bond Payments		(113,220,000)	
Deferred Amount on Refunded Bonds		(5,584,947)	
Amortization Amount on Refunding		1,379,500	
Deferred Premium on New Bonds		2,937,686	
Amortization of Premium Removed for Refunded Bonds		(15,631,636)	
Amortization of Premium on Existing Bonds		(4,248,329)	
			\$ 472,342,393

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	(460,955,000)		
Deferred Issuance Premium	(27,576,889)		(488,531,889)

Deferred Amount on Refunding are long-term in nature and are not reported as deferred outflows of resources in the governmental funds.

	16,189,496		16,189,496
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**Net adjustment to reduce total fund balance in the governmental funds to arrive at net position.** -

Total Fund Balances			1,598,166
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<b>Total Net Position</b>			<b>\$ 1,598,166</b>
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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## NOTE 2 – 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	\$ 143,105,000	
Debt Service Payments Made	(31,625,000)	
Current Refunded Bond Payments	(10,710,000)	
Advance Refunded Bond Payments	(113,220,000)	
Deferred Amount on Refunded Bonds	(5,584,947)	
Amortization Amount on Refunding	1,379,500	
Deferred Premium on New Bonds	2,937,686	
Amortization of Premium Removed for Refunded Bonds	(15,631,636)	
Amortization of Premium on Existing Bonds	(4,248,329)	\$ (33,597,726)

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 of Deferred Amount on Refunding Bonds	(1,379,500)	
Amortization of Premium on Existing Bonds	4,248,329	2,868,829

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	31,625,000	31,625,000
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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	(143,105,000)	
Premium on Bonds	(2,937,686)	
Payment to Escrow Agent - Advance Refunding	145,146,583	(896,103)

**Net Adjustment To Reduce Net Change In Fund Balances To Arrive At Net Change In Net Position**

Net Change In Fund Balances		(2,495,332)
Net Change In Net Position		\$ (2,495,332)

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## NOTE 3 – 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 4 – DETAILED NOTES ON ALL FUNDS

### A. Assets

#### Deposits and Investments

**Deposits** – At June 30, 2021 the Corporation's deposits consisted of the following:

	<b>Fair Value</b>
Accounts With Trustee	<u>\$ 42,179,746</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, 2021, \$41,679,746 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 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 2021A MPC Excise Tax Revenue Refunding Bonds,
- a portion of the 2021B MPC Taxable Refunding Bonds.

The 2017B MPC Excise Tax Revenue Bonds are paid out of the City's Aviation Fund.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

In the current year, the Corporation refinanced 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.

<u>Refunded Debt Outstanding</u>	
2013A MPC Excise Tax Revenue Bonds	\$ 12,765,000
2013B MPC Excise Tax Revenue Bonds	875,000
2013C MPC Excise Tax Revenue Bonds	23,070,000
2015A MPC Excise Tax Revenue Bonds	1,725,000
2015 MPC Excise Tax Revenue Refunding Bonds	36,435,000
2017 MPC Excise Tax Revenue Refunding Bonds	38,350,000
	<u>\$ 113,220,000</u>

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Bonds payable at June 30, 2021 consisted of the outstanding bonds presented below:

Classified in Debt Service Fund - General Government Purposes Municipal Property Corporation Bonds	<u>Bonds Outstanding</u>
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.	\$ 44,920,000
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. On February 17, 2021, \$12,765,000 due 2024 through 2028 was refunded. Original issue amount \$26,295,000.	3,820,000
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. On February 17, 2021, \$875,000 due 2024 through 2033 was refunded. Original issue amount \$1,440,000.	135,000
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. On February 17, 2021, \$23,070,000 due 2024 through 2033 was refunded. Original issue amount \$37,265,000.	3,350,000
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.	13,230,000
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. On February 17, 2021, \$685,000 due in 2027 was refunded. Original issue amount \$12,200,000.	8,495,000
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.	10,735,000
2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.	8,760,000
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.	30,950,000
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$330,000 to \$9,410,000 through July 1, 2035; interest at 0.14 percent to 1.91 percent. Original issue amount \$71,325,000.	<u>70,995,000</u>
Total Municipal Property Corporation Bonds Outstanding-General Government	<u>\$ 195,390,000</u>

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

**Classified in Debt Service Fund - Water and Sewer Purposes  
Municipal Property Corporation Bonds**

	<b>Bonds Outstanding</b>
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.	\$ 62,150,000
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. On February 17, 2021, \$1,040,000 due in 2027 was refunded. Original issue amount \$18,485,000.	12,865,000
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. On February 17, 2021, \$11,257,479 due 2027 through 2028 was refunded. Original issue amount \$46,811,731.	23,635,000
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. On February 17, 2021, \$38,350,000 due 2031 through 2033 and 2035 through 2036 was defeased. Original issue amount \$79,970,000.	41,620,000
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.	33,890,000
2021A Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in a single installment of \$7,920,000 on July 1, 2030; interest at 5 percent. Original issue amount \$7,920,000.	7,920,000
2021B Municipal Property Corporation Taxable Excise Tax Revenue Refunding Bonds (issued February 17, 2021) due in annual installments of \$145,000 to \$12,750,000 through July 1, 2036; interest at 0.14 percent to 1.96 percent. Original issue amount \$63,860,000.	63,055,000
Total Municipal Property Corporation Bonds Outstanding-Water and Sewer	\$ 245,135,000
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.	20,430,000
Total Municipal Property Corporation Bonds Outstanding-Aviation	\$ 20,430,000
<b>Total bonds outstanding</b>	<b>\$ 460,955,000</b>

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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### NOTE 4 – 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 \$569,988,796.

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, 2021

## NOTE 5 – CHANGES IN LONG TERM DEBT

### A. Summary of Changes

The Corporation issued \$7,920,000 of Refunding Bonds, Series 2021A (current refunding) dated February 17, 2021, with an all-in true interest cost of 0.93 percent to refund \$10,710,000 of Series 2010 Bonds with an average interest rate of 4 percent. The Corporation will reduce its total debt service payments over the next 10 years by approximately \$2,351,200 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,803,960.

The Corporation issued \$135,185,000 of Taxable Refunding Bonds, Series 2021B (advance refunding) dated February 17, 2021, with an all-in true interest cost of 1.58 percent to refund \$113,220,000 of Series 2013, Series 2015A, Series 2015 Refunding, and Series 2017 Refunding Bonds with an average interest rate ranging from 3 percent to 5 percent. The Corporation will reduce its total debt service payments over the next 16 years by approximately \$10,507,435 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$9,727,987.

