



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

Photo: Sam Mitchell Photography

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**City of Scottsdale, Arizona**

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

**Prepared by:**

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

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# CITY OF SCOTTSDALE, ARIZONA

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

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# Letter of Transmittal

## For the Fiscal Year Ended June 30, 2020



October 16, 2020

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

The Comprehensive Annual Financial Report of the City of Scottsdale, Arizona, (the City) for the fiscal year ended June 30, 2020, is submitted in accordance with City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity, and to have the report audited by certified public accountants independent of City government. This report was prepared by the City's Accounting Department in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

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

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

## **CITY OF SCOTTSDALE PROFILE**

### **History**

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

### **Current Profile**

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

### **Government and Organization**

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

### **Budgetary Controls**

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption in order to obtain taxpayer comments. Each year in June, the budget is legally enacted through passage of an ordinance. The ordinance sets the maximum legal expenditure limit for the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year 2020, there were no such supplemental budgetary appropriations authorized.

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

## **LOCAL ECONOMY**

### **Business**

Scottsdale has a diverse economy built on medical research, high-tech innovation, tourism, and corporate headquarters. Prior to the Coronavirus pandemic (COVID-19) the unemployment rate in Scottsdale was as low as 3.2 percent in fiscal year 2020. In June 2020 Scottsdale's unemployment rate was 8.9 percent, compared to the state's rate of 10.3 percent, and the national rate of 11.2 percent. Scottsdale's unemployment rate at the end of the fiscal year was similar to, or less than many of the other cities in the Phoenix Metro area.

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

### **Tourism**

Tourism is one of Scottsdale's largest and most vibrant industries, and is a significant contributor to the City's economy. With a variety of lodging properties in the area, including several world-class resorts and "boutique" hotels, along with spectacular spas, trend-setting dining, and one-of-a kind Sonoran Desert golf courses, Scottsdale is one of the most popular tourist destinations in Arizona. However, the timing of COVID-19 dramatically slowed Scottsdale's tourism industry during its peak season this year. It's uncertain at this time how the pandemic will impact travel to Arizona over the next several months; however, travel experts don't anticipate a complete recovery until late 2022.

### **Transaction Privilege (Sales) Tax**

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

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

## **Property Values**

Scottsdale is a safe, family-friendly community and benefits from a robust assessed valuation of the properties contained within its boundaries. These strong assessed valuations contribute to Scottsdale residents experiencing lower property tax rates and higher median housing values than many of the surrounding municipalities in the Phoenix metropolitan area. Scottsdale property owners will see a decrease in the City's combined property tax rate in the coming year of \$0.0096 over the prior year. This decrease in the combined rate is due to an increase in the primary rate caused by tort liability claims and new construction, and a decrease in the secondary rate attributable to increased property values.

## **LONG-TERM FINANCIAL PLANNING**

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

### **Adopted Comprehensive Financial Policies**

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has 46 adopted financial policies governing operations, capital management, debt management, reserves, and financial reporting. Regular review and refinement of these policies is done in conjunction with financial plan development and policies that are adopted annually by the City Council. In fiscal year 2020, the City amended its financial policy to transfer two-thirds of the General Fund sales tax collected on sales of food for home consumption to the Capital Improvement Program. This revision will gradually reduce the transfer by 25 percent each fiscal year until it is eliminated. The change was due to the general obligation bond package passed by voters earlier in the fiscal year that will provide funding for various capital projects.

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

### **Financial Resources Planning**

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

## **Multi-Year Operating Budget Planning**

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

## **Strategic Capital Improvement Project Planning**

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

## **Cash Management**

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

## **Debt Management**

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

In recent years the City has issued two types of debt: voter approved General Obligation bonds and non-voter approved Municipal Property Corporation bonds and Certificates of Participation (see Section IV.H. of the Notes to the Financial Statements for further information). In November 2019, Scottsdale voters approved up to \$319.0 million in General Obligation bonds for 58 community projects. The bonds will be issued in stages as existing bonds are paid off with the purpose of keeping the City's secondary property taxes at or below current levels.

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

**City of Scottsdale Bonded Debt Ratings**

As of June 30, 2020

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

**MAJOR INITIATIVES**

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

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

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

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

## AWARDS AND ACKNOWLEDGMENTS

### Certificates of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019, marking the forty-seventh consecutive year the City has achieved this prestigious recognition. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

As well, the City received the *Distinguished Budget Presentation Award* for the fiscal year beginning July 1, 2019 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements, and we expect to receive this award again for the fiscal year beginning July 1, 2020.

### Acknowledgments

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

Respectfully submitted,



Judy Doyle

Acting City Treasurer/Chief Financial Officer



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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Scottsdale  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

*Christopher P. Morrill*

Executive Director/CEO

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# Comprehensive Annual Financial Report

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For the Fiscal Year Ended June 30, 2020



## City of Scottsdale, Arizona

### List of Elected and Appointed Officials

#### City Council

W.J. "Jim" Lane, Mayor

Suzanne Klapp

Virginia Korte

Kathy Littlefield

Linda Milhaven

Guy Phillips

Solange Whitehead

#### Charter Officers

Jim Thompson, City Manager

Sherry R. Scott, City Attorney

Sharron Walker, City Auditor

Carolyn Jagger, City Clerk

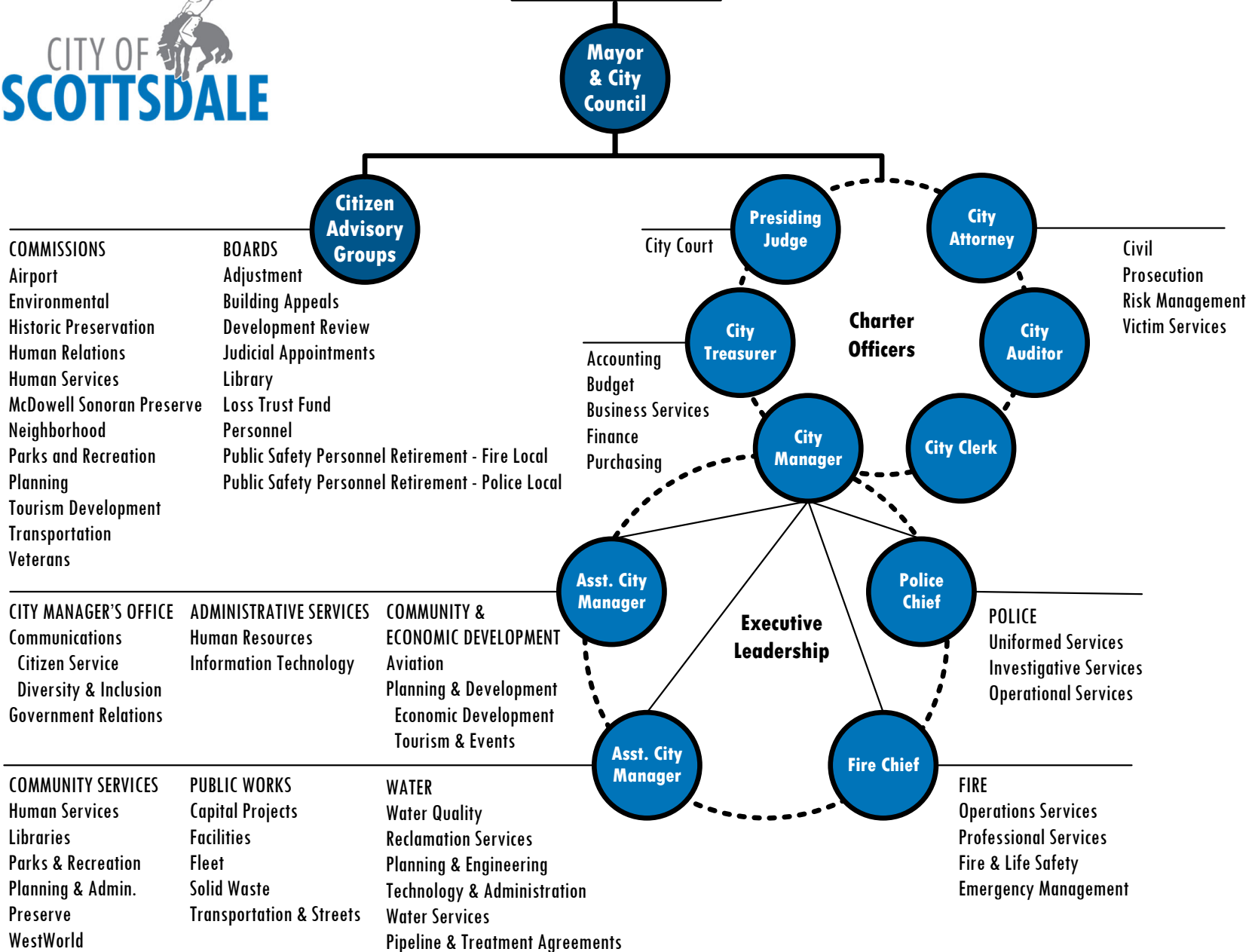
Joseph Olcavage, Presiding Judge

Jeffery M. Nichols, City Treasurer/Chief Financial Officer

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**Scottsdale Citizens**





## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the General Fund and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 90, *Majority Equity Interests*, and Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* for the year ended June 30, 2020, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

#### ***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, on our consideration of the City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scottsdale's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Scottsdale, Arizona's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

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

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

This section of the City of Scottsdale, Arizona's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2020 and 2019. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal and other portions of this CAFR.

## FINANCIAL HIGHLIGHTS

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

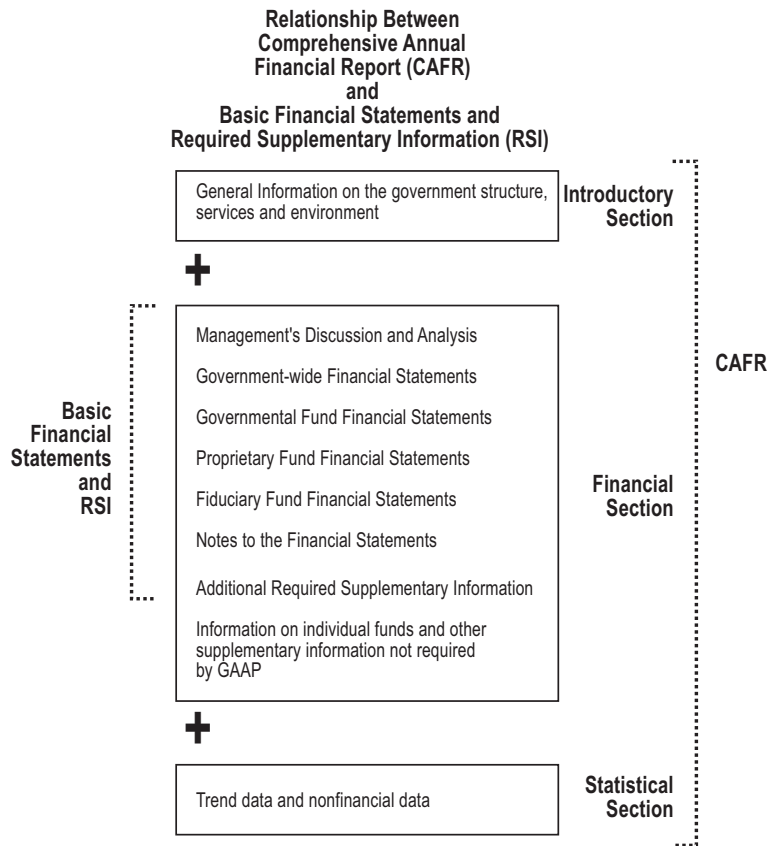
This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020



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

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

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

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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

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

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

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

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

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

**Combining Statements.** The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented on pages 139-173.

**Other Supplementary Information.** The supplemental schedule of changes in long-term debt provides a comprehensive overview of the City's total debt and can be found on pages 174-177.

**Statistical Information.** The statistical section, found on pages 178-207, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the City's overall financial health.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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

## Net Position

June 30, 2020 and 2019 (in thousands)

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

The largest portion (90.2 percent) of the City's net position reflects its net investment in capital assets (e.g., land, buildings, water and sewer system, and streets and storm drains) less any related outstanding debt used to acquire those assets. These amounted to \$4.85 billion and \$4.77 billion at June 30, 2020 and 2019, respectively. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these assets to provide services to citizens and therefore cannot liquidate them.

