



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Scottsdale, Arizona
For the Fiscal Year Ended June 30, 2019

Fire Station 613, located at 26380 N. Hayden Rd.

City of Scottsdale, Arizona



Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2019

Prepared by:

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



CITY OF SCOTTSDALE, ARIZONA

Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2019

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal - City Treasurer	1
Certificate of Achievement - Government Finance Officers Association	9
List of Elected and Appointed Officials.....	11
Organizational Chart	13

FINANCIAL SECTION

Independent Auditor's Report.....	15
Management's Discussion and Analysis	17

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	34
Statement of Activities	36

Fund Financial Statements:

Balance Sheet - Governmental Funds.....	37
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	39
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	43
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	45
Statement of Fund Net Position - Proprietary Funds.....	46
Reconciliation of the Proprietary Funds Statement of Fund Net Position to the Statement of Net Position.....	48

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	49
Reconciliation of the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position to the Statement of Activities	50
Statement of Cash Flows - Proprietary Funds	51
Statement of Fiduciary Net Position - Fiduciary Funds	53

Notes to Financial Statements:

I. Summary of Significant Accounting Policies	54
II. Reconciliation of Government-wide and Fund Financial Statements.....	65
III. Stewardship, Compliance, and Accountability.....	75
IV. Detailed Notes on All Funds	
A. Cash and Investments.....	79
B. Endowments.....	83
C. Receivables.....	84
D. Capital Assets.....	86
E. Interfund Balances and Interfund Transfers.....	88
F. Leases.....	89
G. Service Concession Arrangements.....	91
H. Bonds, Loans, and Other Payables.....	92
V. Other Information	
A. Risk Management.....	105
B. Contingent Liabilities	105
C. Subsequent Events	106
D. Tax Abatement Agreements	106
E. Joint Ventures.....	107
F. Pollution Remediation	108
G. Related Organization	109
H. Retirement and Pension Plans	109

I. Other Postemployment Benefits	124
J. Postemployment Benefits Other Than Pensions (OPEB)	125
Required Supplementary Information	129
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	139
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	140
Combining Balance Sheet - Nonmajor Special Revenue Governmental Funds.....	141
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Governmental Funds	143
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Transportation - Special Revenue Fund.....	145
Community Development Block Grant - Special Revenue Fund.....	146
HOME - Special Revenue Fund	147
Grants - Special Revenue Fund.....	148
Section 8 - Special Revenue Fund.....	149
Preserve Privilege Tax - Special Revenue Fund.....	150
Streetlight Districts - Special Revenue Fund.....	151
Special Programs - Special Revenue Fund.....	152
Tourism Development - Special Revenue Fund	153
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Debt Service Governmental Funds.....	154
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Governmental Funds.....	155
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Obligation Bond Debt Service Fund.....	156
Municipal Property Corporation Debt Service Fund.....	157
Debt Service Stabilization Debt Service Fund	158
Scottsdale Preserve Authority Debt Service Fund.....	159

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet - Nonmajor Capital Projects Governmental Funds..... 160

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Capital Projects Governmental Funds 161

Combining Balance Sheet - Nonmajor Permanent Governmental Funds 162

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Permanent Governmental Funds..... 163

Combining Statement of Fund Net Position - Internal Service Funds 165

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position -
Internal Service Funds 166

Combining Statement of Cash Flows - Internal Service Funds..... 167

Combining Statement of Fiduciary Net Position - Fiduciary Funds..... 169

Combining Statement of Changes in Assets and Liabilities - Agency Funds 170

Other Supplementary Information:

Schedule of Changes in Long-Term Debt..... 172

STATISTICAL SECTION

Financial Trends

Net Position by Component - Last Ten Fiscal Years (accrual basis of accounting) 176

Changes in Net Position - Last Ten Fiscal Years (accrual basis of accounting) 177

Fund Balances of Governmental Funds - Last Ten Fiscal Years
(modified accrual basis of accounting)..... 180

Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years
(modified accrual basis of accounting)..... 181

Tax Revenues by Source - Last Ten Fiscal Years (modified accrual basis of accounting) 184

Revenue Capacity

Taxable Sales Subject to Privilege (Sales) Tax by Category - Last Ten Fiscal Years 185

Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years 186

Sales Tax Revenue Payers by Industry - Current Year and Nine Years Ago 187

Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years.....	188
Principal Property Taxpayers - Current Year and Nine Years Ago.....	189
Assessed Value of Taxable Property - Last Ten Fiscal Years.....	190
Property Tax Levies and Collections - Last Ten Fiscal Years	191
Debt Capacity	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	192
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	193
Direct and Overlapping Governmental Activities Debt as of June 30, 2019	194
Legal Debt Margin Information - Last Ten Fiscal Years.....	195
Pledged-Revenue Coverage - Last Ten Fiscal Years	197
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	198
Principal Employers - Current Year and Nine Years Ago.....	199
Operating Information	
Full-time Equivalent City Government Employees by Function - Last Ten Fiscal Years.....	200
Operating Indicators by Division - Last Ten Fiscal Years.....	201
Capital Asset Statistics by Function - Last Ten Fiscal Years	204



Letter of Transmittal
For the Fiscal Year Ended June 30, 2019



October 18, 2019

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, 2019, 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, based upon the audit, that the City's financial statements for the fiscal year ended June 30, 2019, 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 at the front 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 City finances, economic prospects, and achievements. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the City's basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF SCOTTSDALE PROFILE

History

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

Current Profile

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing 184.5 square miles, stretching 31 miles from north to south, and 11.4 miles at its widest point. The City is bordered on the west by Phoenix, the state capital, by Tempe on the south, and by the Salt River-Pima Maricopa Indian Community on the east. Scottsdale and its neighboring cities form the greater metropolitan Phoenix area which is the economic, political, and population center of the state. The City has experienced significant increases in population over the years, with the 1950 census reporting 2,021 residents, and the 2010 census reporting 217,365. At July 1, 2019 the City's population was estimated at 255,300 residents, making it the fifth largest municipality by population in Arizona.

Government and Organization

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

Budgetary Controls

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption in order to obtain taxpayer comments. Each year in June, the budget is legally enacted through passage of an ordinance. The ordinance sets the maximum legal expenditure limit for the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year 2019, there were no such supplemental budgetary appropriations authorized.

The expenditure appropriations in the adopted budget are by division; however, divisional appropriations may be amended during the year. On the recommendation of the City Manager and with the approval of the City Council: 1) transfers may be made from the appropriations for contingencies to divisions; and 2) unexpended appropriations may be transferred from one division to another.

LOCAL ECONOMY

Business

Scottsdale has a diverse economy built on medical research, high-tech innovation, tourism, and corporate headquarters. The Scottsdale Airpark is one of the largest employment centers in the state of Arizona with more than 2,900 businesses employing over 50,000 employees in 2 million square feet of commercial space. The high-tech innovation center SkySong, located just a few miles from downtown Scottsdale, is designed to help companies grow through a unique partnership with nearby Arizona State University. Downtown Scottsdale is home to a number of technology and healthcare companies and one of the most successful shopping centers in the southwest United States – Scottsdale Fashion Square. Farther north, the Scottsdale Cure Corridor is a partnership of premier healthcare providers and biomedical companies seeking to advance medicine and patient care through cutting-edge research.

Tourism

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

Sales Tax

Scottsdale’s largest revenue source is sales tax generated from a variety of business categories including automotive, construction, food stores, hotels, department stores, retail stores, restaurants, utilities, and rentals. Sales tax is generated directly from the City’s own applied tax rate and indirectly as the City receives a share of sales tax generated from the State of Arizona’s applied tax rate. The City’s sales tax rate increased from 1.65 percent to 1.75 percent in February 2019 due to voters passing a temporary 0.10 percent increase to provide funds for transportation improvement projects. The increase is in effect for ten years.

The City has experienced a year-over-year increase of 7.1 percent in sales tax revenue for fiscal year 2019, with the highest reported tax revenues in miscellaneous retail stores, automotive, and rentals categories. The City anticipates a stable sales tax revenue stream through fiscal year 2020, with slowing growth forecasted in subsequent years.

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 \$0.0609 over the prior year. This decrease in the combined rate is due to the allowable two percent statutory adjustment and a reduction in debt service payments.

LONG-TERM FINANCIAL PLANNING

Scottsdale's Five-Year Financial Plan is based on sound financial reserves, low debt burden, and conservative revenue growth forecasts. The City anticipates a moderate increase in revenues over the next several years with a continued focus on efficient spending to maintain essential City services to the community such as police, fire, transportation, and social services.

Adopted Comprehensive Financial Policies

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has 47 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 2019, the City Council adopted a new *Public Safety Personnel Retirement System (PSPRS) Pension Funding Policy* as required by state law. This policy outlines how the City will maintain stability of required contributions, how and when the City's funding requirements will be met, and defines the City's funded ratio target under the PSPRS and when it will be met.

Financial Resources Planning

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

Multi-Year Operating Budget Planning

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

Strategic Capital Improvement Project Planning

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

The City Council Capital Improvement Plan Subcommittee is responsible for reviewing the City's Capital Improvement Plan (CIP) and making recommendations to the City Council. Their work plan includes identifying capital projects to be funded by General Fund and Transportation 0.3 percent sales tax funding. The subcommittee consists of three members of City Council with the Chair position rotating every six months.

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, meaning protection of principal, 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, commercial paper, and corporate notes. The average duration of the investments in the City's portfolio as of June 30, 2019 was 1.77 years. The average yield on investments increased from 1.96 percent in fiscal year 2018 to 2.32 percent in fiscal year 2019.

Debt Management

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

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

The City retained credit ratings of “Aaa,” “AAA,” and “AAA” from the three major credit rating agencies (Moody’s Investors Service, Standard and Poor’s Rating Group, and Fitch Investors Services, respectively) on the City’s outstanding General Obligation bonds where debt service is supported by property taxes. Scottsdale is one of a handful of cities in the nation to earn this distinction. Ratings for the City’s revenue bonds, where debt service is supported by enterprise revenues or excise taxes, are also highly rated by the three major credit rating agencies. A summary of the City’s bond ratings follows:

City of Scottsdale Bonded Debt Ratings

As of June 30, 2019

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

ACCOMPLISHMENTS AND PRIORITIES

Noteworthy achievements by the City in fiscal year 2019 include:

- Voter-approved bonds financed resurfacing 57 lane miles of City streets, improving driving conditions and reducing maintenance costs.
- Two new trailheads were opened and 10 miles of new trails were completed to welcome people to the McDowell Mountain Preserve.
- Attracted new companies and helped others expand, resulting in 1,531 new jobs.

The City’s adopted fiscal year 2020 budget increases General Fund spending by \$16.7 million when compared to the fiscal year 2019 adopted budget. This increase supports core services and the priorities and policy direction of the City Council. Significant items include:

- \$4.6 million to fund a 2.5 percent market adjustment for employees and an additional \$2.2 million for the City’s pay for performance program.
- \$3.4 million to address public safety pension-related items.
- \$1.0 million to cover the City’s share of the increase in employee healthcare costs.
- \$1.0 million for priority items such as custodial contract increases, operating costs for recently completed fire stations, and the Airport Terminal Area Redevelopment Project.

Additionally, an estimated \$190.1 million will be spent on capital improvements in the upcoming fiscal year. These projects address critical infrastructure needs and City Council priorities in a variety of areas. Significant projects include:

- Scottsdale Stadium Phase I Improvements: \$41.8 million
- Thomas Groundwater Treatment Facility: \$28.0 million
- Pima Road - Pinnacle Peak to Happy Valley: \$21.5 million
- Crossroads East Flood Control Phase I: \$14.7 million

AWARDS AND ACKNOWLEDGEMENTS

Certificates of Achievement

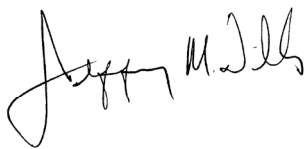
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018, marking the forty-sixth consecutive year the City has achieved this prestigious recognition. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the City received the *Distinguished Budget Presentation Award* for the fiscal year beginning July 1, 2018 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, 2019.

Acknowledgements

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

Respectfully submitted,



Jeffery M. Nichols, CPA

City Treasurer/Chief Financial Officer

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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, 2018

Christopher P. Morrill

Executive Director/CEO

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



City of Scottsdale, Arizona

List of Elected and Appointed Officials

City Council

W.J. "Jim" Lane, Mayor

Suzanne Klapp

Virginia Korte

Kathy Littlefield

Linda Milhaven

Guy Phillips

Solange Whitehead

Charter Officers

Jim Thompson, City Manager

Bruce Washburn, City Attorney

Sharron Walker, City Auditor

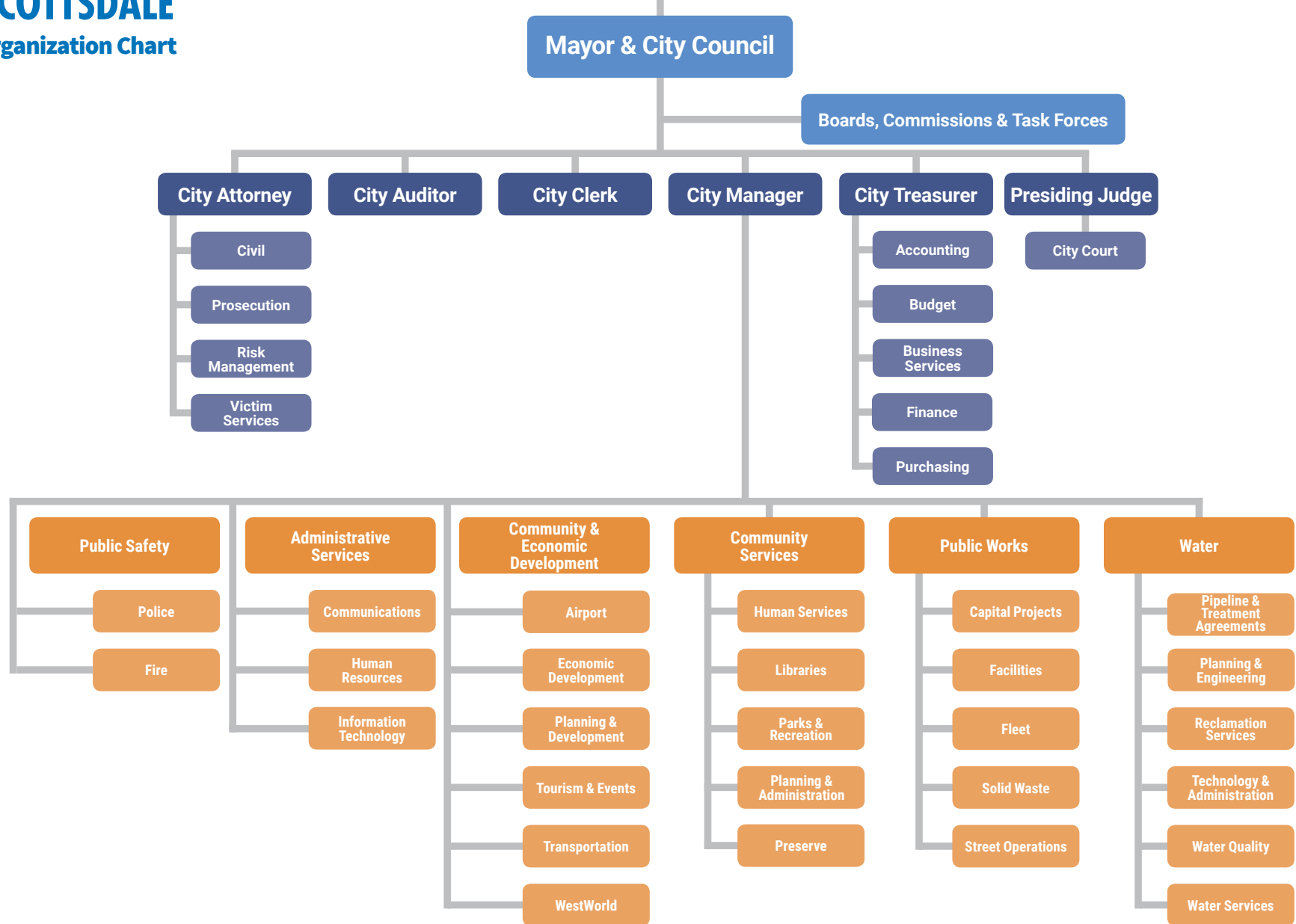
Carolyn Jagger, City Clerk

Joseph Olcavage, Presiding Judge

Jeffery M. Nichols, City Treasurer/Chief Financial Officer

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Citizens of Scottsdale





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, for the year ended June 30, 2019, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Fund Statements and Schedules, Other Supplementary Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of the City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Scottsdale, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 18, 2019

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

This section of the City of Scottsdale, Arizona's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal and other portions of this CAFR.

FINANCIAL HIGHLIGHTS

- The City's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of fiscal years 2019 and 2018 by \$5.22 billion and \$5.10 billion (*net position*), respectively. Of these amounts, \$277.8 million and \$222.7 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 2019 by \$120.1 million compared to an increase in net position of \$112.0 million during fiscal year 2018. Total revenues exceeded total expenses in the current year due primarily to an increase in interest and investment income and business taxes of \$17.6 million and \$14.6 million, respectively, over the prior year.
- As of June 30, 2019, and 2018, the City's governmental funds reported combined ending fund balances of \$260.9 million and \$244.3 million, respectively. Approximately 32 percent of the current year amount (\$82.6 million) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (*the total of the committed, assigned, and unassigned components of fund balance*) for the General Fund was \$97.1 million or approximately 36 percent of total General Fund expenditures of \$270.1 million.
- The City's total long-term liabilities decreased by \$108.9 million to \$1.46 billion during the current fiscal year. This decrease was due to the City making scheduled principal payments on its debt and lower net pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

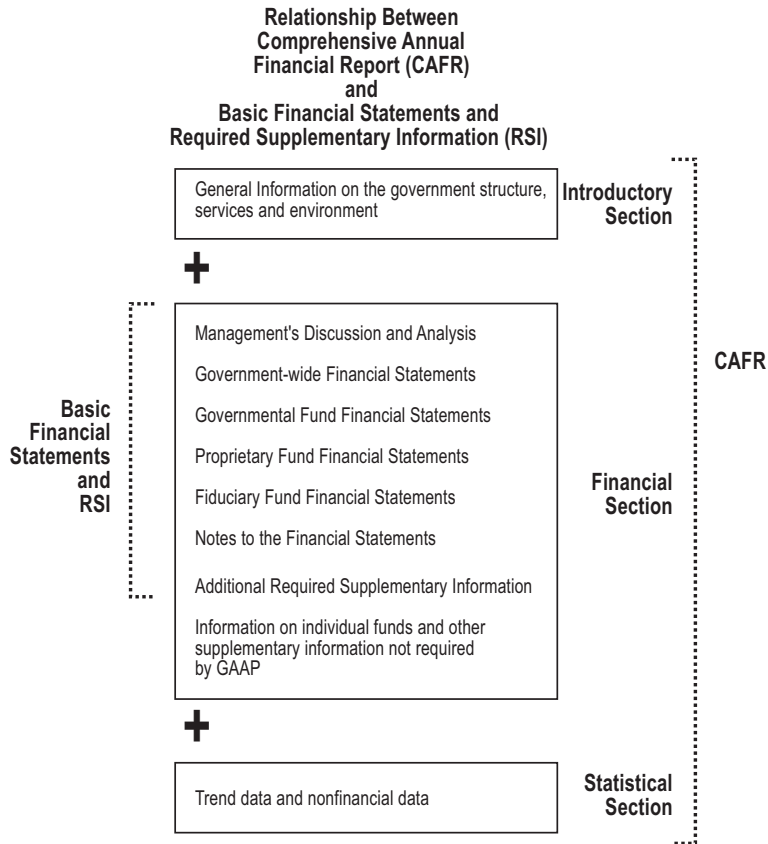
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include three components:

- (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.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019



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

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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

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

The government-wide financial statements can be found on pages 34-36 of this report.

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

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

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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

The basic governmental fund financial statements can be found on pages 37-45 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 46-52 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City has two agency funds that are reported under the fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the fiduciary funds is provided in the form of combining statements in a separate section of this report.

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

Notes to the Financial Statements. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-128 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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 129-135 of this report.

Combining Statements. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented on pages 136-170.

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 171-174.

Statistical Information. The statistical section, found on pages 175-204, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the City's overall financial health.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Analysis of Net Position. As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$5.22 billion, and \$5.10 billion at the close of the fiscal years 2019 and 2018, respectively.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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

Net Position

June 30, 2019 and 2018 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$ 568,073	\$ 549,376	\$ 482,773	\$ 479,540	\$ 1,050,846	\$ 1,028,916
Capital assets	4,378,286	4,370,921	1,398,603	1,398,212	5,776,889	5,769,133
Total assets	4,946,359	4,920,297	1,881,376	1,877,752	6,827,735	6,798,049
Total deferred outflows of resources	91,310	94,580	12,813	13,433	104,123	108,013
Total assets and deferred outflows of resources	5,037,669	5,014,877	1,894,189	1,891,185	6,931,858	6,906,062
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Long-term liabilities outstanding	1,093,373	1,176,604	413,453	440,809	1,506,826	1,617,413
Other liabilities	133,012	123,482	48,249	48,223	181,261	171,705
Total liabilities	1,226,385	1,300,086	461,702	489,032	1,688,087	1,789,118
Total deferred inflows of resources	21,072	15,450	3,931	2,863	25,003	18,313
Total liabilities and deferred inflows of resources	1,247,457	1,315,536	465,633	491,895	1,713,090	1,807,431
NET POSITION						
Net investment in capital assets	3,675,567	3,604,063	1,093,556	1,099,864	4,769,123	4,703,927
Restricted	119,657	123,057	52,204	48,926	171,861	171,983
Unrestricted	(5,012)	(27,779)	282,796	250,500	277,784	222,721
Total net position	\$ 3,790,212	\$ 3,699,341	\$ 1,428,556	\$ 1,399,290	\$ 5,218,768	\$ 5,098,631

The largest portion (91.4 percent) of the City's net position reflects its net investment in capital assets (e.g., land, buildings, water and sewer system, and streets and storm drains) less any related outstanding debt used to acquire those assets. These amounted to \$4.77 billion and \$4.70 billion at June 30, 2019 and 2018, respectively. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these assets to provide services to citizens and therefore cannot liquidate them.

An additional portion 3.3 percent of the City's net position, \$171.9 million at June 30, 2019 and \$172.0 million at June 30, 2018, represents resources that are subject to external restrictions on how they may be used. Unrestricted net position, 5.3 percent of the City's total net position at June 30, 2019 and 4.4 percent at June 30, 2018, \$277.8 million and \$222.7 million, respectively, may be used to meet the government's ongoing obligations to its citizens and creditors.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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 \$120.1 million in fiscal year 2019 compared to an increase in net position of \$112.0 million during fiscal year 2018. The reasons for this overall increase are explained in the governmental and business-type activities discussion herein and depicted in the table that follows:

Changes in Net Position

For the fiscal years ended June 30, 2019 and 2018 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues						
Charges for services	\$ 48,215	\$ 47,449	\$ 182,203	\$ 182,225	\$ 230,418	\$ 229,674
Operating grants and contributions	34,233	30,760	-	-	34,233	30,760
Capital grants and contributions	35,620	60,819	17,833	23,865	53,453	84,684
General revenues						
Property taxes	68,922	64,718	-	-	68,922	64,718
Business taxes	237,352	222,738	167	144	237,519	222,882
Intergovernmental - taxes	55,456	54,268	-	-	55,456	54,268
Intergovernmental - other	14,924	12,031	-	-	14,924	12,031
Interest and investment income	11,860	2,218	10,276	2,291	22,136	4,509
Other	9,130	10,548	-	-	9,130	10,548
Total revenues	515,712	505,549	210,479	208,525	726,191	714,074
EXPENSES						
General Government						
Mayor and City Council	704	638	-	-	704	638
City Clerk	952	695	-	-	952	695
City Attorney	6,890	6,486	-	-	6,890	6,486
City Auditor	898	800	-	-	898	800
City Court	5,509	5,530	-	-	5,509	5,530
City Manager	3,691	3,062	-	-	3,691	3,062
City Treasurer	8,209	6,071	-	-	8,209	6,071
Public Works	47,420	42,205	-	-	47,420	42,205
Community and Economic Development	102,680	102,153	-	-	102,680	102,153
Public Safety	153,817	153,256	-	-	153,817	153,256
Community Services	56,730	54,710	-	-	56,730	54,710
Administrative Services	17,974	21,173	-	-	17,974	21,173
Streetlight and Services Districts	584	605	-	-	584	605
Interest on Long-Term Debt	26,364	28,724	-	-	26,364	28,724
Water Utility	-	-	96,010	96,493	96,010	96,493
Sewer Utility	-	-	50,462	52,142	50,462	52,142
Airport	-	-	5,370	7,624	5,370	7,624
Solid Waste	-	-	21,790	19,735	21,790	19,735
Total expenses	432,422	426,108	173,632	175,994	606,054	602,102
Increase in net position before transfers	83,290	79,441	36,847	32,531	120,137	111,972
Transfers	7,581	7,756	(7,581)	(7,756)	-	-
Change in net position	90,871	87,197	29,266	24,775	120,137	111,972
Net position - beginning	3,699,341	3,611,868	1,399,290	1,374,515	5,098,631	4,986,383
Net effect of prior period adjustments	-	276	-	-	-	276
Net position - beginning restated	3,699,341	3,612,144	1,399,290	1,374,515	5,098,631	4,986,659
Net position - ending	\$ 3,790,212	\$ 3,699,341	\$ 1,428,556	\$ 1,399,290	\$ 5,218,768	\$ 5,098,631

Management's Discussion and Analysis

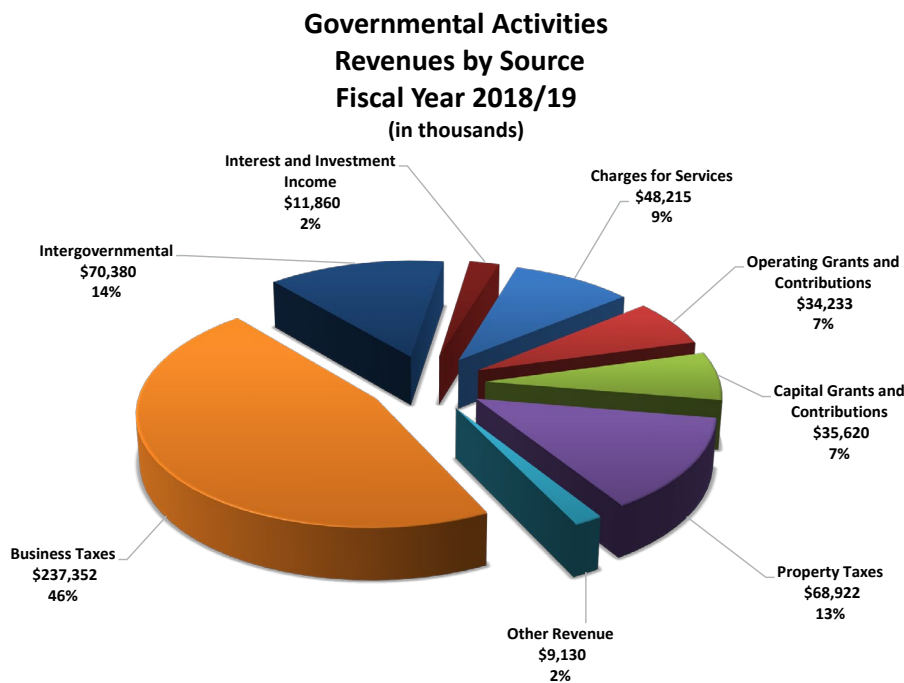
For the Fiscal Year Ended June 30, 2019

Governmental Activities. Net position for governmental activities increased \$90.9 million after transfers during fiscal year 2019 compared to an increase of \$87.2 million after transfers in fiscal year 2018. Total revenues increased \$10.2 million or 2.0 percent from the prior fiscal year and expenses increased \$6.3 million or 1.5 percent. Overall, revenues exceeded expenses resulting in the increase in net position.

The City experienced improved total revenues from governmental activities over the prior year due primarily to a 6.5 percent increase in property taxes, a 6.6 percent increase in business taxes, an 11.3 percent increase in operating grants and contributions, and a greater than 400 percent increase in interest and investment income. These increases reflect the ongoing economic growth experienced locally and nationally over the past several years. Conversely, a decrease (41.4 percent) in capital grants and contributions for governmental activities was noted over the prior year caused by fewer large construction projects completed in fiscal year 2019, resulting in lower developer contributions.

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 \$397.6 million in fiscal year 2019 compared to \$366.5 million in fiscal year 2018. Property taxes were \$68.9 million in fiscal year 2019 compared to \$64.7 million in fiscal year 2018. As previously noted, business taxes, which include privilege and franchise taxes, increased \$14.6 million or 6.6 percent from the previous year. As well, interest and investment income increased \$9.6 million over the prior year due to an increase in yields on the City's short and long-term investment portfolios caused by strong market conditions for the majority of the fiscal year.

For governmental activities overall, without regard to program, business taxes (46 percent), are the largest single source of funds, followed by intergovernmental taxes (including state shared revenues) (14 percent), property taxes (13 percent), and charges for services (9 percent).



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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 (36 percent), followed by the Community and Economic Development Division (24 percent), and Community Services Division (13 percent).

The Public Safety Division provides police and fire/emergency services throughout the City. Expenses increased by \$0.6 million or 0.4 percent during fiscal year 2019 due primarily to an increase in employee compensation.

The Community and Economic Development Division is charged with stimulating economic activity and offering a diverse range of value-added programs to build, revitalize, and sustain Scottsdale's unique lifestyle and character. The division consists of: Economic Development, Planning and Development Services, Tourism and Development Events, Transportation, and WestWorld. Expenses were \$0.5 million or 0.5 percent higher than the prior fiscal year due primarily to an increase in employee compensation.

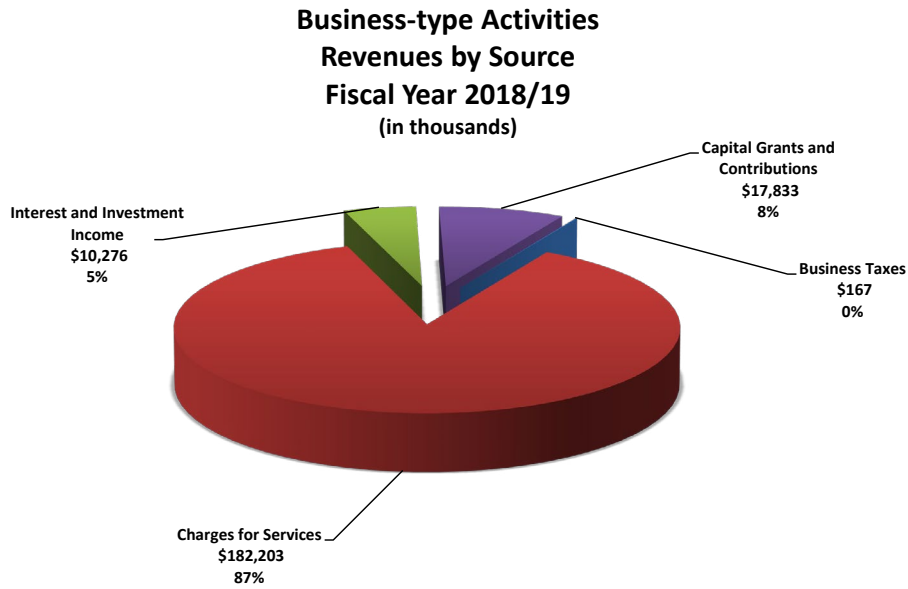
The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, and promoting healthy lifestyles. They also assist those in need through federal, state, local, and private resources. The division consists of: Parks and Recreation, Human Services, Libraries, and Preserve. Expenses were \$2.0 million or 3.7 percent higher than the prior fiscal year due primarily to an increase in employee compensation.

Business-type Activities. Net position for business-type activities increased by \$29.3 million after transfers during fiscal year 2019 compared to \$24.8 million after transfers in fiscal year 2018. Total revenues increased by \$2.0 million or 0.9 percent due primarily to an increase in interest and investment income offset by a decrease in developer contributions and charges for services caused by lower deliveries. Overall, total revenues exceeded expenses resulting in the increase in net position for the fiscal year.

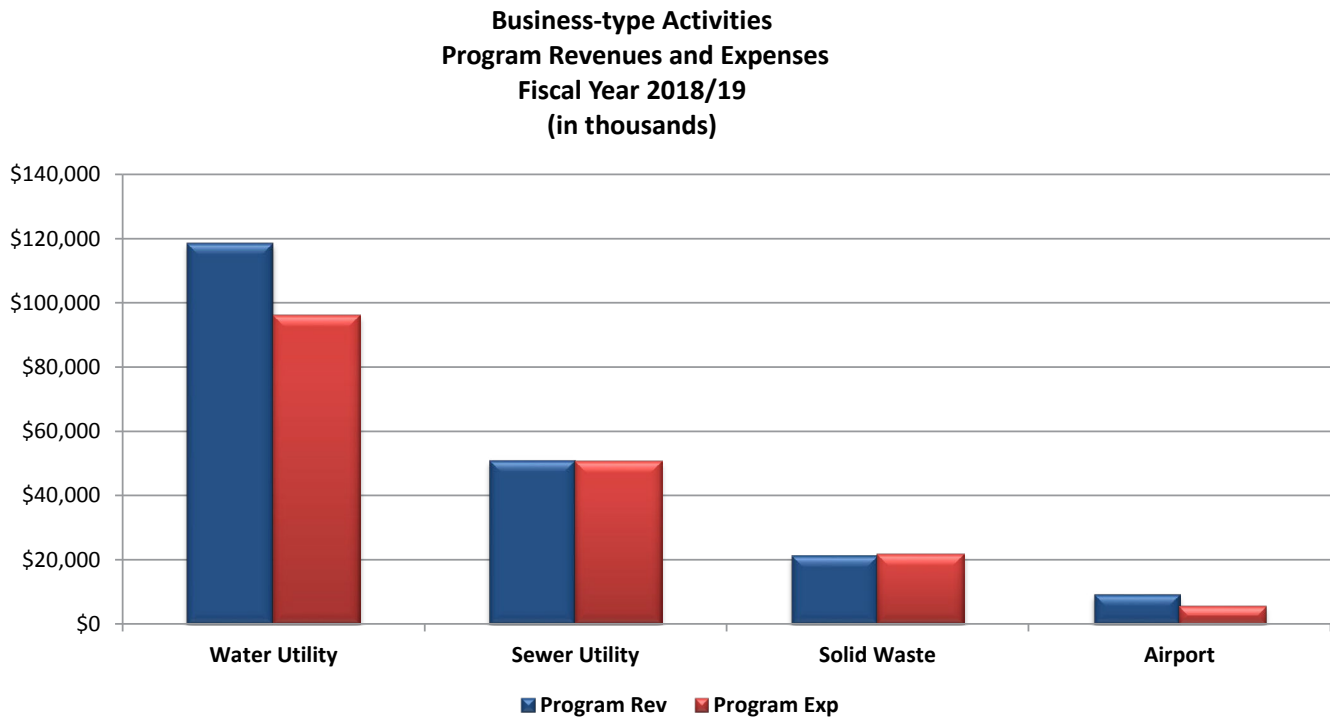
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues (87 percent) followed by capital grants and contributions (8 percent).