The Corporation made principal payments of \$31,625,000, amortized deferred issuance premiums of \$4,248,329 and deferred amount on refundings of \$1,379,500 during the current fiscal year.

The following is a summary of changes in long-term debt:

	Municipal	Deferred	Long Term
Beginning Balances	\$ 473,405,000	\$ 44,519,168	\$ 517,924,168
Increases:			
Current Refunding Bond Issue	7,920,000	2,937,686	10,857,686
Advance Refunding Bond Issue	135,185,000	-	135,185,000
Total Increases	143,105,000	2,937,686	146,042,686
Decreases:			
Existing Bonds	(31,625,000)	(4,248,329)	(35,873,329)
Current Refunding	(10,710,000)	(366,509)	(11,076,509)
Advance Refunding	(113,220,000)	(15,265,127)	(128,485,127)
Total Decreases	(155,555,000)	(19,879,965)	(175,434,965)
Ending Balances	\$ 460,955,000	\$ 27,576,889	\$ 488,531,889
Amounts Due Within One Year	\$ 32,795,000		
Amounts Due in More than One Year	\$ 428,160,000		

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### NOTE 5 – CHANGES IN LONG TERM DEBT (CONTINUED)

The following is a summary of annual debt service requirements to maturity as of June 30, 2021:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 32,795,000	\$ 15,929,262	\$ 48,724,262
2023	34,170,000	14,561,673	48,731,673
2024	35,935,000	13,060,708	48,995,708
2025	31,895,000	11,638,486	43,533,486
2026	33,460,000	10,384,897	43,844,897
2027-2031	176,135,000	33,409,188	209,544,188
2032-2036	104,095,000	9,419,022	113,514,022
2037-2039	12,470,000	630,560	13,100,560
Total	<u>\$ 460,955,000</u>	<u>\$ 109,033,796</u>	<u>\$ 569,988,796</u>

### NOTE 6 – 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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

#### Report on 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.  
Scottsdale, Arizona  
October 21, 2021

Attachment 4A -  
MPC  
Communication to Governance

October 22, 2021

Board of Directors  
City of Scottsdale Municipal Property Corporation

We have audited the financial statements of 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, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Scottsdale Municipal Property Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the Corporation, we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the Corporation's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are

responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the Board of Directors and management of City of Scottsdale Municipal Property Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona



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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

#### Report on 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.  
Scottsdale, Arizona  
October 21, 2021

**Attachment 5 -  
Scottsdale Mountain CFD  
Annual Financial Report**

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# Scottsdale Mountain Community Facilities District

(A Component Unit of the City of Scottsdale, Arizona)



## Annual Financial Report

Fiscal Year Ended June 30, 2021

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**Scottsdale Mountain Community Facilities District**  
(A Component Unit of the City of Scottsdale, Arizona)

**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**

# Scottsdale Mountain Community Facilities District

For the Fiscal Year ended June 30, 2021

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## Independent Auditor's Report

Board of Directors  
Scottsdale Mountain Community Facilities District

### **Report on Audit of Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Scottsdale Mountain Community Facilities District as of June 30, 2021, 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.

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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



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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America,

which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, 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.  
Scottsdale, Arizona  
October 21, 2021

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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, 2021.

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 2020/21, the District's:

- Tax collections and beginning fund balances were sufficient to pay expenses.
- Governmental funds reported an ending fund balance of \$29,142.
- Governmental fund revenues were less than expenditures by \$4,275.
- 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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, 2021

## 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 \$29,142 (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, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Current Assets	\$ 29,142	\$ 51,165
Total Assets	29,142	51,165
<b>LIABILITIES</b>		
Current Liabilities	-	-
Total Liabilities	-	-
<b>NET POSITION</b>		
Unrestricted	29,142	51,165
Total Net Position	\$ 29,142	\$ 51,165

During the fiscal year, the District's total net position decreased by \$22,023.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Taxes	\$ (16)	\$ (3)
Interest	53	66
Total Revenues	37	63
<b>EXPENSES</b>		
General Government	4,312	8,922
Debt Service	-	-
Total Expenses	4,312	8,922
Change in Net Position	(4,275)	(8,859)
Net Position, Beginning of Year	51,165	60,024
Cumulative Effect of Prior Period Adjustmnet	(17,748)	-
Net Position, End of Year	\$ 29,142	\$ 51,165

Revenues decreased in fiscal year 2020/21 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 2020/21, the District's governmental funds reported revenues less than expenditures by \$4,275 and an ending fund balance of \$29,142. The entire fund balance is unassigned.

Revenues totaled \$37 for the fiscal year ended June 30, 2021.

## 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Next Year's Budget and Rates

The District will not levy taxes since all debt has been satisfied. The fiscal year 2021/21 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, 2021

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Current Assets			
Cash	\$ 29,142	\$ -	\$ 29,142
Taxes Receivable	-	-	-
Total Assets	<u>\$ 29,142</u>	<u>\$ -</u>	<u>\$ 29,142</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</u></b>			
Liabilities	\$ -	\$ -	\$ -
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances/Net Position			
Fund Balances			
Unassigned	<u>29,142</u>	<u>(29,142)</u>	<u>-</u>
Total Fund Balances	<u>29,142</u>	<u>(29,142)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 29,142</u>		
Net Position			
Unrestricted		<u>29,142</u>	<u>29,142</u>
Total Net Position		<u>\$ 29,142</u>	<u>\$ 29,142</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, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Taxes	\$ (16)	\$ -	\$ (16)
Interest	53	-	53
Total Revenues	<u>37</u>	<u>-</u>	<u>37</u>
<b>EXPENDITURES/EXPENSES</b>			
Current			
General Government			
City Treasurer - Finance and Accounting	\$ 4,312	\$ -	\$ 4,312
Total Expenditures/Expenses	<u>4,312</u>	<u>-</u>	<u>4,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,275)	-	(4,275)
Fund Balances/Net Position, Beginning of Year As Previously Reported	33,417	17,748	51,165
Cumulative Effect of Prior Period Adjustment	-	(17,748)	(17,748)
Fund Balances/Net Position, Beginning of Year as Restated	33,417	-	33,417
Fund Balances/Net Position, End of Year	<u>\$ 29,142</u>	<u>\$ -</u>	<u>\$ 29,142</u>

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

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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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, 2021, the District evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) 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.

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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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, 2021, 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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 no items 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.