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

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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

## Changes in Net Position

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

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



# Management's Discussion and Analysis

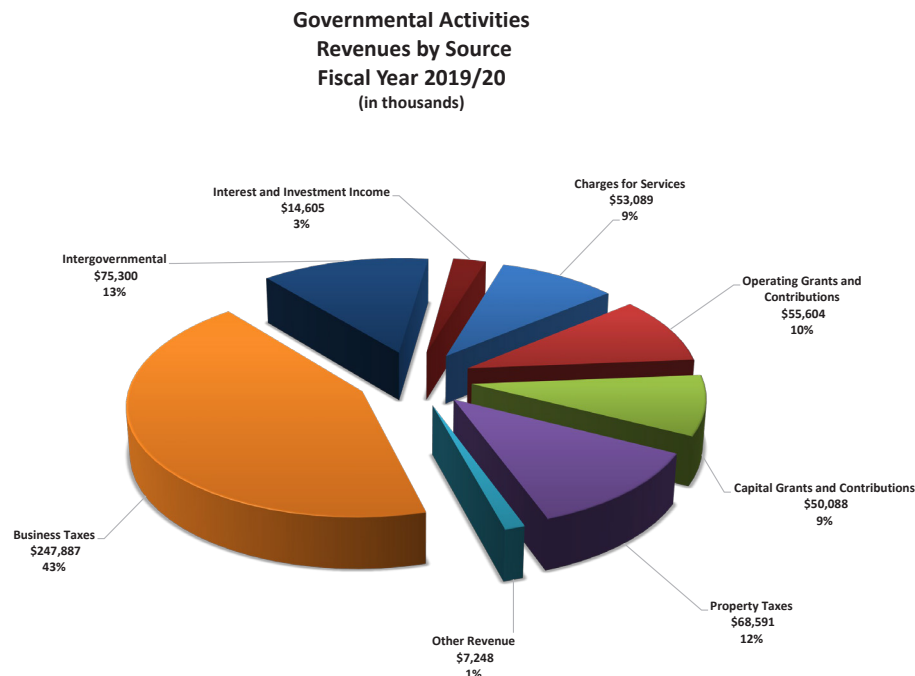
For the Fiscal Year Ended June 30, 2020

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

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

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

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



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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

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

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

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

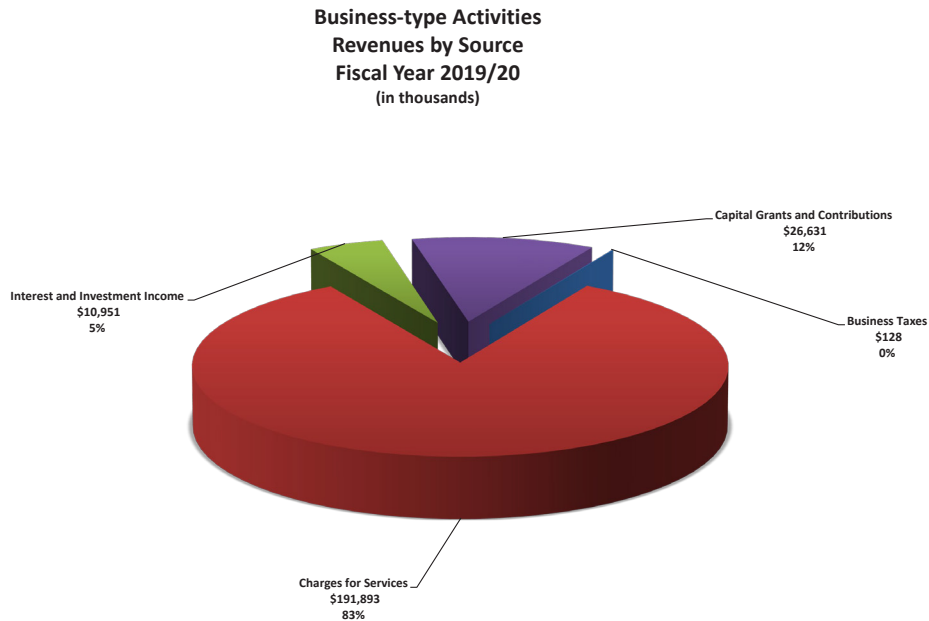
The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, and promoting healthy lifestyles. They also assist those in need through federal,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

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

# Management's Discussion and Analysis

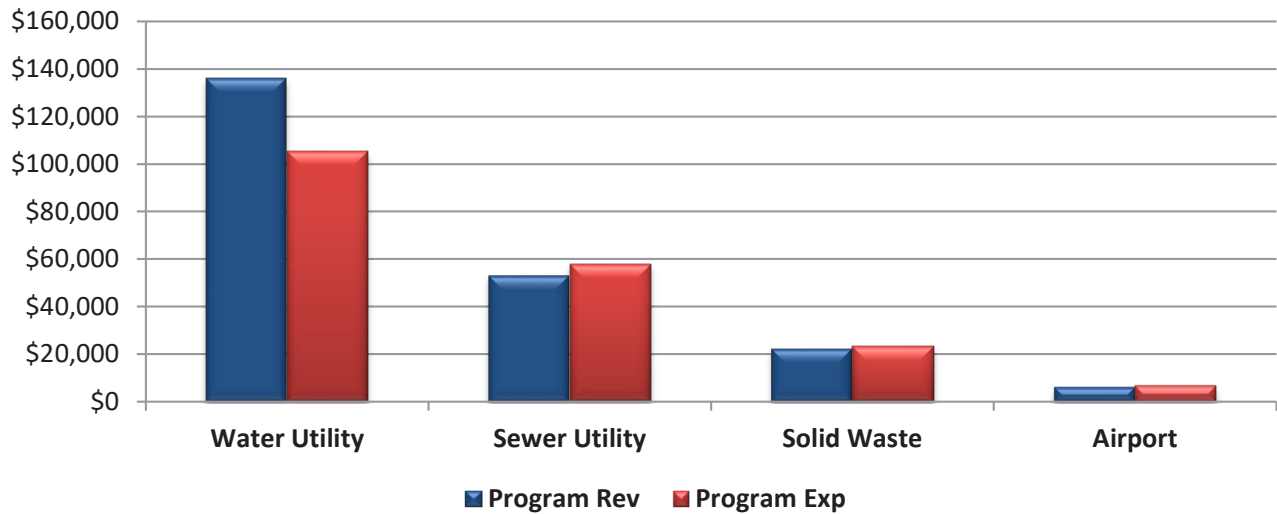
For the Fiscal Year Ended June 30, 2020

As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues (83.0 percent) followed by capital grants and contributions (12.0 percent).



As shown below in the *Business-type Activities Program Revenues and Expenses* chart, the largest of the City's business-type activities, water and sewer utilities, had expenses of \$105.2 million and \$57.8 million, respectively, in fiscal year 2020, followed by solid waste with \$23.2 million and airport with \$6.8 million.

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



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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

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

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

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

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$327.9 million, an increase of \$67.1 million from the prior year total of \$260.9 million. Approximately 38 percent or \$126.0 million of the current year amount constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, or committed to indicate that it is not available for new spending.

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$136.4 million, while the total fund balance was \$136.7 million; the unassigned and total fund balances for the General Fund at the end of fiscal year 2019 were \$97.1 million and \$97.4 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.6 percent of the total General Fund expenditures of \$264.1 million in fiscal year 2020 and represented 36.0 percent of the total General Fund expenditures of \$270.1 million in fiscal year 2019. Total fund balance represented 51.8 percent and 36.1 percent of total fund expenditures for fiscal years 2020 and 2019, respectively.

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

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

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

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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

The General Obligation Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt principal, interest, and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$1.0 million, a decrease of \$0.4 million from the \$1.4 million balance at June 30, 2019. The decrease in fund balance was due to scheduled debt payments and payment to the bond refunding escrow agent.

The General CIP Construction Capital Projects Fund accounts for the resources used to acquire, construct, and improve major capital facilities from amounts transferred from the City's General Fund. This fund also represents other City Council approved capital programs including transfers for tourism related capital projects, in-lieu parking, and in-lieu stormwater. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$47.3 million, an increase of \$5.0 million from the \$42.3 million at June 30, 2019, caused by lower capital expenditures and higher developer contributions over the prior fiscal year.

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

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

The total growth in net position for the enterprise funds was \$27.0 million and \$28.5 million for fiscal years 2020 and 2019, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

### GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The City's total capital assets for its governmental and business-type activities as of June 30, 2020 and 2019 was \$5.83 billion and \$5.78 billion, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, streets and storm drains, water and sewer systems, water rights, vehicles, machinery and equipment, furniture and fixtures, and construction in progress. The total increase in the City's capital assets (net of accumulated depreciation) between fiscal years 2020 and 2019 was \$55.4 million or 1.0 percent.

### Capital Assets, Net of Depreciation/Amortization

June 30, 2020 and 2019 (in thousands)

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

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

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

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

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

**Long-term Debt.** At the end of the fiscal years 2020 and 2019, the City had total long-term liabilities of \$1,477.9 million and \$1,506.8 million, respectively. Of these amounts, \$433.9 million and \$483.2 million, for fiscal years 2020 and 2019 respectively, are general obligation bonds backed by the full faith and credit of the City. The remainder includes water and sewer revenue bonds, Municipal Property Corporation bonds, Scottsdale Preserve Authority bonds, certificates of participation, net pension liabilities, and other obligations of \$1,044.0 million and \$1,023.6 million for fiscal years 2020 and 2019, respectively.

The State constitution imposes debt limitations on the City equal to 6 percent and 20 percent of the assessed valuation of properties within the City. The City's available debt margin at June 30, 2020 and 2019 was \$462.1 million and \$429.4 million, respectively, in the 6 percent capacity and \$1,096.3 million and \$955.0 million, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.H. of the Notes to the Financial Statements and also in Tables XVIa and XVIb in the Statistical Section of this report.

## Long-term Liabilities

June 30, 2020 and 2019 (in thousands)

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

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

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

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



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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2020

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

## **REQUESTS FOR INFORMATION**

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

# Basic Financial Statements

## Statement of Net Position

June 30, 2020 (in thousands)

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

(continued)

## Statement of Net Position

June 30, 2020 (in thousands)

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

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

**Statement of Activities**

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

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

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

# Balance Sheet

## Governmental Funds

June 30, 2020 (in thousands)

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

(continued)

# Balance Sheet

## Governmental Funds

June 30, 2020 (in thousands)

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

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

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

June 30, 2020 (in thousands)

|  |                     |
|--|---------------------|
| Fund Balances - Total Governmental Funds   | \$ 327,949          |
| Amounts reported for governmental activities in the statement of net position are different because (see Note II A):   |                     |
| Capital assets used in governmental activities are not financial resources; therefore, are not reported in the funds.  | 4,360,893           |
| Changes in equity in joint venture are not financial resources; therefore, are not reported in the funds.  | 1,669               |
| Prepayments, service concession arrangements, and leases are not financial resources; therefore, are not reported in the funds.  | 83,380              |
| Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.   | 91,651              |
| Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.   | (1,052,959)         |
| Deferred inflows relating to pensions and other postemployment benefits represent a future acquisition of net position that is not reported in the funds. Also, because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds. | 20,775              |
| Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and vehicles to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position.   | <u>84,813</u>       |
| Net Position of Governmental Activities  | <u>\$ 3,918,171</u> |

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



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

## Governmental Funds

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

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

(continued)

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

## Governmental Funds

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

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

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

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

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

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

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

# General Fund

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

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

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

(continued)

# General Fund

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

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

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

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

## General Fund

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

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

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#### Explanation of Differences:

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

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

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

|  |            |
|--|------------|
| Payroll Accrual and Compensated Absences | <u>228</u> |
|--|------------|

|   |                        |
|---|------------------------|
| Net Increase in Fund Balance - Budget to GAAP | <u><u>\$ 5,531</u></u> |
|---|------------------------|

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

## Statement of Fund Net Position

### Proprietary Funds

June 30, 2020 (in thousands)

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

(continued)

## Statement of Fund Net Position

### Proprietary Funds

June 30, 2020 (in thousands)

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

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



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

June 30, 2020 (in thousands)

---

|                                    |              |
|------------------------------------|--------------|
| Total Enterprise Fund Net Position | \$ 1,451,480 |
|------------------------------------|--------------|

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

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

|       |
|-------|
| 5,219 |
|-------|

|  |
|--|
| Net Position of Business-type Activities |
|--|

|                     |
|---------------------|
| <u>\$ 1,456,699</u> |
|---------------------|