As shown below in the *Business-type Activities Program Revenues and Expenses* chart, the largest of the City's business-type activities, water and sewer utilities, had expenses of \$96.0 million and \$50.5 million, respectively, in fiscal year 2019, followed by solid waste with \$21.8 million and airport with \$5.4 million.



Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

The City's Water Resources Department manages and operates a safe, reliable water supply and wastewater reclamation system, and in fiscal year 2019 they provided 91,279 water connections to Scottsdale citizens. The Water and Sewer Utility's combined expenses decreased by 1.5 percent in fiscal year 2019 compared to fiscal year 2018. This was caused primarily by lower electric expenses due to lower water demand and deliveries, and lower purchased water and chemicals, also due to lower water demand and deliveries. The milder weather and ample rain earlier in the year drove a 10.0 percent reduction in deliveries compared to fiscal year 2018.

The Solid Waste Department provided delivery of safe, efficient, and environmentally sound refuse collection services to 82,711 residential customers in fiscal year 2019. Total program expenses increased 10.4 percent or \$2.1 million in fiscal year 2019 compared to fiscal year 2018 due to an increase in employee compensation and landfill contract expenses.

The Aviation Department operates the City's general aviation reliever facility and is home to many of the Valley's corporate aircraft. More than 176,000 take-offs and landings occurred in fiscal year 2019 at Scottsdale Airport. Total program expenses decreased by 29.6 percent or \$2.3 million in fiscal year 2019 compared to fiscal year 2018, driven primarily by a decrease in contractual services due to construction projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$260.9 million, an increase of \$16.6 million from the prior year total of \$244.3 million. Approximately 32 percent or \$82.6 million of the current year amount constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, or committed to indicate that it is not available for new spending.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Revenues for governmental functions totaled \$492.1 million in fiscal year 2019, an increase of 7.4 percent, or \$34.0 million, from the previous year total of \$458.1 million. In fiscal year 2019, expenditures for governmental functions totaled \$483.4 million, an increase of 4.8 percent, or \$22.3 million, from the fiscal year 2018 total of \$461.1 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$8.7 million. This was chiefly due to an increase of \$13.6 million in privilege tax revenues, a \$6.9 million net increase in the fair value of investments, and an increase of \$5.2 million in property taxes over the prior year. These revenues are all indicators of the continued healthy economy experienced by the City and nationally.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$97.1 million, while the total fund balance was \$97.4 million; the unassigned and total balances for the General Fund at the end of fiscal year 2018 were \$72.8 million and \$73.1 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 36.0 percent of the total General Fund expenditures of \$270.1 million in fiscal year 2019 and represented 28.7 percent of the total General Fund expenditures of \$253.4 million in fiscal year 2018. Total fund balance represented 36.1 percent and 28.8 percent of total fund expenditures for fiscal years 2019 and 2018, respectively.

Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2019 by \$38.9 million. Total revenues increased \$25.8 million or 9.1 percent compared to the prior year while expenditures increased \$16.7 million or 6.6 percent.

Key General Fund revenues showing an increase over the prior year included the net increase in the fair value of investments (\$6.9 million), transaction privilege tax (\$6.0 million), and property tax (\$4.5 million), as previously mentioned these are indicators of the strong local and national economy.

Public Safety experienced the largest growth in General Fund expenditures of \$10.0 million due to increased pension costs and salary increases. City Treasurer expenditures increased \$2.6 million over the prior year due to a reorganization that moved the Purchasing Department from Administrative Services to the City Treasurer. Conversely, Administrative services saw a decrease of \$1.0 million in expenditures over the prior year offset by increases in employee compensation, contractual, and commodity purchases. As a result of increased revenues and a nominal increase in expenditures the fund balance of the City's General Fund increased in fiscal year 2019 by \$24.3 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 \$1.4 million, a decrease of \$1.1 million from the \$2.5 million balance at June 30, 2018. The decrease in fund balance was due to scheduled debt payments.

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 \$42.3 million, an increase of \$4.0 million from the \$38.3 million at June 30, 2018 caused by transfers in exceeding capital expenditures.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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 2019 and 2018, the unrestricted net position for the Water and Sewer Utility Fund was \$271.0 million and \$256.8 million, respectively; the Airport Fund was \$5.9 million and \$(12.9) million, respectively; and the Solid Waste Fund was \$1.8 million and \$3.4 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, had unrestricted net position of \$24.4 million and \$20.8 million, respectively.

The total growth in net position for the enterprise funds was \$28.5 million and \$24.0 million for fiscal years 2019 and 2018, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

General Fund revenues for fiscal year 2019 were \$12.3 million more than projected. Key differences between final estimated revenues and actual revenues were as follows (in thousands):

Revenue Source	Forecast	Actual	Variance
Transaction Privilege Taxes	\$126,078	\$134,126	\$8,048
Intergovernmental – Misc.	2,180	4,149	1,969
Interest Earnings	3,575	4,328	753

Higher than anticipated transaction privilege tax collections were the result of the strong local economy with automotive, retail, and rental categories leading the way. The intergovernmental-miscellaneous variance was due to the unbudgeted \$1.97 million fire insurance premium credit received in fiscal year 2019. Lastly, the positive variance in interest earnings was due to a to a greater yield on investments than expected due to positive market conditions for the majority of the fiscal year.

General Fund expenditures were \$7.3 million less than the revised fiscal year 2019 budget largely due to the following:

- Employees being promoted or retiring with replacement employees often coming in at a lower salary.
- Jail services and photo enforcement spending less than anticipated.
- Lower need than projected for vehicle maintenance and fuel costs as well as items such as investigative equipment, ballistic vests, library e-materials, furniture, and other miscellaneous operating supplies.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2019 and 2018 was \$5.78 billion and \$5.77 billion, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, streets and storm drains, water and sewer systems, water rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation) between fiscal years 2019 and 2018 was \$7.8 million or 0.1 percent.

Capital Assets, Net of Depreciation

June 30, 2019 and 2018 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,194,486	\$ 3,177,449	\$ 50,381	\$ 50,381	\$ 3,244,867	\$ 3,227,830
Buildings and Land Improvements	357,054	368,094	57,694	25,016	414,748	393,110
Streets and Storm Drains	678,581	702,507	-	-	678,581	702,507
Machinery and Equipment	37,385	37,650	3,613	3,490	40,998	41,140
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	754,262	752,541	754,262	752,541
Sewer System	-	-	392,375	398,502	392,375	398,502
Motor Vehicles	45,268	45,295	466	550	45,734	45,845
Furniture, Fixtures, and Office Equipment	-	-	860	453	860	453
Construction in Progress	65,512	39,926	51,781	80,108	117,293	120,034
Total	\$ 4,378,286	\$ 4,370,921	\$ 1,398,603	\$ 1,398,212	\$ 5,776,889	\$ 5,769,133

Significant capital asset events during fiscal year 2019 included the following:

- Land: \$14.9 million for land donated by developers that coincides with public street improvements for finalized permits, and \$1.9 million for donated easements for streets, sidewalks, and drainage.
- Buildings and Land Improvements:
 - \$28.1 million for airport terminal improvements and \$6.2 for airport runway improvements.
 - \$4.3 million for fire station improvements and \$5.5 million for bridge, facility, underground utility, and park improvements.
- Streets: \$7.5 million for new road improvements donated by developers, \$13.4 million for street preservation, and \$6.2 million related to streets, traffic control, sidewalks and storm drains.
- Vehicles: \$2.7 million for solid waste vehicles, \$2.9 million for public safety vehicles, and \$1.6 million for street and water operation vehicles.

Additional information on the City's capital assets can be found in Note IV.D. on pages 86-88 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Long-term Debt. At the end of the fiscal years 2019 and 2018, the City had total long-term liabilities of \$1,462.2 million and \$1,571.1 million, respectively. Of these amounts, \$483.2 million and \$525.5 million, for fiscal years 2019 and 2018 respectively, are general obligation bonds backed by the full faith and credit of the City. The remainder includes water and sewer revenue bonds, Municipal Property Corporation bonds, Scottsdale Preserve Authority bonds, certificates of participation, net pension liabilities, and other obligations of \$979.0 million and \$1,045.7 million for fiscal years 2019 and 2018, 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, 2019 and 2018 was \$429.4 million and \$401.3 million, respectively, in the 6 percent capacity and \$955.0 million and \$864.0 million, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.H. of the Notes to the Financial Statements and also in Tables XVIa and XVIb in the Statistical Section of this report.

Long-term Liabilities

June 30, 2019 and 2018 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 483,215	\$ 525,465	\$ -	\$ -	\$ 483,215	\$ 525,465
Water and Sewer Revenue Bonds	-	-	16,175	19,715	16,175	19,715
Municipal Property Corporation Bonds	173,762	187,918	290,768	306,822	464,530	494,740
Scottsdale Preserve Authority Bonds	7,410	11,950	-	-	7,410	11,950
Community Facilities Districts						
General Obligation Bonds	2,810	2,950	-	-	2,810	2,950
Certificates of Participation - Direct Borrowing	2,493	4,914	-	-	2,493	4,914
Community Facilities Districts						
General Obligation Bonds - Direct Placements	13,515	15,850	-	-	13,515	15,850
Issuance Premiums	59,224	65,413	28,550	30,939	87,774	96,352
Total Bonds Payable	742,429	814,460	335,493	357,476	1,077,922	1,171,936
Capital Lease	219	32	-	-	219	32
Service Concession Arrangements	2,221	2,375	-	-	2,221	2,375
Risk Management Claims	22,447	22,933	-	-	22,447	22,933
Compensated Absences	26,322	25,516	3,748	3,531	30,070	29,047
Total Other Postemployment Benefit	2,103	2,194	-	-	2,103	2,194
Net Pension Liabilities	297,632	309,094	29,630	33,523	327,262	342,617
Total Long-term Liabilities	\$ 1,093,373	\$ 1,176,604	\$ 368,871	\$ 394,530	\$ 1,462,244	\$ 1,571,134

During fiscal year 2019, the City's total long-term liabilities decreased overall by \$108.9 million due to the City making scheduled principal payments on its debt, primarily \$42.3 million of general obligation bonds, and \$30.2 million of MPC bonds.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the City's proportionate share of its unfunded pension liabilities for pension plans in which it participates is included in its outstanding long-term liabilities. The City's net pension liabilities at the end of fiscal years 2019 and 2018 were \$327.3 million and \$342.6 million, respectively. This decrease was due primarily to the change in assumptions and differences between expected and actual experience for the Arizona State Retirement System. Additional information on the City's pensions begin on page 109.

Additional information in the City's long-term liabilities can be found in Section IV.H. of the Notes to the Financial Statements on pages 92-104 of this report.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Together with Arizona's solid economic growth, Scottsdale's economy continues on a strong and stable fiscal path. In June 2019, the City Council approved a \$1,541.8 million budget, which is a 12.8 percent increase over the prior year budget of \$1,366.8 million. The adopted fiscal year 2020 budget includes \$882.1 million for operations, including grants, contingencies and reserves, and \$659.7 million for capital improvements.

REQUESTS FOR INFORMATION

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

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

Basic Financial Statements

Statement of Net Position

June 30, 2019 (in thousands)

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 316,144	\$ 206,319	\$ 522,463
Receivables (net of allowance for uncollectibles)			
Property and Other Local Taxes	30,305	40	30,345
Charges for Services	-	19,630	19,630
Fines	11,050	-	11,050
Intergovernmental and Grants	32,651	2,874	35,525
Interest	1,740	1,274	3,014
Other	10,892	2,886	13,778
Internal Balances	(4,057)	4,057	-
Supplies Inventory	1,130	-	1,130
Prepaid Items	-	2,211	2,211
Prepayments	26,632	-	26,632
Pollution Remediation Recoveries	-	44,582	44,582
Restricted Assets			
Cash with Fiscal Agent	80,196	48,921	129,117
Customer Advances and Deposits	-	953	953
Joint Venture Construction Deposits	-	6,220	6,220
Advanced Construction Payments	-	3,181	3,181
Advanced Lease Payments	-	1,267	1,267
Water and Sewer System Replacement	-	41,292	41,292
Revenue Bond Reserve	-	4,692	4,692
Service Concession Arrangements	59,731	-	59,731
Equity in Joint Ventures	1,659	92,374	94,033
Capital Assets Not Being Depreciated			
Land, Water Rights, and Construction in Progress	3,259,998	189,333	3,449,331
Capital Assets, Net of Accumulated Depreciation			
Facilities, Infrastructure, and Equipment	1,118,288	1,209,270	2,327,558
Total Assets	<u>4,946,359</u>	<u>1,881,376</u>	<u>6,827,735</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refundings	24,158	8,683	32,841
Pension-Related Amounts	66,936	4,130	71,066
OPEB-Related Amounts	216	-	216
Total Deferred Outflows of Resources	<u>\$ 91,310</u>	<u>\$ 12,813</u>	<u>\$ 104,123</u>

(continued)

Statement of Net Position

June 30, 2019 (in thousands)

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts Payable	\$ 25,581	\$ 14,956	\$ 40,537
Accrued Payroll and Benefits	6,066	734	6,800
Accrued Compensated Absences	266	-	266
Interest Payable	14,758	7,565	22,323
Matured Bonds, Loans, and Other Payables	64,632	19,593	84,225
Due to Other Governments	4,927	-	4,927
Unearned Revenue	10,498	-	10,498
Liabilities Payable from Restricted Assets			
Advanced Construction Payments	-	3,181	3,181
Advanced Lease Payments	-	1,267	1,267
Customer Advances & Deposits	3,242	953	4,195
Other Liabilities	3,042	-	3,042
Noncurrent Liabilities			
Due Within One Year			
Accrued Compensated Absences	12,491	1,767	14,258
Bonds, Loans, and Other Payables	76,868	20,703	97,571
Due in More Than One Year			
Accrued Compensated Absences	13,831	1,981	15,812
Total Other Postemployment Benefit Liability	2,103	-	2,103
Net Pension Liabilities	297,632	29,630	327,262
Bonds, Loans, and Other Payables	690,448	314,790	1,005,238
Pollution Remediation Obligation	-	44,582	44,582
Total Noncurrent Liabilities	1,093,373	413,453	1,506,826
Total Liabilities	1,226,385	461,702	1,688,087
DEFERRED INFLOWS OF RESOURCES			
Pension-Related Amounts	20,601	3,931	24,532
OPEB-Related Amounts	471	-	471
Total Deferred Inflows of Resources	21,072	3,931	25,003
NET POSITION			
Net Investment in Capital Assets	3,675,567	1,093,556	4,769,123
Restricted			
Debt Service	10,744	4,692	15,436
Transportation and Preserve Privilege Tax Activities	54,027	-	54,027
Capital Projects	48,184	-	48,184
Grants	2,735	-	2,735
Special Programs	3,200	-	3,200
Streetlight and Services Districts	11	-	11
Community Facilities Districts	124	-	124
Endowments			
Expendable	28	-	28
Nonexpendable	604	-	604
Repair and Replacement	-	41,292	41,292
Joint Venture Construction Deposits	-	6,220	6,220
Unrestricted	(5,012)	282,796	277,784
Total Net Position	\$ 3,790,212	\$ 1,428,556	\$ 5,218,768

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

Statement of Activities

For the Fiscal Year Ended June 30, 2019 (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	\$ 704	\$ 142	\$ 7	\$ -	\$ (555)	\$ -	\$ (555)
City Clerk	952	171	-	-	(781)	-	(781)
City Attorney	6,890	792	-	-	(6,098)	-	(6,098)
City Auditor	898	203	-	-	(695)	-	(695)
City Court	5,509	-	5	-	(5,504)	-	(5,504)
City Manager	3,691	349	1,036	-	(2,306)	-	(2,306)
City Treasurer	8,209	3,036	-	-	(5,173)	-	(5,173)
Public Works	47,420	1,567	77	3,443	(42,333)	-	(42,333)
Community and Economic Development	102,680	20,562	18,009	31,383	(32,726)	-	(32,726)
Public Safety	153,817	11,107	6,756	80	(135,874)	-	(135,874)
Community Services	56,730	7,078	7,982	714	(40,956)	-	(40,956)
Administrative Services	17,974	2,617	361	-	(14,996)	-	(14,996)
Streetlight and Services Districts	584	591	-	-	7	-	7
Interest on Long-Term Debt	26,364	-	-	-	(26,364)	-	(26,364)
Total Governmental Activities	<u>432,422</u>	<u>48,215</u>	<u>34,233</u>	<u>35,620</u>	<u>(314,354)</u>	<u>-</u>	<u>(314,354)</u>
Business-type Activities							
Water Utility	96,010	109,947	-	8,476	-	22,413	22,413
Sewer Utility	50,462	45,419	-	5,505	-	462	462
Airport	5,370	5,493	-	3,852	-	3,975	3,975
Solid Waste	21,790	21,344	-	-	-	(446)	(446)
Total Business-type Activities	<u>173,632</u>	<u>182,203</u>	<u>-</u>	<u>17,833</u>	<u>-</u>	<u>26,404</u>	<u>26,404</u>
Total Government	<u>\$ 606,054</u>	<u>\$ 230,418</u>	<u>\$ 34,233</u>	<u>\$ 53,453</u>	<u>(314,354)</u>	<u>26,404</u>	<u>(287,950)</u>
General Revenues							
Taxes							
Property Taxes					68,922	-	68,922
Sales and Use Taxes					224,177	167	224,344
Franchise Taxes					13,175	-	13,175
Intergovernmental - Unrestricted							
State Shared Sales					25,187	-	25,187
State Revenue Sharing					30,269	-	30,269
Other					14,924	-	14,924
Interest and Investment Income					11,860	10,276	22,136
Other Revenue					9,130	-	9,130
Transfers					7,581	(7,581)	-
Total General Revenues and Transfers					<u>405,225</u>	<u>2,862</u>	<u>408,087</u>
Change in Net Position					90,871	29,266	120,137
Net Position - Beginning					3,699,341	1,399,290	5,098,631
Net Position - Ending					<u>\$ 3,790,212</u>	<u>\$ 1,428,556</u>	<u>\$ 5,218,768</u>

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

Balance Sheet

Governmental Funds

June 30, 2019 (in thousands)

ASSETS	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 86,327	\$ 967	\$ 41,150	\$ 133,771	\$ 262,215
Cash with Fiscal Agent	1,265	52,140	-	26,791	80,196
Receivable (net of allowance for uncollectibles)					
Interest	1,090	-	177	473	1,740
Privilege Tax	14,891	-	-	8,011	22,902
Transient Occupancy Tax	-	-	-	1,123	1,123
Property Tax	926	1,006	-	98	2,030
State Shared Sales Tax	855	-	-	-	855
Franchise Fee	2,909	-	-	50	2,959
Court Receivable	10,845	-	-	-	10,845
Library Receivable	205	-	-	-	205
Highway User Tax	-	-	-	1,534	1,534
Auto Lieu Tax	436	-	-	-	436
Intergovernmental	-	-	-	29,842	29,842
Grants	-	-	-	1,275	1,275
Miscellaneous	4,030	-	2,033	4,558	10,621
Due from Other Funds	5,902	-	-	-	5,902
Supplies Inventory	271	-	-	-	271
Total Assets	\$ 129,952	\$ 54,113	\$ 43,360	\$ 207,526	\$ 434,951

(continued)

Balance Sheet

Governmental Funds

June 30, 2019 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts Payable	\$ 5,072	\$ -	\$ 1,055	\$ 16,579	\$ 22,706
Accrued Payroll and Benefits	5,921	-	8	275	6,204
Due to Other Funds	-	-	-	5,902	5,902
Matured Bond Interest Payable	55	9,890	-	4,813	14,758
Matured Bonds Payable	1,210	42,250	-	21,172	64,632
Unearned Revenue					
Intergovernmental	-	-	-	8,606	8,606
Other	962	-	3	892	1,857
Due to Other Governments	4,922	-	-	4	4,926
Guaranty and Other Deposits	3,237	-	-	5	3,242
Other	3,036	-	-	-	3,036
Total Liabilities	<u>24,415</u>	<u>52,140</u>	<u>1,066</u>	<u>58,248</u>	<u>135,869</u>
Deferred Inflows of Resources					
Unavailable Revenues	8,169	579	7	29,439	38,194
Total Liabilities and Deferred Inflows of Resources	<u>32,584</u>	<u>52,719</u>	<u>1,073</u>	<u>87,687</u>	<u>174,063</u>
Fund Balances (Deficits)					
Nonspendable	271	-	-	604	875
Restricted	-	1,394	-	110,873	112,267
Committed	-	-	42,287	22,813	65,100
Unassigned	97,097	-	-	(14,451)	82,646
Total Fund Balances (Deficits)	<u>97,368</u>	<u>1,394</u>	<u>42,287</u>	<u>119,839</u>	<u>260,888</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 129,952</u>	<u>\$ 54,113</u>	<u>\$ 43,360</u>	<u>\$ 207,526</u>	<u>\$ 434,951</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, 2019 (in thousands)

Fund Balances - Total Governmental Funds	\$ 260,888
Amounts reported for governmental activities in the statement of net position are different because (see Note II A):	
Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.	4,318,665
Changes in equity in joint venture are not financial resources; therefore, are not reported in the funds.	1,657
Prepayments and service concession arrangements are not financial resources; therefore, are not reported in the funds.	86,363
Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.	90,642
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds.	(1,065,719)
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.	17,747
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>79,969</u>
Net Position of Governmental Activities	<u>\$ 3,790,212</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, 2019 (in thousands)

REVENUES	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Taxes - Local					
Property	\$ 31,383	\$ 34,087	\$ -	\$ 3,268	\$ 68,738
Transaction Privilege	134,126	-	-	69,697	203,823
Transient Occupancy	-	-	-	22,407	22,407
Light and Power Franchise	8,571	-	-	261	8,832
Cable TV Franchise	3,293	-	-	-	3,293
Salt River Project In-Lieu	238	-	-	-	238
Other Taxes	3,102	-	-	-	3,102
Taxes - Intergovernmental					
State Shared Sales	25,187	-	-	-	25,187
State Revenue Sharing	30,269	-	-	-	30,269
Auto Lieu Tax	10,791	-	-	-	10,791
Highway User Tax	-	-	-	17,073	17,073
Local Transportation Assistance Fund	-	-	-	642	642
Business and Liquor Licenses	1,866	-	-	52	1,918
Charges for Current Services					
Building and Related Permits	15,885	-	54	40	15,979
Recreation Fees	4,554	-	-	2,286	6,840
WestWorld Equestrian Facility Fees	4,863	-	-	-	4,863
Fire Fees	2,092	-	-	-	2,092
Fines, Fees, and Forfeitures					
Court	3,846	-	-	146	3,992
Parking	288	-	-	-	288
Photo Radar	2,243	-	-	-	2,243
Court Enhancement	-	-	-	1,764	1,764
Library	426	-	-	-	426
Police	-	-	-	247	247
Property Rental	3,559	-	-	2,530	6,089
Interest Earnings	4,328	-	547	2,081	6,956
Net Increase in the Fair Value of Investments	4,904	-	-	-	4,904
Intergovernmental					
Federal Grants	-	-	-	12,135	12,135
State Grants	-	-	-	410	410
Miscellaneous	4,149	-	-	8,785	12,934
Developer Contributions	-	-	-	412	412
Streetlight and Services Districts	-	-	-	591	591
Contributions and Donations	-	-	-	2,575	2,575
Reimbursements from Outside Sources	1,887	-	-	528	2,415
Indirect Costs	6,475	-	-	424	6,899
Other	670	-	3	78	751
Total Revenues	\$ 308,995	\$ 34,087	\$ 604	\$ 148,432	\$ 492,118

(continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES					
Current					
General Government					
Mayor and City Council	\$ 730	\$ -	\$ -	\$ 17	\$ 747
City Clerk	1,004	-	-	-	1,004
City Attorney	7,471	-	-	-	7,471
City Auditor	948	-	-	-	948
City Court	4,779	-	-	1,018	5,797
City Manager	2,708	-	-	1,038	3,746
City Treasurer	8,421	-	-	172	8,593
Public Works	20,352	-	-	14,802	35,154
Community and Economic Development	24,884	-	-	23,976	48,860
Public Safety	144,136	-	-	2,114	146,250
Community Services	36,145	-	-	12,641	48,786
Administrative Services	15,279	-	-	-	15,279
Streetlight and Services Districts	-	-	-	584	584
Debt Service					
Principal	2,631	42,250	-	21,172	66,053
Interest and Fiscal Charges	321	19,786	-	9,645	29,752
Capital Outlay	244	-	14,973	49,178	64,395
Total Expenditures	<u>270,053</u>	<u>62,036</u>	<u>14,973</u>	<u>136,357</u>	<u>483,419</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>38,942</u>	<u>(27,949)</u>	<u>(14,369)</u>	<u>12,075</u>	<u>8,699</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	10,698	26,872	18,876	51,731	108,177
Transfers Out	(25,780)	-	(485)	(74,470)	(100,735)
Capital Lease Acquisitions	244	-	-	-	244
Sale of General Capital Assets	191	-	-	-	191
Total Other Financing Sources (Uses)	<u>(14,647)</u>	<u>26,872</u>	<u>18,391</u>	<u>(22,739)</u>	<u>7,877</u>
Net Change in Fund Balances (Deficits)	24,295	(1,077)	4,022	(10,664)	16,576
Fund Balances - Beginning	73,073	2,471	38,265	130,503	244,312
Fund Balances - Ending	<u>\$ 97,368</u>	<u>\$ 1,394</u>	<u>\$ 42,287</u>	<u>\$ 119,839</u>	<u>\$ 260,888</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, 2019 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$	16,576
<p>Amounts reported for governmental activities in the statement of activities are different because (see Note II B):</p>		
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.		(19,322)
Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.		24,399
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.		(33,438)
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.		31,430
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.		181
The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System that is used to offset the contribution required to be made by the City. The fund financial statements recognize the current year contribution; however, the government-wide statements recognize the prior year contribution.		1,888
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,171)
Prepayments are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position. This is the amount of the amortization expense in the current period.		(967)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period.		65,809
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 reductions of interest expense were recognized due to the amortization of bond premiums.		3,388
The change in net position of the Internal Service Funds is attributed to governmental activities.		5,098
Change in Net Position of Governmental Activities	\$	90,871

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, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Property	\$ 31,558	\$ 31,558	\$ 31,383	\$ -	\$ 31,383	\$ (175)
Transaction Privilege	126,078	126,078	134,126	-	134,126	8,048
Light and Power Franchise	8,541	8,541	8,571	-	8,571	30
Cable TV Franchise	4,144	4,144	3,293	-	3,293	(851)
Salt River Project In-Lieu	218	218	238	-	238	20
Other Taxes	3,103	3,103	3,102	-	3,102	(1)
Taxes - Intergovernmental						
State Shared Sales	24,479	24,479	25,187	-	25,187	708
State Revenue Sharing	30,278	30,278	30,269	-	30,269	(9)
Auto Lieu Tax	10,900	10,900	10,791	-	10,791	(109)
Business and Liquor Licenses	1,885	1,885	1,866	-	1,866	(19)
Charges for Current Services						
Building and Related Permits	15,565	15,565	15,885	-	15,885	320
Recreation Fees	4,307	4,307	4,554	-	4,554	247
WestWorld Equestrian Facility Fees	4,903	4,903	4,863	-	4,863	(40)
Fire Fees	1,513	1,513	2,092	-	2,092	579
Fines, Fees, and Forfeitures						
Court	4,169	4,169	3,846	-	3,846	(323)
Parking	252	252	288	-	288	36
Photo Radar	2,265	2,265	2,243	-	2,243	(22)
Library	467	467	426	-	426	(41)
Property Rental	3,373	3,373	3,559	-	3,559	186
Interest Earnings	3,575	3,575	4,328	-	4,328	753
Net Increase in the Fair Value of Investments	-	-	-	4,904	4,904	-
Intergovernmental						
Miscellaneous	1,820	2,180	4,149	-	4,149	1,969
Reimbursements from Outside Sources	1,181	1,181	1,887	-	1,887	706
Indirect Costs	6,475	6,475	6,475	-	6,475	-
Other	781	421	670	-	670	249
Total Revenues	\$ 291,830	\$ 291,830	\$ 304,091	\$ 4,904	\$ 308,995	\$ 12,261

(continued)

General Fund

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

For the Fiscal Year Ended June 30, 2019 (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	\$ 664	\$ 727	\$ 727	\$ 3	\$ 730	\$ -
City Clerk	1,038	1,085	1,000	4	1,004	85
City Attorney	7,063	7,698	7,299	172	7,471	399
City Auditor	960	1,022	944	4	948	78
City Court	4,785	4,818	4,763	16	4,779	55
City Manager	2,580	2,749	2,696	12	2,708	53
City Treasurer	8,903	8,865	8,381	40	8,421	484
Public Works	20,164	20,375	20,310	42	20,352	65
Community and Economic Development	25,442	25,573	24,812	72	24,884	761
Public Safety	143,374	147,387	143,110	1,026	144,136	4,277
Community Services	36,851	37,030	36,016	129	36,145	1,014
Administrative Services	21,091	15,290	15,223	56	15,279	67
Debt Service						
Principal	2,575	2,575	2,631	-	2,631	(56)
Interest and Fiscal Charges	316	316	321	-	321	(5)
Capital Outlay	244	244	244	-	244	-
Total Expenditures	<u>276,050</u>	<u>275,754</u>	<u>268,477</u>	<u>1,576</u>	<u>270,053</u>	<u>7,277</u>
Excess of Revenues over Expenditures	<u>15,780</u>	<u>16,076</u>	<u>35,614</u>	<u>3,328</u>	<u>38,942</u>	<u>19,538</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	10,298	10,298	10,698	-	10,698	400
Transfers Out	(24,135)	(24,135)	(25,780)	-	(25,780)	(1,645)
Capital Lease Acquisitions	-	-	244	-	244	244
Sale of General Capital Assets	303	303	191	-	191	(112)
Total Other Financing Sources (Uses)	<u>(13,534)</u>	<u>(13,534)</u>	<u>(14,647)</u>	<u>-</u>	<u>(14,647)</u>	<u>(1,113)</u>
Net Change in Fund Balances	2,246	2,542	20,967	3,328	24,295	18,425
Fund Balances - Beginning	50,876	81,051	81,051	(7,978)	73,073	-
Fund Balances - Ending	<u>\$ 53,122</u>	<u>\$ 83,593</u>	<u>\$ 102,018</u>	<u>\$ (4,650)</u>	<u>\$ 97,368</u>	<u>\$ 18,425</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, 2019 (in thousands)

Explanation of Differences:

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

Net Increase in the Fair Value of Investments	\$ 4,904
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The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:

Payroll Accrual and Compensated Absences	1,576
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Net Increase in Fund Balance - Budget to GAAP

\$ 3,328

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

Statement of Fund Net Position

Proprietary Funds

June 30, 2019 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Cash and Investments	\$ 190,698	\$ 7,861	\$ 7,760	\$ 206,319	\$ 53,929
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	40	-	40	-
Charges for Services	17,305	-	2,325	19,630	-
Intergovernmental	-	982	-	982	-
Interest	1,181	39	54	1,274	-
Miscellaneous	2,375	387	124	2,886	271
Supplies Inventory	-	-	-	-	859
Restricted Cash, Cash Equivalents, and Investments					
Cash with Fiscal Agent	47,674	1,247	-	48,921	-
Customer Advances and Deposits	863	90	-	953	-
Prepaid Items	2,211	-	-	2,211	-
Other Restricted Items					
Joint Venture Construction Deposits	6,220	-	-	6,220	-
Total Current Assets	<u>268,527</u>	<u>10,646</u>	<u>10,263</u>	<u>289,436</u>	<u>55,059</u>
Noncurrent Assets					
Long-Term Receivables	1,892	-	-	1,892	-
Equity in Joint Ventures	92,318	5	51	92,374	2
Pollution Remediation Recoveries	44,582	-	-	44,582	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	3,181	-	-	3,181	-
Advanced Lease Payments	-	1,267	-	1,267	-
Water and Sewer System Replacement	41,292	-	-	41,292	-
Revenue Bond Reserve	4,692	-	-	4,692	-
Capital Assets					
Land	39,706	9,564	1,111	50,381	-
Water Rights	87,171	-	-	87,171	-
Water System	1,283,992	-	-	1,283,992	-
Sewer System	646,129	-	-	646,129	-
Buildings and Improvements	-	65,274	5,587	70,861	12,887
Motor Vehicles	-	1,151	-	1,151	89,310
Machinery and Equipment	6,432	494	742	7,668	4,472
Furniture and Fixtures	1,155	13	89	1,257	-
Construction in Progress	47,790	2,954	1,037	51,781	1,707
Less Accumulated Depreciation	(787,279)	(11,030)	(3,479)	(801,788)	(48,755)
Total Capital Assets (net of accumulated depreciation)	<u>1,325,096</u>	<u>68,420</u>	<u>5,087</u>	<u>1,398,603</u>	<u>59,621</u>
Total Noncurrent Assets	<u>1,513,053</u>	<u>69,692</u>	<u>5,138</u>	<u>1,587,883</u>	<u>59,623</u>
Total Assets	<u>1,781,580</u>	<u>80,338</u>	<u>15,401</u>	<u>1,877,319</u>	<u>114,682</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	8,683	-	-	8,683	-
Pension-Related Amounts	3,007	185	938	4,130	668
Total Deferred Outflows of Resources	<u>\$ 11,690</u>	<u>\$ 185</u>	<u>\$ 938</u>	<u>\$ 12,813</u>	<u>\$ 668</u>

(continued)

Statement of Fund Net Position

Proprietary Funds

June 30, 2019 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>					
<u>Liabilities</u>					
Current Liabilities					
Accounts Payable	\$ 12,255	\$ 1,851	\$ 850	\$ 14,956	\$ 2,875
Accrued Payroll and Benefits	521	34	179	734	127
Accrued Compensated Absences - Current	-	-	-	-	1
Accrued Compensated Absences - Due within one year	1,280	93	394	1,767	256
Due to Other Governments	-	-	-	-	1
Customer Advances and Deposits	863	90	-	953	-
Interest Payable	7,093	472	-	7,565	-
Matured Bonds and Other Payables	18,818	775	-	19,593	-
Bonds Payable and Other Payables - Due within one year	19,888	815	-	20,703	8,764
Unearned Revenue	-	-	-	-	35
Other Liabilities	-	-	-	-	6
Total Current Liabilities	<u>60,718</u>	<u>4,130</u>	<u>1,423</u>	<u>66,271</u>	<u>12,065</u>
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,390	130	461	1,981	238
Advanced Construction Payments	3,181	-	-	3,181	-
Advanced Lease Payments	-	1,267	-	1,267	-
Net Pension Liabilities	21,680	1,308	6,642	29,630	4,713
Bonds, Loans, and Other Payables - Due in more than one year	292,000	22,790	-	314,790	13,683
Pollution Remediation Obligation	44,582	-	-	44,582	-
Total Noncurrent Liabilities	<u>362,833</u>	<u>25,495</u>	<u>7,103</u>	<u>395,431</u>	<u>18,634</u>
Total Liabilities	<u>423,551</u>	<u>29,625</u>	<u>8,526</u>	<u>461,702</u>	<u>30,699</u>
<u>Deferred Inflows of Resources</u>					
Pension-Related Amounts	<u>2,876</u>	<u>173</u>	<u>882</u>	<u>3,931</u>	<u>625</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets	1,043,654	44,815	5,087	1,093,556	59,621
Restricted for Water and Sewer System Replacement	41,292	-	-	41,292	-
Restricted for Debt Service	4,692	-	-	4,692	-
Restricted for Joint Venture Construction Deposits	6,220	-	-	6,220	-
Unrestricted	270,985	5,910	1,844	278,739	24,405
Total Net Position	<u>\$ 1,366,843</u>	<u>\$ 50,725</u>	<u>\$ 6,931</u>	<u>\$ 1,424,499</u>	<u>\$ 84,026</u>

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

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

June 30, 2019 (in thousands)

Total Enterprise Fund Net Position	\$ 1,424,499
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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.