### NOTE 2 – PRIOR PERIOD ADJUSTMENT

Property taxes receivable consist of uncollected property taxes as reported from records of the Maricopa County Treasurer's Office. During the fiscal year, the County Treasurer's Office corrected the uncollected property tax account for the District. As a result, the net position was restated.

	<u>Governmental Activities</u>
Net Position, July 1	\$ 51,165
Prior Period Adjustment	<u>(17,748)</u>
Net Position as restated, July 1	<u>\$ 33,417</u>

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Amounts reported in the statement of net position are the same.
- B. Amounts reported in the statement of activities are the same.

### NOTE 4 – 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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## NOTE 5 – DETAILED NOTES ON ALL FUNDS

### A. Assets

#### 1. Deposits

**Deposits** – At June 30, 2021, the carrying amount of the District’s deposits and bank balance were \$29,142.

##### *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, 2021, 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, 2021, were as follows:

	<u>General Fund</u>
Taxes Receivable	\$ -

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)	\$ -



**NOTE 5 – 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### NOTE 6 – 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. 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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ -	\$ (16)	\$ (16)
Interest	-	53	53
Total Revenues	-	37	37
<b>EXPENDITURES</b>			
Current			
General Government			
City Treasurer - Finance and Accounting	32,817	4,312	28,505
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,817)	(4,275)	28,542
Fund Balance, Beginning of Year	32,817	33,417	(66,234)
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 29,142</u>	<u>\$ (37,692)</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  
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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

Report on 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.  
Scottsdale, Arizona  
October 21, 2021

Attachment 5A -  
Scottsdale Mountain CFD  
Communication to Governance

October 22, 2021

Board of Directors  
Scottsdale Mountain Community Facilities District

We have audited 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, (District) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Scottsdale Mountain Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, Replacement of Interbank Offered Rates and No. 96, Subscription-Based Information Technology (SBITAs), for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.



In addition, as part of the professional services we provided to the District we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of

these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the Board of Directors and management of Scottsdale Mountain Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona

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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

#### Report on 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.  
Scottsdale, Arizona  
October 21, 2021

Attachment 6 -  
Scottsdale Preserve Authority (SPA)  
Annual Financial Report

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**Scottsdale Preserve Authority**  
(A Component Unit of the City of Scottsdale, Arizona)



**Annual Financial Report**  
Fiscal Year Ended June 30, 2021

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**Scottsdale Preserve Authority**  
(A Component Unit of the City of Scottsdale, Arizona)

**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**



# Scottsdale Preserve Authority

For the Fiscal Year ended June 30, 2021

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# Scottsdale Preserve Authority

For the Fiscal Year ended June 30, 2021

## **Board Members**

Fredda Bisman

Judith Frost

Kenneth Harder

James Jenkins

Dennis Robbins



## Independent Auditor's Report

Board of Directors  
Scottsdale Preserve Authority

### **Report on Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Scottsdale Preserve Authority (SPA), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the SPA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Scottsdale Preserve Authority, as of June 30, 2021, 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.

#### ***Basis for Opinions***

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

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

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

### ***Other Matters***

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, 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.  
Scottsdale, Arizona  
October 21, 2021

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

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, 2021. The SPA is a component unit of the City of Scottsdale, Arizona (City).

## FINANCIAL HIGHLIGHTS

For the fiscal year ending 2020/21, 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 \$1,280,000 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, 2021

## 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, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Noncurrent Assets	\$ 2,728,169	\$ 7,649,775
Total Assets	2,728,169	7,649,775
Deferred Outflows of Resources	64,874	129,749
Total Assets and Deferred Outflows of Resources	2,793,043	7,779,524
<b>LIABILITIES</b>		
Current Liabilities	1,345,750	4,954,938
Noncurrent Liabilities	1,447,293	2,824,586
Total Liabilities	2,793,043	7,779,524
<b>NET POSITION</b>		
Unrestricted	-	-
Total Net Position	\$ -	\$ -

The SPA's total net position for fiscal year 2020/21 remains the same as the prior fiscal year at \$0.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Payments Received from City of Scottsdale	\$ 104,874	\$ 33,447
Total Revenues	104,874	33,447
<b>EXPENSES</b>		
General Government	3,250	4,530
Debt Service	101,624	28,917
Total Expenses	104,874	33,447
Change in Net Position	-	-
Net Position, Beginning of Year	-	-
Net Position, End of Year	\$ -	\$ -

The revenues and expenses are tied to the amortization schedules. The increase in revenues and expenses are primarily due to higher debt interest expense and lower amortized bond premium; the 2010 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds were paid in full last fiscal year lowering the amortized bond premium.

## 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 2020/21, 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.



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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Debt Administration

The SPA's total long-term debt decreased by \$1,280,000 during the current fiscal year due to the payment of principal on outstanding debt. The total Excise Tax Revenue Debt at June 30, 2021, was \$1,350,000.

## Outstanding Debt

June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Excise Tax Revenue Bonds	<u>\$ 1,350,000</u>	<u>\$ 2,630,000</u>

## Economic Factors

The City's long-term financial plan considers the impacts of the COVID-19 recovery. The City will continue to focus on efficient spending with projected revenue growth for the next fiscal year.