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

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

### Proprietary Funds

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

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

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

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

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

---

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

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

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

1,162

Change in Net Position of Business-type Activities

\$ 28,143

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

## Statement of Cash Flows

### Proprietary Funds

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

|  | Water and<br>Sewer Utility | Airport         | Solid Waste     | Total             | Governmental<br>Activities -<br>Internal Service<br>Funds |
|--|----------------------------|-----------------|-----------------|-------------------|---|
| <b>Cash Flows from Operating Activities</b>                      |                            |                 |                 |                   |   |
| Cash Received from Customers                                     | \$ 160,130                 | \$ 5,272        | \$ 22,721       | \$ 188,123        | \$ 67,467   |
| Cash Payments to Suppliers for Goods/Services                    | (62,845)                   | (1,752)         | (15,339)        | (79,936)          | (50,961)  |
| Cash Payments to Employees for Services                          | (25,461)                   | (1,411)         | (7,899)         | (34,771)          | (5,830)   |
| Other Cash Receipts  | 2,589                      | 17              | -               | 2,606             | 2,202   |
| Net Cash Provided by (Used for) Operating Activities             | <u>74,413</u>              | <u>2,126</u>    | <u>(517)</u>    | <u>76,022</u>     | <u>12,878</u>   |
| <b>Cash Flows from Non-Capital Financing Activities</b>          |                            |                 |                 |                   |   |
| Property Tax   | -                          | -               | -               | -                 | 252   |
| Transaction Privilege Tax  | -                          | 128             | -               | 128               | -   |
| Transfers In   | -                          | -               | -               | -                 | 87  |
| Transfers Out  | (8,432)                    | -               | -               | (8,432)           | (254)   |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | <u>(8,432)</u>             | <u>128</u>      | <u>-</u>        | <u>(8,304)</u>    | <u>85</u>   |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |                            |                 |                 |                   |   |
| Capital Contributions from:                                      |                            |                 |                 |                   |   |
| Water and Sewer Development Fees                                 | 7,936                      | -               | -               | 7,936             | -   |
| Capital Grants   | -                          | 1,545           | -               | 1,545             | -   |
| Acquisition and Construction of Property and Equipment           | (40,810)                   | (3,440)         | (606)           | (44,856)          | (10,659)  |
| Water and Sewer Development Fee Credit Agreements                | (159)                      | -               | -               | (159)             | -   |
| Principal Payments on Capital Debt and Other Payables            | (18,818)                   | (775)           | -               | (19,593)          | -   |
| Interest Paid on Capital Debt                                    | (13,733)                   | (926)           | -               | (14,659)          | -   |
| Investment in Joint Venture                                      | (917)                      | -               | -               | (917)             | -   |
| Sale of Capital Assets   | -                          | -               | -               | -                 | 833   |
| Net Cash Used for Capital and Related Financing Activities       | <u>(66,501)</u>            | <u>(3,596)</u>  | <u>(606)</u>    | <u>(70,703)</u>   | <u>(9,826)</u>  |
| <b>Cash Flows from Investing Activities</b>                      |                            |                 |                 |                   |   |
| Income Received on Investments                                   | 10,644                     | 350             | 271             | 11,265            | -   |
| Net Cash Provided by Investing Activities                        | <u>10,644</u>              | <u>350</u>      | <u>271</u>      | <u>11,265</u>     | <u>-</u>  |
| Net Increase (Decrease) in Cash and Cash Equivalents             | 10,124                     | (992)           | (852)           | 8,280             | 3,137   |
| Cash and Cash Equivalents at Beginning of Year                   | <u>288,400</u>             | <u>10,465</u>   | <u>7,760</u>    | <u>306,625</u>    | <u>53,929</u>   |
| Cash and Cash Equivalents at End of Year                         | <u>\$ 298,524</u>          | <u>\$ 9,473</u> | <u>\$ 6,908</u> | <u>\$ 314,905</u> | <u>\$ 57,066</u>  |

(continued)

## Statement of Cash Flows

### Proprietary Funds

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

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

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

# Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2020 (in thousands)

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

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

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

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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



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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

## B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

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

### **1. Deposits and Investments**

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

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

### **2. Receivables and Payables**

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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

### **4. Restricted Assets**

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

The revenue bond reserve and water and sewer replacement accounts are used to report resources set aside to meet unexpected contingencies or to fund asset replacements. The joint venture construction deposits with the City of Phoenix are used for capital expansion, rehabilitation, and expansion of the jointly used facilities.

Assets are also restricted in enterprise funds for deposits received from water, sewer, and airport customers, as well as unearned revenues related to cash received in advance of services provided.

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## 5. Capital Assets

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

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

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

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

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

## 6. Pensions

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### 7. Compensated Absences

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

Vacation pay is calculated based on vacation used and the medical leave conversion is based on an actuarial valuation dated January 1, 2020. The medical leave conversion and vacation pay amounts are accrued in the government-wide and proprietary fund financial statements. A liability for the current amount of compensated absences is recorded as a current liability at June 30, 2020, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2020, that resulted from employee resignations and retirements. The current compensated absences amount in the governmental funds is combined with accrued payroll and other payroll related amounts in the accrued payroll and benefits line item. There is no long-term liability for compensated absences in the governmental funds.

### 8. Long-term Obligations

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### 9. Deferred Outflows/Inflows of Resources

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

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

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

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

Unavailable revenue, which arises only under the modified accrual basis of accounting, is recognized as an inflow of resources in the period that the related amounts become available.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

### **10. Development Impact Fee Revenue**

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

### **11. Fund Balance Policies**

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

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

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



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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

## 12. Net Position

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

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

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

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

## 13. Use of Estimates

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

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## E. Implementation of New Accounting Principles

### 1. Governmental Accounting Standards Board Statement No. 84

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

### 2. Governmental Accounting Standards Board Statement No. 87

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

### 3. Governmental Accounting Standards Board Statement No. 90

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

### 4. Governmental Accounting Standards Board Statement No. 95

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

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

**F. Prior Period Adjustment**

**1. Change in Accounting Principle**

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

|   | <b>Government-wide<br/>Statement of Net Position<br/>Governmental Activities</b> |
|---|--|
| Net position at June 30, 2019, as previously reported | \$ 3,790,212   |
| Prior period adjustment - implementation of GASB 87   | <u>6</u>   |
| Net position at July 1, 2019, as restated             | <u><u>\$ 3,790,218</u></u>   |

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position**

The City's total governmental fund balances, \$327,949,000, differ from the net position of governmental activities, \$3,918,171,000 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

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

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

(continued)

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

(in thousands)

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

(continued)

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

(in thousands)

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

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

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

|  |                 |
|--|-----------------|
|  | <u>\$ 1,669</u> |
|--|-----------------|

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

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

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

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

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

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

(continued)

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

(in thousands)

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

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

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

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

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

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

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

\$ 84,813

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

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

The net change in fund balances for governmental funds, \$67,061,000, differs from the change in net position for the governmental activities, \$127,953,000, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated in the next table.



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

(in thousands)

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

(continued)

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

(in thousands)

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

(continued)

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

(in thousands)

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

|                               |                   |
|-------------------------------|-------------------|
| Taxes-Local                   | \$ 3,493          |
| Charges for Services/Licenses | 3,688             |
| Fines, Fees, and Forfeitures  | (107)             |
| Intergovernmental             | (9,311)           |
| Other                         | 41                |
|                               | <u>\$ (2,196)</u> |

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

|  |                 |
|--|-----------------|
| Amortization of long-term prepaid leases | <u>\$ (968)</u> |
|--|-----------------|

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

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

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

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

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

|  |               |
|--|---------------|
|  | <u>\$ 188</u> |
|--|---------------|

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

|  |                 |
|--|-----------------|
|  | <u>\$ 1,025</u> |
|--|-----------------|

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>\$ (1,975)</u> |
|--|-------------------|

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

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

(continued)

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

(in thousands)

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

|                       |           |
|-----------------------|-----------|
| Capital contributions | \$ 42,073 |
|-----------------------|-----------|

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

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

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

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

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

|  |           |
|--|-----------|
| Transferred to the paying agent                                |           |
| Principal payments made  | \$ 70,076 |
| Payment to refunded bond escrow - funded by refunding bonds    | 2,563     |
| Payment to refunded bond escrow - funded by existing resources | 6,983     |
|  | \$ 79,622 |

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

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

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

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

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

|  |         |
|--|---------|
|  | \$ (34) |
|--|---------|

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budget and Budgetary Accounting

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

The City prepares its budget on a basis generally consistent with GAAP, with such exceptions as eliminating the adjustments for fair value of investments, payroll accruals, interest associated with leases, amortized lease revenue, and accrued compensated absences.

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

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

### **B. Excess of Expenditures over Appropriations**

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

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

The HOME Special Revenue Fund, Grants Special Revenue Fund, and the External Sources Capital Project Fund had deficit ending fund balances of \$176,000, \$2,436,000, and \$2,560,000, respectively. These deficits were caused by certain grant reimbursements and pending reimbursements from intergovernmental agreements related to capital projects the City is required to fund, not being available at the end of the fiscal year. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These pending reimbursements will be recognized as revenue when actually received.

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

### **D. Fund Balance Classifications**

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

### E. Net Position Restrictions

Only restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the Business-type Activities at June 30, 2020:

#### Net Position Restrictions (in thousands)

##### Water and Sewer

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



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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

## IV. DETAILED NOTES ON ALL FUNDS

### A. Cash and Investments

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

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

#### Deposits

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

#### Custodial Credit Risk

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Interest Rate Risk

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

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

| Investment Type                    | Fair Value        | Investment Maturities (in Years) |                   |                   |                  |
|------------------------------------|-------------------|----------------------------------|-------------------|-------------------|------------------|
|                                    |                   | Less than 1                      | 1 - 2             | 2 - 3             | 3+               |
| U.S. Government Securities         | \$ 279,539        | \$ 103,489                       | \$ 85,081         | \$ 65,490         | \$ 25,479        |
| U.S. Government Agencies           | 192,838           | 15,768                           | 82,694            | 61,909            | 32,467           |
| U.S. Government Instrumentalities  | 29,171            | 29,171                           | -                 | -                 | -                |
| Taxable State Bonds                | 3,076             | -                                | -                 | 3,076             | -                |
| Corporate Notes                    | 73,004            | 12,964                           | 30,710            | 25,443            | 3,887            |
| Asset-Backed Securities            | 6,385             | -                                | -                 | -                 | 6,385            |
| Negotiable Certificates of Deposit | 50,493            | 29,131                           | 5,044             | 16,318            | -                |
| Money Market Mutual Funds          | 136,556           | 136,556                          | -                 | -                 | -                |
| <b>Total Investments</b>           | <b>\$ 771,062</b> | <b>\$ 327,079</b>                | <b>\$ 203,529</b> | <b>\$ 172,236</b> | <b>\$ 68,218</b> |

## Credit Risk

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

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Concentration of Credit Risk

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

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

(dollars in thousands)

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Investments

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

|                                   |           |                |
|-----------------------------------|-----------|----------------|
| Cash on Hand                      | \$        | 19             |
| Carrying Amount of City Deposits  |           | 28,350         |
| Investments                       |           | 771,062        |
| Endowments                        |           | 582            |
| <b>Total Cash and Investments</b> | <b>\$</b> | <b>800,013</b> |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2020:

## Investments Measured at Fair Value

(in thousands)

|                                    | Fair Value Measurements Using  |   |   |
|------------------------------------|--|---|---|
|                                    | Quoted Prices in Active<br>Markets for Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(Level 3) |
| U.S. Government Securities         | \$ -   | \$ 279,539  | \$ -  |
| U.S. Government Agencies           | -  | 192,838   | -   |
| U.S. Government Instrumentalities  | -  | 29,171  | -   |
| Taxable State Bonds                | -  | 3,076   | -   |
| Corporate Notes                    | -  | 73,004  | -   |
| Asset-Backed Securities            | -  | 6,385   | -   |
| Negotiable Certificates of Deposit | -  | 50,493  | -   |
|                                    | <b>\$ -</b>  | <b>\$ 634,506</b>                                   | <b>\$ -</b>                                     |

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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

The net increase in the fair value of investments for the fiscal year was \$10,892,636. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the year.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## B. Endowments

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

## C. Receivables

Receivables as of June 30, 2020, for the government's individual major governmental funds, nonmajor governmental funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

**Governmental and Governmental Activities Internal Service Funds**

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

The City has a development agreement relating to biomedical research activities with the Translational Genomics Research Institute (TGen) to repay \$1,720,000 with interest through February 2024.

Through the use of Community Development Block Grant (CDBG) funds, the City issues Green Housing Rehabilitation Program loans to qualified Scottsdale homeowners. As of June 30, 2020, the loan balances totaled \$2,197,991, of which the majority is not expected to be collected within the next year.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

### Business-type Activities Enterprise Funds

(in thousands)

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

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

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## D. Capital Assets

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

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

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

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



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

(in thousands):

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

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

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

(in thousands):

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

## Construction Commitments

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## E. Interfund Balances and Interfund Transfers

### Due To and Due From Other Funds

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

| <b>Receivable Fund</b> | <b>Amount</b> | <b>Payable Fund</b>         | <b>Amount</b> |
|------------------------|---------------|-----------------------------|---------------|
| General Fund           | \$ 433        | Nonmajor Governmental Funds | \$ 433        |

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

### Interfund Transfers

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

#### Net Transfers (in thousands)

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

### F. Leases

#### *City as Lessee*

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

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

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

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

#### *City as Lessor*

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### G. Service Concession Arrangements

In 1983, the City entered into a cost-sharing and land use agreement with the United States Bureau of Reclamation (BOR), under which the City would operate and develop the land where the City's WestWorld operation is located for a period of 50 years (with a mutual option to renew for an additional 25 years). The City entered into this agreement to develop the WestWorld facility for public recreation use and to enhance its revenue stream from rentals, concession sales, and parking fees. Beginning in fiscal year 2001, the BOR required the City to make annual payments for the administration of the agreement, and the present value of those payments as of June 30, 2020, is \$960,000. The City has also provided consideration in the form of land improvements with a book value of \$10,502,000 as of June 30, 2013, upon implementation of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and an additional \$50,999,000 through the fiscal year ended June 30, 2020. These improvements were reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$41,062,000 at fiscal year-end pursuant to the service concession arrangement.