4,057

Net Position of Business-type Activities	<u><u>\$ 1,428,556</u></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, 2019 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Charges for Sales and Services					
Water Service Fees	\$ 97,259	\$ -	\$ -	\$ 97,259	\$ -
Sewer Service Fees	44,177	-	-	44,177	-
Proprietary - Non-potable water fees	12,337	-	-	12,337	-
Solid Waste Fees	-	-	21,344	21,344	-
Airport Fees	-	5,370	-	5,370	-
Other Services	-	-	-	-	65,288
Other	1,170	103	-	1,273	-
Total Operating Revenues	<u>154,943</u>	<u>5,473</u>	<u>21,344</u>	<u>181,760</u>	<u>65,288</u>
OPERATING EXPENSES					
Costs for Sales and Services					
Water Operations	50,646	-	-	50,646	-
Sewer Operations	27,302	-	-	27,302	-
Solid Waste Operations	-	-	20,376	20,376	-
Airport Operations	-	2,388	-	2,388	-
Other Services	-	-	-	-	52,839
Indirect Costs	4,800	590	1,509	6,899	-
Depreciation	51,500	1,546	277	53,323	8,270
Total Operating Expenses	<u>134,248</u>	<u>4,524</u>	<u>22,162</u>	<u>160,934</u>	<u>61,109</u>
Operating Income (Loss)	<u>20,695</u>	<u>949</u>	<u>(818)</u>	<u>20,826</u>	<u>4,179</u>
NON-OPERATING REVENUES (EXPENSES)					
Transaction Privilege Tax	-	167	-	167	-
Property Tax	-	-	-	-	320
Investment Income	9,544	419	313	10,276	-
Interest Expense	(12,641)	(863)	-	(13,504)	-
Gain on Sale of Capital Assets	423	20	-	443	370
Net Non-Operating Revenue (Expenses)	<u>(2,674)</u>	<u>(257)</u>	<u>313</u>	<u>(2,618)</u>	<u>690</u>
Income (Loss) Before Contributions and Transfers	<u>18,021</u>	<u>692</u>	<u>(505)</u>	<u>18,208</u>	<u>4,869</u>
Capital Contributions	13,981	3,852	-	17,833	896
Transfers In	-	-	-	-	146
Transfers Out	(7,581)	-	-	(7,581)	(7)
Change in Net Position	24,421	4,544	(505)	28,460	5,904
Total Net Position - Beginning	1,342,422	46,181	7,436	1,396,039	78,122
Total Net Position - Ending	<u>\$ 1,366,843</u>	<u>\$ 50,725</u>	<u>\$ 6,931</u>	<u>\$ 1,424,499</u>	<u>\$ 84,026</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, 2019 (in thousands)

Net Change in Total Enterprise Fund Net Position	\$ 28,460
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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.

806

Change in Net Position of Business-type Activities	<u>\$ 29,266</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, 2019 (in thousands)

	<u>Water and Sewer Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 153,168	\$ 5,206	\$ 20,881	\$ 179,255	\$ 63,387
Cash Payments to Suppliers for Goods/Services	(55,162)	(1,598)	(14,861)	(71,621)	(48,039)
Cash Payments to Employees for Services	(23,869)	(1,336)	(7,623)	(32,828)	(5,612)
Other Cash Receipts	1,138	103	-	1,241	1,939
Net Cash Provided by (Used for) Operating Activities	<u>75,275</u>	<u>2,375</u>	<u>(1,603)</u>	<u>76,047</u>	<u>11,675</u>
Cash Flows from Non-Capital Financing Activities					
Property Tax	-	-	-	-	320
Transaction Privilege Tax	-	167	-	167	-
Cash Paid to Other Funds	-	(7,121)	-	(7,121)	-
Transfers In	-	-	-	-	146
Transfers Out	(7,581)	-	-	(7,581)	(7)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(7,581)</u>	<u>(6,954)</u>	<u>-</u>	<u>(14,535)</u>	<u>459</u>
Cash Flows from Capital and Related Financing Activities					
Capital Contributions from:					
Water and Sewer Development Fees	4,571	-	-	4,571	-
Capital Grants	-	4,106	-	4,106	-
Acquisition and Construction of Property and Equipment	(32,726)	(12,086)	(838)	(45,650)	(10,422)
Water and Sewer Development Fee Credit Agreements	(315)	-	-	(315)	-
Principal Payments on Capital Debt and Other Payables	(17,815)	(645)	-	(18,460)	-
Interest Paid on Capital Debt	(14,629)	(963)	-	(15,592)	-
Investment in Joint Venture and CIP Deposit	(9,328)	-	-	(9,328)	-
Sale of Capital Assets	423	20	-	443	588
Net Cash Used for Capital and Related Financing Activities	<u>(69,819)</u>	<u>(9,568)</u>	<u>(838)</u>	<u>(80,225)</u>	<u>(9,834)</u>
Cash Flows from Investing Activities					
Income Received on Investments	9,078	401	297	9,776	-
Net Cash Provided by Investing Activities	<u>9,078</u>	<u>401</u>	<u>297</u>	<u>9,776</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,953	(13,746)	(2,144)	(8,937)	2,300
Cash and Cash Equivalents at Beginning of Year	<u>281,447</u>	<u>24,211</u>	<u>9,904</u>	<u>315,562</u>	<u>51,629</u>
Cash and Cash Equivalents at End of Year	<u>\$ 288,400</u>	<u>\$ 10,465</u>	<u>\$ 7,760</u>	<u>\$ 306,625</u>	<u>\$ 53,929</u>

(continued)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
Cash and Cash Equivalents at End of Year includes:					
Cash and Investments	\$ 190,698	\$ 7,861	\$ 7,760	\$ 206,319	\$ 53,929
Cash with Fiscal Agent	47,674	1,247	-	48,921	-
Restricted Cash and Investments	50,028	1,357	-	51,385	-
Total Cash and Cash Equivalents	<u>\$ 288,400</u>	<u>\$ 10,465</u>	<u>\$ 7,760</u>	<u>\$ 306,625</u>	<u>\$ 53,929</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ 20,695	\$ 949	\$ (818)	\$ 20,826	\$ 4,179
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Depreciation/Amortization	51,500	1,546	277	53,323	8,270
Current Year Pension Contributions	(1,835)	(114)	(577)	(2,526)	(413)
Change in Equity in Joint Venture RWC	84	-	(5)	79	-
Change in Equity in Joint Venture SROG	5,380	-	-	5,380	-
Change in Accounts Receivable	(218)	(72)	(462)	(752)	-
Change in Miscellaneous Receivable	(325)	-	-	(325)	-
Change in Inventories	-	-	-	-	67
Change in Intergovernmental Payable	-	-	-	-	(1)
Change in Prepaid Expense	(1,160)	-	-	(1,160)	-
Change in Customer Deposits	(63)	7	-	(56)	-
Change in Accounts Payable	1,318	70	69	1,457	(283)
Change in Unearned Revenue	-	-	-	-	35
Change in Accrued Payroll and Compensated Absences	261	37	68	366	89
Change in Claims Payable	-	-	-	-	(487)
Change in Advanced Construction Payments	(32)	-	-	(32)	-
Change in Advanced Lease Payments	-	(100)	-	(100)	-
Change in Net Pension Liability	(2,864)	(103)	(926)	(3,893)	(346)
Change in Deferred Outflows of Resources Related to Pensions	1,755	103	540	2,398	368
Change in Deferred Inflows of Resources Related to Pensions	779	52	231	1,062	193
Change in Other Liabilities	-	-	-	-	4
Total Adjustments	<u>54,580</u>	<u>1,426</u>	<u>(785)</u>	<u>55,221</u>	<u>7,496</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 75,275</u>	<u>\$ 2,375</u>	<u>\$ (1,603)</u>	<u>\$ 76,047</u>	<u>\$ 11,675</u>
Supplemental Disclosure of Non-Cash Financing Activities					
Contributions of Capital Assets from Developers	\$ 9,725	\$ -	\$ -	\$ 9,725	\$ -
Contributions of Capital Assets from Other Funds	-	413	-	413	896
Change in Equity in Joint Venture SROG	(3,140)	-	-	(3,140)	-
Total Non-Cash Financing Activities	<u>\$ 6,585</u>	<u>\$ 413</u>	<u>\$ -</u>	<u>\$ 6,998</u>	<u>\$ 896</u>

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

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019 (in thousands)

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 67
Total Assets	<u>\$ 67</u>
LIABILITIES	
Escrow Payable Vouchers	\$ 67
Total Liabilities	<u>\$ 67</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, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

B. Government-wide and Fund Financial Statements

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds do not have a measurement focus, but utilize the accrual basis of accounting for reporting their assets and liabilities.

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

The *Agency Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds are used to record the Family Self-Sufficiency activity and the AZ Public Service Raintree Underground Utility Improvement District activity.

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

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

1. Deposits and Investments

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

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

2. Receivables and Payables

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

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

3. Inventories, Prepayments, and Prepaid Items

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

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

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

4. Restricted Assets

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

The revenue bond reserve and water and sewer replacement accounts are used to report resources set aside to meet unexpected contingencies or to fund asset replacements. The joint venture construction deposits with the City of Phoenix are used for capital expansion, rehabilitation, and expansion of the jointly used facilities. Assets are also restricted in enterprise funds for deposits received from water, sewer, and airport customers, as well as unearned revenues related to cash received in advance of services provided.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

5. Capital Assets

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

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

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

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

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

6. Pensions

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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, 2019. The medical leave conversion and vacation pay amounts are accrued in the government-wide and proprietary fund financial statements. A liability for the current amount of compensated absences is recorded as a current liability at June 30, 2019, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2019, that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. There is no long-term liability for compensated absences in the governmental funds.

8. Long-term Obligations

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

9. Deferred Outflows/Inflows of Resources

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

10. Development Impact Fee Revenue

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

11. Fund Balance Policies

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

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

12. Net Position

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

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

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

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

13. Use of Estimates

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

E. Implementation of New Accounting Principles

1. Governmental Accounting Standards Board Statement No. 83

The City adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. The scope of this statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This pronouncement did not impact the preparation of these financial statements.

2. Governmental Accounting Standards Board Statement No. 88

The City adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve consistency in the information that is disclosed in notes to financial statements related to debt including direct borrowings and direct placements and to provide financial statement users additional information about debt. This statement requires additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral of debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses.

3. Governmental Accounting Standards Board Statement No. 89

The City adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The statement improves the comparability of information about the capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest costs incurred before the end of a construction period.

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, \$260,888,000, differ from the net position of governmental activities, \$3,790,212,000 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

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

(in thousands)

	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassifications and Eliminations ⁽³⁾	Statement of Net Position Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and Investments	\$ 262,215	\$ -	\$ 53,929	\$ -	\$ 316,144
Cash with Fiscal Agent	80,196	-	-	-	80,196
Receivables (net of allowance for uncollectibles)					
Interest	1,740	-	-	-	1,740
Privilege Tax	22,902	-	-	-	22,902
Transient Occupancy Tax	1,123	-	-	-	1,123
Property Tax	2,030	-	-	-	2,030
State Shared Sales Tax	855	-	-	-	855
Franchise Fee	2,959	-	-	-	2,959
Court	10,845	-	-	-	10,845
Library	205	-	-	-	205
Highway User Tax	1,534	-	-	-	1,534
Auto Lieu Tax	436	-	-	-	436
Intergovernmental	29,842	-	-	-	29,842
Grants	1,275	-	-	-	1,275
Miscellaneous	10,621	-	271	-	10,892
Due from Other Funds	5,902	-	-	(5,902)	-
Supplies Inventory	271	-	859	-	1,130
Capital Assets (net of accumulated depreciation)	-	4,318,665	59,621	-	4,378,286
Equity in Joint Venture	-	1,657	2	-	1,659
Prepayments	-	26,632	-	-	26,632
Service Concession Arrangements	-	59,731	-	-	59,731
Total Assets	<u>434,951</u>	<u>4,406,685</u>	<u>114,682</u>	<u>(5,902)</u>	<u>4,950,416</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	-	24,158	-	-	24,158
Pension-Related Amounts	-	66,268	668	-	66,936
OPEB-Related Amounts	-	216	-	-	216
Total Deferred Outflows of Resources	<u>-</u>	<u>90,642</u>	<u>668</u>	<u>-</u>	<u>91,310</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 434,951</u>	<u>\$ 4,497,327</u>	<u>\$ 115,350</u>	<u>\$ (5,902)</u>	<u>\$ 5,041,726</u>

(continued)

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

(in thousands)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows⁽¹⁾	Internal Service Funds⁽²⁾	Reclassifications and Eliminations⁽³⁾	Statement of Net Position Total
Liabilities					
Accounts Payable	\$ 22,706	\$ -	\$ 2,875	\$ -	\$ 25,581
Accrued Payroll and Benefits	6,204	(265)	127	-	6,066
Due to Other Funds	5,902	-	4,057	(5,902)	4,057
Accrued Compensated Absences - Current	-	265	1	-	266
Accrued Compensated Absences - Due within one year	-	12,235	256	-	12,491
Accrued Compensated Absences - Due in more than one year	-	13,593	238	-	13,831
Matured Bond Interest Payable	14,758	-	-	-	14,758
Matured Bonds Payable	64,632	-	-	-	64,632
Unearned Revenue					
Intergovernmental	8,606	-	-	-	8,606
Other	1,857	-	35	-	1,892
Due to Other Governments	4,926	-	1	-	4,927
Guaranty and Other Deposits	3,242	-	-	-	3,242
Other	3,036	-	6	-	3,042
Bonds, Loans, Capital Leases, and Other Payables	-	1,039,891	27,160	-	1,067,051
Total Liabilities	<u>135,869</u>	<u>1,065,719</u>	<u>34,756</u>	<u>(5,902)</u>	<u>1,230,442</u>
Deferred Inflows of Resources					
Unavailable Revenue	38,194	(38,194)	-	-	-
Pension-Related Amounts	-	19,976	625	-	20,601
OPEB-Related Amounts	-	471	-	-	471
Total Deferred Inflows of Resources	<u>38,194</u>	<u>(17,747)</u>	<u>625</u>	<u>-</u>	<u>21,072</u>
Total Liabilities and Deferred Inflows of Resources	<u>174,063</u>	<u>1,047,972</u>	<u>35,381</u>	<u>(5,902)</u>	<u>1,251,514</u>
Fund Balances/Net Position					
Total Fund Balances/Net Position	<u>260,888</u>	<u>3,449,355</u>	<u>79,969</u>	<u>-</u>	<u>3,790,212</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	<u>\$ 434,951</u>	<u>\$ 4,497,327</u>	<u>\$ 115,350</u>	<u>\$ (5,902)</u>	<u>\$ 5,041,726</u>

(continued)

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

(in thousands)

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

Cost of capital assets	\$ 5,867,449
Accumulated depreciation	<u>(1,548,784)</u>
	<u>\$ 4,318,665</u>

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

\$ 1,657

Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid such as long-term prepayments, while others arise from the incurrence of long-term liabilities or the receipt of capital assets from elsewhere within the City, such as service concession arrangements (SCAs). These assets are capitalized and amortized over the life of the corresponding agreement.

Prepayments at 7/1/18	\$ 27,599
Amortization of prepayments	<u>(967)</u>
	<u>\$ 26,632</u>
SCAs at 7/1/18	\$ 64,105
Amortization of SCAs	<u>(4,374)</u>
	<u>\$ 59,731</u>

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

Deferred amounts on refundings	\$ 24,158
Pension-related amounts	66,268
OPEB-related amounts	<u>216</u>
	<u>\$ 90,642</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, 2019, were:

Capital leases payable	\$ (219)
Bonds/Certificate of Participation payable	(683,205)
Service concession arrangements	(2,221)
Issuance premium	(59,224)
Accrued vacation and sick leave pay	(25,828)
Total OPEB liability	(2,103)
Net pension liabilities	(292,919)
	<u>\$ (1,065,719)</u>

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

Unavailable library revenue	\$ 196
Unavailable court revenue	3,859
Unavailable property tax revenue	1,151
Unavailable privilege tax revenue	1,327
Unavailable transient occupancy tax revenue	-
Unavailable intergovernmental revenue	29,094
Unavailable other revenue	2,567
	<u>\$ 38,194</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	\$ (19,976)
OPEB-related amounts	(471)
	<u>\$ (20,447)</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.

\$ 79,969

(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	<u>\$ (5,902)</u>
Reduction of amount due to other governmental fund	<u>\$ 5,902</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

The net change in fund balances for governmental funds, \$16,576,000, differs from the change in net position for the governmental activities, \$90,871,000, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated in the next table.

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

(in thousands)

	Total Governmental Funds	Long-Term Revenue/ Expenses ⁽⁴⁾	Capital Related Items ⁽⁵⁾	Internal Service Funds ⁽⁶⁾	Reclassifications and Eliminations ⁽⁷⁾	Long-Term Debt Transactions ⁽⁸⁾	Statement of Activities
REVENUES							
Taxes - Local							
Property	\$ 68,738	\$ (136)	\$ -	\$ 320	\$ -	\$ -	\$ 68,922
Transaction Privilege	203,823	(2,026)	-	-	-	-	201,797
Transient Occupancy	22,407	(27)	-	-	-	-	22,380
Light and Power Franchise	8,832	-	-	-	-	-	8,832
Cable TV Franchise	3,293	1,050	-	-	-	-	4,343
Salt River Project In-Lieu	238	-	-	-	-	-	238
Other Taxes	3,102	151	-	-	-	-	3,253
Taxes - Intergovernmental							
State Shared Sales	25,187	-	-	-	-	-	25,187
State Revenue Sharing	30,269	-	-	-	-	-	30,269
Auto Lieu Tax	10,791	-	-	-	-	-	10,791
Highway User Tax	17,073	-	-	-	-	-	17,073
Local Transportation Assistance Fund	642	-	-	-	-	-	642
Business and Liquor Licenses	1,918	17	-	-	-	-	1,935
Charges for Current Services							
Building and Related Permits	15,979	(80)	-	-	(213)	-	15,686
Recreation Fees	6,840	-	-	-	-	-	6,840
WestWorld Equestrian Facility Fees	4,863	13	-	-	-	-	4,876
Fire Fees	2,092	(187)	-	-	-	-	1,905
Fines, Fees, and Forfeitures							
Court	3,992	84	-	-	-	-	4,076
Parking	288	48	-	-	-	-	336
Photo Radar	2,243	3	-	-	-	-	2,246
Court Enhancement	1,764	-	-	-	-	-	1,764
Library	426	(188)	-	-	-	-	238
Police	247	-	-	-	-	-	247
Property Rental	6,089	(19)	-	-	-	-	6,070
Interest Earnings	6,956	-	-	-	-	-	6,956
Net Increase in Fair Value of Investments	4,904	-	-	-	-	-	4,904
Intergovernmental							
Federal Grants	12,135	(2,773)	-	-	-	-	9,362
State Grants	410	5	-	-	-	-	415
Miscellaneous	12,934	1,624	-	-	-	-	14,558
Developer Contributions	412	237	-	-	-	-	649
Streetlight and Services Districts	591	-	-	-	-	-	591
Contributions and Donations	2,575	-	-	-	-	-	2,575
Reimbursements from Outside Sources	2,415	(38)	-	-	-	-	2,377
Indirect Costs	6,899	-	-	-	-	-	6,899
Other	751	(56)	-	-	(12)	-	683
Total Revenues	<u>\$ 492,118</u>	<u>\$ (2,298)</u>	<u>\$ -</u>	<u>\$ 320</u>	<u>\$ (225)</u>	<u>\$ -</u>	<u>\$ 489,915</u>

(continued)

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

(in thousands)

	<u>Total Governmental Funds</u>	<u>Long-Term Revenue/ Expenses⁽⁴⁾</u>	<u>Capital Related Items⁽⁵⁾</u>	<u>Internal Service Funds⁽⁶⁾</u>	<u>Reclassifications and Eliminations⁽⁷⁾</u>	<u>Long-Term Debt Transactions⁽⁸⁾</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES							
Current							
General Government							
Mayor and City Council	\$ 747	\$ (30)	\$ -	\$ (13)	\$ -	\$ -	\$ 704
City Clerk	1,004	(45)	2	(9)	-	-	952
City Attorney	7,471	(496)	15	(100)	-	-	6,890
City Auditor	948	(42)	-	(8)	-	-	898
City Court	5,797	(314)	91	(65)	-	-	5,509
City Manager	3,746	(85)	51	(21)	-	-	3,691
City Treasurer	8,593	(417)	147	(102)	(12)	-	8,209
Public Works	35,154	(1,041)	13,651	(321)	(23)	-	47,420
Community and Economic Development	48,860	2,868	51,472	(307)	(213)	-	102,680
Public Safety	146,250	4,431	5,027	(1,840)	(51)	-	153,817
Community Services	48,786	(918)	9,302	(440)	-	-	56,730
Administrative Services	15,279	(1,117)	3,959	(147)	-	-	17,974
Streetlight and Services Districts	584	-	-	-	-	-	584
Debt Service							
Principal	66,053	-	-	-	-	(66,053)	-
Interest and Fiscal Charges	29,752	-	-	-	-	(3,388)	26,364
Capital Outlay	64,395	-	(64,395)	-	-	-	-
Total Expenditures/Expenses	<u>\$ 483,419</u>	<u>\$ 2,794</u>	<u>\$ 19,322</u>	<u>\$ (3,373)</u>	<u>\$ (299)</u>	<u>\$ (69,441)</u>	<u>\$ 432,422</u>
OTHER FINANCING SOURCES (USES) / CHANGES IN NET POSITION							
Net Transfers from Other Funds	\$ 7,442	\$ -	\$ -	\$ 139	\$ -	\$ -	\$ 7,581
Capital Contributions	-	-	24,399	896	(74)	-	25,221
Capital Lease Acquisitions	244	-	-	-	-	(244)	-
Sale of Capital Assets	191	15	-	370	-	-	576
Total	<u>7,877</u>	<u>15</u>	<u>24,399</u>	<u>1,405</u>	<u>(74)</u>	<u>(244)</u>	<u>33,378</u>
Net Change for the Year	<u>\$ 16,576</u>	<u>\$ (5,077)</u>	<u>\$ 5,077</u>	<u>\$ 5,098</u>	<u>\$ -</u>	<u>\$ 69,197</u>	<u>\$ 90,871</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.

Property tax revenue	\$ (136)
Court/parking revenue	132
Library revenue	(188)
Transaction privilege tax revenue	(2,026)
Transient occupancy tax revenue	(27)
Intergovernmental revenue	(3,032)
Other receivable revenue	1,106
	<u>\$ (4,171)</u>

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

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

Accrual for long-term compensated absences	\$ (741)
OPEB expense	(296)
Pension expense	(27,759)
Change in equity interest for joint venture	(268)
Amortization of service concession arrangements (SCAs)	(4,374)
	<u>\$ (33,438)</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	\$ 31,314
Current-year OPEB contributions	116
	<u>\$ 31,430</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>\$ 181</u>
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The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System (PSPRS) that is used to offset the contributions required to be made by the City to the PSPRS. This amount is recognized as revenue by the City although no cash is received directly from the State Treasurer.

	<u>\$ 1,888</u>
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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	\$ 64,395
Miscellaneous net capital expenditures	(6,500)
Depreciation expense	(77,145)
Loss on disposal of capital assets	(72)
	<u>\$ (19,322)</u>

(continued)

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

(in thousands)

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

Capital contributions	\$ 24,399
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(6) Internal service funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and fleet management to the individual funds. The adjustments for internal service funds adjust those funds by charging additional amounts to participating governmental activities and recording an amount due to/from the enterprise funds.

Change in net position	\$ 5,904
Internal payable to Enterprise Fund	(806)
	\$ 5,098

(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	\$ (299)
Reduction in expenditures/expenses - Governmental Funds	\$ 299

(8) Repayment of bond principal is reported as an expenditure in governmental funds. Thus, these payments have the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, these payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Transferred to the paying agent	
Principal payments made	\$ 66,053

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 reductions of interest expense were recognized due to the amortization of bond premiums.

Amortization of deferred charges on refundings	\$ (2,801)
Amortization of bond premium and discounts	6,189
	\$ 3,388

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

Capital lease acquisitions	\$ (244)
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Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The City prepared an annual budget that covered fiscal year 2019. The fiscal year 2019 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, and compensated absences.

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

The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, certain Special Revenue Funds (Transportation, Community Development Block Grant, HOME, Grants, Section 8, Preserve Privilege Tax, Streetlight Districts, Special Programs, and Tourism Development), and Debt Service Funds (except for the Community Facilities Districts Debt Service Funds); therefore, these funds have appropriated budgets, and budget to actual information is presented.

Community Facilities Districts Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds, Permanent Funds, and Trust and Agency Funds have non-appropriated budgets. Accordingly, no comparison of budget to actual is presented in the financial statements for these funds. Budgets for the Community Development Block Grant, HOME, Grants, and Section 8 Funds are established pursuant to the terms of the related grant awards. Budgets for the Community Facilities Districts are established in accordance with Arizona Revised Statutes, which do not require their inclusion in the City budget or adoption by the City Council. Budgets for Capital Projects Funds are established for individual projects and unexpended funds are re-appropriated each year until the project is completed and capitalized. Budgets for Enterprise Funds and Internal Service Funds are established in order to help departments control operational costs. Budgets for Trust and Agency Funds as well as Permanent Funds are established in accordance with the trust/agency agreements and endowment requirements, respectively.

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

In June, the budget is legally enacted through the passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized beyond the limit for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2019, there were no supplemental budgetary appropriations to the original budget.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

B. Excess of Expenditures over Appropriations

The Preserve Privilege Tax Special Revenue Fund exceeded its expenditure appropriation by \$3,000. The additional expenditures incurred were funded by available fund balance within the fund.

C. Deficit Fund Equity

The Community Development Block Grant Special Revenue Fund, HOME Special Revenue Fund, Grants Special Revenue Fund, and the External Sources Capital Project Fund had deficit ending fund balances of \$60,000, \$185,000, \$244,000, and \$5,517,000, respectively. These deficits were caused by certain grant reimbursements and pending reimbursements from intergovernmental agreements related to capital projects the City is required to fund, not being available at the end of the fiscal year. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These reimbursements due will be recognized as revenue when actually received.

The Preserve Privilege Tax Capital Projects Fund had a deficit ending fund balance of \$393,000 primarily due to timing differences of cash transfers for accruals.

The Municipal Property Corporation Bonds Capital Projects Fund had a deficit ending fund balance of \$4,253,000 pending an upcoming bond issuance.

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, 2019

(in thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable					
Inventory	\$ 271	\$ -	\$ -	\$ -	\$ 271
Endowment Funds	-	-	-	604	604
Total Nonspendable	<u>271</u>	<u>-</u>	<u>-</u>	<u>604</u>	<u>875</u>
Restricted					
Property Tax for Debt Service	-	1,394	-	-	1,394
Transaction Privilege and Highway User Tax for Transportation Improvements	-	-	-	15,569	15,569
Federal Grants for the Community Development Block Grant Program	-	-	-	99	99
Federal Grants for Section 8 Housing	-	-	-	436	436
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	38,354	38,354
Property Tax for Community Facility Districts	-	-	-	898	898
Property Tax Levy for the Streetlight Districts	-	-	-	11	11
Contributions for Mayor and City Council Special Programs	-	-	-	6	6
Court Fees for City Court Special Programs	-	-	-	2,174	2,174
Donations for City Court Jury Program	-	-	-	5	5
Franchise Capital Recovery Fees for Public Works Special Programs	-	-	-	50	50
APS Improvement District Fees for Public Works Special Programs	-	-	-	35	35
Contributions for Community and Economic Development Special Programs	-	-	-	90	90
Allocation from Crime Laboratory Assessment Fund for Police	-	-	-	91	91
Forensic Laboratory Services Agreement Fees for Police Crime Lab Operations	-	-	-	280	280
Donations for Fire Special Programs	-	-	-	9	9
Donations for Police Special Programs	-	-	-	77	77
Fees for Police Officer Safety Equipment	-	-	-	158	158
Donations for the Scottsdale Cares Program	-	-	-	166	166
Donations Human Services Special Programs	-	-	-	21	21
Facility/Recreation Fees for Senior Center Special Programs	-	-	-	8	8
Donations for Parks and Recreation Special Programs	-	-	-	22	22
Donations for Library Special Programs	-	-	-	8	8
Sales Tax Rebate for District Debt Service	-	-	-	321	321
Stadium Surcharge for Debt Service	-	-	-	2,373	2,373
GO Bond Proceeds for Capital Improvements	-	-	-	15,771	15,771
Transaction Privilege Tax for Transportation Capital Improvements	-	-	-	30,829	30,829
Contributions for Drainage Capital Improvements	-	-	-	2,495	2,495
Contributions for Library Capital Improvements	-	-	-	100	100
Contributions for Transportation Capital Improvements	-	-	-	26	26
Contributions for Stadium Capital Improvements	-	-	-	363	363
Endowment Funds	-	-	-	28	28
Total Restricted	<u>-</u>	<u>1,394</u>	<u>-</u>	<u>110,873</u>	<u>112,267</u>
Committed					
General Fund Contribution for Capital Improvements	-	-	33,352	-	33,352
Stadium Surcharge for Stadium Capital Improvements	-	-	313	-	313
In-Lieu Parking Fees for Parking Improvements	-	-	318	-	318
In-Lieu Stormwater Fees for Drainage Improvements	-	-	491	-	491
Transient Occupancy Tax for Tourism Related Capital Improvements	-	-	5,150	-	5,150
Court Enhancement Fees for Court Capital Improvements	-	-	475	-	475
Risk Management Contributions for Technology Infrastructure	-	-	1	-	1
Stormwater Utility Fee for Capital Improvements	-	-	2,187	-	2,187
Contributions for the Court Enhancement Fund	-	-	-	5,797	5,797
Rent Fees for Loloma School Maintenance and Capital Improvements	-	-	-	257	257
Developer Contributions for the Downtown Cultural Trust	-	-	-	3,040	3,040
Developer Contributions for the Airpark Cultural Trust	-	-	-	74	74
Rent Fees for the Community Arts Trust to Support the Loloma School	-	-	-	245	245
Contributions for Historic Preservation and Rehabilitation of Buildings	-	-	-	489	489
License Fees for the Regulation of the Public Safety Pawn Shop Ordinance	-	-	-	199	199
Sponsorship Fees for Senior Center Special Programs	-	-	-	3	3
Sponsorship Fees for Parks and Recreation Special Programs	-	-	-	17	17
Golf Course Surcharge for Silverado Golf Course Improvements	-	-	-	649	649
Retail Sale Revenue for McCormick Stillman Railroad Park Operations	-	-	-	902	902
Allocation of Youth Sports Fee for Maintenance/Improvements of Athletic Fields	-	-	-	101	101
Allocation of Aquatic Fee for Maintenance/Improvements of Aquatic Facilities	-	-	-	46	46
Transient Occupancy Tax for Tourism Development	-	-	-	6,287	6,287
Contributions for Forensic Science Laboratory Equipment and Maintenance	-	-	-	7	7
Excise Tax for Debt Reserve	-	-	-	4,700	4,700
Total Committed	<u>-</u>	<u>-</u>	<u>42,287</u>	<u>22,813</u>	<u>65,100</u>
Unassigned					
	97,097	-	-	(14,451)	82,646
Total Fund Balances	<u>\$ 97,368</u>	<u>\$ 1,394</u>	<u>\$ 42,287</u>	<u>\$ 119,839</u>	<u>\$ 260,888</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The City Council has established a minimum fund balance policy of 10 percent of annual operating expenditures to be maintained in the General Fund and the Transportation Nonmajor Special Revenue Fund. Additionally, the City Council has adopted a financial policy to hold a minimum of \$5.0 million of excise tax reserve in the Debt Stabilization, Nonmajor Debt Service Fund. The reserves in these funds are to be maintained for unforeseen emergencies or catastrophic impacts to the City.

E. Net Position Restrictions

Only restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the Business-type Activities at June 30, 2019:

Net Position Restrictions (in thousands)

Water and Sewer

Restricted for System Replacement	\$	41,292
Restricted for Debt Service		4,692
Restricted for Joint Venture Construction Deposits		6,220
	\$	<u>52,204</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City maintains a cash and investment pool for use by all funds except the Community Facilities Districts. The City's endowment funds have investments held separately by a trustee.

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

Deposits

At June 30, 2019, the carrying amount of the City's deposits was \$19,559,250 and the bank balance was \$130,412,985. The \$110,853,735 difference represents outstanding checks, deposits in transit, timing differences in transfers between the depository and investment sweep accounts, and other reconciling items.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2019, \$57,664,324 of the City's deposits was exposed to custodial credit risk as follows: \$1,265,353 was uninsured and uncollateralized, and \$56,398,971 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 failures of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third-party custodian.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Interest Rate Risk

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

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 2	2 - 3	3+
U.S. Government Securities	\$ 228,442	\$ 51,841	\$ 41,737	\$ 121,797	\$ 13,067
U.S. Government Agencies	157,610	10,053	84,846	62,711	-
U.S. Government Instrumentalities	28,992	-	28,992	-	-
Corporate Notes	57,061	18,291	20,330	18,440	-
Negotiable Certificates of Deposit	46,590	17,558	29,032	-	-
Money Market Mutual Funds	164,127	164,127	-	-	-
Total Investments	\$ 682,822	\$ 261,870	\$ 204,937	\$ 202,948	\$ 13,067

Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). The City's investment policy limits its corporate debt investments to 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, Standard and Poor's Corporation, or any other NRSRO; its investments in commercial paper to the top two ratings by a NRSRO and to those corporations organized and doing business in the United States; and its investments in money market mutual funds to those funds which are allowed by state law and registered under the Investment Company Act of 1940. The City's investments in the investment types referenced above at June 30, 2019, meet the aforementioned criteria. Presented below are the ratings as of June 30, 2019, for each investment type (in thousands):

Investment Type	Total	BBB+	A-1	A-1+	A-	A	A+	AA-	AA	AA+	AAA	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 228,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 228,442
U.S. Government Agencies	157,610	-	-	-	-	-	-	-	-	157,610	-	-	-
U.S. Government Instrumentalities	28,992	-	-	-	-	-	-	-	-	-	-	28,992	-
Corporate Notes	57,061	6,138	-	-	9,791	15,940	5,193	14,360	1,378	4,261	-	-	-
Negotiable Certificates of Deposit	46,590	-	12,490	5,068	-	7,317	9,178	12,537	-	-	-	-	-
Money Market Mutual Funds	164,127	-	-	-	-	-	-	-	-	-	164,127	-	-
Total Investments	\$ 682,822	\$ 6,138	\$ 12,490	\$ 5,068	\$ 9,791	\$ 23,257	\$ 14,371	\$ 26,897	\$ 1,378	\$161,871	\$164,127	\$ 28,992	\$ 228,442

Note: A-1 and A-1+ are short-term credit ratings. AAAm is a principal stability fund (i.e. money market fund) credit rating.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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 total portfolio. Negotiable or brokered certificates of deposit and medium-term corporate notes each have a per issuer limit of 5 percent of the aggregate portfolio and investment in each of these sectors is limited to 30 percent of the total portfolio. Commercial paper has a per issuer limit of 3 percent of the aggregate portfolio and investment in this sector is limited to 10 percent of the total portfolio.