## 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, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Noncurrent Assets					
Cash, Restricted	\$ -	\$ 1,345,750	\$ 1,345,750	\$ -	\$ 1,345,750
Long-term Receivable from City of Scottsdale	-	1,382,419	1,382,419	-	1,382,419
Total Assets	<u>\$ -</u>	<u>\$ 2,728,169</u>	<u>\$ 2,728,169</u>	<u>-</u>	<u>2,728,169</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding				64,874	64,874
Total Assets and Deferred Outflows of Resources				<u>\$ 64,874</u>	<u>\$ 2,793,043</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>					
Liabilities					
Current Liabilities					
Matured Interest Payable	\$ -	\$ 65,750	\$ 65,750	\$ -	\$ 65,750
Matured Bonds Payable	-	1,280,000	1,280,000	-	1,280,000
Total Current Liabilities	<u>-</u>	<u>1,345,750</u>	<u>1,345,750</u>	<u>-</u>	<u>1,345,750</u>
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,350,000	1,350,000
Due After One Year	-	-	-	97,293	97,293
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,447,293</u>	<u>1,447,293</u>
Total Liabilities	<u>-</u>	<u>1,345,750</u>	<u>1,345,750</u>	<u>1,447,293</u>	<u>2,793,043</u>
Deferred Inflows of Resources					
Unavailable Revenue	-	1,382,419	1,382,419	(1,382,419)	-
Total Liabilities and Deferred Inflows of Resources		<u>2,728,169</u>	<u>2,728,169</u>	<u>64,874</u>	<u>2,793,043</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>\$ 2,728,169</u>	<u>\$ 2,728,169</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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>					
Payments Received from City of Scottsdale	\$ 3,250	\$ 1,414,043	\$ 1,417,293	\$ (1,312,419)	\$ 104,874
Total Revenues	<u>3,250</u>	<u>1,414,043</u>	<u>1,417,293</u>	<u>(1,312,419)</u>	<u>104,874</u>
<b>EXPENDITURES/EXPENSES</b>					
General Government					
City Treasurer - Finance and Accounting	\$ 3,250	\$ -	\$ 3,250	\$ -	\$ 3,250
Debt Service					
Principal Retirement	-	1,280,000	1,280,000	(1,280,000)	-
Interest and Fiscal Charges	-	134,043	134,043	(32,419)	101,624
Total Expenditures/Expenses	<u>3,250</u>	<u>1,414,043</u>	<u>1,417,293</u>	<u>(1,312,419)</u>	<u>104,874</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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, the SPA evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) 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 0.35 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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, plus accrued interest, is restricted as to usage.

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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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 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 balance sheet.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.



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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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.	\$ 1,382,419
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(1,350,000)
Deferred Issuance Premiums are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	(97,293)
Deferred amounts on refunding are long-term in nature and not reported in the funds.	<u>64,874</u>
Net adjustment to reduce total fund balance to arrive at net position.	-
Total Fund Balance	<u>-</u>
<b>Total Net Position</b>	<b><u><u>\$ -</u></u></b>

**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.	\$ (1,312,419)
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.	1,280,000
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>32,419</u>
Net Adjustments to Change in net position	-
Net Change in Fund Balance	<u>-</u>
<b>Change in Net Position</b>	<b><u><u>\$ -</u></u></b>

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.

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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## NOTE 4 – DETAILED NOTES ON ALL FUNDS

### A. Assets

#### 1. Deposits

**Deposits** – At June 30, 2021, the carrying amount of the SPA's deposits and bank balance were \$1,345,750.

#### *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, 2021, \$1,345,750 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, 2021, as follows:

	<u>Debt Service Fund</u>
Restricted Cash	<u>\$ 1,345,750</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, 2021, 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>\$ 1,350,000</u>
Total Scottsdale Preserve Authority Bonds	<u>\$ 1,350,000</u>

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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	\$ 2,630,000	\$ -	\$ (1,280,000)	\$ 1,350,000	\$ 1,350,000
Issuance Premium	194,586	-	(97,293)	97,293	-
Total	<u>\$ 2,824,586</u>	<u>\$ -</u>	<u>\$ (1,377,293)</u>	<u>\$ 1,447,293</u>	<u>\$ 1,350,000</u>

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**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2021**

**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>
2022	\$ 1,350,000	\$ 67,500
Total	<u>\$ 1,350,000</u>	<u>\$ 67,500</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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on 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.  
Scottsdale, Arizona  
October 21, 2021

Attachment 6A -  
SPA  
Communication to Governance



October 22, 2021

Board of Directors  
Scottsdale Preserve Authority

We have audited the financial statements of the governmental activities and each major fund of Scottsdale Preserve Authority, a component unit of the City of Scottsdale, Arizona, (Authority) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Scottsdale Preserve Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the Authority, we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the Authority's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable

assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the Board of Directors and management of Scottsdale Preserve Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona

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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

### Report on 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.

Scottsdale, Arizona

October 21, 2021

**Attachment 7 -  
Via Linda Road CFD  
Annual Financial Report**

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**Via Linda Road Community Facilities District**  
(A Component Unit of the City of Scottsdale, Arizona)



**Annual Financial Report**  
**Fiscal Year Ended June 30, 2021**

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**Via Linda Road Community Facilities District**  
(A Component Unit of the City of Scottsdale, Arizona)

**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**

# Via Linda Road Community Facilities District

For the Fiscal Year ended June 30, 2021

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## Independent Auditor's Report

Board of Directors  
Via Linda Road Community Facilities District

### **Report on Audit of Financial Statements**

#### *Opinions*

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Via Linda Road Community Facilities District, as of June 30, 2021, 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.

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

### ***Other Matters***

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

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Budget 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 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 information for the Debt Service Fund information 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 21, 2021, 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.  
Scottsdale, Arizona  
October 21, 2021

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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, 2021.

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 2020/21, 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 \$1.02 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$37,897. Of this amount, \$7,129 was in the General Fund and \$30,768 was in the Debt Service Fund.
- Governmental fund revenues were more than expenditures by \$2,899, the tax rate decreased from \$1.03 in fiscal year 2019/20 to \$1.02.
- Total long-term debt decreased by \$195,000 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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, 2021

## 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 \$400,000 (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.

### Net Position

June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Current Assets	\$ 12,381	\$ 3,387
Noncurrent Assets	230,012	234,308
Total Assets	<u>242,393</u>	<u>237,695</u>
<b>LIABILITIES</b>		
Current Liabilities	202,930	200,400
Noncurrent Liabilities	415,000	610,000
Total Liabilities	<u>617,930</u>	<u>810,400</u>
<b>NET POSITION</b>		
Restricted	32,334	37,295
Unrestricted	(407,871)	(610,000)
Total Net Position	<u>\$ (375,537)</u>	<u>\$ (572,705)</u>

During the fiscal year, the District's total net position increased by \$197,168.



# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Taxes	\$ 223,817	\$ 220,058
Interest	23	376
Total Revenues	223,840	220,434
<b>EXPENSES</b>		
General Government	10,362	10,912
Debt Service	16,310	21,250
Total Expenses	26,672	32,162
Change in Net Position	197,168	188,272
Net Position, Beginning of Year	(572,705)	(760,977)
Net Position, End of Year	\$ (375,537)	\$ (572,705)

Revenues increased in fiscal year 2020/21 due to an increase in taxes collected 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 2020/21 the District's governmental funds reported revenues more than expenditures by \$2,899 and an ending fund balance of \$37,897. Of the total ending fund balance, \$7,129 is in the General Fund and \$30,768 is in the Debt Service Fund.

Revenues totaled \$224,571 for the fiscal year ended June 30, 2021, of which \$224,548 was property tax collected and \$23 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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.