In 1985, the City entered into a recreational land use agreement with the BOR, under which the City would develop, operate, and maintain the land where the City's Tournament Players Club (TPC) golf complex is located for a period of 50 years (with a mutual option to renew for an additional 25 years). The City entered into this agreement to develop the TPC complex for public recreation use and to enhance its revenue stream from facility usage fees and rentals. Beginning in fiscal year 1999, the BOR required the City to make annual payments for the administration of the agreement, and the present value of those payments as of June 30, 2020, is \$1,108,000. The City also provided consideration in the form of land improvements with a book value of \$10,127,000 as of June 30, 2013, upon implementation of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and an additional \$8,746,000 through the fiscal year ended June 30, 2020. These improvements were reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$14,359,000 at fiscal year-end pursuant to the service concession arrangement.

### H. Bonds, Loans, and Other Payables

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

#### General Obligation Bonds

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### Municipal Property Corporation Bonds

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

In March 2005, the City entered into an intergovernmental agreement with the Arizona Tourism and Sports Authority, doing business as the Arizona Sports and Tourism Authority (AZSTA), pertaining to the Scottsdale municipal spring training facility renovation project. Per this agreement, City of Scottsdale MPC Excise Tax Revenue Bonds were issued for \$19,945,322 with one-third of the repayments provided to the City from funds received by the Maricopa County Stadium District (MCSD) and two-thirds of the repayments provided to the City by the AZSTA. The final payment was made to the City during fiscal year 2020. The funds that accrued to the City satisfied the agreement but were insufficient to cover the total finance costs over the term of the bonds. As a result, the City will utilize existing resources to fulfill the remaining obligation.

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

### Scottsdale Preserve Authority Bonds

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

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### Water and Sewer Revenue Bonds

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

Water and sewer revenue bond covenants require that the City accumulate sufficient reserves to cover the eventual replacement of the water and sewer system. The City has continued to meet this reserve requirement. At June 30, 2020, the funds restricted for this purpose were \$42,932,775.

The City has pledged to repay \$35,290,000 in water and sewer revenue bonds issued in 2008. The bonds are payable through 2023. The coverage ratio (revenues to debt service) for 2020 is 18.14. The total principal and interest remaining to be paid on the bonds is \$13,780,613. Principal and interest for the current year and total customer net revenues were \$4,574,188 and \$82,967,000, respectively.

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

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

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

### Community Facilities Districts General Obligation Bonds

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



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

| <b>General Obligation Bonds</b>  | <b>Bonds<br/>Outstanding<br/>(in thousands)</b> |
|--|---|
| 2010 Various Purpose Bonds (issued April 7, 2010) due in annual installments of \$950,000 to \$4,800,000 through July 1, 2030; interest at 2 percent to 4 percent. On May 17, 2017, \$28,250,000 due 2022 through 2029 was refunded. On August 15, 2019, \$6,835,000 due 2021 and 2030 was defeased. Original issue amount \$50,800,000. | \$ 415  |
| 2011 Preservation Bonds (issued February 9, 2011) due in annual installments of \$740,000 to \$1,705,000 through July 1, 2034; interest at 3 percent to 5 percent. On May 17, 2017, \$14,255,000 due 2023 through 2034 was refunded. Original issue amount \$22,525,000.   | 1,845   |
| 2011 Refunding Bonds (issued April 6, 2011) due in annual installments of \$640,000 to \$7,265,000 through July 1, 2024; interest at 1 percent to 5 percent. Original issue amount \$43,115,000.   | 8,310   |
| 2012 Preservation Bonds (issued February 2, 2012) due in annual installments of \$1,400,000 to \$18,000,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$50,000,000.  | 47,100  |
| 2012 Refunding Bonds (issued July 11, 2012) due in annual installments of \$205,000 to \$30,045,000 through July 1, 2025; interest at 2 percent to 5 percent. Original issue amount \$83,025,000.  | 47,545  |
| 2013 Preservation Bonds (issued February 13, 2013) due in annual installments of \$1,000,000 to \$8,665,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$75,000,000.  | 71,500  |
| 2014 Preservation Bonds (issued May 7, 2014) due in annual installments of \$465,000 to \$945,000 through July 1, 2034; interest at 1.75 percent to 4 percent. Original issue amount \$14,000,000.   | 10,690  |
| 2014 Refunding Bonds (issued May 7, 2014) due in annual installments of \$3,845,000 to \$12,230,000 through July 1, 2023; interest at 2 percent to 5 percent. Original issue amount \$83,150,000.  | 35,230  |
| 2015 Refunding Bonds (issued April 2, 2015) due in annual installments of \$500,000 to \$30,565,000 through July 1, 2034; interest at 3 percent to 4 percent. Original issue amount \$160,415,000.   | 120,110   |
| 2017A Preservation Bonds (issued March 8, 2017) due in annual installments of \$1,825,000 to \$2,545,000 through July 1, 2034; interest at 4 percent to 5 percent. Original issue amount \$17,410,000.   | 17,410  |
| 2017B Preserve Acquisition Refinancing Bonds (issued May 17, 2017) due in annual installments of \$3,510,000 to \$5,790,000 through July 1, 2024; interest at 5 percent. Original issue amount \$18,495,000.   | 18,495  |
| 2017 Refunding Bonds (issued May 17, 2017) due in annual installments of \$1,055,000 to \$5,525,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$39,985,000.  | 39,985  |

(continued)

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

|   | <b>Bonds<br/>Outstanding<br/>(in thousands)</b> |
|---|---|
| <b>General Obligation Bonds (continued)</b>   |   |
| 2017C Various Purpose Bonds (issued December 6, 2017) due in annual installments of \$1,690,000 to \$6,800,000 through July 1, 2027; interest at 5 percent. Original issue amount \$25,500,000.   | \$ 15,230                                       |
| Total General Obligation Bonds Outstanding  | \$ 433,865                                      |
| Some of the above General Obligation Bonds are paid from the .2 percent and .15 percent Preservation Sales Taxes.   |   |
| <b>Municipal Property Corporation Bonds</b>   |   |
| 2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,200,000 to \$4,975,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.               | \$ 47,865                                       |
| 2013A Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$830,000 to \$2,920,000 through July 1, 2028; interest at 3 percent to 5 percent. Original issue amount \$26,295,000.             | 18,255  |
| 2013B Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$45,000 to \$100,000 through July 1, 2033; interest at 3 percent to 5 percent. Original issue amount \$1,440,000.                 | 1,075   |
| 2013C Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$1,210,000 to \$2,855,000 through July 1, 2033; interest at 3 percent to 5 percent. Original issue amount \$37,265,000.           | 27,970  |
| 2014 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued May 29, 2014) due in annual installments of \$1,730,000 to \$3,040,000 through July 1, 2027; interest at 1.75 percent to 5 percent. Original issue amount \$22,735,000.    | 15,030  |
| 2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$12,200,000.                 | 9,700   |
| 2015A Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$275,000 to \$1,025,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$14,615,000.       | 11,375  |
| 2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$1,460,000 to \$6,877,488 through July 1, 2035; interest at 3 percent to 5 percent. Original issue amount \$46,758,269.     | 26,939  |
| 2019A Municipal Property Corporation Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$205,000 to \$645,000 through July 1, 2039; interest at 3 percent to 5 percent. Original issue amount \$9,275,000.                 | 9,070   |
| 2019B Municipal Property Corporation Taxable Excise Tax Revenue Bonds (issued October 23, 2019) due in annual installments of \$940,000 to \$2,125,000 through July 1, 2039; interest at 1.85 percent to 2.9 percent. Original issue amount \$33,275,000. | 32,335  |
| Total Municipal Property Corporation Bonds Outstanding  | \$ 199,614                                      |

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

|   | <b>Bonds<br/>Outstanding<br/>(in thousands)</b> |
|---|---|
| <b>Scottsdale Preserve Authority Bonds</b>  |   |
| 2011 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds (issued on April 6, 2011) due in annual installments of \$920,000 to \$1,350,000 through July 1, 2022; interest at 2 percent to 5 percent. Original issue amount \$12,015,000.  | <u>\$ 2,630</u>                                 |
| <b>Community Facilities Districts General Obligation Bonds - Direct Placements</b>  |   |
| 2012 DC Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$555,000 to \$1,245,000 beginning July 15, 2013 through July 15, 2027; interest at 3.41 percent. Original issue amount \$14,670,000.                  | \$ 7,890  |
| 2012 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$1,020,000 to \$1,335,000 beginning July 15, 2013 through July 15, 2022; interest at 2.84 percent. Original issue amount \$11,555,000. | 2,615   |
| 2012 Via Linda Community Facilities District General Obligation Refunding Bonds (issued September 18, 2012) due in annual installments of \$135,000 to \$210,000 beginning July 15, 2013 through July 15, 2023; interest at 2.60 percent. Original issue amount \$2,000,000.                    | 610   |
| 2019 Waterfront Commercial Community Facilities District General Obligation Refunding Bonds (issued November 14, 2019) due in annual installments of \$172,000 to \$225,000 beginning July 15, 2020 through July 15, 2032; interest at 2.47. Original issue amount \$2,563,000.                 | <u>2,373</u>                                    |
| Total Community Facilities Districts General Obligation Bonds - Direct Placements   | <u>\$ 13,488</u>                                |
| <b>Total Bonds Payable Recorded in Governmental Activities</b>  | <u>\$ 649,597</u>                               |

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

|   | <b>Bonds<br/>Outstanding<br/>(in thousands)</b> |
|---|---|
| <b>Water and Sewer Revenue Bonds</b>  |   |
| 2008 Water and Sewer Revenue Refunding Bonds (issued February 6, 2008) due in annual installments of \$190,000 to \$4,375,000 through July 1, 2023; interest at 3.25 percent to 5.25 percent. Original issue amount \$35,290,000.   | \$ 12,450                                       |
| <b>Municipal Property Corporation Bonds</b>   |   |
| 2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.   | \$ 71,060                                       |
| 2010 Municipal Property Corporation Excise Tax Revenue Bonds (issued April 7, 2010) due in annual installments of \$180,000 to \$7,800,000 through July 1, 2036; interest at 3 percent to 5 percent. On March 1, 2017, \$55,510,000 due 2023 through 2028 and 2031 through 2036 was refunded. Original issue amount \$75,000,000. | 12,440  |
| 2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$310,000 to \$1,305,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$18,485,000.   | 14,695  |
| 2015 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 26, 2015) due in annual installments of \$3,788,459 to \$5,822,479 through July 1, 2028; interest at 5 percent. Original issue amount \$46,811,731.  | 39,021  |
| 2017 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued March 1, 2017) due in annual installments of \$2,015,000 to \$12,630,000 through July 1, 2036; interest at 3 percent to 5 percent. Original issue amount \$79,970,000.   | 79,970  |
| 2017A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$1,080,000 to \$2,730,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$39,065,000.  | 35,320  |
| 2017B Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$645,000 to \$1,655,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$23,520,000.  | 21,285  |
| Total Municipal Property Corporation Bonds Outstanding  | \$ 273,791                                      |
| <b>Total Bonds Payable Recorded in Business-type Activities</b>   | <b>\$ 286,241</b>                               |
| <b>Total Long-Term Bonds Payable</b>  | <b>\$ 935,838</b>                               |

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Statutory Debt Limitation

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

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

## Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City’s outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2020.