The following is a listing by issuer of the City's investments at June 30, 2019:

(dollars in thousands)

Issuer	Investment Type	Market Value	Percent of Holdings
U.S. Treasury	U.S. Government Securities	\$ 228,442	44.05%
Federal Home Loan Bank (FHLB)	U.S. Government Agencies	57,381	11.06%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Government Agencies	18,388	3.55%
Federal National Mortgage Association (FNMA)	U.S. Government Agencies	81,841	15.78%
African Development Bank	U.S. Government Instrumentalities	2,419	0.47%
Asian Development Bank	U.S. Government Instrumentalities	3,299	0.64%
Inter-American Development Bank	U.S. Government Instrumentalities	8,773	1.69%
International Bank of Reconstruction and Development	U.S. Government Instrumentalities	6,716	1.29%
International Finance Corporation	U.S. Government Instrumentalities	7,785	1.50%
American Honda Finance	Corporate Notes	2,571	0.50%
Apple Inc.	Corporate Notes	4,261	0.82%
Bank of America Co.	Corporate Notes	4,711	0.91%
Bank of New York Mellon	Corporate Notes	5,509	1.06%
BB&T	Corporate Notes	1,732	0.33%
Berkshire Hathaway Inc.	Corporate Notes	1,378	0.27%
Caterpillar Inc.	Corporate Notes	2,511	0.48%
Cisco Systems Inc.	Corporate Notes	5,904	1.14%
General Electric Co.	Corporate Notes	6,138	1.18%
Home Depot	Corporate Notes	1,520	0.29%
Honeywell International	Corporate Notes	943	0.18%
JP Morgan Chase & Co.	Corporate Notes	3,348	0.65%
Oracle Corp.	Corporate Notes	4,713	0.91%
Toyota Motor Credit Corp.	Corporate Notes	3,743	0.72%
Unilever Capital Corp.	Corporate Notes	438	0.08%
U.S. Bancorp	Corporate Notes	4,755	0.92%
Walt Disney Co.	Corporate Notes	2,886	0.56%
Bank of Montreal	Negotiable Certificates of Deposit	5,941	1.15%
Bank of Nova Scotia	Negotiable Certificates of Deposit	5,884	1.13%
Canadian Imperial Bank NY	Negotiable Certificates of Deposit	3,232	0.62%
Credit Agricole CIB NY	Negotiable Certificates of Deposit	3,237	0.62%
Credit Suisse NY	Negotiable Certificates of Deposit	3,374	0.65%
MUFG Bank LTD NY	Negotiable Certificates of Deposit	3,418	0.66%
Nordea Bank AB NY	Negotiable Certificates of Deposit	5,068	0.98%
Sumitomo Mitsui Bank NY	Negotiable Certificates of Deposit	3,899	0.75%
Swedbank NY	Negotiable Certificates of Deposit	6,710	1.29%
WestPac Banking Corp. NY	Negotiable Certificates of Deposit	5,827	1.12%
	Total Investments	\$ 518,695	100.00%

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Investments

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

Cash on Hand	\$ 19
Carrying Amount of City Deposits	19,559
Investments	682,822
Endowments	<u>632</u>
Total Cash and Investments	<u><u>\$ 703,032</u></u>

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, 2019:

Investments Measured at Fair Value

(in thousands)

	<u>Fair Value Measurements Using</u>		
	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	\$ -	\$ 228,442	\$ -
U.S. Government Agencies	-	157,610	-
U.S. Government Instrumentalities	-	28,992	-
Corporate Notes	-	57,061	-
Negotiable Certificates of Deposit	-	46,590	-
	<u><u>\$ -</u></u>	<u><u>\$ 518,695</u></u>	<u><u>\$ -</u></u>

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

U.S. Government Securities	Evaluators gather information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.
U.S. Government Agencies	A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years; an Option Adjusted Spread (OAS) model is incorporated to 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.
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.
Negotiable Certificates of Deposit	Multi-dimensional relational model and/or OAS.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

Primary Government	
Cash and Investments	\$ 522,463
Cash with Fiscal Agent	129,117
Other Restricted Cash	51,385
Family Self-Sufficiency Agency Fund	<u>67</u>
Total Cash and Investments	<u><u>\$ 703,032</u></u>

Investment income is comprised of the following for the fiscal year ended June 30, 2019 (in thousands):

Net Interest	\$ 13,181
Net Increase in the Fair Value of Investments	<u>8,955</u>
Total Net Investment Income	<u><u>\$ 22,136</u></u>

The net increase in the fair value of investments for the fiscal year was \$8,954,927. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the year.

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, 2019, the amount of donor-restricted endowment funds available for authorization and expenditure is \$26,500.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

C. Receivables

Receivables as of June 30, 2019, for the government's individual major governmental funds, nonmajor governmental funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

Governmental and Governmental Activities Internal Service Funds

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
Receivables					
Property Taxes and Penalties					
Property	\$ 926	\$ 1,006	\$ -	\$ 98	\$ 2,030
Court	57,772	-	-	-	57,772
Subtotal Property Taxes and Penalties	<u>58,698</u>	<u>1,006</u>	<u>-</u>	<u>98</u>	<u>59,802</u>
Other Local Taxes					
Privilege	15,390	-	-	8,011	23,401
Transient Occupancy	-	-	-	1,123	1,123
State Shared Sales	855	-	-	-	855
Franchise Fee	2,909	-	-	50	2,959
Auto Lieu	436	-	-	-	436
Highway User	-	-	-	1,534	1,534
Subtotal Other Local Taxes	<u>19,590</u>	<u>-</u>	<u>-</u>	<u>10,718</u>	<u>30,308</u>
Intergovernmental/Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,117</u>	<u>31,117</u>
Interest and Other					
Interest	1,090	-	177	473	1,740
Library	992	-	-	-	992
Miscellaneous	4,030	-	2,033	4,829	10,892
Subtotal Interest and Other	<u>6,112</u>	<u>-</u>	<u>2,210</u>	<u>5,302</u>	<u>13,624</u>
Gross Receivables	84,400	1,006	2,210	47,235	134,851
Less: Allowances for Uncollectibles	<u>(48,213)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,213)</u>
Net Total Receivables	<u>\$ 36,187</u>	<u>\$ 1,006</u>	<u>\$ 2,210</u>	<u>\$ 47,235</u>	<u>\$ 86,638</u>

The City has a development agreement relating to biomedical research activities with the Translational Genomics Research Institute (TGen) to repay \$2,040,000 with interest through February 2024.

Through the use of Community Development Block Grant (CDBG) funds, the City issues Green Housing Rehabilitation Program loans to qualified Scottsdale homeowners. As of June 30, 2019, the loan balances totaled \$2,198,249, 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 \$13,921,086 after the land on which the improvements were made is sold. This receivable is not expected to be collected within the next year.

The City has contracts with the Boys and Girls Club to pay a portion of building improvements at the City's recreation center through November 2024, the amount due as of June 30, 2019 is \$127,869.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The City and the Arizona Tourism and Sports Authority, doing business as the Arizona Sports and Tourism Authority (AZSTA), have an intergovernmental agreement for the AZSTA to pay for costs related to the Scottsdale municipal spring training facility renovation project. The balance of \$5,844,313 is estimated to be paid by 2021 contingent upon revenue receipts collected by AZSTA.

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

Business-type Activities Enterprise Funds

(in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
Receivables				
Privilege Tax	\$ -	\$ 40	\$ -	\$ 40
Charges for Services	17,327	-	2,326	19,653
Intergovernmental	1,892	982	-	2,874
Interest	1,181	39	54	1,274
Miscellaneous	2,375	387	124	2,886
Gross Receivables	22,775	1,448	2,504	26,727
Less: Allowances for Uncollectibles	(22)	-	(1)	(23)
Net Total Receivables	\$ 22,753	\$ 1,448	\$ 2,503	\$ 26,704

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

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

	Unavailable	Unearned
Property Tax	\$ 1,151	\$ -
Court	3,859	-
Library	196	-
Privilege Tax	1,327	-
Intergovernmental	29,094	8,606
Other	2,567	1,857
Total	\$ 38,194	\$ 10,463

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows (in thousands):

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 3,177,449	\$ 17,037	\$ -	\$ 3,194,486
Construction in Progress	39,926	65,495	(39,909)	65,512
Total Capital Assets, not being depreciated	<u>3,217,375</u>	<u>82,532</u>	<u>(39,909)</u>	<u>3,259,998</u>
Capital Assets, being depreciated				
Buildings and Land Improvements	723,561	9,796	(64)	733,293
Streets and Storm Drains	1,785,035	27,136	-	1,812,171
Motor Vehicles	85,086	7,250	(6,385)	85,951
Machinery and Equipment	81,015	6,281	(2,884)	84,412
Total Capital Assets, being depreciated	<u>2,674,697</u>	<u>50,463</u>	<u>(9,333)</u>	<u>2,715,827</u>
Less Accumulated depreciation for				
Buildings and Land Improvements	355,467	20,836	(64)	376,239
Streets and Storm Drains	1,082,528	51,062	-	1,133,590
Motor Vehicles	39,791	7,059	(6,167)	40,683
Machinery and Equipment	43,365	6,458	(2,796)	47,027
Total Accumulated depreciation	<u>1,521,151</u>	<u>85,415</u>	<u>(9,027)</u>	<u>1,597,539</u>
Total Capital Assets, being depreciated, net	<u>1,153,546</u>	<u>(34,952)</u>	<u>(306)</u>	<u>1,118,288</u>
Governmental Activities Capital Assets, net	<u>\$ 4,370,921</u>	<u>\$ 47,580</u>	<u>\$ (40,215)</u>	<u>\$ 4,378,286</u>
<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 50,381	\$ -	\$ -	\$ 50,381
Water Rights	87,171	-	-	87,171
Construction in Progress	80,108	53,743	(82,070)	51,781
Total Capital Assets, not being depreciated	<u>217,660</u>	<u>53,743</u>	<u>(82,070)</u>	<u>189,333</u>
Capital Assets, being depreciated				
Water System	1,248,800	35,342	(150)	1,283,992
Sewer System	635,013	11,116	-	646,129
Buildings and Land Improvements	37,352	34,342	(833)	70,861
Machinery and Equipment	6,966	712	(10)	7,668
Motor Vehicles	1,151	-	-	1,151
Furniture, Fixtures, and Office Equipment	729	531	(3)	1,257
Total Capital Assets, being depreciated	<u>1,930,011</u>	<u>82,043</u>	<u>(996)</u>	<u>2,011,058</u>
Less Accumulated depreciation for				
Water System	496,259	33,622	(151)	529,730
Sewer System	236,511	17,243	-	253,754
Buildings and Land Improvements	12,336	1,664	(833)	13,167
Machinery and Equipment	3,476	589	(10)	4,055
Motor Vehicles	601	84	-	685
Furniture, Fixtures, and Office Equipment	276	121	-	397
Total Accumulated depreciation	<u>749,459</u>	<u>53,323</u>	<u>(994)</u>	<u>801,788</u>
Total Capital Assets, being depreciated, net	<u>1,180,552</u>	<u>28,720</u>	<u>(2)</u>	<u>1,209,270</u>
Business-type Activities Capital Assets, net	<u>\$ 1,398,212</u>	<u>\$ 82,463</u>	<u>\$ (82,072)</u>	<u>\$ 1,398,603</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

<u>Governmental Activities</u>	
City Clerk	\$ 2
City Attorney	15
City Court	42
City Manager	51
Public Works	9,260
Community and Economic Development	51,112
Public Safety	4,516
City Treasurer	85
Community Services	8,276
Administrative Services	3,786
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>8,270</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 85,415</u></u>

<u>Business-type Activities</u>	
Water and Sewer System	\$ 51,500
Airport	1,546
Solid Waste	<u>277</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 53,323</u></u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Construction Commitments

The City has active construction projects as of June 30, 2019. 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	\$ 12,347	\$ 521
Drainage and Flood Control	3,404	913
Fire Protection	650	46
Library/Library Improvements	363	15
Municipal Facilities	3,665	637
Neighborhood and Community	1,031	761
Parks	8,181	20,135
Police	34	242
Preservation	6,145	940
Streets	15,030	3,016
Technology	1,548	351
Traffic	1,914	2,399
Transit	8,385	5,534
Wastewater	8,879	6,534
Water	21,403	12,566
Total Construction Commitments	<u>\$ 92,979</u>	<u>\$ 54,610</u>
<u>Governmental Activities</u>		
General CIP Construction Capital Projects Fund	\$ 8,575	\$ 8,771
Nonmajor Governmental Funds	39,275	25,833
Internal Service Funds	1,506	301
Total Governmental Activities	<u>49,356</u>	<u>34,905</u>
<u>Business-type Activities</u>		
Water and Sewer Utility	30,342	19,133
Airport	12,347	521
Solid Waste	934	51
Total Business-type Activities	<u>43,623</u>	<u>19,705</u>
Total Construction Commitments	<u>\$ 92,979</u>	<u>\$ 54,610</u>

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, 2019, is as follows (in thousands):

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 5,902</u>	Nonmajor Governmental Funds	<u>\$ 5,902</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The External Sources Capital Project Fund, the Municipal Property Corporation Bonds Capital Project Fund, and the HOME Special Revenue Fund had deficit cash balances of \$4,684,418, \$1,054,065, and \$163,851, respectively, due to pending reimbursements from intergovernmental agreements, 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)

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General	\$ 25,780	\$ 10,698
Debt Service - General Obligation Bond	-	26,872
Capital Projects - General CIP Construction	485	18,876
Nonmajor Governmental Funds	74,470	51,731
Total Governmental Funds	<u>100,735</u>	<u>108,177</u>
Enterprise Funds		
Water and Sewer Utility	<u>7,581</u>	-
Total Enterprise Funds	<u>7,581</u>	-
Internal Service Funds		
Self-Insurance	<u>7</u>	146
Total Internal Service Funds	<u>7</u>	<u>146</u>
Total Transfers	<u>\$ 108,323</u>	<u>\$ 108,323</u>

F. Leases

Operating Leases

City as Lessee

The City, as a lessee, has entered into lease agreements involving motor vehicles, a distributed antenna system, and data center facility space. Payments relating to these leases totaled \$655,614, which include \$578,717 of minimum lease payments.

The distributed antenna system's lease increases annually by 3 percent as per the lease agreement's escalation clause and may be renewed by the City for up to five additional years subsequent to the first extension term's ending date of March 31, 2025. The data center facility space's lease increases annually by 5 percent as per the lease agreement's escalation clause and may be renewed annually by agreement between the City and the lessor subsequent to the initial lease term's ending date of September 30, 2021.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

<u>Fiscal Year Ending June 30,</u>	
2020	\$ 258
2021	270
2022	76
2023	7
2024	8
Thereafter	<u>3</u>
Total	<u><u>\$ 622</u></u>

City as Lessor

The City has agreements in which it conveys the right to use land, airport facilities, and other capital assets that it accounts for as operating leases. Minimum future rentals on noncancellable operating leases at June 30, 2019, are as follows (in thousands):

<u>Fiscal Year Ending June 30,</u>	
2020	\$ 4,191
2021	3,249
2022	2,236
2023	2,297
2024	2,211
Thereafter	<u>100,013</u>
Total	<u><u>\$ 114,197</u></u>

The above amounts do not include contingent rentals, which totaled \$2,612,235 for the fiscal year ended June 30, 2019.

A summary of the assets leased to third parties under the City's operating lease agreements at June 30, 2019, are as follows (in thousands):

Cost	\$ 121,993
Less: Accumulated Depreciation	<u>(27,550)</u>
Carrying Value	<u><u>\$ 94,443</u></u>

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of printing and imaging equipment for its administrative operations. This lease agreement qualifies as a capital lease for accounting purposes and is therefore included in the City's governmental capital assets. The equipment acquired through this lease agreement is recorded at a cost of \$244,173, less accumulated amortization of \$30,522. Current year amortization expense was \$30,522.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

Fiscal Year Ending <u>June 30,</u>		
2020	\$	67
2021		67
2022		67
2023		34
Less: Imputed Interest		<u>(16)</u>
Total	\$	<u><u>219</u></u>

G. Service Concession Arrangements

In 1983, the City entered into a cost-sharing and land use agreement with the United States Bureau of Reclamation (BOR), under which the City would operate and develop the land where the City's WestWorld operation is located for a period of 50 years (with a mutual option to renew for an additional 25 years). The City entered into this agreement to develop the WestWorld facility for public recreation use and to enhance its revenue stream from rentals, concession sales, and parking fees. Beginning in fiscal year 2001, the BOR required the City to make annual payments for the administration of the agreement, and the present value of those payments as of June 30, 2019, is \$1,039,000. The City has also provided consideration in the form of land improvements with a book value of \$10,502,000 as of June 30, 2013, upon implementation of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and an additional \$50,929,000 through the fiscal year ended June 30, 2019. These improvements were reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$44,414,000 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, 2019, is \$1,182,000. The City also provided consideration in the form of land improvements with a book value of \$10,127,000 as of June 30, 2013, upon implementation of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and an additional \$8,746,000 through the fiscal year ended June 30, 2019. These improvements were reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$15,317,000 at fiscal year-end pursuant to the service concession arrangement.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

H. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding at June 30, 2019. The totals shown are the principal amount outstanding, net of the amount due July 1, 2019.

General Obligation Bonds

General Obligation (GO) bonds are issued, after approval by City of Scottsdale voters at an authorized bond election, to finance the construction of water and sewer systems, artificial lighting, parks and open spaces, recreational facilities, and general-purpose improvements. 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, 2019, 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.

Municipal Property Corporation Bonds

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

The City of Scottsdale entered into an Intergovernmental Agreement with the Arizona Tourism and Sports Authority, doing business as the Arizona Sports and Tourism Authority (AZSTA), pertaining to the Scottsdale municipal spring training facility renovation project in March 2005. Per this agreement, City of Scottsdale MPC Excise Tax Revenue Bonds were issued for \$19,945,322 with one-third of the repayments provided by the City from funds received by the Maricopa County Stadium District (MCSD) and two-thirds of the repayments provided to the City by the AZSTA.

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The City has pledged to repay \$584,210,000 in MPC Excise Tax Revenue Bonds issued from 2006 through June 30, 2019, payable through 2037. 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 2019 for MPC bonds is 4.25 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$632,597,888. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$52,684,075 and \$223,668,464, respectively.

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

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

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 \$44,870,000 in SPA bonds issued in 2010 and 2011. The bonds are payable through 2022. The coverage ratio (revenues to debt service) for 2019 is 8.19. The total principal and interest remaining to be paid on the bonds is \$7,958,875. Principal and interest paid for the current year and total sales tax were \$5,116,875 and \$41,908,703, respectively.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The SPA bond issuances 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 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. At June 30, 2019, the funds restricted for this purpose were \$41,291,717.

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 2019 is 18.83. The total principal and interest remaining to be paid on the bonds is \$18,354,800. Principal and interest for the current year and total customer net revenues were \$4,566,188 and \$85,995,000, 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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.

Certificates of Participation

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

The COPS contain the following provisions that would constitute an event of default by the City:

- Non-punctual payment of a budgeted and appropriated lease payment.
- Failure to pay any other payment required to be paid at the time specified, and the continuation of such failure for a period of five days after notification thereof by the lessor.
- Failure to perform or observe any covenant, agreement, or condition for a period of 30 days after notice. If the issue cannot be corrected within 30 days, the applicable period can be extended, but the extended period may not exceed 60 days.
- Bankruptcy.

If any of the events of default transpire, the lessor, with or without terminating the lease, may retake possession of the leased property and lease or sublease the property for the account of the City. The City would be liable for the difference between the amount due from the City at the end of the lease term and the amount paid by a subsequent purchaser, lessee, or sublessee of the leased property.

Community Facilities Districts General Obligation Bonds

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

CFDs are created only by petition to the City Council by property owners within the district areas. As the Board of Directors for the CFDs, the City Council has adopted a formal policy that CFD debt will be permitted only when the ratio of the full cash value of the unimproved district property to the proposed district debt is a minimum of 3 to 1, and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the CFD and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's secondary assessed valuation.

The CFD bond issuances contain the following provisions that would constitute an event of default by the City:

- 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 (applies only to the 2007 Waterfront Commercial CFD 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 (applies only to the 2007 Waterfront Commercial CFD bonds).

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Bonds payable at June 30, 2019, consisted of the following:

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

General Obligation Bonds	Bonds Outstanding (in thousands)
2010 Various Purpose Bonds (issued April 7, 2010) due in annual installments of \$950,000 to \$4,800,000 through July 1, 2030; interest at 2 percent to 4 percent. On May 17, 2017, \$28,250,000 due 2022 through 2029 was refunded. Original issue amount \$50,800,000.	\$ 9,500
2011 Preservation Bonds (issued February 9, 2011) due in annual installments of \$740,000 to \$1,705,000 through July 1, 2034; interest at 3 percent to 5 percent. On May 17, 2017, \$14,255,000 due 2023 through 2034 was refunded. Original issue amount \$22,525,000.	2,725
2011 Refunding Bonds (issued April 6, 2011) due in annual installments of \$640,000 to \$7,265,000 through July 1, 2024; interest at 1 percent to 5 percent. Original issue amount \$43,115,000.	15,575
2012 Preservation Bonds (issued February 2, 2012) due in annual installments of \$1,400,000 to \$18,000,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$50,000,000.	48,600
2012 Refunding Bonds (issued July 11, 2012) due in annual installments of \$205,000 to \$30,045,000 through July 1, 2025; interest at 2 percent to 5 percent. Original issue amount \$83,025,000.	53,505
2013 Preservation Bonds (issued February 13, 2013) due in annual installments of \$1,000,000 to \$8,665,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$75,000,000.	73,000
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. Original issue amount \$14,000,000.	11,285
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.	46,630
2015 Refunding Bonds (issued April 2, 2015) due in annual installments of \$500,000 to \$30,565,000 through July 1, 2034; interest at 3 percent to 4 percent. Original issue amount \$160,415,000.	129,495
2017A Preservation Bonds (issued March 8, 2017) due in annual installments of \$1,825,000 to \$2,545,000 through July 1, 2034; interest at 4 percent to 5 percent. Original issue amount \$17,410,000.	17,410
2017B Preserve Acquisition Refinancing Bonds (issued May 17, 2017) due in annual installments of \$3,510,000 to \$5,790,000 through July 1, 2024; interest at 5 percent. Original issue amount \$18,495,000.	18,495
2017 Refunding Bonds (issued May 17, 2017) due in annual installments of \$1,055,000 to \$5,525,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$39,985,000.	39,985

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

General Obligation Bonds (continued)	Bonds Outstanding (in thousands)
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.	\$ 17,010
Total General Obligation Bonds Outstanding	<u>\$ 483,215</u>
<p>Some of the above General Obligation Bonds are paid from the .2 percent and .15 percent Preservation Sales Taxes.</p>	
Municipal Property Corporation Bonds	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	\$ 50,640
2013A Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$830,000 to \$2,920,000 through July 1, 2028; interest at 3 percent to 5 percent. Original issue amount \$26,295,000.	19,775
2013B Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$45,000 to \$100,000 through July 1, 2033; interest at 3 percent to 5 percent. Original issue amount \$1,440,000.	1,135
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. Original issue amount \$37,265,000.	29,445
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.	16,760
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$12,200,000.	10,195
2015A Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$275,000 to \$1,025,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$14,615,000.	11,995
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$1,460,000 to \$6,877,488 through July 1, 2035; interest at 3 percent to 5 percent. Original issue amount \$46,758,269.	<u>33,817</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 173,762</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

	Bonds Outstanding (in thousands)
Scottsdale Preserve Authority Bonds	
2010 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds (issued October 20, 2010) due in annual installments of \$3,110,000 to \$6,090,000 through July 1, 2024; interest at 3 percent to 5.25 percent. On May 17, 2017, \$19,535,000 due 2021 through 2024 was refunded. Original issue amount \$32,855,000.	\$ 3,565
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.	3,845
Total Scottsdale Preserve Authority Bonds	\$ 7,410
Community Facilities Districts General Obligation Bonds	
2007 Waterfront Commercial Community Facilities District General Obligation Bonds (issued December 11, 2007) due in annual installments of \$25,000 to \$300,000 beginning July 15, 2009 through July 15, 2032; interest at 4.85 percent to 6.05 percent. Original issue amount \$3,805,000.	\$ 2,810
Certificates of Participation - Direct Borrowing	
2010 Certificates of Participation (issued August 24, 2010) due in semi-annual installments of \$984,651 to \$1,246,573 beginning January 1, 2012, through July 1, 2020; interest at 2.97 percent. Original issue amount \$20,000,000.	\$ 2,493
Community Facilities Districts General Obligation Bonds - Direct Placements	
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$555,000 to \$1,245,000 beginning July 15, 2013 through July 15, 2027; interest at 3.41 percent. Original issue amount \$14,670,000.	\$ 8,870
2012 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$1,020,000 to \$1,335,000 beginning July 15, 2013 through July 15, 2022; interest at 2.84 percent. Original issue amount \$11,555,000.	3,845
2012 Via Linda Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$135,000 to \$210,000 beginning July 15, 2013 through July 15, 2023; interest at 2.60 percent. Original issue amount \$2,000,000.	800
Total Community Facilities Districts General Obligation Bonds - Direct Placements	\$ 13,515
Total Bonds Payable Recorded in Governmental Activities	\$ 683,205

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

	Bonds Outstanding (in thousands)
Water and Sewer Revenue Bonds	
2008 Water and Sewer Revenue Refunding Bonds (issued February 6, 2008) due in annual installments of \$190,000 to \$4,375,000 through July 1, 2023; interest at 3.25 percent to 5.25 percent. Original issue amount \$35,290,000.	<u>\$ 16,175</u>
Municipal Property Corporation Bonds	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.	\$ 79,600
2010 Municipal Property Corporation Excise Tax Revenue Bonds (issued April 7, 2010) due in annual installments of \$180,000 to \$7,800,000 through July 1, 2036; interest at 3 percent to 5 percent. On March 1, 2017, \$55,510,000 due 2023 through 2028 and 2031 through 2036 was refunded. Original issue amount \$75,000,000.	13,940
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$310,000 to \$1,305,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$18,485,000.	15,450
2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$3,788,459 to \$5,822,479 through July 1, 2028; interest at 5 percent. Original issue amount \$46,811,731.	43,023
2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. Original issue amount \$79,970,000.	79,970
2017A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$1,080,000 to \$2,730,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$39,065,000.	36,685
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.	<u>22,100</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 290,768</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 306,943</u>
Total Long-Term Bonds Payable	<u><u>\$ 990,148</u></u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Statutory Debt Limitation

Under the provisions of Article 9, section 8 of the Arizona Constitution, outstanding General Obligation (GO) bonded debt (including outstanding “excess premium,” as defined in Arizona Revised Statutes 35-457, 35-471, and 35-473.01) issued for water, sewers, artificial light, parks, playgrounds and recreational facilities, open space preserves, public safety, and streets and transportation facilities may not exceed 20 percent of a city’s assessed valuation. Outstanding GO bonded debt for all other purposes may not exceed 6 percent of a city’s assessed valuation. GO bonds of community facilities districts are not subject to or included in this calculation. The following summarizes the City’s legal GO bonded debt borrowing capacity at June 30, 2019:

General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety, and Streets and Transportation Facilities		General Obligation Bonds Issued for All Other Purposes	
20% Constitutional Limit	\$ 1,444,653,719	6% Constitutional Limit	\$ 433,396,115
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	(479,265,000)	6% Bonds Outstanding	(3,950,000)
Excess Premium	<u>(10,415,231)</u>	Excess Premium	<u>-</u>
Available 20% Limitation Borrowing Capacity	\$ <u>954,973,488</u>	Available 6% Limitation Borrowing Capacity	\$ <u>429,446,115</u>

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City’s outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2019.

Advance Refundings and Defeasances

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The following table reflects refunded debt outstanding at June 30, 2019, net of any amounts to be paid or retired by the trustee on July 1, 2019 (in thousands):

Refunded Debt Outstanding	
2010 MPC Excise Tax Revenue Bonds	\$ 55,510
2010 Various Purpose GO Bonds	28,250
2010 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds	19,535
2011 Preservation GO Bonds	14,255
	\$ 117,550

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, 2019 (in thousands):

Governmental Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 525,465	\$ -	\$ (42,250)	\$ 483,215	\$ 42,515
Municipal Property Corporation Bonds	187,918	-	(14,156)	173,762	15,552
Scottsdale Preserve Authority Bonds	11,950	-	(4,540)	7,410	4,780
Community Facilities Districts General Obligation Bonds	2,950	-	(140)	2,810	150
Certificates of Participation - Direct Borrowing	4,914	-	(2,421)	2,493	2,493
Community Facilities Districts General Obligation Bonds - Direct Placements	15,850	-	(2,335)	13,515	2,400
Add Issuance Premiums	65,413	-	(6,189)	59,224	-
Total Bonds Payable	814,460	-	(72,031)	742,429	67,890
Capital Lease	32	244	(57)	219	60
Service Concession Arrangements	2,375	-	(154)	2,221	154
Risk Management Claims	22,933	35,051	(35,537)	22,447	8,764
Compensated Absences	25,516	12,306	(11,500)	26,322	12,491
Total Other Postemployment Benefit Liability	2,194	-	(91)	2,103	-
Net Pension Liabilities	309,094	-	(11,462)	297,632	-
Governmental Activities Long-Term Liabilities	\$ 1,176,604	\$ 47,601	\$ (130,832)	\$ 1,093,373	\$ 89,359

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, 2019, \$495,000 of accrued compensated absences is included in the above amount for Internal Service Funds. For the governmental activities, the General Fund, Special Revenue Funds, Capital Projects Funds, and Internal Service Funds generally liquidate accrued compensated absences, the total OPEB liability, and the net pension liabilities. The compensated absences presented in this note are net of the current liability of \$265,000 in the governmental funds and \$1,000 in the Internal Service funds.

Business-type Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 19,715	\$ -	\$ (3,540)	\$ 16,175	\$ 3,725
Municipal Property Corporation Bonds	306,822	-	(16,054)	290,768	16,978
Add Issuance Premiums	30,939	-	(2,389)	28,550	-
Total Bonds Payable	357,476	-	(21,983)	335,493	20,703
Compensated Absences	3,531	1,728	(1,511)	3,748	1,767
Net Pension Liabilities	33,523	-	(3,893)	29,630	-
Business-type Activities Long-Term Liabilities	\$ 394,530	\$ 1,728	\$ (27,387)	\$ 368,871	\$ 22,470

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2019:

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
2020	\$ 40,265	\$ 18,143	\$ 58,408	\$ 2,250	\$ 123	\$ 2,373	\$ 42,515	\$ 18,266	\$ 60,781
2021	44,925	16,512	61,437	1,700	55	1,755	46,625	16,567	63,192
2022	45,020	14,621	59,641	-	-	-	45,020	14,621	59,641
2023	48,780	12,728	61,508	-	-	-	48,780	12,728	61,508
2024	52,235	11,013	63,248	-	-	-	52,235	11,013	63,248
2025-2029	162,340	30,817	193,157	-	-	-	162,340	30,817	193,157
2030-2034	85,700	8,756	94,456	-	-	-	85,700	8,756	94,456
2035-2039	-	-	-	-	-	-	-	-	-
Total	\$ 479,265	\$ 112,590	\$ 591,855	\$ 3,950	\$ 178	\$ 4,128	\$ 483,215	\$ 112,768	\$ 595,983

Fiscal Year	Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 15,552	\$ 7,773	\$ 23,325	\$ 4,780	\$ 350	\$ 5,130	\$ 59	\$ 8	\$ 67
2021	10,952	7,042	17,994	1,280	131	1,411	62	5	67
2022	9,770	6,518	16,288	1,350	68	1,418	65	3	68
2023	10,345	6,042	16,387	-	-	-	33	-	33
2024	10,970	5,532	16,502	-	-	-	-	-	-
2025-2029	62,183	19,499	81,682	-	-	-	-	-	-
2030-2034	50,785	6,841	57,626	-	-	-	-	-	-
2035-2039	3,205	160	3,365	-	-	-	-	-	-
Total	\$ 173,762	\$ 59,407	\$ 233,169	\$ 7,410	\$ 549	\$ 7,959	\$ 219	\$ 16	\$ 235

Fiscal Year	Community Facilities Districts General Obligation Bonds			Certificates of Participation - Direct Borrowing			Community Facilities Districts General Obligation Bonds - Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 150	\$ 168	\$ 318	\$ 2,493	\$ 56	\$ 2,549	\$ 2,400	\$ 433	\$ 2,833
2021	160	160	320	-	-	-	2,490	359	2,849
2022	165	150	315	-	-	-	2,590	283	2,873
2023	175	141	316	-	-	-	1,295	204	1,499
2024	185	130	315	-	-	-	1,125	162	1,287
2025-2029	1,125	469	1,594	-	-	-	3,615	249	3,864
2030-2034	850	105	955	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-	-	-	-
Total	\$ 2,810	\$ 1,323	\$ 4,133	\$ 2,493	\$ 56	\$ 2,549	\$ 13,515	\$ 1,690	\$ 15,205

(continued)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Governmental Activities (in thousands)

Fiscal Year	Service Concession Arrangements			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ 154	\$ 205	\$ 359	\$ 68,103	\$ 27,259
2021	154	223	377	61,723	24,487	86,210
2022	154	242	396	59,114	21,885	80,999
2023	154	262	416	60,782	19,377	80,159
2024	154	283	437	64,669	17,120	81,789
2025-2029	769	1,764	2,533	230,032	52,798	282,830
2030-2034	608	1,930	2,538	137,943	17,632	155,575
2035-2039	74	299	373	3,279	459	3,738
Total	\$ 2,221	\$ 5,208	\$ 7,429	\$ 685,645	\$ 181,017	\$ 866,662

Business-type Activities (in thousands)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 3,725	\$ 849	\$ 4,574	\$ 16,978	\$ 13,315	\$ 30,293
2021	3,930	654	4,584	17,843	12,481	30,324
2022	4,145	447	4,592	18,765	11,622	30,387
2023	4,375	230	4,605	19,595	10,703	30,298
2024	-	-	-	20,675	9,764	30,439
2025-2029	-	-	-	91,382	35,238	126,620
2030-2034	-	-	-	78,610	13,626	92,236
2035-2039	-	-	-	26,920	1,912	28,832
Total	\$ 16,175	\$ 2,180	\$ 18,355	\$ 290,768	\$ 108,661	\$ 399,429

Fiscal Year	Total Business-type Activities		
	Principal	Interest	Total
2020	\$ 20,703	\$ 14,164	\$ 34,867
2021	21,773	13,135	34,908
2022	22,910	12,069	34,979
2023	23,970	10,933	34,903
2024	20,675	9,764	30,439
2025-2029	91,382	35,238	126,620
2030-2034	78,610	13,626	92,236
2035-2039	26,920	1,912	28,832
Total	\$ 306,943	\$ 110,841	\$ 417,784

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

V. OTHER INFORMATION

A. Risk Management

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

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

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. At June 30, 2019, the general liability claims payable totaled \$20,252,000 and the self-insured benefits claims payable totaled \$2,195,000.