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, 2021 and 2020

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	Governmental Activities	
	2021	2020
General Obligation Bonds	<u>\$ 415,000</u>	<u>\$ 610,000</u>

The District's total long-term debt decreased by \$195,000 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 2021/22 District budget includes a \$1.04 tax rate per \$100 of assessed value. This is a \$0.02 increase from the rate used in the fiscal year 2020/21 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, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Current Assets					
Cash	\$ 6,936	\$ -	\$ 6,936	\$ -	\$ 6,936
Taxes Receivable	193	5,252	5,445	-	5,445
Total Current Assets	7,129	5,252	12,381	-	12,381
Noncurrent Assets					
Restricted Cash	-	230,012	230,012	-	230,012
Total Assets	\$ 7,129	\$ 235,264	\$ 242,393	\$ -	\$ 242,393
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 195,000	\$ 195,000	\$ -	\$ 195,000
Matured Interest Payable	-	7,930	7,930	-	7,930
Total Current Liabilities	-	202,930	202,930	-	202,930
Noncurrent Liabilities					
Due Within One Year	-	-	-	205,000	205,000
Due After One Year	-	-	-	210,000	210,000
Total Noncurrent Liabilities	-	-	-	415,000	415,000
Total Liabilities	-	202,930	202,930	415,000	617,930
Deferred Inflows of Resources					
Unavailable Revenues	-	1,566	1,566	(1,566)	-
Total Liabilities and Deferred Inflows of Resources	-	204,496	204,496	413,434	617,930
Fund Balances/Net Position					
Fund Balances					
Restricted	-	30,768	30,768	(30,768)	-
Unassigned	7,129	-	7,129	(7,129)	-
Total Fund Balances	7,129	30,768	37,897	(37,897)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,129	\$ 235,264	\$ 242,393		
Net Position					
Restricted for Debt Service				32,334	32,334
Unrestricted				(407,871)	(407,871)
Total Net Position				\$ (375,537)	\$ (375,537)

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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>					
Taxes	\$ 17,479	\$ 207,069	\$ 224,548	\$ (731)	\$ 223,817
Interest	12	11	23	-	23
Total Revenues	<u>17,491</u>	<u>207,080</u>	<u>224,571</u>	<u>(731)</u>	<u>223,840</u>
<b>EXPENDITURES/EXPENSES</b>					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 10,362	\$ -	\$ 10,362	\$ -	\$ 10,362
Debt Service					
Principal Retirement	-	195,000	195,000	(195,000)	-
Interest and Fiscal Charges	-	16,310	16,310	-	16,310
Total Expenditures/Expenses	<u>10,362</u>	<u>211,310</u>	<u>221,672</u>	<u>(195,000)</u>	<u>26,672</u>
Change in Fund Balances/Net Position	7,129	(4,230)	2,899	194,269	197,168
Fund Balances/Net Position, Beginning of Year	-	34,998	34,998	(607,703)	(572,705)
Fund Balances/Net Position, End of Year	<u>\$ 7,129</u>	<u>\$ 30,768</u>	<u>\$ 37,897</u>	<u>\$ (413,434)</u>	<u>\$ (375,537)</u>

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

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, the District evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) 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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, 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.

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# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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 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 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.



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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.

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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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.	\$ 1,566
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	<u>(415,000)</u>
Net adjustment to reduce total fund balance to arrive at net position.	(413,434)
Total Fund Balance	<u>37,897</u>
<b>Total Net Position</b>	<b><u><u>\$ (375,537)</u></u></b>

**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.	\$ (731)
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>195,000</u>
Net adjustments to reconcile net changes in fund balances to change in net position.	194,269
Net change in Fund Balance	<u>2,899</u>
<b>Change in Net Position</b>	<b><u><u>\$ 197,168</u></u></b>

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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, 2021

## NOTE 4 – DETAILED NOTES ON ALL FUNDS

### A. Assets

#### 1. Deposits

**Deposits** – At June 30, 2021, the carrying amount of the District’s deposits and bank balance were \$236,948.

##### *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, 2021, \$230,012 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, 2021, as follows:

	<b>Debt Service Fund</b>
Restricted Cash	\$ 230,012

#### 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, 2021, were as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>
Taxes Receivable	\$ 193	\$ 5,252

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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:

	<b>Debt Service Fund</b>
Delinquent Property Taxes Receivable (Unavailable)	<u>\$ 1,566</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, 2021, 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>\$ 415,000</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, 2021

## 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	\$ 610,000	\$ -	\$ (195,000)	\$ 415,000	\$ 205,000
Total	<u>\$ 610,000</u>	<u>\$ -</u>	<u>\$ (195,000)</u>	<u>\$ 415,000</u>	<u>\$ 205,000</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>
2022	\$ 205,000	\$ 10,790
2023	210,000	5,460
Total	<u>\$ 415,000</u>	<u>\$ 16,250</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 \$2,000,000 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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ 11,500	\$ 17,479	\$ 5,979
Interest Income	-	12	
Total Revenues	<u>11,500</u>	<u>17,491</u>	<u>5,979</u>
<b>EXPENDITURES</b>			
Current			
General Government			
City Treasurer - Finance and Accounting	<u>11,500</u>	<u>10,362</u>	<u>1,138</u>
Total Expenditures	<u>11,500</u>	<u>10,362</u>	<u>1,138</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	7,129	7,117
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 7,129</u>	<u>\$ 7,129</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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ 211,733	\$ 207,069	\$ (4,664)
Interest Income	-	11	11
Total Revenues	<u>211,733</u>	<u>207,080</u>	<u>(4,653)</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	195,000	195,000	-
Interest and Fiscal Charges	16,860	16,310	550
Total Expenditures	<u>211,860</u>	<u>211,310</u>	<u>550</u>
Excess of Revenues Over Expenditures	(127)	(4,230)	(4,103)
Fund Balance, Beginning of Year	<u>33,621</u>	<u>34,998</u>	<u>1,377</u>
Fund Balance, End of Year	<u>\$ 33,494</u>	<u>\$ 30,768</u>	<u>\$ (2,726)</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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

Report on 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.  
Scottsdale, Arizona  
October 21, 2021

Attachment 7A -  
Via Linda Road CFD  
Communication to Governance

October 22, 2021

Board of Directors  
Via Linda Road Community Facilities District

We have audited the financial statements governmental activities and each major fund of Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Via Linda Road Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the District we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable

assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the Board of Directors and management of Via Linda Road Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona



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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

#### Report on 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.  
Scottsdale, Arizona  
October 21, 2021

**Attachment 8 -  
Waterfront Commercial CFD  
Annual Financial Report**

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# Waterfront Commercial Community Facilities District

(A Component Unit of the City of Scottsdale, Arizona)



## Annual Financial Report

Fiscal Year Ended June 30, 2021

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**Waterfront Commercial Community Facilities District**  
(A Component Unit of the City of Scottsdale, Arizona)

**Annual Financial Report**

**Fiscal Year Ended June 30, 2021**

# Waterfront Commercial Community Facilities District

For the Fiscal Year ended June 30, 2021

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## Independent Auditor's Report

Board of Directors  
Waterfront Commercial Community Facilities District

### **Report on Audit of Financial Statements**

#### ***Opinions***

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Waterfront Commercial Community Facilities District, as of June 30, 2021, 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.