## Current and Advance Refundings and Defeasances

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

### Refunded Debt Outstanding

|                            |           |
|----------------------------|-----------|
| 2011 Preservation GO Bonds | \$ 14,255 |
|----------------------------|-----------|

### Changes in Long-Term Liabilities

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

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Debt Service Requirements to Maturity

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

| Governmental Activities<br>(in thousands) |   |           |            |                                      |           |            |  |          |          |
|---|---|-----------|------------|--------------------------------------|-----------|------------|--|----------|----------|
| Fiscal Year                               | General Obligation Bonds Issued to Provide Water, Sewers, Artificial Light, Parks, Playgrounds and Recreational Facilities, Open Space Preserves, Public Safety, and Streets and Transportation Facilities 20% Limitation |           |            | Municipal Property Corporation Bonds |           |            | Scottsdale Preserve Authority Excise Tax Revenue Bonds |          |          |
|   | Principal   | Interest  | Total      | Principal                            | Interest  | Total      | Principal  | Interest | Total    |
| 2021                                      | \$ 44,590   | \$ 16,309 | \$ 60,899  | \$ 12,647                            | \$ 8,202  | \$ 20,849  | \$ 1,280   | \$ 131   | \$ 1,411 |
| 2022                                      | 45,020  | 14,429    | 59,449     | 11,505                               | 7,637     | 19,142     | 1,350  | 68       | 1,418    |
| 2023                                      | 48,780  | 12,536    | 61,316     | 12,120                               | 7,119     | 19,239     | -  | -        | -        |
| 2024                                      | 52,235  | 10,821    | 63,056     | 12,795                               | 6,564     | 19,359     | -  | -        | -        |
| 2025                                      | 47,375  | 8,854     | 56,229     | 13,490                               | 5,976     | 19,466     | -  | -        | -        |
| 2026-2030                                 | 131,060   | 23,808    | 154,868    | 72,542                               | 20,913    | 93,455     | -  | -        | -        |
| 2031-2035                                 | 64,805  | 5,759     | 70,564     | 53,890                               | 7,264     | 61,154     | -  | -        | -        |
| 2036-2040                                 | -   | -         | -          | 10,625                               | 788       | 11,413     | -  | -        | -        |
| 2041-2045                                 | -   | -         | -          | -                                    | -         | -          | -  | -        | -        |
| 2046-2050                                 | -   | -         | -          | -                                    | -         | -          | -  | -        | -        |
| 2051-2053                                 | -   | -         | -          | -                                    | -         | -          | -  | -        | -        |
| Total                                     | \$ 433,865  | \$ 92,516 | \$ 526,381 | \$ 199,614                           | \$ 64,463 | \$ 264,077 | \$ 2,630   | \$ 199   | \$ 2,829 |

| Community Facilities Districts<br>General Obligation Bonds - Direct |           |          |          |            |          |           |                                 |          |          |
|---|-----------|----------|----------|------------|----------|-----------|---------------------------------|----------|----------|
| Fiscal Year   | Leases    |          |          | Placements |          |           | Service Concession Arrangements |          |          |
|   | Principal | Interest | Total    | Principal  | Interest | Total     | Principal                       | Interest | Total    |
| 2021  | \$ 644    | \$ 95    | \$ 739   | \$ 2,662   | \$ 418   | \$ 3,080  | \$ 154                          | \$ 223   | \$ 377   |
| 2022  | 513       | 64       | 577      | 2,767      | 337      | 3,104     | 154                             | 242      | 396      |
| 2023  | 112       | 46       | 158      | 1,476      | 254      | 1,730     | 154                             | 262      | 416      |
| 2024  | 14        | 44       | 58       | 1,310      | 207      | 1,517     | 154                             | 283      | 437      |
| 2025  | 14        | 44       | 58       | 1,355      | 164      | 1,519     | 154                             | 304      | 458      |
| 2026-2030   | 78        | 209      | 287      | 3,473      | 258      | 3,731     | 769                             | 1,890    | 2,659    |
| 2031-2035   | 118       | 192      | 310      | 445        | 17       | 462       | 529                             | 1,798    | 2,327    |
| 2036-2040   | 162       | 163      | 325      | -          | -        | -         | -                               | -        | -        |
| 2041-2045   | 218       | 127      | 345      | -          | -        | -         | -                               | -        | -        |
| 2046-2050   | 292       | 78       | 370      | -          | -        | -         | -                               | -        | -        |
| 2051-2053   | 208       | 17       | 225      | -          | -        | -         | -                               | -        | -        |
| Total   | \$ 2,373  | \$ 1,079 | \$ 3,452 | \$ 13,488  | \$ 1,655 | \$ 15,143 | \$ 2,068                        | \$ 5,002 | \$ 7,070 |

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

(continued)

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Business-type Activities (in thousands)

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

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

### V. OTHER INFORMATION

#### A. Risk Management

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

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

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. At June 30, 2020, the general liability claims payable totaled \$19,633,000 and the self-insured benefits claims payable totaled \$2,339,000.

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

#### B. Contingent Liabilities

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

In January 2013, the City entered into a settlement agreement with Scottsdale Fashion Square LLC to prepay an existing lease. In addition to a cash payment, the settlement included a provision for a waiver of \$2.5 million against future City fees associated with the development of the Scottsdale Fashion Square parcel plus any property acquired in the future that is contiguous to the property. The eligible fees to be waived include water and sewer development fees. Per Arizona Revised Statute 9-463.05, "If a municipality agrees to waive any of the development fees assessed on a development, the municipality shall reimburse the appropriate development fee accounts for the amount that was waived." As of June 30, 2020, approximately \$2.2 million in fee waivers have been applied.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

### C. Tax Abatement Agreements

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

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

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

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

**D. Joint Ventures****Sub-Regional Operating Group (SROG)**

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

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

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, for the multi-city Sub-Regional Operating Group (the latest SROG CAFR available) may be obtained from the Arizona Municipal Water Users Association, 4041 N. Central Avenue, Suite 900, Phoenix, AZ 85012.

**Regional Wireless Cooperative (RWC)**

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

The City records its share of contributions to the RWC, third party contributions paid to the RWC for the benefit of the City, and equity in the joint venture in the City's proprietary funds and government-wide financial statements. The equity balance as of June 30, 2019, (the latest audited information available from RWC), was \$1,899,286 or 2.68 percent of the RWC's total net position. The City contributed \$228,429 for the fiscal year ended June 30, 2020 and shared in estimated depreciation expenses of \$306,196, resulting in an estimated equity balance as of June 30, 2020, of \$1,821,519. The RWC Comprehensive Annual Financial Statement is available from the Regional Wireless Cooperative, 200 West Washington Street, 12th Floor, Phoenix, Arizona, 85003-1611.

### **E. Pollution Remediation**

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. The fiscal year 2020 reimbursable outlays for operating and monitoring the CGTF were \$2,134,983 and for the NGTF were \$223,631. The City has a reimbursement agreement with the responsible parties and the total liability is expected to be fully recovered by the participating companies and therefore a corresponding pollution remediation recoveries receivable has been accrued.

### F. Related Organization

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

### G. Retirement and Pension Plans

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

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

## Arizona State Retirement System

### General Information about the Pension Plan

#### *Plan Description*

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

#### *Benefits Provided*

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

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

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

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



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

### *Contributions*

The ARS provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of the City's covered payroll. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is authorized to approve a contribution rate other than the actuarially determined rate. Employees were required to contribute 11.94 percent of their annual pay for the fiscal year ended June 30, 2020, and the City's required contribution rate was 11.45 percent during the same time period. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.29 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The required contribution rate for the fiscal year ended June 30, 2020, was actuarially determined to yield contribution amounts sufficient to finance costs earned by employees during the year and to amortize the Plan's unfunded actuarially accrued liability over the period specified in the statutes. Contributions to the pension plan from the City were \$13,151,000 for the fiscal year ended June 30, 2020.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

### Fiscal year ending June 30:

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## *Actuarial Assumptions*

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

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

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

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

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

## *Discount Rate*

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

### *Pension Plan Fiduciary Net Position*

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

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

## Public Safety Personnel Retirement System

### General Information about the Pension Plan

#### *Plan Description*

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

#### *Benefits Provided*

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

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

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

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

Disability benefits are calculated as follows:

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

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

### *Employees Covered by Benefit Terms*

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

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

### *Contributions*

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



# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2020

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

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

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

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

ARS Title 9, Chapter 8, Article 3, Section 9-952 requires the state treasurer to distribute a fire insurance premium tax to the respective incorporated cities and towns and legally organized fire districts in proportion to the full cash value of the real property and improvements in each incorporated city and town and legally organized fire district that procures the services of a private fire company and in each area served by a fire department or legally organized fire district. The warrant issued by the state treasurer is identified as the "fire fighters' relief and pension fund," to cover the firefighting personnel deposit into the pension plan. The annual tax provided by law is based on a portion of the premiums received on policies and contracts of fire insurance covering property within the state. PSPRS received \$1,975,230 of fire insurance premium tax for the City's fire pension plan for the fiscal year ended June 30, 2020. PSPRS accounts for the fire insurance premium tax collected for the City as employer contributions.

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

### Net Pension Liability

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

#### *Actuarial Assumptions*

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation adopted as of June 30, 2019, as provided by PSPRS, are summarized in the following table:

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

### *Discount Rate*

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Changes in the Net Pension Liability

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### *Pension Plan Fiduciary Net Position*

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

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

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

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

**Fiscal year ending June 30:**

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

### **Elected Officials' Defined Contribution Retirement System**

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

Benefit terms, including contribution requirements, for EODCRS are established by Title 38, Chapter 5, Article 3.1 of the Arizona Revised Statutes (ARS) and may be amended by the State of Arizona. For each member of EODCRS, the City is required to contribute 6 percent of gross compensation to an individual member retirement account. Members are required to contribute 8 percent of gross compensation to their retirement account. Members are immediately vested in both their and the City's contributions and earnings on those contributions. For the fiscal year ended June 30, 2020, the City recognized pension expense of \$2,160.

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

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

### I. Postemployment Benefits Other Than Pensions (OPEB)

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

#### *Plan Description*

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

#### *Benefits Provided*

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



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2020

### *Employees Covered by Benefit Terms*

The following employees were covered by the benefit terms:

As of June 30, 2020, Membership Consisted of:

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

### **Total OPEB Liability**

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

### *Actuarial Assumptions and Other Inputs*

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

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

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

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

Mortality rates were based on the following:

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

## Changes in the Total OPEB Liability

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

Changes in assumptions reflect the following:

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

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

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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

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

**Fiscal year ending June 30:**

|            |         |
|------------|---------|
| 2021       | \$ (52) |
| 2022       | (51)    |
| 2023       | (52)    |
| 2024       | (51)    |
| 2025       | (52)    |
| Thereafter | (197)   |

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## Required Supplementary Information

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For the Fiscal Year Ended June 30, 2020

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

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

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

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

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

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

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

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

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

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

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

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

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



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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

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

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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## Notes to Required Supplementary Information

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For the Fiscal Year Ended June 30, 2020

### I. ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

### II. FACTORS THAT AFFECT TRENDS

#### Arizona State Retirement System (ASRS)

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

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

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

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

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

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## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

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

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

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## NONMAJOR GOVERNMENTAL FUNDS (Continued)

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

Scottsdale Mountain CFD

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

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

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

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

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

### Debt Service Funds

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

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

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

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

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

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## NONMAJOR GOVERNMENTAL FUNDS (Continued)

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

### Capital Projects Funds

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

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

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

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

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

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

### Permanent Funds

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

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

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

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

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

## Combining Balance Sheet

### Nonmajor Governmental Funds

June 30, 2020 (in thousands)

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

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

### Nonmajor Governmental Funds

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

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



# Combining Balance Sheet

## Nonmajor Special Revenue Governmental Funds

June 30, 2020 (in thousands)

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

(continued)

**Combining Balance Sheet**

**Nonmajor Special Revenue Governmental Funds**

June 30, 2020 (in thousands)

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

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

**Nonmajor Special Revenue Governmental Funds**

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

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

(continued)

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

**Nonmajor Special Revenue Governmental Funds**

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

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

## Transportation – Special Revenue Fund

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

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

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

#### Explanation of Differences:

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

    Payroll Accruals \$ 25

## Community Development Block Grant – Special Revenue Fund

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

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

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

# HOME – Special Revenue Fund

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

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

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

## Grants – Special Revenue Fund

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

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

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

#### Explanation of Differences:

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

    Payroll Accruals \$ 15



## Section 8 – Special Revenue Fund

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

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

|   | <u>Original</u> | <u>Final</u> | <u>Actual Amounts<br/>Budgetary Basis</u> | <u>Budget to GAAP<br/>Differences</u> | <u>Actual Amounts<br/>GAAP Basis</u> | <u>Variance Between<br/>Final Budget and<br/>Actual Amounts<br/>Budgetary Basis</u> |
|---|-----------------|--------------|---|---------------------------------------|--------------------------------------|---|
| <b>REVENUES</b>   |                 |              |   |                                       |                                      |   |
| Intergovernmental   |                 |              |   |                                       |                                      |   |
| Federal Grants  | \$ 6,018        | \$ 6,018     | \$ 5,828                                  | \$ -                                  | \$ 5,828                             | \$ (190)  |
| Reimbursements from Outside Sources                       | -               | -            | 10  | -                                     | 10                                   | 10  |
| Total Revenues  | <u>6,018</u>    | <u>6,018</u> | <u>5,838</u>                              | <u>-</u>                              | <u>5,838</u>                         | <u>(180)</u>  |
| <b>EXPENDITURES</b>                                       |                 |              |   |                                       |                                      |   |
| Current   |                 |              |   |                                       |                                      |   |
| Community Services  | 5,996           | 6,018        | 5,883                                     | 4                                     | 5,887                                | 135   |
| Total Expenditures  | <u>5,996</u>    | <u>6,018</u> | <u>5,883</u>                              | <u>4</u>                              | <u>5,887</u>                         | <u>135</u>  |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>22</u>       | <u>-</u>     | <u>(45)</u>                               | <u>(4)</u>                            | <u>(49)</u>                          | <u>(45)</u>   |
| Net Change in Fund Balance                                | <u>\$ 22</u>    | <u>\$ -</u>  | <u>\$ (45)</u>                            | <u>\$ (4)</u>                         | <u>\$ (49)</u>                       | <u>\$ (45)</u>  |