	Fiscal Year Ended June 30	
	(in thousands)	
	2019	2018
	<hr/>	<hr/>
Claims Payable, July 1	\$ 22,933	\$ 20,351
Current Year Claims Incurred	35,051	37,315
Current Year Claim Payments	<u>(35,537)</u>	<u>(34,733)</u>
Claims Payable, June 30	<u>\$ 22,447</u>	<u>\$ 22,933</u>

B. Contingent Liabilities

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

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, 2019, \$2,106,317 in fee waivers have been applied.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The City has entered into several agreements whereby it will reimburse developers a portion of development costs and 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. The City does not become liable under the agreements until a certificate of occupancy is issued or sales tax is generated, collected, and remitted to the City. As of June 30, 2019, these requirements have not been met under any of the agreements. The City's estimated contingent liability related to the agreements at June 30, 2019, is \$21,391,364.

C. Subsequent Events

In August 2019, the City initiated the financial defeasance of \$6.8 million of Series 2010 G.O. Bonds (2021 & 2030 maturities). U.S. Treasury State and Local Government Series securities were purchased with the funds and are held by the trustee for future debt service.

In September 2019, the City Council approved the issuance of bonds by the Scottsdale Municipal Property Corporation in an amount not to exceed \$43.5 million. Approximately \$33.5 million of taxable bonds will be used to renovate Scottsdale Stadium, and \$10.0 million of non-taxable bonds were approved for flood control improvements.

D. 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, 2019, the City abated eligible privilege taxes totaling \$181,552 in connection with the following tax abatement agreements, which comprise the entirety of the City's tax abatement agreements:

- A rebate of 70 percent of eligible privilege taxes generated by subject property, less \$2,500 per quarter, to a developer for construction of public infrastructure and in recognition of the lost development opportunities occasioned by the preservation of historic features on the property. The City receives the conveyance of a Deed of Restrictive Covenant and Conservation (Historic Preservation) Easement over the subject property and the economic development benefits anticipated from the rehabilitation of the subject property. The amount of taxes abated during the fiscal year was \$181,552.
- 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

No tax has been abated as of June 30, 2019, 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.

E. Joint Ventures

Sub-Regional Operating Group (SROG)

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

The City records its share of SROG's cash operating expenses and its equity in the joint venture in the City's Water and Sewer Fund. For the fiscal year ended June 30, 2018, (the latest audited information available from SROG), the City's net investment in SROG was \$92,960,000. SROG's net cash operating expenses for the fiscal year ended June 30, 2018, were \$37,656,149, of which the City's share was \$3,523,567, or 9.4 percent. For the fiscal year ended June 30, 2019, the City paid \$4,739,081 for SROG capital contributions and \$4,209,593 for SROG operating expenses, including adjustments to the operating and replacement reserves and prior year settlement.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, for the multi-city Sub-Regional Operating Group (the latest SROG CAFR available) may be obtained from the Arizona Municipal Water Users Association, 4041 N. Central Avenue, Suite 900, Phoenix, AZ 85012.

Regional Wireless Cooperative (RWC)

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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, 2018, (the latest audited information available from RWC), was \$1,845,805 or 2.5 percent of the RWC's total net position. The City contributed \$218,383 for the fiscal year ended June 30, 2019 and shared in estimated depreciation expenses of \$257,562, resulting in an estimated equity balance as of June 30, 2019, of \$1,806,626. The RWC Comprehensive Annual Financial Statement is available from the Regional Wireless Cooperative, 200 West Washington Street, 12th Floor, Phoenix, Arizona, 85003-1611.

F. Pollution Remediation

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

The Superfund law was enacted in order to provide funding and regulatory authority for the study and cleanup of contaminated sites. The EPA, in conjunction with the State of Arizona, directs the cleanup of the North Indian Bend Wash (NIBW) Site that encompasses a groundwater contamination plume in Scottsdale.

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The measurement of the City's pollution remediation obligation liability includes all remediation work that the City expects to perform, including work expected to be performed for the participating companies. In order to estimate the CGTF liability, twelve projected cash flows, based on the prior twelve years of historical costs and weighted equally, were used to calculate an average annual cost. In order to estimate the NGTF liability, six projected cash flows, based on the prior six 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 55 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 2019 reimbursable outlays for operating and monitoring the CGTF were \$581,976 and for the NGTF were \$116,346. 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.

G. 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.

H. 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.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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 both the state and participating political subdivisions and school districts. ASRS is administered in accordance with Title 38, Chapter 5, Articles 2 and 2.1 of the Arizona Revised Statutes (ARS). ASRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ASRS Financial Services Division, 3300 North Central Avenue, Phoenix, AZ 85012, or by visiting <https://www.azasrs.gov/content/annual-reports>.

Benefits Provided

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

1. A lump sum equal to the sum of (a) and (b):
 - a. the sum of the member's employee and employer balance plus any service purchase payments, and
 - b. the sum of the member's employee and employer balance plus any supplemental credits, if any, transferred from the System (closed portion of ASRS) to the Plan, with interest
2. The beneficiary may elect to receive a monthly income, in the single life form, which is actuarially equivalent to the amount in 1. above at 7.5 percent.

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

Contributions

The ARS provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of the City's covered payroll. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is authorized to approve a contribution rate other than the actuarially determined rate. Employees were required to contribute 11.64 percent of their annual pay for the fiscal year ended June 30, 2019, and the City's required contribution rate was 11.18 percent during the same time period. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.41 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, 2019, 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 \$12,384,000 for the fiscal year ended June 30, 2019.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

At June 30, 2019, the City reported a liability of \$147,206,499 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018. At June 30, 2018, the City's proportion was 1.05551 percent, which was a decrease of 0.00131 percent from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the City recognized a collective pension expense of \$(140,291). At June 30, 2019, 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):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,056	\$ 812
Changes in assumptions	3,895	13,052
Net difference between projected and actual earnings on pension plan investments	-	3,540
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,126
City contributions subsequent to the measurement date	12,384	-
Total	<u>\$ 20,335</u>	<u>\$ 19,530</u>

The \$12,384,000 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, 2020. 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:

2020	\$ (579)
2021	(4,043)
2022	(5,370)
2023	(1,587)
2024	-
Thereafter	-

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	
Plan amendments	Immediate
Investment gain/loss	Five years
Assumption gain/loss	Average future service lives
Experience gain/loss	Average future service lives
Proportionation/proportionate share gain/loss	Average future 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, 2017, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 5.07 percent (excluding any expected inflation) using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Contribution to Expected Real Return</u>
Equity	50%	5.50%	2.75%
Fixed income	30%	3.83%	1.15%
Real estate	20%	5.85%	1.17%
Total	<u>100%</u>		<u>5.07%</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Discount Rate

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

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

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 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:

	<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	\$ 209,846,251	\$ 147,206,499	\$ 94,871,999

Pension Plan Fiduciary Net Position

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

Public Safety Personnel Retirement System

General Information about the Pension Plan

Plan Descriptions

All of the City's sworn public safety personnel participate in Public Safety Personnel Retirement System (PSPRS). PSPRS administers both an agent multiple-employer defined benefit pension plan and a defined contribution plan. The defined contribution plan is only available to police department members who became a member on or after July 1, 2017, and fire department members who became a member on or after January 1, 2012. The defined benefit and defined contribution pension plans are administered in accordance with Title 38, Chapter 5, Articles 4 and 4.1, respectively, of the Arizona Revised Statutes (ARS). PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees (the Board) and 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 PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <http://www.psprs.com/investments--financials/annual-reports>.

Benefits Provided

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Disability benefits are calculated as follows:

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

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

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

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

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

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	269
Inactive employees entitled to, but not yet receiving benefits	112
Active Employees	<u>604</u>
 Total	 <u><u>985</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, 2019

The City's contribution rates for fiscal year ended June 30, 2019 were:

Police	Tier 1		Tier 2		Tier 3	
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later	7/1/2017 or later		
Plan type	Defined benefit	Defined benefit	Defined benefit	Defined benefit	Defined contribution	
Employee contribution rate	7.65%	11.65%	11.65%	9.73%	9.00%	
Employer contribution rate	51.85%	51.85%	51.85%	46.53%	45.80%	

Fire	Tier 1		Tier 2		Tier 3		
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later		7/1/2017 or later		
Plan type	Defined benefit	Defined benefit	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined contribution
Employee contribution rate	7.65%	11.65%	11.65%	3.00%	10.33%	3.00%	9.00%
Employer contribution rate	19.17%	19.17%	19.17%	4.00%	14.56%	3.00%	13.23%

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 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 (36.80 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, 2019, were \$19,951,784.

ARS Title 9, Chapter 8, Article 3, Section 9-952 requires the state treasurer to distribute a fire insurance premium tax to the respective incorporated cities and towns and legally organized fire districts in proportion to the full cash value of the real property and improvements in each incorporated city and town and legally organized fire district which procures the services of a private fire company and in each area served by a 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. In June 2018, PSPRS received \$1,920,977 of fire insurance premium tax for the City's fire pension plan related to the fiscal year ended June 30, 2019. PSPRS accounts for the fire insurance premium tax collected for the City as employer contributions.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Net Pension Liability

The City's net pension liability of \$180,055,082 was measured as of June 30, 2018, 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, 2018, measurement was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value of Assets
Payroll Growth	3.50%
Inflation	2.50%
Salary Increases	3.50%-7.50%, including inflation
Tier 1/2 Investment Rate of Return	7.40%, net of investment and administrative expenses
Tier 3 Investment Rate of Return	7.00%, net of investment and administrative expenses
Mortality rates	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table). Future mortality improvements are assumed each year using 75% of scale MP-2016.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study of the period July 1, 2011 to June 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.70%
Private Equity	12.00%	5.83%
Fixed Income	5.00%	1.25%
Private Credit	16.00%	6.75%
GTS	12.00%	3.96%
Real Assets	9.00%	4.52%
Real Estate	10.00%	3.75%
Risk Parity	4.00%	5.00%
Short Term Investments	2.00%	0.25%
	<u>100.00%</u>	

* Geometric Real Rate of Return. Based on inflation assumption of 2.75%.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.40 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 these 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.

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/18	\$ 328,685	\$ 162,427	\$ 166,258
Changes for the year:			
Service cost	7,103	-	7,103
Interest	24,013	-	24,013
Changes of benefit terms	-	-	-
Differences between expected and actual experience	4,880	-	4,880
Changes of assumptions/other inputs	-	-	-
Contributions-employer	-	15,491	(15,491)
Contributions-employee	-	3,438	(3,438)
Net investment income	-	11,537	(11,537)
Benefit payments, including refunds of employee contributions	(15,475)	(15,475)	-
Administrative expense	-	(176)	176
Other changes	-	(34)	34
Net changes	20,521	14,781	5,740
Balances at 6/30/19	\$ 349,206	\$ 177,208	\$ 171,998

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/18	\$ 88,908	\$ 77,181	\$ 11,727
Changes for the year:			
Service cost	5,098	-	5,098
Interest	6,729	-	6,729
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,004)	-	(2,004)
Changes of assumptions/other inputs	-	-	-
Contributions-employer	-	6,061	(6,061)
Contributions-employee	-	1,981	(1,981)
Net investment income	-	5,520	(5,520)
Benefit payments, including refunds of employee contributions	(1,047)	(1,047)	-
Administrative expense	-	(85)	85
Other changes	-	16	(16)
Net changes	<u>8,776</u>	<u>12,446</u>	<u>(3,670)</u>
Balances at 6/30/19	<u>\$ 97,684</u>	<u>\$ 89,627</u>	<u>\$ 8,057</u>

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.40 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 (6.40/6.00 percent) or 1-percentage-point higher (8.40/8.00 percent) than the current rate (in thousands):

	1% Decrease (6.40%/6.00%)	Discount Rate (7.40%/7.00%)	1% Increase (8.40%/8.00%)
Police net pension liability (asset)	\$ 220,481	\$ 171,998	\$ 132,604
Fire net pension liability (asset)	24,768	8,057	(5,464)

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. PSPRS financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of PSPRS. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. PSPRS investments are reported at fair value. Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). 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. Market values are determined as follows: Short-term investments are reported at cost plus accrued interest. Level 1 debt and equity securities are valued based on prices quoted in active markets for those securities. Level 2 securities are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Level 3 securities, whose stated market prices are unobservable by the marketplace, are priced by the investment manager or General Partner using discounted cash flow techniques. The fair value of alternative investments is based on the investments' net asset value (NAV) per share. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner of each fund or by the investment manager responsible for that sector. Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

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

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$27,684,845 related to the defined benefit plan and the defined benefit portion of the hybrid plan and \$212,876 related to the defined contribution plan and the defined contribution portion of the hybrid plan. At June 30, 2019, 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	\$ 5,955	\$ 5,003
Change of assumptions or other inputs	21,698	-
Net difference between projected and actual earnings on pension plan investments	3,126	-
City contributions subsequent to the measurement date	19,952	-
Total	<u>\$ 50,731</u>	<u>\$ 5,003</u>

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

City contributions subsequent to the measurement date of \$19,951,784 were reported as deferred outflows and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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:

2020	\$	10,301
2021		7,028
2022		2,375
2023		3,510
2024		1,466
Thereafter		1,096

Elected Officials' Defined Contribution Retirement System

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

Benefit terms, including contribution requirements, for EODCRS are established by Title 38, Chapter 5, Article 3.1 of the Arizona Revised Statutes (ARS) and may be amended by the State of Arizona. For each member of EODCRS, the City is required to contribute 6 percent of gross compensation to an individual member retirement account. Members are required to contribute 8 percent of gross compensation to their retirement account. Members are immediately vested in both their and the City's contributions and earnings on those contributions. For the fiscal year ended June 30, 2019, the City recognized pension expense of \$1,579.

I. Other Postemployment Benefits

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

The projected liability for active employees, as of June 30, 2019, was \$15,684,444. The projected liability was considered payable within one year or greater and all but the current portion of \$182,287 was therefore considered non-current and included in both the proprietary fund and government-wide financial statements. Significant actuarial assumptions of the January 1, 2019, actuarial valuation include: a) mortality rates based on the RPH-2018 Total Dataset Mortality Table fully generational using scale MP 2018; 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, 2019.

J. Postemployment Benefits Other Than Pensions (OPEB)

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

Plan Description

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

Benefits Provided

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

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

As of June 30, 2019, Membership Consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	20
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>664</u>
Total	<u><u>684</u></u>

Total OPEB Liability

The City's total OPEB liability of \$2,103,379 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.5% wage inflation plus merit and longevity increases ranging from 0.0% to 4.0%
Discount Rate	3.87%
Healthcare Cost Trend Rates*	6.83% for 2020, 8.00% for 2021, and then decreasing 0.5% per year to an ultimate rate of 5.00% for 2027 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 2019 to 2020.

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

Mortality rates were based on the RPH-2018 Total Dataset Mortality Table fully generational using scale MP-2018 for current actives and the RPH-2018 Disabled Mortality Table fully generational using scale MP-2018 for disabled retirees.

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

Changes in the Total OPEB Liability

(in thousands)	<u>Total OPEB Liability</u>
Balance at 6/30/18	<u>\$ 2,194</u>
Changes for the year:	
Service cost	241
Interest	85
Differences between expected and actual experience	(278)
Changes of assumptions/other inputs	(38)
Benefit payments	<u>(101)</u>
Net changes	<u>(91)</u>
Balance at 6/30/19	<u><u>\$ 2,103</u></u>

Changes in assumptions reflect the following:

1. Change in the discount rate from 3.56 percent as of the beginning of the year to 3.87 percent as of the end of the year.
2. Mortality table has been updated from RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 for current actives.
3. Mortality table has been updated from RPH-2017 Disabled Mortality Table fully generational using Scale MP-2017 to RPH-2018 Disabled Mortality Table fully generational using Scale MP-2018 for disabled retirees.
4. Healthcare trend rates have been updated to reflect actual premium increases from fiscal year 2019 to fiscal year 2020, followed by an annual trend of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 5.0 percent.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate (in thousands):

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 2,198	\$ 2,103	\$ 2,005

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2019

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.83 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.83 percent decreasing to 6.00 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (5.83% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.83% decreasing to 5.00%)	1% Increase (7.83% decreasing to 6.00%)
Total OPEB Liability	\$ 1,885	\$ 2,103	\$ 2,354

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$296,560. At June 30, 2019, 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	\$ -	\$	437
Change of assumptions or other inputs	100		34
City contributions subsequent to the measurement date	116		-
Total	\$ 216	\$	471

The \$115,803 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, 2020. 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:

2020	\$ (39)
2021	(39)
2022	(39)
2023	(39)
2024	(40)
Thereafter	(175)

Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

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 Five Fiscal Years (dollars in thousands)**

	2019	2018	2017	2016	2015
City's proportion of the net collective pension liability	1.055510%	1.056820%	1.086990%	1.099760%	1.102563%
City's proportionate share of the collective net pension liability	\$147,206	\$164,632	\$175,451	\$171,304	\$163,142
City's covered payroll	\$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	140.07%	153.49%	172.15%	168.01%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

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 Five Fiscal Years (dollars in thousands)

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 7,103	\$ 7,841	\$ 6,603	\$ 6,537	\$ 6,363
Interest	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	4,880	(921)	(3,203)	87	(896)
Changes of assumptions or other inputs	-	9,028	11,023	-	22,122
Benefit payments, including refunds of employee contributions	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Net change in total pension liability	20,521	24,772	38,140	11,429	36,063
Total pension liability-beginning	328,685	303,913	265,773	254,344	218,281
Total pension liability-ending (a)	<u>\$ 349,206</u>	<u>\$ 328,685</u>	<u>\$ 303,913</u>	<u>\$ 265,773</u>	<u>\$ 254,344</u>
Plan fiduciary net position					
Contributions-employer	\$ 15,491	\$ 11,888	\$ 11,710	\$ 8,970	\$ 7,997
Contributions-employee	3,438	3,983	4,230	3,944	3,495
Net investment income	11,537	17,104	842	5,113	17,047
Benefit payments, including refunds of employee contributions	(15,475)	(16,239)	(14,059)	(14,835)	(12,411)
Administrative expense	(176)	(152)	(122)	(125)	(137)
Other changes	(34)	(134)	(36)	(243)	(50)
Net change in plan fiduciary net position	14,781	16,450	2,565	2,824	15,941
Plan fiduciary net position-beginning	162,427	145,977	143,412	140,588	124,647
Plan fiduciary net position-ending (b)	<u>\$ 177,208</u>	<u>\$ 162,427</u>	<u>\$ 145,977</u>	<u>\$ 143,412</u>	<u>\$ 140,588</u>
City's net pension liability-ending ((a) - (b))	<u>\$ 171,998</u>	<u>\$ 166,258</u>	<u>\$ 157,936</u>	<u>\$ 122,361</u>	<u>\$ 113,756</u>
Plan fiduciary net position as a percentage of the total pension liability	50.75%	49.42%	48.03%	53.96%	55.27%
Covered payroll	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
City's net pension liability as a percentage of covered payroll	493.27%	490.49%	477.54%	369.95%	361.84%

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

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

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

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 12,384	\$ 11,437	\$ 11,540	\$ 11,049	\$ 11,092	\$ 10,635	\$ 9,949
Employer contributions in relation to the statutorily required contribution	<u>(12,384)</u>	<u>(11,437)</u>	<u>(11,540)</u>	<u>(11,049)</u>	<u>(11,092)</u>	<u>(10,635)</u>	<u>(9,949)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 110,748	\$ 105,097	\$ 107,259	\$ 101,917	\$ 101,962	\$ 99,077	\$ 97,257
Contributions as a percentage of covered payroll	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, 2019

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

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

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

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

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

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

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 241	\$ 260
Interest	85	67
Differences between expected and actual experience	(278)	(230)
Changes of assumptions/other inputs	(38)	125
Benefit payments	<u>(101)</u>	<u>(111)</u>
Net change in total OPEB liability	(91)	111
Total OPEB liability-beginning	<u>2,194</u>	<u>2,083</u>
Total OPEB liability-ending	<u><u>\$ 2,103</u></u>	<u><u>\$ 2,194</u></u>
Covered-employee payroll	\$ 52,970	\$ 51,137
Total OPEB liability as a percentage of covered-employee payroll	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*.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are established to finance particular activities and are created out of receipts from specific taxes, grant awards, contributions received, or other earmarked revenue. All funds in the Special Revenue Funds have either legal restrictions stipulated by an external party or are committed to a specific purpose through formal action from the City Council.

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

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

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

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

Section 8 Fund. This fund receives and expends the City's Section 8 Housing revenues. Funding is awarded by the U.S. Department of Housing and Urban Development (HUD) to provide rental housing assistance. Budgets are approved annually by HUD. Section 8 Housing revenues may be used only for assistance approved by HUD and are subject to agency expenditure guidelines.

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

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

Scottsdale Mountain CFD

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

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

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

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

Debt Service Funds

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

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

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

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

Scottsdale Mountain CFD

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Scottsdale Preserve Authority Fund. This fund accounts for the principal and interest requirements of excise tax revenue bonds issued by the Scottsdale Preserve Authority. Financing is provided by a 0.35 percent Preservation Privilege (Sales) Tax revenue approved by the voters in 1995 (0.2 percent) and 2004 (0.15 percent).

Capital Projects Funds

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

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

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

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

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

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

Permanent Funds

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

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

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

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

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

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 73,605	\$ 5,187	\$ 54,343	\$ 636	\$ 133,771
Cash with Fiscal Agent	62	26,729	-	-	26,791
Receivables (net of allowance for uncollectibles)					
Interest	241	-	232	-	473
Privilege Tax	8,011	-	-	-	8,011
Transient Occupancy Tax	1,123	-	-	-	1,123
Property Tax	20	78	-	-	98
Franchise Fee	50	-	-	-	50
Highway User Tax	1,534	-	-	-	1,534
Intergovernmental	4,176	5,844	19,822	-	29,842
Grants	722	-	553	-	1,275
Miscellaneous	2,940	1,618	-	-	4,558
Total Assets	<u>\$ 92,484</u>	<u>\$ 39,456</u>	<u>\$ 74,950</u>	<u>\$ 636</u>	<u>\$ 207,526</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts Payable	\$ 4,277	\$ -	\$ 12,298	\$ 4	\$ 16,579
Accrued Payroll and Benefits	262	-	13	-	275
Due to Other Funds	164	-	5,738	-	5,902
Matured Bond Interest Payable	-	4,813	-	-	4,813
Matured Bonds Payable	-	21,172	-	-	21,172
Unearned Revenue					
Intergovernmental	8,606	-	-	-	8,606
Other	692	-	200	-	892
Due to Other Governments	4	-	-	-	4
Guaranty and Other Deposits	5	-	-	-	5
Total Liabilities	<u>14,010</u>	<u>25,985</u>	<u>18,249</u>	<u>4</u>	<u>58,248</u>
Deferred Inflows of Resources					
Unavailable Revenues	3,301	5,874	20,264	-	29,439
Total Liabilities and Deferred Inflows of Resources	<u>17,311</u>	<u>31,859</u>	<u>38,513</u>	<u>4</u>	<u>87,687</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	604	604
Restricted	57,775	3,486	49,584	28	110,873
Committed	18,106	4,700	7	-	22,813
Unassigned	(708)	(589)	(13,154)	-	(14,451)
Total Fund Balances (Deficits)	<u>75,173</u>	<u>7,597</u>	<u>36,437</u>	<u>632</u>	<u>119,839</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 92,484</u>	<u>\$ 39,456</u>	<u>\$ 74,950</u>	<u>\$ 636</u>	<u>\$ 207,526</u>

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

REVENUES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Taxes - Local					
Property	\$ 126	\$ 3,142	\$ -	\$ -	\$ 3,268
Transaction Privilege	69,697	-	-	-	69,697
Transient Occupancy	22,407	-	-	-	22,407
Light and Power Franchise	261	-	-	-	261
Taxes - Intergovernmental					
Highway User Tax	17,073	-	-	-	17,073
Local Transportation Assistance Fund	642	-	-	-	642
Business and Liquor Licenses	52	-	-	-	52
Charges for Current Services					
Building and Related Permits	13	-	27	-	40
Recreation Fees	2,286	-	-	-	2,286
Fines, Fees, and Forfeitures					
Court	146	-	-	-	146
Court Enhancement	1,764	-	-	-	1,764
Police	247	-	-	-	247
Property Rental	2,390	140	-	-	2,530
Interest Earnings	1,076	11	978	16	2,081
Intergovernmental					
Federal Grants	8,112	-	4,023	-	12,135
State Grants	410	-	-	-	410
Miscellaneous	759	4,226	3,800	-	8,785
Developer Contributions	412	-	-	-	412
Streetlight and Services Districts	591	-	-	-	591
Contributions and Donations	1,774	-	783	18	2,575
Reimbursements from Outside Sources	523	-	5	-	528
Indirect Costs	424	-	-	-	424
Other	78	-	-	-	78
Total Revenues	<u>131,263</u>	<u>7,519</u>	<u>9,616</u>	<u>34</u>	<u>148,432</u>
EXPENDITURES					
Current					
General Government					
Mayor and City Council	17	-	-	-	17
City Court	1,018	-	-	-	1,018
City Manager	1,038	-	-	-	1,038
City Treasurer	172	-	-	-	172
Public Works	14,802	-	-	-	14,802
Community and Economic Development	23,976	-	-	-	23,976
Public Safety	2,114	-	-	-	2,114
Community Services	12,586	-	-	55	12,641
Streetlight and Services Districts	584	-	-	-	584
Debt Service					
Principal	-	21,172	-	-	21,172
Interest and Fiscal Charges	-	9,645	-	-	9,645
Capital Outlay	128	-	49,050	-	49,178
Total Expenditures	<u>56,435</u>	<u>30,817</u>	<u>49,050</u>	<u>55</u>	<u>136,357</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>74,828</u>	<u>(23,298)</u>	<u>(39,434)</u>	<u>(21)</u>	<u>12,075</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	967	27,654	23,110	-	51,731
Transfers Out	(67,796)	(6,646)	(28)	-	(74,470)
Total Other Financing Sources (Uses)	<u>(66,829)</u>	<u>21,008</u>	<u>23,082</u>	<u>-</u>	<u>(22,739)</u>
Net Change in Fund Balances	7,999	(2,290)	(16,352)	(21)	(10,664)
Fund Balances - Beginning	67,174	9,887	52,789	653	130,503
Fund Balances - Ending	<u>\$ 75,173</u>	<u>\$ 7,597</u>	<u>\$ 36,437</u>	<u>\$ 632</u>	<u>\$ 119,839</u>

Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds

June 30, 2019 (in thousands)

	Transportation	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
ASSETS								
Cash and Investments	\$ 13,112	\$ 50	\$ -	\$ 315	\$ 446	\$ 33,925	\$ 42	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	-	216	-	-
Privilege Tax	3,523	-	-	-	-	4,271	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	18	-
Franchise Fee	-	-	-	-	-	-	-	-
Highway User Tax	1,534	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	159	185	378	-	-	-	-
Miscellaneous	105	2,198	-	16	-	-	-	-
Total Assets	<u>\$ 18,274</u>	<u>\$ 2,407</u>	<u>\$ 185</u>	<u>\$ 709</u>	<u>\$ 446</u>	<u>\$ 38,412</u>	<u>\$ 60</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts Payable	\$ 2,434	\$ 45	\$ 11	\$ 42	\$ 3	\$ 58	\$ -	\$ -
Accrued Payroll and Benefits	167	9	-	30	5	-	-	-
Due to Other Funds	-	-	164	-	-	-	-	-
Unearned Revenue								
Intergovernmental	-	46	10	5	-	-	-	-
Other	-	4	-	632	-	-	-	-
Due to Other Governments	-	1	-	-	2	-	-	-
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Total Liabilities	<u>2,601</u>	<u>110</u>	<u>185</u>	<u>709</u>	<u>10</u>	<u>58</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable Revenues	104	2,357	185	244	-	-	18	-
Total Liabilities and Deferred Inflows of Resources	<u>2,705</u>	<u>2,467</u>	<u>370</u>	<u>953</u>	<u>10</u>	<u>58</u>	<u>18</u>	<u>-</u>
Fund Balances (Deficits)								
Restricted	15,569	99	-	-	436	38,354	42	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(159)	(185)	(244)	-	-	-	-
Total Fund Balances (Deficits)	<u>15,569</u>	<u>(60)</u>	<u>(185)</u>	<u>(244)</u>	<u>436</u>	<u>38,354</u>	<u>42</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 18,274</u>	<u>\$ 2,407</u>	<u>\$ 185</u>	<u>\$ 709</u>	<u>\$ 446</u>	<u>\$ 38,412</u>	<u>\$ 60</u>	<u>\$ -</u>

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds

June 30, 2019 (in thousands)

<u>ASSETS</u>	<u>DC Ranch CFD</u>	<u>Via Linda Road CFD</u>	<u>Waterfront Commercial CFD</u>	<u>Streetlight Districts</u>	<u>Special Programs</u>	<u>Tourism Development</u>	<u>Total</u>
Cash and Investments	\$ -	\$ -	\$ -	\$ 5	\$ 19,742	\$ 5,968	\$ 73,605
Cash with Fiscal Agent	49	-	13	-	-	-	62
Receivables (net of allowance for uncollectibles)							
Interest	-	-	-	-	25	-	241
Privilege Tax	-	-	-	-	5	212	8,011
Transient Occupancy Tax	-	-	-	-	-	1,123	1,123
Property Tax	2	-	-	-	-	-	20
Franchise Fee	-	-	-	-	50	-	50
Highway User Tax	-	-	-	-	-	-	1,534
Intergovernmental	-	-	-	-	4,176	-	4,176
Grants	-	-	-	-	-	-	722
Miscellaneous	-	-	-	6	490	125	2,940
Total Assets	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 11</u>	<u>\$ 24,488</u>	<u>\$ 7,428</u>	<u>\$ 92,484</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)							
<u>Liabilities</u>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 548	\$ 1,136	\$ 4,277
Accrued Payroll and Benefits	-	-	-	-	46	5	262
Due to Other Funds	-	-	-	-	-	-	164
Unearned Revenue							
Intergovernmental	-	-	-	-	8,545	-	8,606
Other	-	-	-	-	56	-	692
Due to Other Governments	-	-	-	-	1	-	4
Guaranty and Other Deposits	-	-	-	-	-	-	5
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,196</u>	<u>1,141</u>	<u>14,010</u>
<u>Deferred Inflows of Resources</u>							
Unavailable Revenues	-	-	-	-	393	-	3,301
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,589</u>	<u>1,141</u>	<u>17,311</u>
<u>Fund Balances (Deficits)</u>							
Restricted	51	-	13	11	3,200	-	57,775
Committed	-	-	-	-	11,819	6,287	18,106
Unassigned	-	-	-	-	(120)	-	(708)
Total Fund Balances (Deficits)	<u>51</u>	<u>-</u>	<u>13</u>	<u>11</u>	<u>14,899</u>	<u>6,287</u>	<u>75,173</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 11</u>	<u>\$ 24,488</u>	<u>\$ 7,428</u>	<u>\$ 92,484</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Transportation	Community Development Block Grant	HOME	Grants	Section 8	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
REVENUES								
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24	\$ 11
Transaction Privilege	27,788	-	-	-	-	41,909	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
Highway User Tax	17,073	-	-	-	-	-	-	-
Local Transportation Assistance Fund	642	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Building and Related Permits	-	-	-	-	-	-	-	-
Recreation Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-
Property Rental	-	62	-	-	-	-	-	-
Interest Earnings	-	-	-	-	-	925	-	-
Intergovernmental								
Federal Grants	-	1,304	234	942	5,632	-	-	-
State Grants	-	-	-	410	-	-	-	-
Miscellaneous	113	-	-	-	-	-	-	-
Developer Contributions	-	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,560	-	-	-	-
Reimbursements from Outside Sources	265	-	-	-	4	-	-	-
Indirect Costs	424	-	-	-	-	-	-	-
Other	-	-	-	-	13	-	-	-
Total Revenues	46,305	1,366	234	2,912	5,649	42,834	24	11
EXPENDITURES								
Current								
General Government								
Mayor and City Council	-	-	-	5	-	-	-	-
City Court	-	-	-	-	-	-	-	-
City Manager	-	-	-	1,038	-	-	-	-
City Treasurer	55	-	-	-	-	5	9	11
Public Works	14,644	-	-	-	-	-	-	-
Community and Economic Development	8,110	-	-	129	-	-	-	-
Public Safety	-	-	-	928	-	-	-	-
Community Services	1,778	1,374	234	701	5,684	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	24,587	1,374	234	2,801	5,684	5	9	11
Excess (Deficiency) of Revenues over (under) Expenditures	21,718	(8)	-	111	(35)	42,829	15	-
OTHER FINANCING SOURCES (USES)								
Transfers In	459	-	-	-	-	-	27	-
Transfers Out	(16,353)	(12)	-	(33)	-	(38,569)	-	-
Total Other Financing Sources (Uses)	(15,894)	(12)	-	(33)	-	(38,569)	27	-
Net Change in Fund Balances (Deficits)	5,824	(20)	-	78	(35)	4,260	42	-
Fund Balances (Deficits) - Beginning	9,745	(40)	(185)	(322)	471	34,094	-	-
Fund Balances (Deficits) - Ending	\$ 15,569	\$ (60)	\$ (185)	\$ (244)	\$ 436	\$ 38,354	\$ 42	\$ -

(continued)