#### ***Basis for Opinions***

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

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

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

#### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America,

which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Budget information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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 information for the Debt Service Fund information 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 21, 2021, 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.  
Scottsdale, Arizona  
October 21, 2021

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2021

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, 2021.

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 2020/21, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- The tax rate was \$3.90 per \$100 assessed valuation.
- Governmental funds reported a combined ending fund balance of \$59,466. Of this amount, \$12,231 was in the General Fund and \$47,235 was in the Debt Service Fund.
- Governmental fund revenues were more than expenditures by \$9,094; the tax rate decreased from \$5.80 in fiscal year 2019/20 to \$3.90.
- Total long-term debt decreased by \$172,000 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.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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, 2021

## 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 \$2.1 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, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Current Assets	\$ 13,901	\$ 37,208
Noncurrent Assets	247,617	269,870
Total Assets	<u>261,518</u>	<u>307,078</u>
<b>LIABILITIES</b>		
Current Liabilities	201,307	232,380
Noncurrent Liabilities	2,201,000	2,373,000
Total Liabilities	<u>2,402,307</u>	<u>2,605,380</u>
<b>NET POSITION</b>		
Restricted	47,980	62,110
Unrestricted	(2,188,769)	(2,360,412)
Total Net Position	<u>\$ (2,140,789)</u>	<u>\$ (2,298,302)</u>

During the fiscal year, the District's total net position increased by \$157,513.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Taxes	\$ 226,903	\$ 318,589
Interest	-	3,633
Total Revenues	<u>226,903</u>	<u>322,222</u>
<b>EXPENSES</b>		
General Government	10,377	12,168
Debt Service	59,013	198,598
Total Expenses	<u>69,390</u>	<u>210,766</u>
Change in Net Position	157,513	111,456
Net Position, Beginning of Year	(2,298,302)	(2,409,758)
Net Position, End of Year	<u>\$ (2,140,789)</u>	<u>\$ (2,298,302)</u>

Revenues decreased in fiscal year 2020/21 due to a decrease in taxes levied and interest income and expenses decreased due to reduction of 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 2020/21 the District's governmental funds reported revenues over expenditures by \$9,094 and an ending fund balance of \$59,466. Of the total ending fund balance, \$12,231 is in the General Fund and \$47,235 is in the Debt Service Fund.

Revenues totaled \$250,484 for the fiscal year ended June 30, 2021, of which all was property taxes.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

## 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, 2021 and 2020

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	Governmental Activities	
	2021	2020
General Obligation Bonds	<u>\$ 2,201,000</u>	<u>\$ 2,373,000</u>

The District's total long-term debt decreased by \$172,000 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 2021/22 District budget includes a \$4.28 tax rate per \$100 of assessed value. This is a \$0.38 increase from the rate used in the fiscal year 2020/21 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, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Current Assets					
Cash	\$ 12,192	\$ -	\$ 12,192	\$ -	\$ 12,192
Taxes Receivable	39	1,670	1,709	-	1,709
Total Current Assets	12,231	1,670	13,901	-	13,901
Noncurrent Assets					
Restricted Cash	-	247,617	247,617	-	247,617
Total Assets	<u>\$ 12,231</u>	<u>\$ 249,287</u>	<u>\$ 261,518</u>	<u>\$ -</u>	<u>\$ 261,518</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION</b>					
Liabilities					
Current Liabilities					
Matured Bonds Payable	\$ -	\$ 172,000	\$ 172,000	\$ -	\$ 172,000
Matured Interest Payable	-	29,307	29,307	-	29,307
Total Current Liabilities	-	201,307	201,307	-	201,307
Noncurrent Liabilities					
Due Within One Year	-	-	-	177,000	177,000
Due After One Year	-	-	-	2,024,000	2,024,000
Total Noncurrent Liabilities	-	-	-	2,201,000	2,201,000
Total Liabilities	-	201,307	201,307	2,201,000	2,402,307
Deferred Inflows of Resources					
Unavailable Revenues	-	745	745	(745)	-
Total Liabilities and Deferred Inflows of Resources	-	202,052	202,052	2,200,255	2,402,307
Fund Balances/Net Position					
Fund Balances					
Restricted	-	47,235	47,235	(47,235)	-
Unassigned	12,231	-	12,231	(12,231)	-
Total Fund Balances	12,231	47,235	59,466	(59,466)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,231</u>	<u>\$ 249,287</u>	<u>\$ 261,518</u>		
Net Position					
Restricted for Debt Service				47,980	47,980
Unrestricted				(2,188,769)	(2,188,769)
Total Net Position				<u>\$ (2,140,789)</u>	<u>\$ (2,140,789)</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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>					
Taxes	\$ 10,020	\$ 240,464	\$ 250,484	\$ (23,581)	\$ 226,903
Total Revenues	<u>10,020</u>	<u>240,464</u>	<u>250,484</u>	<u>(23,581)</u>	<u>226,903</u>
<b>EXPENDITURES/EXPENSES</b>					
Current					
General Government					
City Treasurer - Finance and Accounting	\$ 10,377	\$ -	\$ 10,377	\$ -	\$ 10,377
Debt Service					
Principal Retirement	-	172,000	172,000	(172,000)	-
Interest and Fiscal Charges	-	59,013	59,013	-	59,013
Total Expenditures/Expenses	<u>10,377</u>	<u>231,013</u>	<u>241,390</u>	<u>(172,000)</u>	<u>69,390</u>
Change in Fund Balances/Net Position	(357)	9,451	9,094	148,419	157,513
Fund Balances/Net Position, Beginning of Year	<u>12,588</u>	<u>37,784</u>	<u>50,372</u>	<u>(2,348,674)</u>	<u>(2,298,302)</u>
Fund Balances/Net Position, End of Year	<u>\$ 12,231</u>	<u>\$ 47,235</u>	<u>\$ 59,466</u>	<u>\$ (2,200,255)</u>	<u>\$ (2,140,789)</u>

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

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, the District evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) 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.