#### Explanation of Differences:

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

|                  |             |
|------------------|-------------|
| Payroll Accruals | <u>\$ 4</u> |
|------------------|-------------|

**Preserve Privilege Tax – Special Revenue Fund**

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

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

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

## Streetlight Districts – Special Revenue Fund

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

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

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

**Special Programs – Special Revenue Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
 For the Fiscal Year Ended June 30, 2020 (in thousands)

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

**Explanation of Differences:**

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

    Amortized Lease Revenues \$ 109

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

    Payroll Accruals 18

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

## Tourism Development – Special Revenue Fund

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

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

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

#### Explanation of Differences:

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

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

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

|                  |          |
|------------------|----------|
| Payroll Accruals | <u>1</u> |
|------------------|----------|

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

**Combining Balance Sheet**

**Nonmajor Debt Service Governmental Funds**

June 30, 2020 (in thousands)

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

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

**Nonmajor Debt Service Governmental Funds**

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

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

# General Obligation Bond Debt Service Fund

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

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

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



# Municipal Property Corporation Debt Service Fund

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

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

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

## Debt Service Stabilization Debt Service Fund

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

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

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

# Scottsdale Preserve Authority Debt Service Fund

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

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

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

# Combining Balance Sheet

## Nonmajor Capital Projects Governmental Funds

June 30, 2020 (in thousands)

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

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

## Nonmajor Capital Projects Governmental Funds

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

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

# Combining Balance Sheet

## Nonmajor Permanent Governmental Funds

June 30, 2020 (in thousands)

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

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

## Nonmajor Permanent Governmental Funds

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

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

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## **INTERNAL SERVICE FUNDS**

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

### **Fleet Management Fund**

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

### **Self-Insurance Fund**

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

### **Computer Replacement Fund**

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



# Combining Statement of Fund Net Position

## Internal Service Funds

June 30, 2020 (in thousands)

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

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

### Internal Service Funds

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

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

## Combining Statement of Cash Flows

### Internal Service Funds

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

|  | Fleet<br>Management | Self-Insurance   | Computer<br>Replacement | Total            |
|--|---------------------|------------------|-------------------------|------------------|
| <b>Cash Flows from Operating Activities</b>  |                     |                  |                         |                  |
| Cash Received from Customers   | \$ 21,958           | \$ 44,440        | \$ 1,069                | \$ 67,467        |
| Cash Payments to Suppliers for Goods/Services  | (8,600)             | (42,350)         | (11)                    | (50,961)         |
| Cash Payments to Employees for Services  | (4,427)             | (1,403)          | -                       | (5,830)          |
| Other Cash Receipts  | 832                 | 1,370            | -                       | 2,202            |
| Net Cash Provided by Operating Activities  | <u>9,763</u>        | <u>2,057</u>     | <u>1,058</u>            | <u>12,878</u>    |
| <b>Cash Flows from Non-Capital Financing Activities</b>                                |                     |                  |                         |                  |
| Property Tax   | -                   | 252              | -                       | 252              |
| Transfers In   | -                   | 87               | -                       | 87               |
| Transfers Out  | -                   | (254)            | -                       | (254)            |
| Net Cash Provided by Non-Capital Financing Activities                                  | <u>-</u>            | <u>85</u>        | <u>-</u>                | <u>85</u>        |
| <b>Cash Flows from Capital and Related Financing Activities</b>                        |                     |                  |                         |                  |
| Acquisition of Capital Assets  | (9,526)             | (24)             | (1,109)                 | (10,659)         |
| Sale of Capital Assets   | 833                 | -                | -                       | 833              |
| Net Cash Used for Capital and Related Financing Activities                             | <u>(8,693)</u>      | <u>(24)</u>      | <u>(1,109)</u>          | <u>(9,826)</u>   |
| Net Increase (Decrease) in Cash and Cash Equivalents                                   | 1,070               | 2,118            | (51)                    | 3,137            |
| Cash and Cash Equivalents at Beginning of Year   | <u>14,795</u>       | <u>37,136</u>    | <u>1,998</u>            | <u>53,929</u>    |
| Cash and Cash Equivalents at End of Year   | <u>\$ 15,865</u>    | <u>\$ 39,254</u> | <u>\$ 1,947</u>         | <u>\$ 57,066</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b> |                     |                  |                         |                  |
| Operating Income   | \$ 1,521            | \$ 3,264         | \$ 363                  | \$ 5,148         |
| Income Provided by (Used for) Operating Activities                                     |                     |                  |                         |                  |
| Depreciation   | 8,458               | 2                | 695                     | 9,155            |
| Current Year Pension Contributions   | (351)               | (82)             | -                       | (433)            |
| Change in Accounts Receivable  | -                   | (91)             | -                       | (91)             |
| Change in Inventories  | (328)               | -                | -                       | (328)            |
| Change in Intergovernmental Payable  | (1)                 | -                | -                       | (1)              |
| Change in Accounts Payable   | (88)                | (696)            | -                       | (784)            |
| Change in Unearned Revenue   | -                   | (35)             | -                       | (35)             |
| Change in Accrued Payroll  | 14                  | (9)              | -                       | 5                |
| Change in Compensated Absences Payable   | 50                  | (3)              | -                       | 47               |
| Change in Claims Payable   | -                   | (474)            | -                       | (474)            |
| Change in Net Pension Liability  | 261                 | 127              | -                       | 388              |
| Change in Deferred Outflows of Resources Related to Pensions                           | 457                 | 98               | -                       | 555              |
| Change in Deferred Inflows of Resources Related to Pensions                            | (230)               | (42)             | -                       | (272)            |
| Change in Other Liabilities  | -                   | (2)              | -                       | (2)              |
| Total Adjustments  | <u>8,242</u>        | <u>(1,207)</u>   | <u>695</u>              | <u>7,730</u>     |
| Net Cash Provided by Operating Activities  | <u>\$ 9,763</u>     | <u>\$ 2,057</u>  | <u>\$ 1,058</u>         | <u>\$ 12,878</u> |
| <b>Supplemental Disclosure of Non-Cash Financing Activities</b>                        |                     |                  |                         |                  |
| Changes to Property, Plant, and Equipment  |                     |                  |                         |                  |
| Contributions of Capital Assets from Other Funds                                       | \$ 310              | \$ -             | \$ -                    | \$ 310           |
| Retirement of Assets   | -                   | -                | (26)                    | (26)             |
|  | <u>\$ 310</u>       | <u>\$ -</u>      | <u>\$ (26)</u>          | <u>\$ 284</u>    |

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## FIDUCIARY FUNDS

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

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

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

### **AZ Public Service Raintree Underground Utility Improvement District Agency Fund**

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

# Combining Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2020 (in thousands)

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

## Combining Statement of Changes in Assets and Liabilities

### Agency Funds

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

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

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**OTHER SUPPLEMENTARY INFORMATION**

**Debt Requirements**

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

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

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

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

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

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

(continued)



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

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

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

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

(continued)

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

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

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

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

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

## Statistical Section

|  | <b>Page</b> |
|--|-------------|
| <b>Contents</b>  | <b>179</b>  |
| <b>Financial Trends</b>  | <b>188</b>  |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.  |             |
| <b>Revenue Capacity</b>  | <b>195</b>  |
| These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax, and sales and use taxes.  |             |
| <b>Debt Capacity</b>   | <b>201</b>  |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.                    |             |
| <b>Demographic and Economic Information</b>  | <b>203</b>  |
| These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.   |             |
| <b>Operating Information</b>   | <b>203</b>  |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. |             |

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

Table I

|   | 2011                | 2012                | 2013                               | 2014                               | 2015                               | 2016                               | 2017                | 2018                               | 2019                | 2020                               |
|---|---------------------|---------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
| Governmental Activities                     |                     |                     |                                    |                                    |                                    |                                    |                     |                                    |                     |                                    |
| Net Investment in Capital Assets            | \$ 2,704,433        | \$ 2,800,451        | \$ 2,756,186                       | \$ 2,685,105                       | \$ 2,663,269                       | \$ 3,406,976                       | \$ 3,530,134        | \$ 3,604,063                       | \$ 3,675,567        | \$ 3,748,249                       |
| Restricted                                  | 91,862              | 100,275             | 100,472                            | 109,615                            | 117,485                            | 122,932                            | 125,366             | 123,057                            | 119,657             | 146,017                            |
| Unrestricted                                | 108,799             | 74,124              | 133,897                            | 180,942                            | (19,464)                           | (3,679)                            | (43,632)            | (27,779)                           | (5,012)             | 23,905                             |
| Total Governmental Activities Net Position  | <u>\$ 2,905,094</u> | <u>\$ 2,974,850</u> | <u>\$ 2,990,555</u> <sup>(1)</sup> | <u>\$ 2,975,662</u> <sup>(2)</sup> | <u>\$ 2,761,290</u> <sup>(3)</sup> | <u>\$ 3,526,229</u> <sup>(5)</sup> | <u>\$ 3,611,868</u> | <u>\$ 3,699,341</u> <sup>(7)</sup> | <u>\$ 3,790,212</u> | <u>\$ 3,918,171</u> <sup>(8)</sup> |
| Business-type Activities                    |                     |                     |                                    |                                    |                                    |                                    |                     |                                    |                     |                                    |
| Net Investment in Capital Assets            | \$ 1,009,973        | \$ 1,036,985        | \$ 1,058,880                       | \$ 1,046,345                       | \$ 1,036,650                       | \$ 1,059,001                       | \$ 1,069,475        | \$ 1,099,864                       | \$ 1,093,556        | \$ 1,102,183                       |
| Restricted                                  | 36,287              | 38,576              | 41,545                             | 47,101                             | 46,901                             | 47,521                             | 48,911              | 48,926                             | 52,204              | 52,728                             |
| Unrestricted                                | 258,395             | 243,067             | 242,763                            | 273,321                            | 253,109                            | 255,503                            | 256,129             | 250,500                            | 282,796             | 301,788                            |
| Total Business-type Activities Net Position | <u>\$ 1,304,655</u> | <u>\$ 1,318,628</u> | <u>\$ 1,343,188</u>                | <u>\$ 1,366,767</u> <sup>(2)</sup> | <u>\$ 1,336,660</u> <sup>(4)</sup> | <u>\$ 1,362,025</u> <sup>(6)</sup> | <u>\$ 1,374,515</u> | <u>\$ 1,399,290</u>                | <u>\$ 1,428,556</u> | <u>\$ 1,456,699</u>                |
| Primary Government                          |                     |                     |                                    |                                    |                                    |                                    |                     |                                    |                     |                                    |
| Net Investment in Capital Assets            | \$ 3,714,406        | \$ 3,837,436        | \$ 3,815,066                       | \$ 3,731,450                       | \$ 3,699,919                       | \$ 4,465,977                       | \$ 4,599,609        | \$ 4,703,927                       | \$ 4,769,123        | \$ 4,850,432                       |
| Restricted                                  | 128,149             | 138,851             | 142,017                            | 156,716                            | 164,386                            | 170,453                            | 174,277             | 171,983                            | 171,861             | 198,745                            |
| Unrestricted                                | 367,194             | 317,191             | 376,660                            | 454,263                            | 233,645                            | 251,824                            | 212,497             | 222,721                            | 277,784             | 325,693                            |
| Total Primary Government Net Position       | <u>\$ 4,209,749</u> | <u>\$ 4,293,478</u> | <u>\$ 4,333,743</u>                | <u>\$ 4,342,429</u>                | <u>\$ 4,097,950</u>                | <u>\$ 4,888,254</u>                | <u>\$ 4,986,383</u> | <u>\$ 5,098,631</u>                | <u>\$ 5,218,768</u> | <u>\$ 5,374,870</u>                |