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

Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Total
REVENUES							
Taxes - Local							
Property	\$ 68	\$ 11	\$ 12	\$ -	\$ -	\$ -	\$ 126
Transaction Privilege	-	-	-	-	-	-	69,697
Transient Occupancy	-	-	-	-	-	22,407	22,407
Light and Power Franchise	-	-	-	-	261	-	261
Taxes - Intergovernmental							
Highway User Tax	-	-	-	-	-	-	17,073
Local Transportation Assistance Fund	-	-	-	-	-	-	642
Business and Liquor Licenses	-	-	-	-	52	-	52
Charges for Current Services							
Building and Related Permits	-	-	-	-	13	-	13
Recreation Fees	-	-	-	-	2,286	-	2,286
Fines, Fees, and Forfeitures							
Court	-	-	-	-	146	-	146
Court Enhancement	-	-	-	-	1,764	-	1,764
Police	-	-	-	-	247	-	247
Property Rental	-	-	-	-	304	2,024	2,390
Interest Earnings	-	-	-	-	151	-	1,076
Intergovernmental							
Federal Grants	-	-	-	-	-	-	8,112
State Grants	-	-	-	-	-	-	410
Miscellaneous	-	-	-	-	646	-	759
Developer Contributions	-	-	-	-	412	-	412
Streetlight and Services Districts	-	-	-	-	-	-	591
Contributions and Donations	-	-	-	-	214	-	1,774
Reimbursements from Outside Sources	-	-	-	-	239	15	523
Indirect Costs	-	-	-	-	-	-	424
Other	-	-	-	-	55	10	78
Total Revenues	<u>68</u>	<u>11</u>	<u>12</u>	<u>591</u>	<u>6,790</u>	<u>24,456</u>	<u>131,263</u>
EXPENDITURES							
Current							
General Government							
Mayor and City Council	-	-	-	-	12	-	17
City Court	-	-	-	-	1,018	-	1,018
City Manager	-	-	-	-	-	-	1,038
City Treasurer	71	11	10	-	-	-	172
Public Works	-	-	-	-	158	-	14,802
Community and Economic Development	-	-	-	-	286	15,451	23,976
Public Safety	-	-	-	-	1,186	-	2,114
Community Services	-	-	-	-	2,815	-	12,586
Streetlight and Services Districts	-	-	-	584	-	-	584
Capital Outlay	-	-	-	-	128	-	128
Total Expenditures	<u>71</u>	<u>11</u>	<u>10</u>	<u>584</u>	<u>5,603</u>	<u>15,451</u>	<u>56,435</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3)</u>	<u>-</u>	<u>2</u>	<u>7</u>	<u>1,187</u>	<u>9,005</u>	<u>74,828</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	10	471	967
Transfers Out	-	-	-	-	(971)	(11,858)	(67,796)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(961)</u>	<u>(11,387)</u>	<u>(66,829)</u>
Net Change in Fund Balances (Deficits)	<u>(3)</u>	<u>-</u>	<u>2</u>	<u>7</u>	<u>226</u>	<u>(2,382)</u>	<u>7,999</u>
Fund Balances - Beginning	<u>54</u>	<u>-</u>	<u>11</u>	<u>4</u>	<u>14,673</u>	<u>8,669</u>	<u>67,174</u>
Fund Balances - Ending	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 11</u>	<u>\$ 14,899</u>	<u>\$ 6,287</u>	<u>\$ 75,173</u>

Transportation – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transaction Privilege	\$ 21,726	\$ 21,726	\$ 27,788	\$ -	\$ 27,788	\$ 6,062
Taxes - Intergovernmental						
Highway User Tax	15,496	15,496	17,073	-	17,073	1,577
Local Transportation Assistance Fund	655	655	642	-	642	(13)
Intergovernmental						
Miscellaneous	150	150	113	-	113	(37)
Reimbursements from Outside Sources	175	175	265	-	265	90
Indirect Costs	424	424	424	-	424	-
Other	5	5	-	-	-	(5)
Total Revenues	<u>38,631</u>	<u>38,631</u>	<u>46,305</u>	<u>-</u>	<u>46,305</u>	<u>7,674</u>
EXPENDITURES						
Current						
General Government						
City Treasurer	54	57	55	-	55	2
Public Works	15,546	15,575	14,629	15	14,644	946
Community and Economic Development	9,771	9,564	8,095	15	8,110	1,469
Community Services	1,856	1,856	1,778	-	1,778	78
Total Expenditures	<u>27,227</u>	<u>27,052</u>	<u>24,557</u>	<u>30</u>	<u>24,587</u>	<u>2,495</u>
Excess of Revenues over Expenditures	<u>11,404</u>	<u>11,579</u>	<u>21,748</u>	<u>(30)</u>	<u>21,718</u>	<u>10,169</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	300	300	459	-	459	159
Transfers Out	(10,941)	(10,941)	(16,353)	-	(16,353)	(5,412)
Sale of General Capital Assets	10	10	-	-	-	(10)
Total Other Financing Sources (Uses)	<u>(10,631)</u>	<u>(10,631)</u>	<u>(15,894)</u>	<u>-</u>	<u>(15,894)</u>	<u>(5,263)</u>
Net Change in Fund Balance	773	948	5,854	(30)	5,824	4,906
Fund Balance - Beginning	6,177	9,686	9,686	59	9,745	-
Fund Balance - Ending	<u>\$ 6,950</u>	<u>\$ 10,634</u>	<u>\$ 15,540</u>	<u>\$ 29</u>	<u>\$ 15,569</u>	<u>\$ 4,906</u>

Explanation of Differences:

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

 Payroll Accruals \$ 30

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, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Property Rental	\$ 39	\$ 39	\$ 62	\$ -	\$ 62	\$ 23
Intergovernmental						
Federal Grants	2,465	2,465	1,304	-	1,304	(1,161)
Total Revenues	<u>2,504</u>	<u>2,504</u>	<u>1,366</u>	<u>-</u>	<u>1,366</u>	<u>(1,138)</u>
EXPENDITURES						
Current						
Community Services	2,504	2,378	1,373	1	1,374	1,005
Total Expenditures	<u>2,504</u>	<u>2,378</u>	<u>1,373</u>	<u>1</u>	<u>1,374</u>	<u>1,005</u>
Excess (Deficiency) of Revenues over (under) Expenditures	-	126	(7)	(1)	(8)	(133)
OTHER FINANCING USES						
Transfers Out	-	(147)	(12)	-	(12)	135
Total Other Financing Uses	<u>-</u>	<u>(147)</u>	<u>(12)</u>	<u>-</u>	<u>(12)</u>	<u>135</u>
Net Change in Fund Balance	-	(21)	(19)	(1)	(20)	2
Fund Balance (Deficit) - Beginning	-	(33)	(33)	(7)	(40)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ (54)</u>	<u>\$ (52)</u>	<u>\$ (8)</u>	<u>\$ (60)</u>	<u>\$ 2</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ 1</u>
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HOME – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 923	\$ 923	\$ 234	\$ -	\$ 234	\$ (689)
Total Revenues	923	923	234	-	234	(689)
EXPENDITURES						
Current						
Community Services	923	924	234	-	234	690
Total Expenditures	923	924	234	-	234	690
Deficiency of Revenues under Expenditures	-	(1)	-	-	-	1
Fund Balance (Deficit) - Beginning	-	(185)	(185)	-	(185)	-
Fund Balance (Deficit) - Ending	\$ -	\$ (186)	\$ (185)	\$ -	\$ (185)	\$ 1

Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Intergovernmental						
Federal Grants	\$ 2,673	\$ 2,667	\$ 942	\$ -	\$ 942	\$ (1,725)
State Grants	475	475	410	-	410	(65)
Miscellaneous	14	14	-	-	-	(14)
Contributions and Donations	4,296	4,296	1,560	-	1,560	(2,736)
Total Revenues	<u>7,458</u>	<u>7,452</u>	<u>2,912</u>	<u>-</u>	<u>2,912</u>	<u>(4,540)</u>
EXPENDITURES						
Current						
General Government						
Mayor and City Council	5	5	5	-	5	-
City Manager	1,200	1,038	1,038	-	1,038	-
Community and Economic Development	169	119	129	-	129	(10)
Public Safety	2,087	1,303	915	13	928	388
Community Services	3,997	2,232	700	1	701	1,532
Total Expenditures	<u>7,458</u>	<u>4,697</u>	<u>2,787</u>	<u>14</u>	<u>2,801</u>	<u>1,910</u>
Excess of Revenues over Expenditures	<u>-</u>	<u>2,755</u>	<u>125</u>	<u>(14)</u>	<u>111</u>	<u>(2,630)</u>
OTHER FINANCING USES						
Transfers Out	-	-	(33)	-	(33)	(33)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>(33)</u>	<u>(33)</u>
Net Change in Fund Balance	-	2,755	92	(14)	78	(2,663)
Fund Balance (Deficit) - Beginning	-	(315)	(315)	(7)	(322)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ 2,440</u>	<u>\$ (223)</u>	<u>\$ (21)</u>	<u>\$ (244)</u>	<u>\$ (2,663)</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ 14</u>
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Section 8 – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
REVENUES						
Intergovernmental						
Federal Grants	\$ 5,974	\$ 5,974	\$ 5,632	\$ -	\$ 5,632	\$ (342)
Reimbursements from Outside Sources	-	-	4	-	4	4
Other	-	-	13	-	13	13
Total Revenues	<u>5,974</u>	<u>5,974</u>	<u>5,649</u>	<u>-</u>	<u>5,649</u>	<u>(325)</u>
EXPENDITURES						
Current						
Community Services	5,974	5,993	5,686	(2)	5,684	307
Total Expenditures	<u>5,974</u>	<u>5,993</u>	<u>5,686</u>	<u>(2)</u>	<u>5,684</u>	<u>307</u>
Deficiency of Revenues under Expenditures	-	(19)	(37)	2	(35)	(18)
Fund Balance - Beginning	-	470	470	1	471	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ 433</u>	<u>\$ 3</u>	<u>\$ 436</u>	<u>\$ (18)</u>

Explanation of Differences:

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

 Payroll Accruals \$ (2)

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, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transaction Privilege	\$ 39,437	\$ 39,437	\$ 41,909	\$ -	\$ 41,909	\$ 2,472
Interest Earnings	686	686	925	-	925	239
Total Revenues	<u>40,123</u>	<u>40,123</u>	<u>42,834</u>	<u>-</u>	<u>42,834</u>	<u>2,711</u>
EXPENDITURES						
Current						
General Government						
City Treasurer	-	-	5	-	5	(5)
Community Services	2	2	-	-	-	2
Total Expenditures	<u>2</u>	<u>2</u>	<u>5</u>	<u>-</u>	<u>5</u>	<u>(3)</u>
Excess of Revenues over Expenditures	<u>40,121</u>	<u>40,121</u>	<u>42,829</u>	<u>-</u>	<u>42,829</u>	<u>2,708</u>
OTHER FINANCING USES						
Transfers Out	(42,644)	(42,644)	(38,569)	-	(38,569)	4,075
Total Other Financing Uses	<u>(42,644)</u>	<u>(42,644)</u>	<u>(38,569)</u>	<u>-</u>	<u>(38,569)</u>	<u>4,075</u>
Net Change in Fund Balance	(2,523)	(2,523)	4,260	-	4,260	6,783
Fund Balance - Beginning	26,066	34,900	34,900	(806)	34,094	-
Fund Balance - Ending	<u>\$ 23,543</u>	<u>\$ 32,377</u>	<u>\$ 39,160</u>	<u>\$ (806)</u>	<u>\$ 38,354</u>	<u>\$ 6,783</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, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Streetlight and Services Districts	\$ 610	\$ 610	\$ 591	\$ -	\$ 591	\$ (19)
Total Revenues	610	610	591	-	591	(19)
EXPENDITURES						
Current						
Streetlight and Services Districts	610	610	584	-	584	26
Total Expenditures	610	610	584	-	584	26
Excess of Revenues over Expenditures	-	-	7	-	7	7
Fund Balance - Beginning	-	4	4	-	4	-
Fund Balance - Ending	\$ -	\$ 4	\$ 11	\$ -	\$ 11	\$ 7

Special Programs – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Light and Power Franchise	\$ 243	\$ 243	\$ 261	\$ -	\$ 261	\$ 18
Business and Liquor Licenses	57	57	52	-	52	(5)
Charges for Current Services						
Building and Related Permits	-	-	13	-	13	13
Recreation Fees	2,053	2,053	2,286	-	2,286	233
Fines, Fees, and Forfeitures						
Court	158	158	146	-	146	(12)
Court Enhancement	1,735	1,735	1,764	-	1,764	29
Police	428	428	247	-	247	(181)
Property Rental	365	365	304	-	304	(61)
Interest Earnings	114	114	151	-	151	37
Intergovernmental						
Miscellaneous	1,395	1,395	646	-	646	(749)
Developer Contributions	-	-	412	-	412	412
Contributions and Donations	317	317	214	-	214	(103)
Reimbursements from Outside Sources	90	90	239	-	239	149
Other	57	57	55	-	55	(2)
Total Revenues	<u>7,012</u>	<u>7,012</u>	<u>6,790</u>	<u>-</u>	<u>6,790</u>	<u>(222)</u>
EXPENDITURES						
Current						
General Government						
Mayor and City Council	8	12	12	-	12	-
City Court	1,320	1,353	1,010	8	1,018	343
Public Works	250	250	158	-	158	92
Community and Economic Development	1,886	1,886	286	-	286	1,600
Public Safety	2,638	2,658	1,185	1	1,186	1,473
Community Services	3,149	3,065	2,812	3	2,815	253
Capital Outlay	-	-	128	-	128	(128)
Total Expenditures	<u>9,251</u>	<u>9,224</u>	<u>5,591</u>	<u>12</u>	<u>5,603</u>	<u>3,633</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,239)</u>	<u>(2,212)</u>	<u>1,199</u>	<u>(12)</u>	<u>1,187</u>	<u>3,411</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	10	10	10	-	10	-
Transfers Out	(975)	(975)	(971)	-	(971)	4
Total Other Financing Sources (Uses)	<u>(965)</u>	<u>(965)</u>	<u>(961)</u>	<u>-</u>	<u>(961)</u>	<u>4</u>
Net Change in Fund Balance	(3,204)	(3,177)	238	(12)	226	3,415
Fund Balance - Beginning	12,550	14,728	14,728	(55)	14,673	-
Fund Balance - Ending	<u>\$ 9,346</u>	<u>\$ 11,551</u>	<u>\$ 14,966</u>	<u>\$ (67)</u>	<u>\$ 14,899</u>	<u>\$ 3,415</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ 12</u>
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Tourism Development – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Transient Occupancy Tax	\$ 20,413	\$ 20,413	\$ 22,407	\$ -	\$ 22,407	\$ 1,994
Property Rental	1,910	1,910	2,024	-	2,024	114
Reimbursements from Outside Sources	20	20	15	-	15	(5)
Other	-	-	10	-	10	10
Total Revenues	<u>22,343</u>	<u>22,343</u>	<u>24,456</u>	<u>-</u>	<u>24,456</u>	<u>2,113</u>
EXPENDITURES						
Current						
Community and Economic Development	16,425	16,402	15,450	1	15,451	952
Total Expenditures	<u>16,425</u>	<u>16,402</u>	<u>15,450</u>	<u>1</u>	<u>15,451</u>	<u>952</u>
Excess of Revenues over Expenditures	<u>5,918</u>	<u>5,941</u>	<u>9,006</u>	<u>(1)</u>	<u>9,005</u>	<u>3,065</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	471	-	471	471
Transfers Out	(6,443)	(6,443)	(11,858)	-	(11,858)	(5,415)
Total Other Financing Sources (Uses)	<u>(6,443)</u>	<u>(6,443)</u>	<u>(11,387)</u>	<u>-</u>	<u>(11,387)</u>	<u>(4,944)</u>
Net Change in Fund Balance	(525)	(502)	(2,381)	(1)	(2,382)	(1,879)
Fund Balances - Beginning	8,363	8,671	8,671	(2)	8,669	-
Fund Balances - Ending	<u>\$ 7,838</u>	<u>\$ 8,169</u>	<u>\$ 6,290</u>	<u>\$ (3)</u>	<u>\$ 6,287</u>	<u>\$ (1,879)</u>

Explanation of Differences:

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

Payroll Accruals	<u>\$ 1</u>
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Combining Balance Sheet
Nonmajor Debt Service Governmental Funds
June 30, 2019 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
ASSETS									
Cash and Investments	\$ -	\$ 5,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,187
Cash with Fiscal Agent	18,341	-	-	1,457	1,249	238	615	4,829	26,729
Receivables (net of allowance for uncollectibles)									
Property Tax	-	-	-	27	46	4	1	-	78
Intergovernmental	-	5,844	-	-	-	-	-	-	5,844
Miscellaneous	-	1,618	-	-	-	-	-	-	1,618
Total Assets	<u>\$ 18,341</u>	<u>\$ 12,649</u>	<u>\$ -</u>	<u>\$ 1,484</u>	<u>\$ 1,295</u>	<u>\$ 242</u>	<u>\$ 616</u>	<u>\$ 4,829</u>	<u>\$ 39,456</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)									
Liabilities									
Matured Bond Interest Payable	\$ 4,184	\$ -	\$ -	\$ 73	\$ 166	\$ 13	\$ 88	\$ 289	\$ 4,813
Matured Bonds Payable	14,157	-	-	1,195	950	190	140	4,540	21,172
Total Liabilities	<u>18,341</u>	<u>-</u>	<u>-</u>	<u>1,268</u>	<u>1,116</u>	<u>203</u>	<u>228</u>	<u>4,829</u>	<u>25,985</u>
Deferred Inflows of Resources									
Unavailable Revenues	-	5,844	-	10	18	2	-	-	5,874
Total Liabilities and Deferred Inflows of Resources	<u>18,341</u>	<u>5,844</u>	<u>-</u>	<u>1,278</u>	<u>1,134</u>	<u>205</u>	<u>228</u>	<u>4,829</u>	<u>31,859</u>
Fund Balances (Deficits)									
Restricted	-	2,694	-	206	161	37	388	-	3,486
Committed	-	4,700	-	-	-	-	-	-	4,700
Unassigned	-	(589)	-	-	-	-	-	-	(589)
Total Fund Balances (Deficits)	<u>-</u>	<u>6,805</u>	<u>-</u>	<u>206</u>	<u>161</u>	<u>37</u>	<u>388</u>	<u>-</u>	<u>7,597</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 18,341</u>	<u>\$ 12,649</u>	<u>\$ -</u>	<u>\$ 1,484</u>	<u>\$ 1,295</u>	<u>\$ 242</u>	<u>\$ 616</u>	<u>\$ 4,829</u>	<u>\$ 39,456</u>

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

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
REVENUES									
Taxes - Local									
Property	\$ -	\$ -	\$ 1	\$ 1,342	\$ 1,293	\$ 216	\$ 290	\$ -	\$ 3,142
Property Rental	-	140	-	-	-	-	-	-	140
Interest Earnings	2	-	-	-	-	-	9	-	11
Intergovernmental									
Miscellaneous	-	4,226	-	-	-	-	-	-	4,226
Total Revenues	<u>2</u>	<u>4,366</u>	<u>1</u>	<u>1,342</u>	<u>1,293</u>	<u>216</u>	<u>299</u>	<u>-</u>	<u>7,519</u>
EXPENDITURES									
Debt Service									
Principal	14,157	-	-	1,195	950	190	140	4,540	21,172
Interest and Fiscal Charges	8,377	-	-	144	336	26	180	582	9,645
Total Expenditures	<u>22,534</u>	<u>-</u>	<u>-</u>	<u>1,339</u>	<u>1,286</u>	<u>216</u>	<u>320</u>	<u>5,122</u>	<u>30,817</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(22,532)</u>	<u>4,366</u>	<u>1</u>	<u>3</u>	<u>7</u>	<u>-</u>	<u>(21)</u>	<u>(5,122)</u>	<u>(23,298)</u>
OTHER FINANCING SOURCES (USES)									
Transfers In	22,532	-	-	-	-	-	-	5,122	27,654
Transfers Out	-	(6,619)	(27)	-	-	-	-	-	(6,646)
Total Other Financing Sources (Uses)	<u>22,532</u>	<u>(6,619)</u>	<u>(27)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,122</u>	<u>21,008</u>
Net Change in Fund Balances	-	(2,253)	(26)	3	7	-	(21)	-	(2,290)
Fund Balances - Beginning	-	9,058	26	203	154	37	409	-	9,887
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 6,805</u>	<u>\$ -</u>	<u>\$ 206</u>	<u>\$ 161</u>	<u>\$ 37</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 7,597</u>

General Obligation Bond Debt Service Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Taxes - Local						
Property	\$ 34,215	\$ 34,215	\$ 34,087	\$ -	\$ 34,087	\$ (128)
Total Revenues	34,215	34,215	34,087	-	34,087	(128)
EXPENDITURES						
Debt Service						
Principal	42,250	42,250	42,250	-	42,250	-
Interest and Fiscal Charges	19,788	19,788	19,786	-	19,786	2
Total Expenditures	62,038	62,038	62,036	-	62,036	2
Deficiency of Revenues under Expenditures	(27,823)	(27,823)	(27,949)	-	(27,949)	(126)
OTHER FINANCING SOURCES						
Transfers In	26,873	26,873	26,872	-	26,872	(1)
Total Other Financing Sources	26,873	26,873	26,872	-	26,872	(1)
Net Change in Fund Balance	(950)	(950)	(1,077)	-	(1,077)	(127)
Fund Balance - Beginning	2,761	2,471	2,471	-	2,471	-
Fund Balance - Ending	\$ 1,811	\$ 1,521	\$ 1,394	\$ -	\$ 1,394	\$ (127)

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, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Interest Earnings	\$ -	\$ -	\$ 2	\$ -	\$ 2	\$ 2
Total Revenues	-	-	2	-	2	2
EXPENDITURES						
Debt Service						
Principal	14,157	14,157	14,157	-	14,157	-
Interest and Fiscal Charges	8,378	8,378	8,377	-	8,377	1
Total Expenditures	22,535	22,535	22,534	-	22,534	1
Deficiency of Revenues under Expenditures	(22,535)	(22,535)	(22,532)	-	(22,532)	3
OTHER FINANCING SOURCES						
Transfers In	22,535	22,535	22,532	-	22,532	(3)
Total Other Financing Sources	22,535	22,535	22,532	-	22,532	(3)
Net Change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning	-	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Debt Service Stabilization Debt Service Fund

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

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Property Rental	\$ 170	\$ 170	\$ 140	\$ -	\$ 140	\$ (30)
Intergovernmental						
Miscellaneous	7,121	7,120	4,226	-	4,226	(2,894)
Total Revenues	<u>7,291</u>	<u>7,290</u>	<u>4,366</u>	<u>-</u>	<u>4,366</u>	<u>(2,924)</u>
EXPENDITURES						
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures	<u>7,291</u>	<u>7,290</u>	<u>4,366</u>	<u>-</u>	<u>4,366</u>	<u>(2,924)</u>
OTHER FINANCING USES						
Transfers Out	(6,618)	(6,618)	(6,619)	-	(6,619)	(1)
Total Other Financing Uses	<u>(6,618)</u>	<u>(6,618)</u>	<u>(6,619)</u>	<u>-</u>	<u>(6,619)</u>	<u>(1)</u>
Net Change in Fund Balance	673	672	(2,253)	-	(2,253)	(2,925)
Fund Balance - Beginning	10,550	9,058	9,058	-	9,058	-
Fund Balance - Ending	<u>\$ 11,223</u>	<u>\$ 9,730</u>	<u>\$ 6,805</u>	<u>\$ -</u>	<u>\$ 6,805</u>	<u>\$ (2,925)</u>

Scottsdale Preserve Authority Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
REVENUES						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES						
Debt Service						
Principal	4,540	4,540	4,540	-	4,540	-
Interest and Fiscal Charges	582	582	582	-	582	-
Total Expenditures	5,122	5,122	5,122	-	5,122	-
Deficiency of Revenues under Expenditures	(5,122)	(5,122)	(5,122)	-	(5,122)	-
OTHER FINANCING SOURCES						
Transfers In	5,122	5,122	5,122	-	5,122	-
Total Other Financing Sources	5,122	5,122	5,122	-	5,122	-
Net Change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning	-	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet
Nonmajor Capital Projects Governmental Funds
 June 30, 2019 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
ASSETS						
Cash and Investments	\$ 19,557	\$ 34,467	\$ 319	\$ -	\$ -	\$ 54,343
Receivables (net of allowance for uncollectibles)						
Interest	84	147	-	-	1	232
Intergovernmental	-	13,921	-	-	5,901	19,822
Grants	-	-	-	-	553	553
Total Assets	<u>\$ 19,641</u>	<u>\$ 48,535</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 6,455</u>	<u>\$ 74,950</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)						
Liabilities						
Accounts Payable	\$ 3,869	\$ 3,778	\$ 707	\$ 3,199	\$ 745	\$ 12,298
Accrued Payroll and Benefits	1	7	5	-	-	13
Due to Other Funds	-	-	-	1,054	4,684	5,738
Unearned Revenue						
Other	-	-	-	-	200	200
Total Liabilities	<u>3,870</u>	<u>3,785</u>	<u>712</u>	<u>4,253</u>	<u>5,629</u>	<u>18,249</u>
Deferred Inflows of Resources						
Unavailable Revenues	-	13,921	-	-	6,343	20,264
Total Liabilities and Deferred Inflows of Resources	<u>3,870</u>	<u>17,706</u>	<u>712</u>	<u>4,253</u>	<u>11,972</u>	<u>38,513</u>
Fund Balances (Deficits)						
Restricted	15,771	30,829	-	-	2,984	49,584
Committed	-	-	-	-	7	7
Unassigned	-	-	(393)	(4,253)	(8,508)	(13,154)
Total Fund Balances (Deficits)	<u>15,771</u>	<u>30,829</u>	<u>(393)</u>	<u>(4,253)</u>	<u>(5,517)</u>	<u>36,437</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 19,641</u>	<u>\$ 48,535</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 6,455</u>	<u>\$ 74,950</u>

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

Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
REVENUES						
Charges for Current Services						
Building and Related Permits	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 27
Interest Earnings	409	564	-	-	5	978
Intergovernmental						
Federal Grants	-	-	-	-	4,023	4,023
Miscellaneous	-	-	-	-	3,800	3,800
Contributions and Donations	-	-	-	-	783	783
Reimbursements from Outside Sources	-	5	-	-	-	5
Total Revenues	<u>409</u>	<u>569</u>	<u>-</u>	<u>-</u>	<u>8,638</u>	<u>9,616</u>
EXPENDITURES						
Current						
Capital Outlay	5,313	22,608	6,963	4,253	9,913	49,050
Total Expenditures	<u>5,313</u>	<u>22,608</u>	<u>6,963</u>	<u>4,253</u>	<u>9,913</u>	<u>49,050</u>
Deficiency of Revenues under Expenditures	<u>(4,904)</u>	<u>(22,039)</u>	<u>(6,963)</u>	<u>(4,253)</u>	<u>(1,275)</u>	<u>(39,434)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	-	16,353	6,575	-	182	23,110
Transfers Out	-	-	-	-	(28)	(28)
Total Other Financing Sources (Uses)	<u>-</u>	<u>16,353</u>	<u>6,575</u>	<u>-</u>	<u>154</u>	<u>23,082</u>
Net Change in Fund Balances (Deficits)	(4,904)	(5,686)	(388)	(4,253)	(1,121)	(16,352)
Fund Balances (Deficits) - Beginning	20,675	36,515	(5)	-	(4,396)	52,789
Fund Balances (Deficits) - Ending	<u>\$ 15,771</u>	<u>\$ 30,829</u>	<u>\$ (393)</u>	<u>\$ (4,253)</u>	<u>\$ (5,517)</u>	<u>\$ 36,437</u>

Combining Balance Sheet
Nonmajor Permanent Governmental Funds
 June 30, 2019 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
ASSETS					
Cash and Investments	\$ 428	\$ 134	\$ 41	\$ 33	\$ 636
Total Assets	<u>\$ 428</u>	<u>\$ 134</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 636</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 4	\$ -	\$ -	\$ -	\$ 4
Total Liabilities	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Fund Balances					
Nonspendable	404	128	40	32	604
Restricted	20	6	1	1	28
Total Fund Balances	<u>424</u>	<u>134</u>	<u>41</u>	<u>33</u>	<u>632</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 428</u>	<u>\$ 134</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 636</u>

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

Nonmajor Permanent Governmental Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Rassner Memorial Scottsdale Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
REVENUES					
Interest Earnings	\$ 10	\$ 4	\$ 1	\$ 1	\$ 16
Contributions and Donations	18	-	-	-	18
Total Revenues	<u>28</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>34</u>
EXPENDITURES					
Current					
Community Services	49	4	1	1	55
Total Expenditures	<u>49</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>55</u>
Deficiency of Revenues under Expenditures	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21)</u>
Net Change in Fund Balances	(21)	-	-	-	(21)
Fund Balances - Beginning	445	134	41	33	653
Fund Balances - Ending	<u>\$ 424</u>	<u>\$ 134</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 632</u>

INTERNAL SERVICE FUNDS

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

Fleet Management Fund

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

Self-Insurance Fund

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

Computer Replacement Fund

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

Combining Statement of Fund Net Position

Internal Service Funds

June 30, 2019 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash and Investments	\$ 14,795	\$ 37,136	\$ 1,998	\$ 53,929
Receivables (net of allowance for uncollectibles)				
Miscellaneous	140	131	-	271
Supplies Inventory	859	-	-	859
Total Current Assets	<u>15,794</u>	<u>37,267</u>	<u>1,998</u>	<u>55,059</u>
Noncurrent Assets				
Equity in Joint Venture	2	-	-	2
Capital Assets				
Buildings and Improvements	12,887	-	-	12,887
Motor Vehicles	89,310	-	-	89,310
Machinery and Equipment	1,075	8	3,389	4,472
Construction in Progress	1,707	-	-	1,707
Less Accumulated Depreciation	<u>(47,722)</u>	<u>(2)</u>	<u>(1,031)</u>	<u>(48,755)</u>
Total Capital Assets (net of accumulated depreciation)	<u>57,257</u>	<u>6</u>	<u>2,358</u>	<u>59,621</u>
Total Noncurrent Assets	<u>57,259</u>	<u>6</u>	<u>2,358</u>	<u>59,623</u>
Total Assets	<u>73,053</u>	<u>37,273</u>	<u>4,356</u>	<u>114,682</u>
Deferred Outflows of Resources				
Pension-Related Amounts	<u>549</u>	<u>119</u>	<u>-</u>	<u>668</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Current Liabilities				
Accounts Payable	1,685	1,180	10	2,875
Accrued Payroll and Benefits	102	25	-	127
Accrued Compensated Absences - Current	1	-	-	1
Accrued Compensated Absences - Due within one year	203	53	-	256
Due to Other Governments	1	-	-	1
Other Payables - Due within one year	-	8,764	-	8,764
Unearned Revenue	-	35	-	35
Other Liabilities	-	6	-	6
Total Current Liabilities	<u>1,992</u>	<u>10,063</u>	<u>10</u>	<u>12,065</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	180	58	-	238
Net Pension Liabilities	3,909	804	-	4,713
Other Payables - Due in more than one year	-	13,683	-	13,683
Total Noncurrent Liabilities	<u>4,089</u>	<u>14,545</u>	<u>-</u>	<u>18,634</u>
Total Liabilities	<u>6,081</u>	<u>24,608</u>	<u>10</u>	<u>30,699</u>
Deferred Inflows of Resources				
Pension-Related Amounts	<u>518</u>	<u>107</u>	<u>-</u>	<u>625</u>
NET POSITION				
Net Investment in Capital Assets	57,257	6	2,358	59,621
Unrestricted	<u>9,746</u>	<u>12,671</u>	<u>1,988</u>	<u>24,405</u>
Total Net Position	<u>\$ 67,003</u>	<u>\$ 12,677</u>	<u>\$ 4,346</u>	<u>\$ 84,026</u>

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 20,881	\$ 33,191	\$ 1,027	\$ 55,099
Self-Insurance Contributions - Employee	-	7,901	-	7,901
Self-Insurance Contributions - Retiree	-	231	-	231
State Contributions	-	122	-	122
Other	551	1,376	8	1,935
Total Operating Revenues	21,432	42,821	1,035	65,288
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	12,935	-	-	12,935
Self-Insurance Administration	-	2,286	-	2,286
Self-Insurance Claims	-	6,672	-	6,672
Self-Insurance Benefits	-	28,379	-	28,379
Insurance and Bond Premiums	-	2,567	-	2,567
Depreciation	7,762	1	507	8,270
Total Operating Expenses	20,697	39,905	507	61,109
Operating Income	735	2,916	528	4,179
Non-Operating Revenues				
Property Tax	-	320	-	320
Gain (Loss) on Sale of Capital Assets	386	-	(16)	370
Net Non-Operating Revenues (Expenses)	386	320	(16)	690
Income Before Contributions and Transfers	1,121	3,236	512	4,869
Capital Contributions	896	-	-	896
Transfers In	-	146	-	146
Transfers Out	-	(7)	-	(7)
Change in Net Position	2,017	3,375	512	5,904
Total Net Position - Beginning	64,986	9,302	3,834	78,122
Total Net Position - Ending	\$ 67,003	\$ 12,677	\$ 4,346	\$ 84,026

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 20,880	\$ 41,480	\$ 1,027	\$ 63,387
Cash Payments to Suppliers for Goods/Services	(8,712)	(39,327)	-	(48,039)
Cash Payments to Employees for Services	(4,247)	(1,365)	-	(5,612)
Other Cash Receipts	551	1,380	8	1,939
Net Cash Provided by Operating Activities	<u>8,472</u>	<u>2,168</u>	<u>1,035</u>	<u>11,675</u>
Cash Flows from Non-Capital Financing Activities				
Property Tax	-	320	-	320
Transfers In	-	146	-	146
Transfers Out	-	(7)	-	(7)
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>459</u>	<u>-</u>	<u>459</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(9,462)	-	(960)	(10,422)
Sale of Capital Assets	588	-	-	588
Net Cash Used for Capital and Related Financing Activities	<u>(8,874)</u>	<u>-</u>	<u>(960)</u>	<u>(9,834)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(402)	2,627	75	2,300
Cash and Cash Equivalents at Beginning of Year	<u>15,197</u>	<u>34,509</u>	<u>1,923</u>	<u>51,629</u>
Cash and Cash Equivalents at End of Year	<u>\$ 14,795</u>	<u>\$ 37,136</u>	<u>\$ 1,998</u>	<u>\$ 53,929</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating Income	\$ 735	\$ 2,916	\$ 528	\$ 4,179
Income Provided by (Used for) Operating Activities				
Depreciation	7,762	1	507	8,270
Current Year Pension Contributions	(338)	(75)	-	(413)
Change in Inventories	67	-	-	67
Change in Intergovernmental Payable	(1)	-	-	(1)
Change in Accounts Payable	(41)	(242)	-	(283)
Change in Unearned Revenue	-	35	-	35
Change in Accrued Payroll	19	4	-	23
Change in Compensated Absences Payable	53	13	-	66
Change in Claims Payable	-	(487)	-	(487)
Change in Net Pension Liability	(250)	(96)	-	(346)
Change in Deferred Outflows of Resources Related to Pensions	303	65	-	368
Change in Deferred Inflows of Resources Related to Pensions	163	30	-	193
Change in Other Liabilities	-	4	-	4
Total Adjustments	<u>7,737</u>	<u>(748)</u>	<u>507</u>	<u>7,496</u>
Net Cash Provided by Operating Activities	<u>\$ 8,472</u>	<u>\$ 2,168</u>	<u>\$ 1,035</u>	<u>\$ 11,675</u>
Supplemental Disclosure of Non-Cash Financing Activities				
Additions to Property, Plant, and Equipment				
Contributions of Capital Assets from Other Funds	<u>\$ 896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 896</u>

FIDUCIARY FUNDS

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

Family Self-Sufficiency Agency Fund

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

AZ Public Service Raintree Underground Utility Improvement District Agency Fund

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

Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019 (in thousands)

	Agency Funds		
	Family Self-Sufficiency Agency Fund	AZ Public Service Raintree UUID Agency Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 67	\$ -	\$ 67
Total Assets	67	-	67
LIABILITIES			
Escrow Payable Vouchers	67	-	67
Total Liabilities	\$ 67	\$ -	\$ 67

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2019 (in thousands)