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# Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

## 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, 2021, 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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 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 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.

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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.

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## Notes to the Basic Financial Statements

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For the Fiscal Year Ended June 30, 2021

### 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.	\$ 745
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the governmental funds.	(2,201,000)
	<hr/>
Net adjustment to total fund balance to arrive at net position.	(2,200,255)
	<hr/>
Total Fund Balance	59,466
	<hr/>
<b>Total Net Position</b>	<b>\$ (2,140,789)</b>
	<hr/> <hr/>

**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.	\$ (23,581)
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.	172,000
	<hr/>
Net adjustments to reconcile net changes in fund balances to change in net position.	148,419
	<hr/>
Net change in Fund Balance	9,094
	<hr/>
<b>Change in Net Position</b>	<b>\$ 157,513</b>
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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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, 2021

## NOTE 4 – DETAILED NOTES ON ALL FUNDS

### A. Assets

#### 1. Deposits

**Deposits** – At June 30, 2021, the carrying amount of the District’s deposits and bank balance were \$259,809.

##### *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, 2021, \$9,809 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, 2021, as follows:

	<b>Debt Service Fund</b>
Restricted Cash	\$ 247,617

#### 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, 2021, were as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>
Taxes Receivable	\$ 39	\$ 1,670

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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:

	<b>Debt Service Fund</b>
Delinquent Property Taxes Receivable (Unavailable)	<u>\$ 745</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 are generally callable with interest payable semiannually. Bonds payable at June 30, 2021, 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>\$ 2,201,000</u>

# Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

## 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>
Private Placement General Obligation Bonds	\$ 2,373,000	\$ -	\$ (172,000)	\$ 2,201,000	\$ 177,000
Total	<u>\$ 2,373,000</u>	<u>\$ -</u>	<u>\$ (172,000)</u>	<u>\$ 2,201,000</u>	<u>\$ 177,000</u>

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## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2021

### 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>
2022	\$ 177,000	\$ 54,365
2023	181,000	49,993
2024	185,000	45,522
2025	190,000	40,953
2026	195,000	36,260
2027-2031	1,048,000	106,704
2032	225,000	5,558
Total	<u>\$ 2,201,000</u>	<u>\$ 339,355</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.

#### 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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ 13,269	\$ 10,020	\$ (3,249)
Total Revenues	<u>13,269</u>	<u>10,020</u>	<u>(3,249)</u>
<b>EXPENDITURES</b>			
Current			
General Government			
City Treasurer - Finance and Accounting	11,500	10,377	1,123
Total Expenditures	<u>11,500</u>	<u>10,377</u>	<u>1,123</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,769	(357)	(2,126)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)		-	
Fund Balance, Beginning of Year	<u>12,231</u>	<u>12,588</u>	<u>357</u>
Fund Balance, End of Year	<u><u>\$ 14,000</u></u>	<u><u>\$ 12,231</u></u>	<u><u>\$ (1,769)</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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Taxes	\$ 213,876	\$ 240,464	\$ 26,588
Total Revenues	213,876	240,464	26,588
<b>EXPENDITURES</b>			
Debt Service			
Principal Retirement	172,000	172,000	-
Interest and Fiscal Charges	61,613	59,013	2,600
Bond Issuance Costs	-	-	-
Total Expenditures	233,613	231,013	2,600
Excess of Revenues Over Expenditures	(19,737)	9,451	29,188
Fund Balance, Beginning of Year	54,771	37,784	(16,987)
Fund Balance, End of Year	<u>\$ 35,034</u>	<u>\$ 47,235</u>	<u>\$ (12,201)</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  
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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

Page 1

Report on 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.

Scottsdale, Arizona

October 21, 2021

**Attachment 8A -  
Waterfront Commercial CFD  
Communication to Governance**

October 22, 2021

To the Governing Board  
Waterfront Commercial Community Facilities District

We have audited the 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, for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Waterfront Commercial Community Facilities District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Audit Adjustments**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. During the course of the audit we did not identify any misstatements which require communication.

In addition, as part of the professional services we provided to the District we assisted with the preparation of the financial statements and the notes to financial statements. In providing this service, we prepared adjusting journal entries necessary to convert the accounting records to the basis of accounting required by generally accepted accounting principles. Those adjusting journal entries have been provided to management who reviewed and approved those entries and accepted responsibility for them.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain written representations from management, which are included in the management representation letter provided to us at the conclusion of the audit.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management throughout the course of the year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as the District's auditors.

### **Compliance with Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and as appropriate, our firm, have complied with all relevant ethical requirements regarding independence. Heinfeld, Meech & Co., P.C. continually assesses client relationships to comply with relevant ethical requirements, including independence, integrity, and objectivity, and policies and procedures related to the acceptance and continuance of client relationships and specific engagements. Our firm follows the "Independence Rule" of the AICPA Code of Professional Conduct and the rules of state boards of accountancy and applicable regulatory agencies. It is the policy of the firm that all employees be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, U.S. Government Accountability Office (GAO), and applicable state boards of accountancy.

### **Responsibility for Fraud**

It is important for both management and the members of the governing body to recognize their role in preventing, deterring, and detecting fraud. One common misconception is that the auditors are responsible for detecting fraud. Auditors are required to plan and perform an audit to obtain reasonable

assurance that the financial statements do not include material misstatements caused by fraud. Unfortunately most frauds which occur in an organization do not meet this threshold.

The attached document prepared by the Association of Certified Fraud Examiners (ACFE) is provided as a courtesy to test the effectiveness of the fraud prevention measures of your organization. Some of these steps may already be in place, others may not. Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud. However, an awareness of fraud related factors, as well as the active involvement by management and the members of the governing body in setting the proper “tone at the top”, increases the likelihood that fraud will be prevented, deterred and detected.

### **Additional Reports Issued**

In addition to the auditor’s report on the financial statements we will also issue the following documents related to this audit. These reports are typically issued within 60 days of the date of this letter.

- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

### **Other Important Communications Related to the Audit**

Attached to this letter are a copy of the signed engagement letter provided to us at the initiation of the audit, and a copy of the management representation letter provided to us at the conclusion of the audit. If there are any questions on the purpose or content of these letters please contact the engagement partner identified in the attached engagement letter.

### **Restriction on Use**

This information is intended solely for the use of the members of the Board of Directors and management of Waterfront Commercial Community Facilities District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona

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

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, 2021, 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 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.



### Report on 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.

Scottsdale, Arizona

October 21, 2021

Attachment 9 -  
Resolution No. 12342

RESOLUTION NO. 12342

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, ARIZONA DETERMINING COMPLIANCE WITH A.R.S. § 9-481(H) AND A.R.S. § 41-1494 REGARDING TRAINING, ORIENTATION, AND THERAPY, BLAME AND JUDGMENT

WHEREAS, the Arizona Legislature enacted HB 2906 in 2021 and said legislation became effective on or about September 29, 2021; and

WHEREAS, pursuant to HB 2906 newly enacted Arizona Revised Statute Section 41-1494 prohibits a city, town, county, or political subdivision from certain actions regarding training, orientation and therapy; blame and judgment; and

WHEREAS, HB 2906 also adopted subsection H of A.R.S. Section 9-481 requiring the governing body of the City to demonstrate compliance with Section 41-1494; and

WHEREAS, the City Council has received a report from the City Auditor regarding the same;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Scottsdale, Arizona, as follows:

Section 1. The City Council hereby finds that the City of Scottsdale has complied with the provisions of HB 2906 (2021) as applicable to the City.

Section 2. The City Council further finds that the City of Scottsdale does not require and does not intend to require employees to engage in any training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex as proscribed in A.R.S. Section 41-1494.

Section 3. The City Council further finds that the City of Scottsdale does not use and does not intend to use public monies for training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex as proscribed in A.R.S. Section 41-1494.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Maricopa County, Arizona, this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

ATTEST:

CITY OF SCOTTSDALE, an  
Arizona municipal corporation

\_\_\_\_\_  
David D. Ortega, Mayor

\_\_\_\_\_  
Ben Lane, City Clerk

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY

\_\_\_\_\_  
Sherry R. Scott, City Attorney

By: Eric C. Anderson, Senior Assistant City Attorney

**FY 2020/21 Annual Financial Audit**  
**City Council Meeting – December 8, 2021**



Sharron E. Walker, CPA, CFE, City Auditor

Brittney Williams, CPA, Heinfeld, Meech & Co., P.C.



# Summary of Financial Audit Reports

Annual financial audit includes:

- City's Comprehensive Financial Report  
Unmodified opinion – financial statements are fairly presented in all material respects
- Component Units' Financial Reports
  - Community Facilities Districts (5 CFDs)
  - Municipal Property Corporation (MPC)
  - Scottsdale Preserve Authority (SPA)Unmodified opinions on each

## Independent Auditor's Report

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

### Report on Audit of Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Change in Accounting Principle*

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statements No. 93, *Replacement of Interbank Offered Rates*, and No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2021, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

# Related Communications

## Communication to Governance – for City and each Component Unit, key points such as:

- Accounting practices, significant estimates - no issues
- Audit adjustments or disagreements with management - no issues
- Other similar matters - no issues

October 22, 2021

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, the associated reconciliations, and the aggregate remaining fund information City of Scottsdale, Arizona (City) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Scottsdale, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology (SBITAs)*, for the year ended June 30, 2021.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

The financial statement disclosures are neutral, consistent, and clear.



# Federal funding/compliance reports

## Single Audit Report:

- Report on Internal Control and Compliance based on the Financial Statement audit – **one significant deficiency**
- Schedule of Findings –  
Improve internal control over equity balance for Sub-Regional Operating Group (SROG) joint venture. Error was corrected.  
Management Response – additional review procedures added.

### 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, 2021, 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 20, 2021. Our report included an emphasis of matter paragraph as to comparability due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 93, Replacement of *Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

#### Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS-2021-001 that we consider to be a significant deficiency.

# Federal funding/compliance reports (cont'd)

## Single Audit Report (cont'd):

- Report on Compliance, Internal Control and Expenditures of Federal Awards – **no issues noted**
- Schedule of Expenditures of Federal Awards
  - **Unmodified opinion**
  - **FY 2020/21 totaled \$27,564,297**
- Schedule of Prior Audit Findings –
  - **Housing Voucher Cluster – fully corrected.**

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited City of Scottsdale, Arizona's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Scottsdale, Arizona's major federal programs for the year ended June 30, 2021. City of Scottsdale, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Scottsdale, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Scottsdale, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Scottsdale, Arizona's compliance with the compliance requirements referred to above.

# Other funding/compliance reports

## State funding/compliance report

- Highway User Revenue Fund (HURF) uses - City complied with state requirements

## Other Reports to be completed in January / February:

- HUD-required financial schedule - federal
- Annual Expenditure Limitation Report - state

### 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, 2021. 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, 2021.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
October 20, 2021

## 2021 Legislative Session – additional requirement

Amended ARS §9-481 Audits of cities and towns; posting; budget; accepting audit results

- New subsection H: “Within ninety days after completing [the annual financial audit]...in a regular meeting without the use of a consent agenda, and the governing body shall demonstrate compliance with section 41-1494.”



## **ARS 41-1494: Training, orientation and therapy; blame and judgment; prohibition; annual report; definition**

- Subsection B:

“This state, ... city, town, county or political subdivision ... may not use public monies for training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex. This subsection does not preclude any training on sexual harassment.”

## Requested Actions

1. As recommended by the City Council's Audit Committee:  
Accept the FY 2020/21 financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co. P.C.
2. Adopt Resolution No. 12342 to demonstrate the City's compliance with ARS §41-1494





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### **City Auditor's Office**

7447 E. Indian School Rd., Suite 205  
Scottsdale, Arizona 85251

OFFICE (480) 312-7756  
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### **Audit Committee**

Councilwoman Kathy Littlefield, Chair  
Councilmember Tom Durham  
Councilwoman Solange Whitehead

### **City Auditor's Office**

Kyla Anderson, Senior Auditor  
Elizabeth Brandt, Senior Auditor  
Paul Christiansen, Senior Auditor  
Lai Cluff, Senior Auditor  
Brad Hubert, Senior Auditor  
Shelby Trimaloff, Exec Asst to City Auditor  
Sharron Walker, City Auditor

The City Auditor's Office conducts audits to promote operational efficiency, effectiveness, accountability and integrity.