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

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

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

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

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

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

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

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

City of Scottsdale, Arizona

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

Table IIa

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

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

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

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

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

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

Table IIb

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

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

Table IIc

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

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

**Table III**

|                                    | 2011              | 2012              | 2013              | 2014              | 2015              | 2016              | 2017              | 2018 <sup>(1)</sup> | 2019              | 2020              |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| General Fund                       |                   |                   |                   |                   |                   |                   |                   |                     |                   |                   |
| Nonspendable                       | \$ 247            | \$ 264            | \$ 265            | \$ 266            | \$ 227            | \$ 249            | \$ 269            | \$ 264              | \$ 271            | \$ 278            |
| Restricted                         | 281               | 260               | -                 | -                 | -                 | -                 | -                 | -                   | -                 | -                 |
| Committed                          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                   | -                 | -                 |
| Assigned                           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                   | -                 | -                 |
| Unassigned                         | 53,199            | 52,105            | 48,679            | 52,354            | 56,017            | 65,347            | 58,518            | 72,809              | 97,097            | 136,390           |
| Total General Fund                 | <u>\$ 53,727</u>  | <u>\$ 52,629</u>  | <u>\$ 48,944</u>  | <u>\$ 52,620</u>  | <u>\$ 56,244</u>  | <u>\$ 65,596</u>  | <u>\$ 58,787</u>  | <u>\$ 73,073</u>    | <u>\$ 97,368</u>  | <u>\$ 136,668</u> |
| All Other Governmental Funds       |                   |                   |                   |                   |                   |                   |                   |                     |                   |                   |
| Nonspendable                       | \$ 3,000          | \$ 2,980          | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ 619              | \$ 604            | \$ 555            |
| Restricted                         | 104,284           | 108,073           | 114,676           | 105,837           | 113,237           | 116,847           | 105,777           | 115,391             | 112,267           | 133,424           |
| Committed                          | 6,221             | 7,345             | 16,298            | 20,848            | 49,554            | 52,508            | 58,644            | 62,867              | 65,100            | 67,703            |
| Assigned                           | 36,609            | 37,183            | 39,666            | 7,362             | -                 | -                 | -                 | -                   | -                 | -                 |
| Unassigned, Reported in:           |                   |                   |                   |                   |                   |                   |                   |                     |                   |                   |
| Special Revenue Funds              | (640)             | (447)             | (1,394)           | (1,194)           | (1,083)           | (1,010)           | (2,175)           | (681)               | (708)             | (2,807)           |
| Debt Service Funds                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                   | (589)             | -                 |
| Capital Project Funds              | -                 | -                 | -                 | -                 | (4,770)           | (4,720)           | (11,205)          | (6,957)             | (13,154)          | (7,594)           |
| Total All Other Governmental Funds | <u>\$ 149,474</u> | <u>\$ 155,134</u> | <u>\$ 169,246</u> | <u>\$ 132,853</u> | <u>\$ 156,938</u> | <u>\$ 163,625</u> | <u>\$ 151,041</u> | <u>\$ 171,239</u>   | <u>\$ 163,520</u> | <u>\$ 191,281</u> |

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



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

Table IVa

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

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

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

Table IVb

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

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

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

**Table IVc**

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

<sup>(1)</sup>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**

| <b>Sales and Use Taxes</b> |                               |  |  |   |  |                                |  |
|----------------------------|-------------------------------|--|--|---|--|--------------------------------|--|
| <b>Fiscal Year</b>         | <b>Property</b>               | <b>Privilege and Use -<br/>General</b> | <b>Privilege and Use -<br/>McDowell Mtn<br/>Preserve</b> | <b>Privilege and Use -<br/>Transportation</b> | <b>Privilege and Use -<br/>Public Safety</b> | <b>Transient<br/>Occupancy</b> |  |
| 2011                       | \$ 65,970                     | \$ 80,119                              | \$ 27,199  | \$ 15,042                                     | \$ 7,765                                     | \$ 13,126                      |  |
| 2012                       | 65,089                        | 84,633                                 | 28,809   | 15,985  | 8,231  | 13,430                         |  |
| 2013                       | 64,908                        | 89,002                                 | 30,376   | 16,852  | 8,679  | 13,852                         |  |
| 2014                       | 64,914                        | 95,604                                 | 32,655   | 18,116  | 9,330  | 15,303                         |  |
| 2015                       | 64,272                        | 100,560                                | 34,429   | 19,097  | 9,837  | 17,047                         |  |
| 2016                       | 61,956                        | 104,995                                | 36,029   | 19,938  | 10,294                                       | 17,397                         |  |
| 2017                       | 63,320                        | 103,081                                | 35,489   | 19,615  | 10,140                                       | 18,951                         |  |
| 2018                       | 63,577                        | 116,679                                | 40,089   | 22,044  | 11,454                                       | 19,837                         |  |
| 2019                       | 68,738                        | 122,152                                | 41,909   | 27,788 <sup>(1)</sup>                         | 11,974                                       | 22,407                         |  |
| 2020                       | 67,911                        | 122,923                                | 42,331   | 35,022  | 12,094                                       | 18,793                         |  |
| <b>Franchise Taxes</b>     |                               |  |  |   |  |                                |  |
| <b>Fiscal Year</b>         | <b>Cable TV<br/>Franchise</b> | <b>Light and Power<br/>Franchise</b>   | <b>State Shared Sales</b>                                | <b>State Revenue<br/>Sharing</b>              | <b>Other</b>                                 |                                |  |
| 2011                       | \$ 3,163                      | \$ 7,842                               | \$ 17,844  | \$ 22,849                                     | \$ 1,010                                     |                                |  |
| 2012                       | 3,445                         | 8,115                                  | 16,987   | 18,347  | 1,086  |                                |  |
| 2013                       | 3,461                         | 8,424                                  | 17,793   | 22,205  | 838  |                                |  |
| 2014                       | 3,722                         | 8,477                                  | 18,922   | 24,230  | 900  |                                |  |
| 2015                       | 3,748                         | 8,691                                  | 19,867   | 26,316  | 906  |                                |  |
| 2016                       | 3,816                         | 8,826                                  | 20,647   | 26,173  | 913  |                                |  |
| 2017                       | 3,896                         | 8,655                                  | 21,755   | 28,976  | 921  |                                |  |
| 2018                       | 4,391                         | 9,106                                  | 23,719   | 30,549  | 931  |                                |  |
| 2019                       | 3,293                         | 8,832                                  | 25,187   | 30,269  | 3,102  |                                |  |
| 2020                       | 5,445                         | 8,231                                  | 26,395   | 33,015  | 4,177  |                                |  |

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

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

**Table VI**

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

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

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

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

Table VII

| Privilege (Sales) Tax Rates |                      |             |                      | Use Tax Rates |                      |             |                      |
|-----------------------------|----------------------|-------------|----------------------|---------------|----------------------|-------------|----------------------|
| Fiscal Year                 | City Direct Rate     | County Rate | State Rate           | Fiscal Year   | City Direct Rate     | County Rate | State Rate           |
| 2011                        | 1.65%                | 0.70%       | 6.60%                | 2011          | 1.45%                | 0.00%       | 6.60%                |
| 2012                        | 1.65%                | 0.70%       | 6.60%                | 2012          | 1.45%                | 0.00%       | 6.60%                |
| 2013                        | 1.65%                | 0.70%       | 5.60% <sup>(1)</sup> | 2013          | 1.45%                | 0.00%       | 5.60% <sup>(1)</sup> |
| 2014                        | 1.65%                | 0.70%       | 5.60%                | 2014          | 1.45%                | 0.00%       | 5.60%                |
| 2015                        | 1.65%                | 0.70%       | 5.60%                | 2015          | 1.45%                | 0.00%       | 5.60%                |
| 2016                        | 1.65%                | 0.70%       | 5.60%                | 2016          | 1.45%                | 0.00%       | 5.60%                |
| 2017                        | 1.65%                | 0.70%       | 5.60%                | 2017          | 1.45%                | 0.00%       | 5.60%                |
| 2018                        | 1.65%                | 0.70%       | 5.60%                | 2018          | 1.45%                | 0.00%       | 5.60%                |
| 2019                        | 1.75% <sup>(3)</sup> | 0.70%       | 5.60%                | 2019          | 1.55% <sup>(3)</sup> | 0.00%       | 5.60%                |
| 2020                        | 1.75%                | 0.70%       | 5.60%                | 2020          | 1.55%                | 0.00%       | 5.60%                |

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

Source: City Tax Audit Section

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

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

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

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

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

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

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

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

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

Table VIII

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

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

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

Table IX

| City Direct Rate |           |              |            | Overlapping Rates                  |                                  |           |              |
|------------------|-----------|--------------|------------|------------------------------------|----------------------------------|-----------|--------------|
|                  |           |              |            | Scottsdale Unified School District |                                  |           |              |
| Fiscal Year      | Operating | Debt Service | Total City | Operating                          | Debt Service and Budget Override | EVIT      | Total School |
| 2011             | \$ 0.3836 | \$ 0.5140    | \$ 0.8976  | \$ 2.4017                          | \$ 1.3529                        | \$ 0.0500 | \$ 3.8046    |
| 2012             | 0.4412    | 0.6503       | 1.0915     | 2.7498                             | 1.2503                           | 0.0500    | 4.0501       |
| 2013             | 0.5027    | 0.7225       | 1.2252     | 3.0875                             | 1.3390                           | 0.0500    | 4.4765       |
| 2014             | 0.5342    | 0.7604       | 1.2946     | 3.3548                             | 1.2239                           | 0.0500    | 4.6287       |
| 2015             | 0.5580    | 0.6869       | 1.2449     | 3.1091                             | 1.0045                           | 0.0500    | 4.1636       |
| 2016             | 0.5293    | 0.6244       | 1.1537     | 2.8332                             | 1.0263                           | 0.0500    | 3.9095       |
| 2017             | 0.5071    | 0.6219       | 1.1290     | 2.8566                             | 1.0033                           | 0.0500    | 3.9099       |
| 2018             | 0.4956    | 0.5889       | 1.0845     | 2.7463                             | 0.9864                           | 0.0500    | 3.7827       |
| 2019             | 0.5316    | 0.5705       | 1.1021     | 2.5675                             | 1.1364                           | 0.0500    | 3.7539       |
| 2020             | 0.5198    | 0.5214       | 1.0412     | 2.5928                             | 1.0538                           | 0.0500    | 3.6966       |

| Overlapping Rates         |                  |                   |              |                               |                          |                    |                     |                            |              |                              |
|---------------------------|------------------|-------------------|--------------|-------------------------------|--------------------------|--------------------|---------------------|----------------------------|--------------|------------------------------|
| County-Wide Jurisdictions |                  |                   |              |                               |                          |                    |                     |                            |              |                              |
| Fiscal Year               | County Operating | Community College | County Flood | County Education Equalization | Fire District Assistance | Central AZ Project | County Free Library | County Special Health Care | Total County | Total Direct and Overlapping |
| 2011                      | \$ 1.0508        | \$ 0.9728         | \$ 0.1489    | \$ 0.3564                     | \$ 0.0066                | \$ 0.1000          | \$ 0.0412           | \$ 0.1122                  | \$ 2.7889    | \$ 7.4911                    |
| 2012                      | 1.2407           | 1.2082            | 0.1780       | 0.4259                        | 0.0084                   | 0.1000             | 0.0492              | 0.1494                     | 3.3598       | 8.5014                       |
| 2013                      | 1.2407           | 1.3778            | 0.1780       | 0.4717                        | 0.0110                   | 0.1000             | 0.0492              | 0.1683                     | 3.5967       | 9.2984                       |
| 2014                      | 1.2807           | 1.5340            | 0.1392       | 0.5123                        | 0.0121                   | 0.1400             | 0.0438              | 0.1939                     | 3.8560       | 9.7793                       |
| 2015                      | 1.3209           | 1.5187            | 0.1392       | 0.5089                        | 0.0113                   | 0.1400             | 0.0556              | 0.1856                     | 3.8802       | 9.2887                       |
| 2016                      | 1.3609           | 1.4940            | 0.1592       | 0.5054                        | 0.0116                   | 0.1400             | 0.0556              | 0.3021                     | 4.0288       | 9.0920                       |
| 2017                      | 1.4009           | 1.4651            | 0.1792       | 0.5010                        | 0.0112                   | 0.1400             | 0.0556              | 0.3053                     | 4.0583       | 9.0972                       |
| 2018                      | 1.4009           | 1.4096            | 0.1792       | 0.4875                        | 0.0102                   | 0.1400             | 0.0556              | 0.2851                     | 3.9681       | 8.8353                       |
| 2019                      | 1.4009           | 1.3754            | 0.1792       | 0.4741                        | 0.0107                   | 0.1400             | 0.0556              | 0.2941                     | 3.9300       | 8.7860                       |
| 2020                      | 1.4009           | 1.3285            | 0.1792       | 0.4566                        | 0.0095                   | 0.1400             | 0.0556              | 0.3333                     | 3.9036       | 8.6414                       |