	Family Self-Sufficiency				AZ Public Service Raintree UUID			
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS								
Cash and Cash Equivalents	\$ 92	\$ 36	\$ 61	\$ 67	\$ -	\$ 178	\$ 178	\$ -
Receivables	-	-	-	-	-	180	180	-
Total Assets	<u>\$ 92</u>	<u>\$ 36</u>	<u>\$ 61</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 358</u>	<u>\$ 358</u>	<u>\$ -</u>
LIABILITIES								
Escrow Payable Vouchers	\$ 92	\$ 36	\$ 61	\$ 67	\$ -	\$ -	\$ -	\$ -
UUID I-6002 Assessments	-	-	-	-	-	179	179	-
Total Liabilities	<u>\$ 92</u>	<u>\$ 36</u>	<u>\$ 61</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 179</u>	<u>\$ 179</u>	<u>\$ -</u>

OTHER SUPPLEMENTARY INFORMATION

Debt Requirements

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

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

Schedule of Changes in Long-Term Debt*

For the Fiscal Year Ended June 30, 2019 (in thousands)

	July 1, 2018	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Amortizations and Contract Adjustments	June 30, 2019	Governmental Activities	Business-type Activities	Final Payment Date
GENERAL OBLIGATION BONDS										
Governmental Activities										
2002 GO Refunding Preservation	\$ 1,725	\$ -	\$ 1,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/01/19
2010 GO Various Purpose	11,550	-	2,050	-	-	-	9,500	9,500	-	07/01/30
2011 GO Preservation	3,580	-	855	-	-	-	2,725	2,725	-	07/01/22
2011 GO Refunding Preservation	18,685	-	3,110	-	-	-	15,575	15,575	-	07/01/24
2012 GO Preservation	48,600	-	-	-	-	-	48,600	48,600	-	07/01/34
2012 GO Refunding Various Purpose	16,780	-	7,295	-	-	-	9,485	9,485	-	07/01/21
2012 GO Refunding Preservation	44,020	-	-	-	-	-	44,020	44,020	-	07/01/25
2013 GO Preservation	74,000	-	1,000	-	-	-	73,000	73,000	-	07/01/34
2014 GO Preservation	11,870	-	585	-	-	-	11,285	11,285	-	07/01/34
2014 GO Refunding Various Purpose	50,682	-	9,694	-	-	-	40,988	40,988	-	07/01/23
2014 GO Refunding Preservation	6,918	-	1,276	-	-	-	5,642	5,642	-	07/01/23
2015 GO Refunding Various Purpose	86,400	-	6,080	-	-	-	80,320	80,320	-	07/01/28
2015 GO Refunding Preservation	56,065	-	6,890	-	-	-	49,175	49,175	-	07/01/34
2017A GO Preservation	17,410	-	-	-	-	-	17,410	17,410	-	07/01/34
2017B GO Preservation Acquisition Refinancing	18,495	-	-	-	-	-	18,495	18,495	-	07/01/24
2017 GO Refunding Various Purpose	26,826	-	-	-	-	-	26,826	26,826	-	07/01/29
2017 GO Refunding Preservation	13,159	-	-	-	-	-	13,159	13,159	-	07/01/34
2017C GO Various Purpose	18,700	-	1,690	-	-	-	17,010	17,010	-	07/01/27
2010 GO Bonds Issuance Premium	174	-	-	-	-	(15)	159	159	-	-
2011 GO Preserve Series Issuance Premium	48	-	-	-	-	(3)	45	45	-	-
2011 GO Refunding Series Issuance Premium	1,712	-	-	-	-	(285)	1,427	1,427	-	-
2012 GO Preserve Issuance Premium	1,739	-	-	-	-	(109)	1,630	1,630	-	-
2012 GO Refunding Series Issuance Premium	4,291	-	-	-	-	(613)	3,678	3,678	-	-
2013 GO Preserve Issuance Premium	2,312	-	-	-	-	(144)	2,168	2,168	-	-
2014 GO Preserve Issuance Premium	454	-	-	-	-	(28)	426	426	-	-
2014 GO Refunding Series Issuance Premium	5,185	-	-	-	-	(1,037)	4,148	4,148	-	-
2015 GO Refunding Series Issuance Premium	11,833	-	-	-	-	(739)	11,094	11,094	-	-
2017A GO Preserve Series Issuance Premium	2,589	-	-	-	-	(162)	2,427	2,427	-	-
2017B GO Preserve Acquisition Refinancing Series Issuance Premium	2,909	-	-	-	-	(485)	2,424	2,424	-	-
2017 GO Refunding Series Issuance Premium	6,259	-	-	-	-	(392)	5,867	5,867	-	-
2017C GO Various Purpose Issuance	3,289	-	-	-	-	(365)	2,924	2,924	-	-
Total General Obligation Bonds	\$ 568,259	\$ -	\$ 42,250	\$ -	\$ -	\$ (4,377)	\$ 521,632	\$ 521,632	\$ -	-
REVENUE BONDS										
Business-type Activities										
2008 Utility Revenue Series Refunding	\$ 19,715	\$ -	\$ 3,540	\$ -	\$ -	\$ -	\$ 16,175	\$ -	\$ 16,175	07/01/23
2008 Refunding Series Issuance Premium	1,354	-	-	-	-	(271)	1,083	-	1,083	-
Total Revenue Bonds	\$ 21,069	\$ -	\$ 3,540	\$ -	\$ -	\$ (271)	\$ 17,258	\$ -	\$ 17,258	-

*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, 2019 (in thousands)

	July 1, 2018	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Amortizations and Contract Adjustments	June 30, 2019	Governmental Activities	Business-type Activities	Final Payment Date
MUNICIPAL PROPERTY CORPORATION BONDS										
Governmental Activities										
2006 MPC Refunding	\$ 51,940	\$ -	\$ 1,300	\$ -	\$ -	\$ -	\$ 50,640	\$ 50,640	\$ -	07/01/34
2013A MPC	21,155	-	1,380	-	-	-	19,775	19,775	-	07/01/28
2013B MPC	1,190	-	55	-	-	-	1,135	1,135	-	07/01/33
2013C MPC	30,855	-	1,410	-	-	-	29,445	29,445	-	07/01/33
2014 MPC Refunding	19,800	-	3,040	-	-	-	16,760	16,760	-	07/01/27
2015A MPC	10,670	-	475	-	-	-	10,195	10,195	-	07/01/34
2015A MPC Taxable	12,600	-	605	-	-	-	11,995	11,995	-	07/01/34
2015 MPC Refunding	39,708	-	5,891	-	-	-	33,817	33,817	-	07/01/35
2006 Refunding Series Issuance Premium	3,953	-	-	-	-	(247)	3,706	3,706	-	
2013A MPC Series Issuance Premium	3,211	-	-	-	-	(322)	2,889	2,889	-	
2013B MPC Series Issuance Premium	147	-	-	-	-	(10)	137	137	-	
2013C MPC Series Issuance Premium	3,699	-	-	-	-	(246)	3,453	3,453	-	
2014 Refunding Series Issuance Premium	1,829	-	-	-	-	(203)	1,626	1,626	-	
2015A Series Issuance Premium	940	-	-	-	-	(59)	881	881	-	
2015A Taxable Series Issuance Premium	221	-	-	-	-	(14)	207	207	-	
2015 Refunding Series Issuance Premium	6,910	-	-	-	-	(406)	6,504	6,504	-	
Subtotal Governmental Activities	208,828	-	14,156	-	-	(1,507)	193,165	193,165	-	
Business-type Activities										
2006 MPC Refunding	87,785	-	8,185	-	-	-	79,600	-	79,600	07/01/30
2010 MPC Bonds Water/Sewer	15,230	-	1,290	-	-	-	13,940	-	13,940	07/01/30
2015A MPC Bonds Water/Sewer	16,165	-	715	-	-	-	15,450	-	15,450	07/01/34
2015 MPC Refunding	46,812	-	3,789	-	-	-	43,023	-	43,023	07/01/28
2017 MPC Refunding	79,970	-	-	-	-	-	79,970	-	79,970	07/01/36
2017A MPC Bonds Water	37,985	-	1,300	-	-	-	36,685	-	36,685	07/01/37
2017B MPC Bonds Aviation	22,875	-	775	-	-	-	22,100	-	22,100	07/01/37
2006 Refunding Series Issuance Premium	6,762	-	-	-	-	(563)	6,199	-	6,199	
2010 Water/Sewer Issuance Premium	545	-	-	-	-	(45)	500	-	500	
2015A Series Issuance Premium	1,424	-	-	-	-	(89)	1,335	-	1,335	
2015 Refunding Series Issuance Premium	6,223	-	-	-	-	(623)	5,600	-	5,600	
2017 Refunding Series Issuance Premium	9,933	-	-	-	-	(551)	9,382	-	9,382	
2017A Series Issuance Premium	3,109	-	-	-	-	(163)	2,946	-	2,946	
2017B Series Issuance Premium	1,589	-	-	-	-	(84)	1,505	-	1,505	
Subtotal Business-type Activities	336,407	-	16,054	-	-	(2,118)	318,235	-	318,235	
Total Municipal Property Corporation Bonds	\$ 545,235	\$ -	\$ 30,210	\$ -	\$ -	\$ (3,625)	\$ 511,400	\$ 193,165	\$ 318,235	
SCOTTSDALE PRESERVE AUTHORITY BONDS										
Governmental Activities										
2010 Excise Tax Refunding	\$ 6,950	\$ -	\$ 3,385	\$ -	\$ -	\$ -	\$ 3,565	\$ 3,565	\$ -	07/01/20
2011 Excise Tax Refunding	5,000	-	1,155	-	-	-	3,845	3,845	-	07/01/22
2010 Excise Tax Revenue Issuance Premium	876	-	-	-	-	(146)	730	730	-	
2011 Excise Tax Revenue Issuance Premium	389	-	-	-	-	(97)	292	292	-	
Total Scottsdale Preserve Authority Bonds	\$ 13,215	\$ -	\$ 4,540	\$ -	\$ -	\$ (243)	\$ 8,432	\$ 8,432	\$ -	

*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, 2019 (in thousands)

	July 1, 2018	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Amortizations and Contract Adjustments	June 30, 2019	Governmental Activities	Business-type Activities	Final Payment Date
CERTIFICATES OF PARTICIPATION										
Governmental Activities										
Series 2010-Public Safety Communications Project	\$ 4,914	\$ -	\$ 2,421	\$ -	\$ -	\$ -	2,493	\$ 2,493	\$ -	07/01/20
Total Certificates of Participation	\$ 4,914	\$ -	\$ 2,421	\$ -	\$ -	\$ -	2,493	\$ 2,493	\$ -	
COMMUNITY FACILITIES DISTRICT BONDS										
Governmental Activities										
Waterfront Commercial Series 2007	\$ 2,950	\$ -	\$ 140	\$ -	\$ -	\$ -	2,810	\$ 2,810	\$ -	07/15/32
DC Ranch Refunding Series 2012	9,820	-	950	-	-	-	8,870	8,870	-	07/15/27
McDowell Mtn Ranch Refunding Series 2012	5,040	-	1,195	-	-	-	3,845	3,845	-	07/15/22
Via Linda Road Refunding Series 2012	990	-	190	-	-	-	800	800	-	07/15/23
DC Ranch 2012 Issuance Premium	354	-	-	-	-	(39)	315	315	-	
McDowell Mtn Ranch 2012 Issuance Premium	90	-	-	-	-	(23)	67	67	-	
Total Community Facilities District Bonds	\$ 19,244	\$ -	\$ 2,475	\$ -	\$ -	\$ (62)	\$ 16,707	\$ 16,707	\$ -	
Total Bonds	\$ 1,171,936	\$ -	\$ 85,436	\$ -	\$ -	\$ (8,578)	\$ 1,077,922	\$ 742,429	\$ 335,493	
CAPITAL LEASES										
Governmental Activities										
Copier Equipment - City Treasurer	\$ 32	\$ 244	\$ 57	\$ -	\$ -	\$ -	219	\$ 219	\$ -	12/31/22
Total Capital Leases	\$ 32	\$ 244	\$ 57	\$ -	\$ -	\$ -	219	\$ 219	\$ -	
SERVICE CONCESSION ARRANGEMENTS										
Governmental Activities										
Bureau of Reclamation\Westworld	\$ 1,119	\$ -	\$ 80	\$ -	\$ -	\$ -	1,039	\$ 1,039	\$ -	2032
Bureau of Reclamation\IPC	1,256	-	74	-	-	-	1,182	1,182	-	2035
Total Service Concession Arrangements	\$ 2,375	\$ -	\$ 154	\$ -	\$ -	\$ -	2,221	\$ 2,221	\$ -	
TOTAL BONDS, CAPITAL LEASES, AND SERVICE CONCESSION ARRANGEMENTS	\$ 1,174,343	\$ 244	\$ 85,647	\$ -	\$ -	\$ (8,578)	\$ 1,080,362	\$ 744,869	\$ 335,493	
Compensated Absences								\$ 26,322	\$ 3,748	
Total Other Postemployment Benefit Liability								2,103	-	
Net Pension Liabilities								297,632	29,630	
Risk Management Claims								22,447	-	
Total Long-Term Debt								\$ 1,093,373	\$ 368,871	

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

Statistical Section

	Page
Contents	
Financial Trends	176
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	185
These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax, and sales and use taxes.	
Debt Capacity	192
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	198
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	200
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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 2,729,334	\$ 2,704,433	\$ 2,800,451	\$ 2,756,186	\$ 2,685,105	\$ 2,663,269	\$ 3,406,976	\$ 3,530,134	\$ 3,604,063	\$ 3,675,567
Restricted	97,950	91,862	100,275	100,472	109,615	117,485	122,932	125,366	123,057	119,657
Unrestricted	87,698	108,799	74,124	133,897	180,942	(19,464)	(3,679)	(43,632)	(27,779)	(5,012)
Total Governmental Activities Net Position	<u>\$ 2,914,982</u>	<u>\$ 2,905,094</u>	<u>\$ 2,974,850</u>	<u>\$ 2,990,555</u> ⁽¹⁾	<u>\$ 2,975,662</u> ⁽²⁾	<u>\$ 2,761,290</u> ⁽³⁾	<u>\$ 3,526,229</u> ⁽⁵⁾	<u>\$ 3,611,868</u>	<u>\$ 3,699,341</u> ⁽⁷⁾	<u>\$ 3,790,212</u>
Business-type Activities										
Net Investment in Capital Assets	\$ 941,884	\$ 1,009,973	\$ 1,036,985	\$ 1,058,880	\$ 1,046,345	\$ 1,036,650	\$ 1,059,001	\$ 1,069,475	\$ 1,099,864	\$ 1,093,556
Restricted	32,244	36,287	38,576	41,545	47,101	46,901	47,521	48,911	48,926	52,204
Unrestricted	307,279	258,395	243,067	242,763	273,321	253,109	255,503	256,129	250,500	282,796
Total Business-type Activities Net Position	<u>\$ 1,281,407</u>	<u>\$ 1,304,655</u>	<u>\$ 1,318,628</u>	<u>\$ 1,343,188</u>	<u>\$ 1,366,767</u> ⁽²⁾	<u>\$ 1,336,660</u> ⁽⁴⁾	<u>\$ 1,362,025</u> ⁽⁶⁾	<u>\$ 1,374,515</u>	<u>\$ 1,399,290</u>	<u>\$ 1,428,556</u>
Primary Government										
Net Investment in Capital Assets	\$ 3,671,218	\$ 3,714,406	\$ 3,837,436	\$ 3,815,066	\$ 3,731,450	\$ 3,699,919	\$ 4,465,977	\$ 4,599,609	\$ 4,703,927	\$ 4,769,123
Restricted	130,194	128,149	138,851	142,017	156,716	164,386	170,453	174,277	171,983	171,861
Unrestricted	394,977	367,194	317,191	376,660	454,263	233,645	251,824	212,497	222,721	277,784
Total Primary Government Net Position	<u>\$ 4,196,389</u>	<u>\$ 4,209,749</u>	<u>\$ 4,293,478</u>	<u>\$ 4,333,743</u>	<u>\$ 4,342,429</u>	<u>\$ 4,097,950</u>	<u>\$ 4,888,254</u>	<u>\$ 4,986,383</u>	<u>\$ 5,098,631</u>	<u>\$ 5,218,768</u>

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

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

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

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

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

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

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

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

Table IIa

	2010	2011 ⁽¹⁾	2012 ⁽²⁾	2013	2014 ⁽³⁾	2015	2016	2017 ⁽⁴⁾	2018 ⁽⁵⁾	2019
Expenses										
Governmental Activities										
General Government	\$ 24,351	\$ 21,495	\$ 18,964	\$ 20,985	\$ 21,084	\$ 21,210	\$ 22,252	\$ 22,477	\$ 23,282	\$ 26,853
Public Works	37,143	35,605	34,416	36,405	43,597	40,631	38,291	40,035	42,205	47,420
Community and Economic Development	-	134,221	126,622	147,514	134,626	138,899	102,892	102,813	102,153	102,680
Public Safety	116,155	111,227	115,740	118,033	127,026	135,647	136,261	172,452	153,256	153,817
Human Resources	3,717	3,047	-	-	-	-	-	-	-	-
Community Services	53,596	51,974	54,442	56,382	55,190	55,134	53,322	54,155	54,710	56,730
Information Technology	14,876	13,491	-	-	-	-	-	-	-	-
Administrative Services	1,917	2,905	17,318	16,863	17,552	17,849	20,264	19,326	21,173	17,974
Economic Vitality	20,676	-	-	-	-	-	-	-	-	-
Finance and Accounting	5,848	-	-	-	-	-	-	-	-	-
Planning, Neighborhood, and Transportation	114,530	-	-	-	-	-	-	-	-	-
Streetlight and Service Districts	538	578	572	569	576	583	589	589	605	584
Gain on In-Substance Defeasance of Debt	-	-	-	-	-	-	-	(32)	-	-
Interest on Long-Term Debt	39,405	40,358	40,647	38,389	35,486	34,134	31,665	28,462	28,724	26,364
Bond Issuance Costs	-	-	-	-	998	1,643	-	672	-	-
Total Governmental Activities Expenses	<u>432,752</u>	<u>414,901</u>	<u>408,721</u>	<u>435,140</u>	<u>436,135</u>	<u>445,730</u>	<u>405,536</u>	<u>440,949</u>	<u>426,108</u>	<u>432,422</u>
Business-type Activities										
Water Utility	76,178	83,888	90,829	90,205	91,496	95,958	100,854	95,745	96,493	96,010
Sewer Utility	33,274	34,533	41,218	43,169	45,421	44,352	42,058	50,535	52,142	50,462
Airport	3,120	3,680	3,681	3,785	4,014	3,703	3,894	4,151	7,624	5,370
Solid Waste	18,889	18,853	17,671	19,146	19,608	20,911	20,786	20,181	19,735	21,790
Total Business-type Activities Expenses	<u>131,461</u>	<u>140,954</u>	<u>153,399</u>	<u>156,305</u>	<u>160,539</u>	<u>164,924</u>	<u>167,592</u>	<u>170,612</u>	<u>175,994</u>	<u>173,632</u>
Total Primary Government Expenses	<u>\$ 564,213</u>	<u>\$ 555,855</u>	<u>\$ 562,120</u>	<u>\$ 591,445</u>	<u>\$ 596,674</u>	<u>\$ 610,654</u>	<u>\$ 573,128</u>	<u>\$ 611,561</u>	<u>\$ 602,102</u>	<u>\$ 606,054</u>

⁽¹⁾In fiscal year 2011, Economic Vitality merged with Planning, Neighborhood, and Transportation to become the Community and Economic Development division. In addition, Finance and Accounting was absorbed into General Government.

⁽²⁾In fiscal year 2012, Human Resources and Information Technology were absorbed into the Administrative Services division.

⁽³⁾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.

⁽⁴⁾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.

⁽⁵⁾In fiscal year 2018, the City instituted the practice of allocating bond issuance costs amongst the relevant functions.

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

Table IIb

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program Revenue										
Governmental Activities										
Charges for Services:										
General Government	\$ 13,982	\$ 4,777	\$ 3,965	\$ 4,340	\$ 4,282	\$ 4,279	\$ 3,970	\$ 3,999	\$ 4,676	\$ 4,693
Public Works	-	4,666	3,543	1,498	1,580	1,861	6,149	2,041	1,569	1,567
Community and Economic Development	-	9,604	10,958	14,736	17,981	19,474	17,464	18,455	19,503	20,562
Public Safety	12,655	9,917	10,102	9,139	10,268	10,350	11,459	11,739	11,203	11,107
Human Resources	-	973	-	-	-	-	-	-	-	-
Community Services	5,773	4,617	5,573	5,523	5,914	6,334	6,269	6,268	6,820	7,078
Information Technology	-	2,485	-	-	-	-	-	-	-	-
Administrative Services	-	635	2,549	3,155	2,890	2,827	2,926	3,096	3,094	2,617
Planning, Neighborhood, and Transportation	6,837	-	-	-	-	-	-	-	-	-
Economic Vitality	2,552	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	289	478	551	551	400	531	577	602	584	591
Operating Grants and Contributions	29,319	32,205	28,144	31,255	27,710	28,397	29,708	29,724	30,760	34,233
Capital Grants and Contributions	190,279	41,072	112,163	66,917	38,817	14,831	82,162	107,334	60,819	35,620
Total Governmental Activities Program Revenues	<u>261,686</u>	<u>111,429</u>	<u>177,548</u>	<u>137,114</u>	<u>109,842</u>	<u>88,884</u>	<u>160,684</u>	<u>183,258</u>	<u>139,028</u>	<u>118,068</u>
Business-type Activities										
Charges for Services:										
Water Utility	94,199	94,056	97,944	100,615	104,722	98,495	110,560	107,031	117,537	109,947
Sewer Utility	35,027	34,533	36,032	36,939	39,917	39,541	39,741	40,434	40,666	45,419
Airport	2,879	2,816	3,248	3,552	3,635	4,020	4,404	4,390	4,335	5,493
Solid Waste	20,269	20,940	20,744	20,458	20,162	20,232	20,120	20,269	19,687	21,344
Capital Grants and Contributions	9,268	17,889	8,607	25,638	22,019	11,726	22,545	17,539	23,865	17,833
Total Business-type Activities Revenues	<u>161,642</u>	<u>170,234</u>	<u>166,575</u>	<u>187,202</u>	<u>190,455</u>	<u>174,014</u>	<u>197,370</u>	<u>189,663</u>	<u>206,090</u>	<u>200,036</u>
Total Primary Government Revenues	<u>\$ 423,328</u>	<u>\$ 281,663</u>	<u>\$ 344,123</u>	<u>\$ 324,316</u>	<u>\$ 300,297</u>	<u>\$ 262,898</u>	<u>\$ 358,054</u>	<u>\$ 372,921</u>	<u>\$ 345,118</u>	<u>\$ 318,104</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (171,066)	\$ (303,472)	\$ (231,173)	\$ (298,026)	\$ (326,293)	\$ (356,846)	\$ (244,852)	\$ (257,691)	\$ (287,080)	\$ (314,354)
Business-type Activities	30,181	29,280	13,176	30,897	29,916	9,090	29,778	19,051	30,096	26,404
Total Primary Government Net Expense	<u>\$ (140,885)</u>	<u>\$ (274,192)</u>	<u>\$ (217,997)</u>	<u>\$ (267,129)</u>	<u>\$ (296,377)</u>	<u>\$ (347,756)</u>	<u>\$ (215,074)</u>	<u>\$ (238,640)</u>	<u>\$ (256,984)</u>	<u>\$ (287,950)</u>

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

Table IIc

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes	\$ 208,083	\$ 222,118	\$ 227,963	\$ 234,582	\$ 248,642	\$ 257,860	\$ 265,416	\$ 262,144	\$ 287,456	\$ 306,274
Intergovernmental - Unrestricted	56,830	49,190	44,035	49,054	52,715	56,316	57,630	61,851	66,299	70,380
Interest and Investment Income	1,368	248	1,063	985	1,274	1,372	2,955	1,132	2,218	11,860
Miscellaneous and Special Items	6,730	11,849	20,502	12,557	8,422	13,829	9,987	10,568	10,548	9,130
Transfers	10,690	10,179	7,366	7,244	6,202	6,579	7,174	7,635	7,756	7,581
Total Governmental Activities	<u>283,701</u>	<u>293,584</u>	<u>300,929</u>	<u>304,422</u>	<u>317,255</u>	<u>335,956</u>	<u>343,162</u>	<u>343,330</u>	<u>374,277</u>	<u>405,225</u>
Business-type Activities										
Taxes	130	134	132	144	154	169	145	158	144	167
Interest and Investment Income	4,295	2,658	421	763	964	1,346	2,531	916	2,291	10,276
Miscellaneous	430	1,355	7,610	-	-	-	-	-	-	-
Transfers	(10,690)	(10,179)	(7,366)	(7,244)	(6,202)	(6,579)	(7,174)	(7,635)	(7,756)	(7,581)
Total Business-type Activities	<u>(5,835)</u>	<u>(6,032)</u>	<u>797</u>	<u>(6,337)</u>	<u>(5,084)</u>	<u>(5,064)</u>	<u>(4,498)</u>	<u>(6,561)</u>	<u>(5,321)</u>	<u>2,862</u>
Total Primary Government	<u>\$ 277,866</u>	<u>\$ 287,552</u>	<u>\$ 301,726</u>	<u>\$ 298,085</u>	<u>\$ 312,171</u>	<u>\$ 330,892</u>	<u>\$ 338,664</u>	<u>\$ 336,769</u>	<u>\$ 368,956</u>	<u>\$ 408,087</u>
Change in Net Position										
Governmental Activities	\$ 112,635	\$ (9,888)	\$ 69,756	\$ 6,396	\$ (9,038)	\$ (20,890)	\$ 98,310	\$ 85,639	\$ 87,197	\$ 90,871
Business-type Activities	24,346	23,248	13,973	24,560	24,832	4,026	25,280	12,490	24,775	29,266
Total Primary Government	<u>\$ 136,981</u>	<u>\$ 13,360</u>	<u>\$ 83,729</u>	<u>\$ 30,956</u>	<u>\$ 15,794</u>	<u>\$ (16,864)</u>	<u>\$ 123,590</u>	<u>\$ 98,129</u>	<u>\$ 111,972</u>	<u>\$ 120,137</u>

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

Table III

	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018 ⁽²⁾	2019
General Fund										
Nonspendable		\$ 247	\$ 264	\$ 265	\$ 266	\$ 227	\$ 249	\$ 269	\$ 264	\$ 271
Restricted		281	260	-	-	-	-	-	-	-
Committed		-	-	-	-	-	-	-	-	-
Assigned		-	-	-	-	-	-	-	-	-
Unassigned		53,199	52,105	48,679	52,354	56,017	65,347	58,518	72,809	97,097
Reserved	\$ 586									
Unreserved	51,518									
Total General Fund	<u>\$ 52,104</u>	<u>\$ 53,727</u>	<u>\$ 52,629</u>	<u>\$ 48,944</u>	<u>\$ 52,620</u>	<u>\$ 56,244</u>	<u>\$ 65,596</u>	<u>\$ 58,787</u>	<u>\$ 73,073</u>	<u>\$ 97,368</u>
All Other Governmental Funds										
Nonspendable		\$ 3,000	\$ 2,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619	\$ 604
Restricted		104,284	108,073	114,676	105,837	113,237	116,847	105,777	115,391	112,267
Committed		6,221	7,345	16,298	20,848	49,554	52,508	58,644	62,867	65,100
Assigned		36,609	37,183	39,666	7,362	-	-	-	-	-
Unassigned, Reported in:										
Special Revenue Funds		(640)	(447)	(1,394)	(1,194)	(1,083)	(1,010)	(2,175)	(681)	(708)
Debt Service Funds		-	-	-	-	-	-	-	-	(589)
Capital Project Funds		-	-	-	-	(4,770)	(4,720)	(11,205)	(6,957)	(13,154)
Reserved	\$ 20,193									
Unreserved, Reported in:										
Special Revenue Funds		30,963								
Capital Project Funds		102,490								
Total All Other Governmental Funds	<u>\$ 153,646</u>	<u>\$ 149,474</u>	<u>\$ 155,134</u>	<u>\$ 169,246</u>	<u>\$ 132,853</u>	<u>\$ 156,938</u>	<u>\$ 163,625</u>	<u>\$ 151,041</u>	<u>\$ 171,239</u>	<u>\$ 163,520</u>

⁽¹⁾In fiscal year 2011, fund balances were stated in classifications required by GASB Statement No. 54.

⁽²⁾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

	2010	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017	2018	2019
Revenues										
Taxes - Local	\$ 204,040	\$ 221,236	\$ 228,823	\$ 236,652	\$ 249,289	\$ 258,851	\$ 264,414	\$ 264,299	\$ 288,335	\$ 310,433
Taxes - Intergovernmental	69,336	61,754	53,834	59,813	63,816	68,603	70,526	75,978	81,197	83,962
Business and Liquor Licenses	1,787	1,745	1,805	1,763	1,782	1,925	1,894	1,861	1,768	1,918
Charges for Current Services	15,322	15,119	16,985	20,870	24,078	25,855	24,404	25,225	27,063	29,774
Fines, Fees, and Forfeitures	11,637	8,579	9,133	8,472	8,343	10,000	10,617	10,532	10,387	8,960
Special Assessments	765	733	719	591	-	-	-	-	-	-
Property Rental	3,353	4,204	4,630	4,232	4,270	5,282	4,922	5,854	5,859	6,089
Interest Earnings	5,014	2,705	2,837	2,624	2,974	1,934	2,373	2,634	4,224	6,956
Net Increase (Decrease) in the Fair Value of Investments	(4,696)	(3,397)	(1,403)	(1,639)	(1,700)	(562)	582	(1,502)	(2,006)	4,904
Intergovernmental	17,756	52,300	67,725	53,462	40,116	19,846	16,070	20,725	27,335	25,479
Developer Contributions	2,518	254	101	203	64	653	319	498	835	412
Streetlight and Services Districts	289	478	551	551	400	531	577	602	584	591
Contributions and Donations	1,275	1,157	2,521	2,813	2,178	3,558	2,268	2,589	2,333	2,575
Reimbursements from Outside Sources	2,852	4,673	12,642	5,934	2,446	3,445	1,942	2,266	1,840	2,415
Indirect Costs	14,159	14,800	9,096	7,595	7,102	6,987	6,501	6,993	7,455	6,899
Other	644	1,892	3,265	2,438	1,652	5,134	954	1,110	869	751
Total Revenues	\$ 346,051	\$ 388,232	\$ 413,264	\$ 406,374	\$ 406,810	\$ 412,042	\$ 408,363	\$ 419,664	\$ 458,078	\$ 492,118

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

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

Table IVb

	2010	2011 ⁽¹⁾	2012 ⁽²⁾	2013	2014	2015	2016	2017	2018	2019
Expenditures										
General Government	\$ 17,030	\$ 19,783	\$ 18,523	\$ 19,695	\$ 19,730	\$ 20,815	\$ 22,623	\$ 22,397	\$ 23,716	\$ 28,306
Public Works	31,391	31,463	27,307	29,658	33,381	34,518	32,850	33,636	35,013	35,154
Community and Economic Development	-	42,357	38,369	70,351	41,063	44,550	42,735	46,320	47,696	48,860
Public Safety	111,459	108,003	107,934	111,960	119,159	123,761	128,527	137,304	136,075	146,250
Human Resources	3,657	3,013	-	-	-	-	-	-	-	-
Community Services	45,655	43,967	44,762	45,346	45,035	44,998	45,508	46,224	47,056	48,786
Information Technology	9,469	9,357	-	-	-	-	-	-	-	-
Administrative Services	1,859	3,031	14,450	14,141	14,950	15,050	15,648	15,919	16,309	15,279
Finance and Accounting	6,059	-	-	-	-	-	-	-	-	-
Economic Vitality	17,110	-	-	-	-	-	-	-	-	-
Planning, Neighborhood, and Transportation	27,447	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	538	578	572	569	576	583	589	589	605	584
Debt Service										
Principal	33,701	37,677	44,700	63,234	59,387	105,930	53,313	57,956	68,017	66,053
Interest and Fiscal Charges	38,782	40,091	40,487	38,789	37,323	36,706	34,664	31,285	32,052	29,752
Bond Issuance Costs	497	1,057	774	1,915	998	1,643	-	672	241	-
Capital Outlay	77,929	107,448	129,025	181,189	99,722	52,164	26,674	75,099	54,311	64,395
Total Expenditures	\$ 422,583	\$ 447,825	\$ 466,903	\$ 576,847	\$ 471,324	\$ 480,718	\$ 403,131	\$ 467,401	\$ 461,091	\$ 483,419
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (76,532)	\$ (59,593)	\$ (53,639)	\$ (170,473)	\$ (64,514)	\$ (68,676)	\$ 5,232	\$ (47,737)	\$ (3,013)	\$ 8,699

⁽¹⁾In fiscal year 2011, Economic Vitality merged with Planning, Neighborhood, and Transportation to become the Community and Economic Development division. In addition, Finance and Accounting was absorbed into General Government.

⁽²⁾In fiscal year 2012, Human Resources and Information Technology were absorbed into the Administrative Services division.

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

Table IVc

	2010	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017	2018	2019
Other Financing Sources (Uses)										
Transfers In	\$ 108,066	\$ 79,592	\$ 81,579	\$ 78,171	\$ 89,669	\$ 89,806	\$ 85,080	\$ 101,427	\$ 103,926	\$ 108,177
Transfers Out	(98,693)	(69,378)	(75,826)	(70,919)	(82,696)	(83,211)	(79,079)	(94,074)	(96,272)	(100,735)
Capital Lease Acquisitions	-	-	-	-	296	-	-	-	-	244
Proceeds of Refunding Bonds	-	87,985	-	111,250	105,885	207,173	-	58,480	-	-
Issuance of Long-Term Capital-Related Debt	50,800	42,525	50,000	140,000	14,000	26,815	-	17,410	25,500	-
Premium on Long-Term Debt Issued	843	10,047	2,448	22,082	12,742	23,871	-	12,955	3,496	-
Payment to Refunded Bonds Escrow Agent	-	(94,818)	-	(99,684)	(108,099)	(168,069)	-	(68,105)	-	-
Sale of Capital Assets	-	1,091	-	-	-	-	4,806	251	214	191
Total Other Financing Sources (Uses)	61,016	57,044	58,201	180,900	31,797	96,385	10,807	28,344	36,864	7,877
Net Change in Fund Balances	\$ (15,516)	\$ (2,549)	\$ 4,562	\$ 10,427	\$ (32,717)	\$ 27,709	\$ 16,039	\$ (19,393)	\$ 33,851	\$ 16,576
Debt Service as a Percentage of Non-capital Expenditures	21.0%	22.8%	25.2%	25.8%	26.0%	33.3%	23.4%	22.7%	24.3%	22.5%

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

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

Table V

Fiscal Year	Sales and Use Taxes					
	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn Preserve	Privilege and Use - Transportation	Privilege and Use - Public Safety	Transient Occupancy
2010	\$ 58,354	\$ 77,878	\$ 26,416	\$ 14,608	\$ 7,541	\$ 7,113
2011	65,970	80,119	27,199	15,042	7,765	13,126 ⁽¹⁾
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 ⁽²⁾	11,974	22,407

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other
2010	\$ 3,317	\$ 7,834	\$ 17,227	\$ 30,309	\$ 979
2011	3,163	7,842	17,844	22,849	1,010
2012	3,445	8,115	16,987	18,347	1,086
2013	3,461	8,424	17,793	22,205	838
2014	3,722	8,477	18,922	24,230	900
2015	3,748	8,691	19,867	26,316	906
2016	3,816	8,826	20,647	26,173	913
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

⁽¹⁾The Transient Occupancy tax rate increased from 3% to 5%, effective July 1, 2010.