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

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



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

Table X

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

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

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

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

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

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

Table XI

| Fiscal Year<br>Ended June 30th | Real Property           |                        |              |                             | Personal<br>Property | Less Tax<br>Exempt<br>Property | Total Taxable<br>Assessed Value | Total Direct<br>Tax Rate |
|--------------------------------|-------------------------|------------------------|--------------|-----------------------------|----------------------|--------------------------------|---------------------------------|--------------------------|
|                                | Residential<br>Property | Commercial<br>Property | Vacant Land  | Historic and<br>Special Use | Assessed Value       |                                |                                 |                          |
| 2011 P                         | \$ 4,212,414            | \$ 1,980,853           | \$ 1,170,054 | \$ 4,822                    | \$ 242,654           | \$ (724,635)                   | \$ 6,886,162                    | \$ 0.38                  |
| 2011 S                         | 4,261,972               | 2,312,814              | 1,458,512    | 5,622                       | 242,654              | (906,165)                      | 7,375,409                       | 0.51                     |
| 2012 P                         | 3,521,958               | 1,615,176              | 969,618      | 4,217                       | 224,822              | (665,901)                      | 5,669,890                       | 0.44                     |
| 2012 S                         | 3,524,902               | 1,623,645              | 1,021,533    | 4,300                       | 224,822              | (707,211)                      | 5,691,991                       | 0.65                     |
| 2013 P                         | 3,232,809               | 1,402,569              | 845,953      | 3,133                       | 228,843              | (643,724)                      | 5,069,583                       | 0.50                     |
| 2013 S                         | 3,236,951               | 1,405,867              | 856,609      | 3,133                       | 228,843              | (651,408)                      | 5,079,995                       | 0.72                     |
| 2014 P                         | 3,179,924               | 1,234,395              | 763,038      | 2,810                       | 213,781              | (591,625)                      | 4,802,323                       | 0.53                     |
| 2014 S                         | 3,190,808               | 1,238,888              | 793,269      | 2,852                       | 214,245              | (612,212)                      | 4,827,850                       | 0.76                     |
| 2015 P                         | 3,400,223               | 1,211,532              | 731,585      | 2,849                       | 208,844              | (569,038)                      | 4,985,995                       | 0.56                     |
| 2015 S                         | 3,542,585               | 1,228,899              | 792,839      | 2,986                       | 209,029              | (599,560)                      | 5,176,778                       | 0.69                     |
| 2016 P                         | 3,608,260               | 1,197,395              | 759,840      | 3,143                       | 196,631              | (603,538)                      | 5,161,731                       | 0.53                     |
| 2016 S                         | 4,210,065               | 1,306,932              | 912,980      | 3,541                       | 196,972              | (674,098)                      | 5,956,392                       | 0.62                     |
| 2017 P                         | 3,842,636               | 1,209,059              | 723,452      | 1,075                       | 217,238              | (594,547)                      | 5,398,913                       | 0.51                     |
| 2017 S                         | 4,510,655               | 1,451,267              | 996,458      | 1,488                       | 217,243              | (757,790)                      | 6,419,321                       | 0.62                     |
| 2018 P                         | 4,071,866               | 1,268,544              | 747,981      | 1,155                       | 223,277              | (614,085)                      | 5,698,738                       | 0.50                     |
| 2018 S                         | 4,794,346               | 1,650,245              | 1,135,084    | 1,716                       | 223,276              | (876,231)                      | 6,928,436                       | 0.59                     |
| 2019 P                         | 4,301,223               | 1,335,470              | 737,727      | 1,187                       | 221,801              | (600,412)                      | 5,996,996                       | 0.53                     |
| 2019 S                         | 5,014,035               | 1,726,614              | 1,137,771    | 1,816                       | 229,030              | (885,997)                      | 7,223,269                       | 0.57                     |
| 2020 P                         | 4,555,026               | 1,397,576              | 756,975      | 1,266                       | 227,231              | (614,956)                      | 6,323,118                       | 0.52                     |
| 2020 S                         | 5,356,377               | 1,848,894              | 1,217,117    | 2,032                       | 236,828              | (959,355)                      | 7,701,893                       | 0.52                     |

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

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

**Table XII**

| Fiscal Year Ended<br>June 30 | Total Tax Levy for<br>Fiscal Year | Collected within the<br>Fiscal Year of the Levy |                    | Collections in<br>Subsequent Years | Total Collections to Date |                    |
|------------------------------|-----------------------------------|---|--------------------|------------------------------------|---------------------------|--------------------|
|                              |                                   | Amount  | Percentage of Levy |                                    | Amount                    | Percentage of Levy |
| 2011                         | \$ 64,327                         | \$ 62,237                                       | 96.8%              | \$ 737                             | \$ 62,974                 | 97.9%              |
| 2012                         | 62,033                            | 60,309  | 97.2%              | 672                                | 60,981                    | 98.3%              |
| 2013                         | 62,187                            | 60,630  | 97.5%              | 791                                | 61,421                    | 98.8%              |
| 2014                         | 62,367                            | 61,227  | 98.2%              | 598                                | 61,825                    | 99.1%              |
| 2015                         | 63,380                            | 62,233  | 98.2%              | 574                                | 62,807                    | 99.1%              |
| 2016                         | 59,553                            | 58,714  | 98.6%              | 544                                | 59,258                    | 99.5%              |
| 2017                         | 60,954                            | 60,056  | 98.5%              | 606                                | 60,662                    | 99.5%              |
| 2018                         | 61,803                            | 60,721  | 98.2%              | 792                                | 61,513                    | 99.5%              |
| 2019                         | 66,092                            | 64,982  | 98.3%              | 726                                | 65,708                    | 99.4%              |
| 2020                         | 65,840                            | 64,273  | 97.6%              | -                                  | 64,273                    | 97.6%              |

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

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

Table XIII

| <b>Governmental Activities</b>       |   |   |  |  |  |  |                              |               |  |
|--------------------------------------|---|---|--|--|--|--|------------------------------|---------------|--|
| <b>Fiscal Year<br/>Ended June 30</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Municipal<br/>Property<br/>Corporation<br/>Bonds</b> | <b>Scottsdale<br/>Preserve<br/>Authority<br/>Bonds</b> | <b>Special<br/>Assessment<br/>Bonds</b>      | <b>Certificates of<br/>Participation</b> | <b>Community<br/>Facilities<br/>District<br/>Bonds</b> | <b>Contracts<br/>Payable</b> | <b>Leases</b> | <b>Service<br/>Concession<br/>Arrangements</b> |
| 2011                                 | \$ 579,972                              | \$ 152,578  | \$ 64,309  | \$ 1,500                                     | \$ 23,409                                | \$ 36,762  | \$ 14,582                    | \$ -          | \$ -   |
| 2012                                 | 603,426                                 | 149,983   | 60,304   | 750  | 18,031                                   | 34,685   | 13,375                       | -             | -  |
| 2013                                 | 651,224                                 | 222,403   | 56,154   | -  | 16,003                                   | 32,083   | 2,570                        | 183           | 3,144  |
| 2014                                 | 647,859                                 | 218,942   | 53,100   | -  | 13,914                                   | 30,090   | -                            | 329           | 2,990  |
| 2015                                 | 624,616                                 | 243,044   | 48,276   | -  | 11,762                                   | 27,437   | -                            | 229           | 2,837  |
| 2016                                 | 585,931                                 | 232,970   | 43,489   | -  | 9,546                                    | 24,694   | -                            | 156           | 2,683  |
| 2017                                 | 590,910                                 | 221,535   | 17,823   | -  | 7,264                                    | 21,860   | -                            | 95            | 2,529  |
| 2018                                 | 568,259                                 | 208,828   | 13,215   | -  | 4,914                                    | 19,244   | -                            | 32            | 2,375  |
| 2019                                 | 521,632                                 | 193,165   | 8,432  | -  | 2,493                                    | 16,707   | -                            | 219           | 2,221  |
| 2020                                 | 467,788                                 | 218,786   | 2,825  | -  | -  | 13,808   | -                            | 2,373         | 2,068  |
| <b>Business-type Activities</b>      |   |   |  |  |  |  |                              |               |  |
| <b>Fiscal Year<br/>Ended June 30</b> | <b>Revenue<br/>Bonds</b>                | <b>Municipal<br/>Property<br/>Corporation<br/>Bonds</b> | <b>Total Primary<br/>Government</b>                    | <b>Percentage of<br/>Personal<br/>Income</b> | <b>Per Capita</b>                        |  |                              |               |  |
| 2011                                 | \$ 44,776                               | \$ 323,107  | \$ 1,240,995   | 11.77%                                       | \$ 5,709                                 |  |                              |               |  |
| 2012                                 | 41,157                                  | 313,505   | 1,235,216  | 11.09%                                       | 5,667                                    |  |                              |               |  |
| 2013                                 | 37,803                                  | 303,793   | 1,325,360  | 11.63%                                       | 5,965                                    |  |                              |               |  |
| 2014                                 | 34,747                                  | 296,418   | 1,298,389  | 11.43%                                       | 5,776                                    |  |                              |               |  |
| 2015                                 | 31,518                                  | 309,150   | 1,298,869  | 11.26%                                       | 5,689                                    |  |                              |               |  |
| 2016                                 | 28,176                                  | 295,807   | 1,223,452  | 10.26%                                       | 5,292                                    |  |                              |               |  |
| 2017                                 | 24,710                                  | 353,773   | 1,240,499  | 9.98%  | 5,212                                    |  |                              |               |  |
| 2018                                 | 21,069                                  | 336,407   | 1,174,343  | 8.96%  | 4,843                                    |  |                              |               |  |
| 2019                                 | 17,258                                  | 318,235   | 1,080,362  | 7.45%  | 4,232                                    |  |                              |               |  |
| 2020                                 | 13,262                                  | 299,138   | 1,020,048  | 6.59%  | 3,952                                    |  |                              |               |  |

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

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

**Table XIV**

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Governmental<br/>Activities -<br/>General<br/>Obligation Bonds</u> | <u>Less: Amounts<br/>Available in<br/>Debt Service<br/>Fund</u> | <u>Net General<br/>Bonded Debt</u> | <u>Percentage of<br/>Total Taxable<br/>Assessed Value<br/>of Property</u> | <u>Per Capita</u> |
|--------------------------------------|---|---|------------------------------------|---|-------------------|
| 2011                                 | \$ 579,972  | \$ 6,787  | \$ 573,185                         | 7.8%  | \$ 2,637          |
| 2012                                 | 603,426   | 5,789   | 597,637                            | 10.5%   | 2,742             |
| 2013                                 | 651,224   | 10,105  | 641,119                            | 12.6%   | 2,885             |
| 2014                                 | 647,859   | 9,369   | 638,490                            | 13.2%   | 2,840             |
| 2015                                 | 624,616   | 12,172  | 612,444                            | 11.8%   | 2,683             |
| 2016                                 | 585,931   | 11,529  | 574,402                            | 9.6%  | 2,484             |
| 2017                                 | 590,910   | 11,516  | 579,394                            | 9.0%  | 2,434             |
| 2018                                 | 568,259   | 2,471   | 565,788                            | 8.2%  | 2,333             |
| 2019                                 | 521,632   | 1,394   | 520,238                            | 7.2%  | 2,038             |
| 2020                                 | 467,788   | 1,042   | 466,746                            | 6.1%  | 1,808             |

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

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

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

**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2020**  
(dollars in thousands)

Table XV

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

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

**Notes:**

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

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

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

Table XVIa

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

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

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

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

**Table XVIb**

**Legal Debt Margin Calculation for Fiscal Year 2020**

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

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

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

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

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

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

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

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

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

**Table XVIII**

| <b>Fiscal Year</b> | <b>Population<sup>(1)</sup></b> | <b>Personal Income<sup>(2)</sup><br/>(in thousands)</b> | <b>Per Capita Personal Income<sup>(3)</sup></b> | <b>Median Age<sup>(4)</sup></b> | <b>Charter and Public School Enrollment<sup>(5)</sup></b> | <b>Fiscal Year End Average Unemployment Rate<sup>(6)</sup></b> |
|--------------------|---------------------------------|---|---|---------------------------------|---|--|
| 2011               | 217,365                         | \$ 10,542,637   | \$ 48,502                                       | 45.4                            | 27,116  | 6.5%   |
| 2012               | 217,965                         | 11,135,832  | 51,090  | 45.4                            | 28,177  | 6.8%   |
| 2013               | 222,200                         | 11,393,527  | 51,276  | 45.4                            | 27,816  | 5.7%   |
| 2014               | 224,800                         | 11,358,020  | 50,525  | 45.1                            | 27,191  | 5.4%   |
| 2015               | 228,300                         | 11,536,227  | 50,531  | 45.4                            | 26,233  | 4.7%   |
| 2016               | 231,200                         | 11,921,597  | 51,564  | 46.1                            | 25,979  | 4.2%   |
| 2017               | 238,000                         | 12,428,360  | 52,220  | 46.3                            | 25,847  | 3.8%   |
| 2018               | 242,500                         | 13,109,550  | 54,060  | 46.3                            | 25,598  | 3.5%   |
| 2019               | 255,300                         | 14,499,508  | 56,794  | 46.9                            | 25,606  | 3.5%   |
| 2020               | 258,100                         | 15,473,869  | 59,953  | 47.0                            | 25,606  | 3.4%   |

**Data Sources and Notes:**

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

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

<sup>(3)</sup>U.S. Census, American Community Survey, 5-Year Estimates.

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

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

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

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

**Table XIX**

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

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

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

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

<sup>(3)</sup>The Vanguard Group was renamed Vanguard Insurance in 2013 and was then renamed Vanguard in 2014.

<sup>(4)</sup>CVS Caremark was renamed CVS Health in 2014.

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

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

<sup>(7)</sup>Scottsdale Insurance Company was renamed Nationwide Specialty in 2015.

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

**Table XX**

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

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

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

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

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

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

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

Table XXI

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

(continued)

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

Table XXI

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

(continued)

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

Table XXI

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

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

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

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

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

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

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

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

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

<sup>(8)</sup>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.

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

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

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

<sup>(12)</sup>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**

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

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



City of Scottsdale, Arizona  
City Treasurer's Office  
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