⁽²⁾The Privilege and Use-Transportation tax rate increased from 0.2% to 0.3%, effective February 1, 2019.

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

Table VI

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017⁽¹⁾</u>	<u>2018</u>	<u>2019⁽²⁾</u>
Automotive	\$ 818,517	\$ 862,091	\$ 950,450	\$ 1,074,591	\$ 1,209,388	\$ 1,335,511	\$ 1,403,834	\$ 1,489,632	\$ 1,558,428	\$ 1,792,335
Construction	754,583	718,652	786,402	861,934	1,073,279	1,057,986	969,281	901,684	962,050	997,164
Food Stores	611,083	611,825	626,883	639,362	655,787	690,837	713,187	677,978	763,117	796,551
Hotel/Motel	395,229	401,413	420,494	440,522	488,117	525,421	543,121	641,146	682,078	730,329
Major Department Stores	865,614	882,376	897,617	907,857	917,406	937,370	927,469	888,674	966,996	970,656
Miscellaneous Retail Stores	1,107,272	1,194,790	1,299,083	1,321,572	1,450,611	1,612,954	1,708,411	1,785,097	2,010,364	2,200,161
Other Taxable Activity	449,455	502,739	525,480	626,171	666,504	695,566	728,596	756,718	926,445	1,059,397
Rentals	1,144,939	1,113,821	1,134,785	1,189,304	1,210,218	1,315,545	1,417,607	1,380,366	1,644,191	1,719,075
Restaurants	670,311	713,420	799,231	794,034	844,186	925,948	961,340	957,757	1,065,825	1,144,395
Utilities	436,010	429,035	430,169	432,356	435,579	435,879	497,773	451,318	467,609	455,118
Total	\$ 7,253,013	\$ 7,430,162	\$ 7,870,594	\$ 8,287,703	\$ 8,951,075	\$ 9,533,017	\$ 9,870,619	\$ 9,930,370	\$ 11,047,103	\$ 11,865,181
City Sales Tax	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.75%

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

⁽²⁾ Effective February 1, 2019, the transaction privilege tax rate increased to 1.75% and the use tax rate increased to 1.55%.

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
2010	1.65%	0.70%	6.60% ⁽¹⁾	2010	1.45%	0.00%	6.60% ⁽¹⁾
2011	1.65%	0.70%	6.60%	2011	1.45%	0.00%	6.60%
2012	1.65%	0.70%	6.60%	2012	1.45%	0.00%	6.60%
2013	1.65%	0.70%	5.60% ⁽³⁾	2013	1.45%	0.00%	5.60% ⁽³⁾
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% ⁽⁵⁾	0.70%	5.60%	2019	1.55% ⁽⁵⁾	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
2010	3.00% ⁽²⁾	1.77%	6.50% ⁽¹⁾	2010	0.0180	0.0031	0.0305
2011	5.00%	1.77%	6.50%	2011	0.0180	0.0031	0.0305
2012	5.00%	1.77%	6.50%	2012	0.0180	0.0031	0.0305
2013	5.00%	1.77%	5.50% ⁽³⁾	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 ⁽⁴⁾	0.0180	0.0031	0.0305
2019	5.00%	1.77%	5.50%	2019	0.0180	0.0031	0.0305

Source: City Tax Audit Section

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

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

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

Transient Occupancy Tax applies to transactions involving transient lodging.

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

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

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

⁽³⁾ 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.

⁽⁴⁾ Effective August 9, 2017, the City can only tax the first 10 million gallons by each purchaser in a calendar year.

⁽⁵⁾ 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 2019				Fiscal Year 2010			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	645	2.16%	\$ 30,319	14.86%	497	2.28%	\$ 13,868	11.04%
Construction	3,683	12.32%	17,071	8.37%	7,653	35.19%	13,168	10.48%
Food Stores	222	0.74%	13,465	6.60%	170	0.78%	10,101	8.04%
Hotel/Motel	256	0.86%	12,321	6.04%	65	0.30%	6,622	5.27%
Major Department Stores	61	0.20%	16,255	7.97%	30	0.14%	14,802	11.79%
Miscellaneous Retail Stores	7,151	23.91%	37,497	18.38%	4,740	21.80%	19,892	15.84%
Other Taxable Activity	7,645	25.56%	20,890	10.24%	3,717	17.09%	8,948	7.12%
Rentals	8,719	29.16%	29,099	14.27%	3,765	17.31%	19,565	15.58%
Restaurants	1,099	3.68%	19,450	9.53%	843	3.88%	11,272	8.98%
Utilities	423	1.41%	7,622	3.74%	267	1.23%	7,365	5.86%
Total	29,904	100.00%	\$ 203,989	100.00%	21,747	100.00%	\$ 125,603	100.00%

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

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

Table IX

Fiscal Year	City Direct Rate			Overlapping Rates			
	Operating	Debt Service	Total City	Scottsdale Unified School District			
				Operating	Debt Service	EVIT	Total School
2010	\$ 0.3650	\$ 0.3782	\$ 0.7432	\$ 2.4447	\$ 1.3382	\$ 0.0500	\$ 3.8329
2011	0.3836	0.5140	0.8976	2.4017	1.3529	0.0500	3.8046
2012	0.4412	0.6503	1.0915	2.7498	1.2503	0.0500	4.0501
2013	0.5027	0.7225	1.2252	3.0875	1.3390	0.0500	4.4765
2014	0.5342	0.7604	1.2946	3.3548	1.2239	0.0500	4.6287
2015	0.5580	0.6869	1.2449	3.1091	1.0045	0.0500	4.1636
2016	0.5293	0.6244	1.1537	2.8332	1.0263	0.0500	3.9095
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

Fiscal Year	County-Wide Jurisdictions									
	County Operating	Community College	County Flood	County Education Equalization	Fire District Assistance	Central AZ Project	County Free Library	County Special Health Care	Total County	Total Direct and Overlapping
	2010	\$ 0.9909	\$ 0.8844	\$ 0.1367	\$ 0.3306	\$ 0.0057	\$ 0.1000	\$ 0.0353	\$ 0.0914	\$ 2.5750
2011	1.0508	0.9728	0.1489	0.3564	0.0066	0.1000	0.0412	0.1122	2.7889	7.4911
2012	1.2407	1.2082	0.1780	0.4259	0.0084	0.1000	0.0492	0.1494	3.3598	8.5014
2013	1.2407	1.3778	0.1780	0.4717	0.0110	0.1000	0.0492	0.1683	3.5967	9.2984
2014	1.2807	1.5340	0.1392	0.5123	0.0121	0.1400	0.0438	0.1939	3.8560	9.7793
2015	1.3209	1.5187	0.1392	0.5089	0.0113	0.1400	0.0556	0.1856	3.8802	9.2887
2016	1.3609	1.4940	0.1592	0.5054	0.0116	0.1400	0.0556	0.3021	4.0288	9.0920
2017	1.4009	1.4651	0.1792	0.5010	0.0112	0.1400	0.0556	0.3053	4.0583	9.0972
2018	1.4009	1.4096	0.1792	0.4875	0.0102	0.1400	0.0556	0.2851	3.9681	8.8353
2019	1.4009	1.3754	0.1792	0.4741	0.0107	0.1400	0.0556	0.2941	3.9300	8.7860

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2018".

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 2019 the rates were as follows: DC Ranch CFD - \$0.4325, McDowell Mountain Ranch CFD - \$0.7004, Scottsdale Mountain CFD - \$0.0620, Via Linda Road CFD - \$1.1188, and the Waterfront Commercial CFD - \$5.6925.

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

Table X

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 59,713	1	0.996%	\$ 61,193	2	0.728%
Scottsdale Fashion Square LLC	39,210	2	0.654%	66,131	1	0.787%
SDQ FEE LLC	19,552	3	0.326%	-	-	-
XHR Scottsdale Ranch LLC	15,721	4	0.262%	-	-	-
Excel Promenade LLC	14,358	5	0.239%	-	-	-
Portales Corporate Center LLC ⁽¹⁾	14,324	6	0.239%	25,786	5	0.307%
Qwest Corporation	12,417	7	0.207%	26,730	4	0.318%
Stockdale Galleria LLC	11,418	8	0.190%	-	-	-
Henkel Corporation	10,835	9	0.181%	-	-	-
Southwest Gas Corporation	10,821	10	0.180%	-	-	-
Gainey Drive Associates	-	-	-	26,771	3	0.318%
JEMB Scottsdale LLC	-	-	-	22,213	6	0.264%
Blackwell Robert L/Etal	-	-	-	22,152	7	0.264%
Pacific Promenade LLC	-	-	-	17,576	8	0.209%
DC Ranch LLC	-	-	-	17,529	9	0.209%
Scottsdale Fiesta Retail Center LLC	-	-	-	16,079	10	0.191%
Total	\$ 208,369		3.474%	\$ 302,160		3.595%

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 2018 assessed valuation of the SRP within the City is \$21,596,981 as provided by SRP.

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

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

Table XI

Fiscal Year Ended June 30th	Real Property			Historic and Special Use	Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land		Assessed Value			
2010 P	\$ 4,409,444	\$ 1,879,139	\$ 1,177,944	\$ 1,845	\$ 259,145	\$ (717,210)	\$ 7,010,307	\$ 0.36
2010 S	4,989,883	2,436,470	1,765,907	2,070	259,145	(1,047,474)	8,406,001	0.38
2011 P	4,212,414	1,980,853	1,170,054	4,822	242,654	(724,635)	6,886,162	0.38
2011 S	4,261,972	2,312,814	1,458,512	5,622	242,654	(906,165)	7,375,409	0.51
2012 P	3,521,958	1,615,176	969,618	4,217	224,822	(665,901)	5,669,890	0.44
2012 S	3,524,902	1,623,645	1,021,533	4,300	224,822	(707,211)	5,691,991	0.65
2013 P	3,232,809	1,402,569	845,953	3,133	228,843	(643,724)	5,069,583	0.50
2013 S	3,236,951	1,405,867	856,609	3,133	228,843	(651,408)	5,079,995	0.72
2014 P	3,179,924	1,234,395	763,038	2,810	213,781	(591,625)	4,802,323	0.53
2014 S	3,190,808	1,238,888	793,269	2,852	214,245	(612,212)	4,827,850	0.76
2015 P	3,400,223	1,211,532	731,585	2,849	208,844	(569,038)	4,985,995	0.56
2015 S	3,542,585	1,228,899	792,839	2,986	209,029	(599,560)	5,176,778	0.69
2016 P	3,608,260	1,197,395	759,840	3,143	196,631	(603,538)	5,161,731	0.53
2016 S	4,210,065	1,306,932	912,980	3,541	196,972	(674,098)	5,956,392	0.62
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

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
2010	\$ 57,380	\$ 55,221	96.2%	\$ 1,622	\$ 56,843	99.1%
2011	64,327	62,237	96.8%	737	62,974	97.9%
2012	62,033	60,309	97.2%	672	60,981	98.3%
2013	62,187	60,630	97.5%	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%	545	59,259	99.5%
2017	60,954	60,056	98.5%	607	60,663	99.5%
2018	61,803	60,721	98.2%	817	61,538	99.6%
2019	66,092	64,982	98.3%	-	64,982	98.3%

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

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

Table XIII

Governmental Activities									
Fiscal Year Ended June 30	General Obligation Bonds	Municipal Property Corporation Bonds	Scottsdale Preserve Authority Bonds	Special Assessment Bonds	Certificates of Participation	Community Facilities District Bonds	Contracts Payable	Capital Leases	Service Concession Arrangements
2010	\$ 583,071	\$ 153,582	\$ 67,567	\$ 2,250	\$ 4,194	\$ 38,725	\$ 15,732	\$ -	\$ -
2011	579,972	152,578	64,309	1,500	23,409	36,762	14,582	-	-
2012	603,426	149,983	60,304	750	18,031	34,685	13,375	-	-
2013	651,224	222,403	56,154	-	16,003	32,083	2,570	183	3,144
2014	647,859	218,942	53,100	-	13,914	30,090	-	329	2,990
2015	624,616	243,044	48,276	-	11,762	27,437	-	229	2,837
2016	585,931	232,970	43,489	-	9,546	24,694	-	156	2,683
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

Business-type Activities						
Fiscal Year Ended June 30	Revenue Bonds	Municipal Property Corporation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2010	\$ 48,250	\$ 332,216	\$ 7	\$ 1,245,594	11.62%	\$ 5,691
2011	44,776	323,107	-	1,240,995	11.77%	5,709
2012	41,157	313,505	-	1,235,216	11.09%	5,667
2013	37,803	303,793	-	1,325,360	11.63%	5,965
2014	34,747	296,418	-	1,298,389	11.43%	5,776
2015	31,518	309,150	-	1,298,869	11.26%	5,689
2016	28,176	295,807	-	1,223,452	10.26%	5,292
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

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

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

Table XIV

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities - General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Total Taxable Assessed Value of Property ⁽¹⁾</u>	<u>Per Capita</u>
2010	\$ 583,071	\$ 4,932	\$ 578,139	6.9%	\$ 2,641
2011	579,972	6,787	573,185	7.8%	2,637
2012	603,426	5,789	597,637	10.5%	2,742
2013	651,224	10,105	641,119	12.6%	2,885
2014	647,859	9,369	638,490	13.2%	2,840
2015	624,616	12,172	612,444	11.8%	2,683
2016	585,931	11,529	574,402	9.6%	2,484
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

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.

⁽¹⁾Percentage of Total Taxable Assessed Value of Property was corrected using the information from table XI for fiscal year 2010.

City of Scottsdale, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019
(dollars in thousands)

Table XV

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County Community College District	\$ 312,450	15.6423%	\$ 48,874
Maricopa County Special Healthcare District	459,125	15.6423%	71,818
Tempe Elementary School District No. 3	153,535	0.0003%	-
Balsz Elementary School District No. 31	30,550	6.1717%	1,885
Scottsdale Unified School District No. 48	278,536	69.7880%	194,385
Paradise Valley Unified School District No. 69	319,053	29.9232%	95,471
Cave Creek Unified School District No. 93	32,255	62.5073%	20,162
Fountain Hills Unified School District No. 98	8,800	3.6110%	318
Phoenix Union High School District No. 210	389,120	0.3678%	1,431
Tempe Union High School District No. 213	82,925	0.0001%	-
Western Maricopa Education Center District No. 402	116,510	6.7946%	7,916
Subtotal, overlapping debt			442,260
City direct debt	744,869	100.0000%	744,869
Total direct and overlapping debt			<u><u>\$ 1,187,129</u></u>

Sources: Arizona Tax Research Association, State and County Abstract of the Assessment Roll, and Arizona Department of Revenue.

Notes:

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

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

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

Table XVIa

	2010	2011	2012	2013	2014	2015	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019
<u>20% Limitation</u>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 1,681,200	\$ 1,475,082	\$ 1,138,398	\$ 1,015,999	\$ 965,570	\$ 1,035,356	\$ 1,191,278	\$ 1,283,864	\$ 1,385,687	\$ 1,444,654
Total Net Debt Applicable to 20% Limit	499,945	498,490	524,675	561,126	553,121	532,888	513,768	521,179	511,046	479,265
Excess Premium								8,180	10,637	10,415
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 1,181,255</u>	<u>\$ 976,592</u>	<u>\$ 613,723</u>	<u>\$ 454,873</u>	<u>\$ 412,449</u>	<u>\$ 502,468</u>	<u>\$ 677,510</u>	<u>\$ 754,505</u>	<u>\$ 864,004</u>	<u>\$ 954,974</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	29.74%	33.79%	46.09%	55.23%	57.28%	51.47%	43.13%	41.23%	37.65%	33.90%
<u>6% Limitation</u>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 504,360	\$ 442,524	\$ 341,519	\$ 304,799	\$ 289,671	\$ 310,606	\$ 357,384	\$ 385,159	\$ 415,706	\$ 433,396
Total Net Debt Applicable to 6% Limit	78,245	74,250	69,750	78,009	65,944	54,022	37,747	26,116	14,419	3,950
Excess Premium								-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 426,115</u>	<u>\$ 368,274</u>	<u>\$ 271,769</u>	<u>\$ 226,790</u>	<u>\$ 223,727</u>	<u>\$ 256,584</u>	<u>\$ 319,637</u>	<u>\$ 359,043</u>	<u>\$ 401,287</u>	<u>\$ 429,446</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	15.51%	16.78%	20.42%	25.59%	22.77%	17.39%	10.56%	6.78%	3.47%	0.91%

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

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

City of Scottsdale, Arizona
Legal Debt Margin Information
As of June 30, 2019
(in thousands)

Table XVIb

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Valuation as of June 30, 2019	\$	7,223,269
<u>20% Limitation</u>		
Debt Limit Equal to 20% of Assessed Valuation	\$	1,444,654
Debt applicable to limit:		
General Obligation Bonds		479,265
Excess Premium		10,415
		10,415
Legal 20% Debt Margin (Available Borrowing Capacity)	\$	954,974
<u>6% Limitation</u>		
Debt Limit Equal to 6% of Assessed Valuation	\$	433,396
Debt applicable to limit:		
General Obligation Bonds		3,950
Excess Premium		-
		-
Legal 6% Debt Margin (Available Borrowing Capacity)	\$	429,446

Source: City of Scottsdale City Treasurer

Notes:

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

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

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

Table XVII

Water and Sewer Revenue Bonds									Municipal Property Corporation Bonds			
Fiscal Year Ended June 30	Operating Revenue ⁽¹⁾	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service Principal	Debt Service Interest	Coverage	Excise Tax ⁽⁴⁾⁽⁵⁾⁽⁶⁾	Debt Service Principal ⁽⁷⁾	Debt Service Interest ⁽⁷⁾	Coverage
2010	\$ 133,624	\$ 70,165	\$ 63,459	\$ 3,126	\$ 66,585	\$ 3,115	\$ 2,351	12.18	\$ 170,638	\$ 9,715	\$ 18,415	6.07
2011	132,441	77,456	54,985	3,859	58,844	3,220	2,199	10.86	155,515	9,785	22,185	4.86
2012	134,336	78,837	55,499	3,073	58,572	3,380	2,056	10.77	157,645	11,841	21,141	4.78
2013	138,224	73,647	64,577	12,213	76,790	3,115	1,891	15.34	170,227	12,355	21,480	5.03
2014	142,066	77,891	64,175	15,139	79,314	3,240	1,738	15.93	183,376	18,200	22,994	4.45
2015	139,242	79,154	60,088	5,326	65,414	2,940	1,599	14.41	195,037	16,950	22,299	4.97
2016	152,612	81,586	71,026	5,156	76,182	3,055	1,487	16.77	194,560	20,215	23,220	4.48
2017	148,310	85,909	62,401	6,072	68,473	3,195	1,354	15.05	196,729	22,550	21,599	4.46
2018	160,161	87,130	73,031	6,525	79,556	3,370	1,195	17.43	216,643	26,290	23,908	4.32
2019	164,487	82,748	81,739	4,256	85,995	3,540	1,026	18.83	223,668	30,210	22,474	4.25

Special Assessment Bonds					Scottsdale Preserve Authority Bonds				
Fiscal Year Ended June 30	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage ⁽²⁾	0.2% and 0.15% Sales Tax ⁽³⁾	Debt Service Principal	Debt Service Interest	Coverage	
2010	\$ 765	\$ 757	\$ 121	0.87	\$ 26,416	\$ 3,365	\$ 3,374	3.92	
2011	733	757	86	0.87	27,199	3,470	2,471	4.58	
2012	719	755	52	0.89	28,809	3,655	2,835	4.44	
2013	591	755	17	0.77	30,376	3,800	2,680	4.69	
2014	-	-	-	N/A	32,655	3,960	2,508	5.05	
2015	-	-	-	N/A	34,429	4,140	2,330	5.32	
2016	-	-	-	N/A	36,029	4,340	2,143	5.56	
2017	-	-	-	N/A	35,489	4,175	1,423	6.34	
2018	-	-	-	N/A	40,089	4,365	734	7.86	
2019	-	-	-	N/A	41,909	4,540	577	8.19	

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

⁽¹⁾Includes investment income.

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

⁽³⁾In May 2004, the City of Scottsdale, Arizona citizens approved an additional 0.15% preservation privilege tax. This tax was effective July 1, 2004.

⁽⁴⁾In fiscal year 2010, excise tax was recalculated for prior years using correct items from Table V and the statement of revenue, expenditures, and changes in fund balances for the governmental funds.

⁽⁵⁾Starting in fiscal year 2011, transient occupancy taxes are no longer pledged revenues for MPC bonds issued on or after July 1, 2010, and are excluded from this table from that date forward.

⁽⁶⁾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.

⁽⁷⁾Includes debt service payments paid out of revenue from the water and sewer fund and the tourism development fund.

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

Table XVIII

Fiscal Year	Population⁽¹⁾	Personal Income⁽²⁾ (in thousands)	Per Capita Personal Income⁽³⁾	Median Age⁽⁴⁾	Charter and Public School Enrollment⁽⁵⁾	Fiscal Year End Average Unemployment Rate⁽⁶⁾
2010	218,888	\$ 10,715,662	\$ 48,955	45.4	27,093	6.8%
2011	217,365	10,542,637	48,502	45.4	27,116	6.5%
2012	217,965	11,135,832	51,090	45.4	28,177	6.8%
2013	222,200	11,393,527	51,276	45.4	27,816	5.7%
2014	224,800	11,358,020	50,525	45.1	27,191	5.4%
2015	228,300	11,536,227	50,531	45.4	26,233	4.7%
2016	231,200	11,921,597	51,564	46.1	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	25,598	3.5%

Data Sources and Notes:

⁽¹⁾July 1 Population Estimate U.S. Census 2018. Since 2013, estimates have been rounded to the nearest hundred.

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

⁽³⁾Sites USA (estimate) 2008-2010; U.S. Census, American Community Survey, 5-Year Estimates used for fiscal year 2011-2019 estimates.

⁽⁴⁾U.S. Census; fiscal years 2008-2009 based on Census 2000; fiscal years 2010-2012 based on Census 2010; fiscal years 2013-2019 based on U.S. Census, American Community Survey, 5-Year Estimates.

⁽⁵⁾Arizona Department of Education; 2019 data updated to reflect 9 charter and 29 public schools located within Scottsdale city boundaries. At the time of reporting, information for 2019 is not available. 2018 updated based on information received in November 2018.

⁽⁶⁾State of Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics. The data is from 2018 calendar year that ended within the 2019 fiscal year.

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

Table XIX

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment⁽¹⁾	Employees	Rank	Percentage of Total City Employment⁽¹⁾
HonorHealth ⁽²⁾	6,841	1	4.68%	6,650	1	3.64%
Vanguard ⁽³⁾	3,300	2	2.26%	1,899	8	1.04%
CVS Health ⁽⁴⁾	3,012	3	2.06%	2,048	6	1.12%
City of Scottsdale	2,727	4	1.87%	2,538	5	1.39%
General Dynamics Mission Systems ⁽⁵⁾	2,500	5	1.71%	3,600	3	1.97%
Mayo Clinic	2,427	6	1.66%	4,900	2	2.68%
Scottsdale Unified School District ⁽⁶⁾	2,149	7	1.47%	3,126	4	1.71%
Nationwide Specialty ⁽⁷⁾	1,462	8	1.00%	1,400	10	0.77%
Yelp	1,300	9	0.89%			
Go Daddy Group	719	10	0.49%	1,915	7	1.05%
Troon Golf LLC				1,539	9	0.84%
Total	26,437		18.09%	29,615		16.21%

Source: City of Scottsdale, Economic Development Department communications with employers, June 2019.

⁽¹⁾Annual Employment according to the Arizona Office of Economic Opportunity (June 2019) was 146,072; it was reported in the fiscal year 2010 CAFR as 182,771.

⁽²⁾Scottsdale Healthcare was renamed HonorHealth in 2015.

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

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

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

⁽⁶⁾Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2019 numbers only report Scottsdale-based employees. 2010 included all employees.

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

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

Table XX

Function	2010	2011	2012⁽¹⁾	2013	2014	2015	2016	2017	2018	2019⁽²⁾
Administrative Services	35.0	35.0	138.8	124.6	127.4	120.9	123.6	125.1	124.1	102.1
Aviation	14.0	14.0	14.0	14.0	14.0	14.5	14.5	14.5	15.5	15.5
City Treasurer	92.5	95.5	83.5	93.0	93.0	89.7	89.8	86.7	86.7	101.7
Community and Economic Development		214.5	188.5	175.5	176.5	173.0	185.1	186.6	179.6	182.2
Community Services	489.3	487.6	459.5	454.2	454.2	448.3	469.6	474.6	476.7	476.9
Economic Vitality	47.0									
General Government	155.0	153.0	141.0	140.0	140.0	140.4	142.2	142.2	151.2	162.7
Human Resources	30.0	30.5								
Information Technology	78.8	75.8								
Planning, Neighborhood, and Transportation	167.5									
Public Safety	953.6	957.6	933.6	924.6	934.6	930.6	942.7	936.7	937.7	952.7
Public Works	197.0	206.0	205.0	204.0	204.0	205.0	205.8	206.8	210.8	210.8
Solid Waste	89.0	89.0	89.0	89.0	90.0	90.0	90.8	92.8	92.8	96.8
Water Resources	189.0	189.0	202.0	204.0	204.0	205.0	211.3	213.3	214.5	215.9
Total	2,537.7	2,547.5	2,454.9	2,422.9	2,437.7	2,417.4	2,475.4	2,479.3	2,489.6	2,517.3

Source: The City of Scottsdale's Budget Department.

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

⁽²⁾Effective fiscal year 2019, Purchasing was moved from Administrative Services to City Treasurer.

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

Table XXI

Division	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	32%	40%	37%	37%	34%	39%	39%	35%	35%	35%
<i>City Auditor</i>										
# of reports performed	16	17	14	14	14	16	13	13	15	14
<i>City Clerk</i>										
# of legal postings	1,301	1,241	1,185	1,124	1,080	1,005	1,000	1,067	1,033	946
# of minutes	87	66	63	63	65	57	61	56	70	63
<i>City Court</i>										
Charges filed/ charges adjudicated (resolved)	107,720 / 113,382	104,301 / 108,003	102,953/ 100,929	93,306/ 90,016	99,063/ 83,441	96,741/ 91,200	100,920/ 92,993	100,092/ 85,295	95,301/ 84,602	83,471/ 78,390
<i>City Treasurer</i>										
# of Accounts Payable checks issued	33,620	45,592	45,112	33,599	32,865	32,491	31,648	31,268	32,074	30,401
# of customer contacts (utilities, taxes, and licensing)	175,918	255,124	246,319	254,992	209,325	196,549	190,422	195,819	256,784	140,915
# of Purchasing purchase orders ⁽²⁾	5,748	5,310	5,018	4,678	5,019	5,064	5,078	5,143	4,989	4,984
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent ⁽³⁾	No Survey	94%	No Survey	No Survey	98%	No Survey	No Survey	96%	No Survey	96%
News releases, media updates, traffic alerts, construction updates released to news media	240	281	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total ad value equivalency generated ⁽⁴⁾	N/A	N/A	\$20,000	\$78,861	\$64,931	\$34,863	N/A	N/A	N/A	N/A
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	399	2,001	4,419	6,400	2,365	0	0	420	0	0
% increase of Neighborhood Watch groups annually	5%	5%	5%	5%	2%	0%	5%	5%	2%	7%
Administrative Services										
<i>Communications</i>										
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent ⁽³⁾	No Survey	91%	No Survey	No Survey	93%	No Survey	No Survey	93%	No Survey	97%
<i>Human Resources</i>										
Citywide turnover	9.5%	7.3%	7.1%	7.3%	6.0%	7.8%	9.6%	8.1%	9.8%	9.3%
HR operating cost as a % of City payroll	1.6%	1.8%	1.3%	1.7%	1.4%	1.4%	1.1%	1.2%	1.3%	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)	2,100,000	1,775,000	1,870,000	1,588,935	1,335,869	1,395,338	2,686,000	2,117,633	1,512,355	1,026,016
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	170.0	266.0	266.0	167.3	45.8	51.4	58.6	67.2	82.8	86.9
Community Services										
McDowell Sonoran Preserve Annual Visitors – All trailheads	104,290	148,639	177,922	223,538	325,023	659,882	706,682	698,090	732,510	747,000
# of square feet of medians and rights of way maintained	17,000,000	23,168,510	23,475,510	22,726,329	22,502,626	22,832,327	22,913,730	22,827,842	22,968,631	22,897,463

(continued)

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

Table XXI

Division	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Community and Economic Development										
<i>Planning and Development</i>										
Customer wait-time (in minutes) at One Stop Shop	7	6	6	12	15	12	12	15	13	14
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	100%	100%	100%	100%	100%	95%	100%	99%	99%
% of inspections performed within 24 hours of the request	100%	100%	100%	100%	100%	100%	98%	98%	98%	98%
# of new Code Enforcement cases processed per year	16,452	16,000	16,500	15,603	14,222	15,514	13,781	13,797	12,594	13,676
<i>Transportation</i>										
Total citywide transit ridership	3,103,185	2,539,744	2,499,000	2,599,557	2,589,218	2,635,739	2,297,323	2,186,424	2,178,152	1,933,249
<i>Economic Development</i>										
Targeted job creation - number of companies/number of jobs ⁽⁶⁾	10 / 731	7 / 450	8 / 1,595	36 / 1,593	16 / 1,069	13 / 1,180	9 / 1,183	14 / 1,019	12 / 1,852	14 / 1531
<i>Tourism</i>										
Hotel/Motel average occupancy rate	58.0%	58.8%	61.5%	63.0%	65.6%	67.8%	67.9%	75.1%	69.1%	70.2%
Bed Tax growth (% annual change)	-6%	8%	5%	3%	10%	12%	1%	11%	5%	12%
# of Downtown special events coordinated	110	95	119	126	275	325	277	174	173	155
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	156,896	136,089	146,058	137,333	148,971	153,285	162,535	164,622	166,425	176,677
<i>WestWorld</i>										
# of special events at WestWorld	28	20	20	27	24	52	51	55	49	46
Public Safety										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) ⁽⁶⁾	29.6	31.9	32.8	29.1	27.8	25.5	25.6	26.3	24.7	25.2
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	5:01	4:57	5:11	4:54	5:04	5:25	5:12	4:48	4:57	5:05
Provide initial contact to 100% of citizen traffic concerns within seven days	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<i>Fire</i>										
Total incidents	23,996	25,586	26,344	27,075	28,544	32,425	35,098	36,407	36,877	37,750
Responses per capita	0.10	0.10	0.10	0.12	0.13	0.14	0.15	0.16	0.15	0.15
Travel time (en-route to on-scene)	4:28	4:22	4:18	4:26	4:27	4:33	4:32	4:37	4:46	4:52

(continued)

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

Table XXI

Division	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Works and Water Resources										
<i>Public Works</i>										
Facility inventory maintained (square feet) ⁽⁷⁾	2,929,802	3,006,106	3,029,606	3,322,968	3,313,468	3,348,774	2,925,697	2,925,697	2,925,697	2,961,661
# of active Capital Projects	168	183	162	186	150	120	155	150	161	180
# of homes serviced by Residential Refuse Collection	79,006	79,508	79,787	80,013	80,354	80,785	81,187	81,665	82,236	82,711
# of citizens serviced annually by Household Hazardous Waste collection program ⁽⁸⁾	1,497	2,573	2,591	2,691	2,905	2,362	3,345	2,770	2,509	2,629
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) ⁽⁹⁾	8,578	10,397	10,500	5,043	3,687	4,252	6,638	9,737	8,697	4,748
<i>Water Resources</i>										
Water Service Connections	87,409	87,458	87,577	87,851	88,348	88,905	89,596	90,172	90,817	91,279
Drinking Water Supplied (million gallons per day)	68.4	67.9	69.2	67.6	70.2	63.9	67.5	67.0	70.9	66.3
Reclaimed Water Supplied (million gallons per day)	11.2	8.7	6.9	8.9	9.7	9.2	9.1	11.6	12.2	11.9
Sewer Service Connections	77,605	77,850	78,018	78,269	79,014	79,588	80,202	80,704	81,306	81,841
Sewage Treated (million gallons per day)	21.0	21.1	20.9	20.7	20.9	21.2	20.5	21.4	22.1	22.1
# of water meters read annually ⁽¹⁰⁾	1,050,067	1,051,089	1,043,335	1,055,230	1,059,738	1,066,385	1,078,500	1,085,590	1,072,498	1,099,164

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

⁽¹⁾This presentation is consistent with the organizational structure approved as part of the fiscal year 2019 Budget. It has been noted where changes were approved by the City Council mid-year.

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

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

⁽⁴⁾Effective fiscal year 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.

⁽⁵⁾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.

⁽⁶⁾In fiscal year 2012, the crime per thousand increase reflects a recalculation in population with the Census 2010 as a basepoint, rather than an increase in crime. In addition, crime stats are for the prior calendar year end, rather than fiscal year end.

⁽⁷⁾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.

⁽⁸⁾The statistic for "# of citizens serviced annually by Household Hazardous Waste Collection program" number of events was restored in fiscal year 2011. During fiscal year 2010 the number of events was reduced as a budget savings initiative.

⁽⁹⁾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.

⁽¹⁰⁾Effective fiscal year 2012, the City Council approved placing Meter Reading under the control of the Water Resources Division.

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

Table XXII

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Police Vehicles	357	352	352	351	359	347	344	344	343	343
Fire Stations	14	15	15	15	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement	20,873,951	20,828,414	20,852,234	20,859,993	20,748,525	20,827,420	21,036,767	21,023,295	21,046,327	20,071,109
Equivalent 12' Wide Lane Miles	2,965	2,959	2,962	2,963	2,947	2,958	2,877	2,846	2,990	2,851
Traffic Signals	289	289	300	303	297	304	307	295	296	296
Culture and Recreation										
Parks	41	41	42	42	42	42	42	42	42	42
Parks Acreage	941	941	974	975	975	975	975	975	975	975
Swimming Pools	4	4	4	4	4	4	4	4	4	4
Tennis Courts	55	55	55	55	55	55	55	55	53	53
Community Centers	5	5	5	6	6	6	6	6	6	6
Water										
Water Mains (miles)	2,061	2,059	2,064	2,070	2,079	2,079	2,094	2,102	2,117	2,124
Fire Hydrants	10,664	10,687	10,729	10,779	10,874	10,941	11,052	11,135	11,213	11,301
Sewer										
Sanitary Sewers (miles)	1,421.0	1,421.0	1,422.0	1,424.0	1,429.0	1,441.0	1,452.0	1,456.0	1,468.0	1,483.0
Storm Sewers (miles)	164.0	163.0	168.0	169.0	187.7	275.0	285.0	309.0	316.0	325.0

Source: City of Scottsdale's divisions.

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

Visit our website
www.ScottsdaleAZ.gov/Finance