



# Comprehensive Annual Financial Report

City of Scottsdale, Arizona  
For the Fiscal Year Ended June 30, 2018

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**City of Scottsdale, Arizona**

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**Comprehensive Annual Financial Report**  
for the fiscal year ended June 30, 2018

**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, 2018

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**Letter of Transmittal**  
**For the Fiscal Year Ended June 30, 2018**

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October 23, 2018

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, 2018, is submitted in accordance with City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity and to have the report audited by certified public accountants independent of City government. This report was prepared by the City's Accounting Department in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

Heinfeld, Meech & Co., P.C., a firm of licensed certified public accountants, performed the annual independent audit. The goal of the audit was to provide reasonable assurance that the basic financial statements of the City are free of material misstatement. The independent auditor concluded, based upon the audit, that the City's financial statements for the fiscal year ended June 30, 2018, are fairly stated in conformity with GAAP. This is the most favorable conclusion and is commonly known as an unmodified or "clean" opinion. The independent auditor's report is located at the front of the financial section of this report.

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

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

## **CITY OF SCOTTSDALE PROFILE**

### **History**

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

### **Current Profile**

Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing 184.5 square miles, stretching 31 miles from north to south, and 11.4 miles at its widest point. The City is bordered on the west by Phoenix, the state capital, by Tempe on the south, and by the Salt River-Pima Maricopa Indian Community on the east. Scottsdale and its neighboring cities form the greater metropolitan Phoenix area which is the economic, political, and population center of the state. The City has experienced significant increases in population over the years, with the 1950 census reporting 2,021 residents, and the 2010 census reporting 217,365. At July 1, 2018 the City's population was estimated at 242,500 residents, making it the sixth largest municipality by population in Arizona.

### **Government and Organization**

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

### **Budgetary Controls**

The annual budget serves as the foundation for Scottsdale's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the City's various funds. On or before the second regular Council meeting in May, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Three public hearings are held prior to the final budget adoption in order to obtain taxpayer comments. Each year in June, the budget is legally enacted through passage of an ordinance. The ordinance sets the maximum legal expenditure limit for the ensuing fiscal year. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the Arizona State Constitution, Article 9, Section 20. During fiscal year 2018, there were no such supplemental budgetary appropriations authorized.

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

## **LOCAL ECONOMY**

### **Business**

Scottsdale has a diverse economy built on medical research, high-tech innovation, tourism and corporate headquarters. The Scottsdale Airpark is one of the largest employment centers in the state of Arizona with more than 2,900 businesses employing approximately 51,000 employees in 2 million square feet of commercial space. The high-tech innovation center SkySong, located just a few miles from downtown, is designed to help companies grow through a unique partnership with nearby Arizona State University. Downtown Scottsdale is home to a number of technology and healthcare companies and one of the most successful shopping centers in the southwest United States – Scottsdale Fashion Square. Farther north, the Scottsdale Cure Corridor is a partnership of premier healthcare providers and biomedical companies seeking to advance medicine and patient care through cutting-edge research.

### **Tourism**

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

### **Sales Tax**

Scottsdale’s largest revenue source is sales tax generated from a variety of business categories including automotive, construction, food stores, hotels, department stores, retail stores, restaurants, utilities, and rentals. Sales tax is generated directly from the City’s own applied tax rate and indirectly as the City receives a share of sales tax generated from the State of Arizona’s applied tax rate. The City experienced a year-over-year increase of 12.9 percent in sales tax revenue for fiscal year 2018, with the highest reported tax revenues in the miscellaneous retail stores, rentals, and automotive categories.

### **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 an increase in the City’s combined property tax rate in the coming year of \$0.0176 over the prior year. This increase is due to a two percent statutory adjustment for fiscal years 2012 through 2017 and an increase in debt service payments.

## **LONG-TERM FINANCIAL PLANNING**

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

### **Adopted Comprehensive Financial Policies**

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has 47 adopted financial policies governing operations, capital management, debt management, reserves, and financial reporting. Regular review and refinement of these policies is done in conjunction with financial plan development and policies that are adopted annually by the City Council.

### **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.

In fiscal year 2017, the Council Capital Improvement Plan Subcommittee was established to review the City's Capital Improvement Plan (CIP) and make recommendations to the City Council. Their work plan includes identifying capital projects to be funded by General Fund and Transportation 0.2 percent sales tax funding. The subcommittee consists of three members of City Council with the Chair position rotating every six months.

## Debt Management

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

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

The City retained credit ratings of "Aaa," "AAA," and "AAA" from the three major credit rating agencies (Moody's Investors Service, Standard and Poor's Rating Group, and Fitch Investors Services, respectively) on the City's outstanding General Obligation bonds where debt service is supported by property taxes. Scottsdale is one of a handful of cities in the nation to earn this distinction. Ratings for the City's 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, 2018

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

## ACCOMPLISHMENTS AND PRIORITIES

The following highlights some of the accomplishments achieved by the City in fiscal year 2018:

- Launched a rebranding effort to focus attention on Old Town Scottsdale and its unique character.
- Recharged 4.8 million gallons per day of ultra-pure recycled water back into our local aquifer.
- Constructed new trailheads to improve access into the northern reaches of the McDowell Mountain Preserve.
- Attracted new companies and helped others expand, resulting in 1,183 new jobs.
- Developed Scottsdale EZ, a single, mobile-optimized system to report problem issues.
- Refurbished Fire Station 605 and built Fire Station 613.

The following are some of the major policy items included in the City of Scottsdale's adopted fiscal year 2019 budget. Each support core services and the priorities and policy direction of the City Council:

- \$22.0 million to address the unfunded liability for public safety pensions.
- \$5.7 million for the first phase of a three-year plan to address employee salaries that have fallen below market comparisons.
- \$4.6 million in sales tax collected on food for home consumption transferred to the Capital Improvement Plan to ensure the City's assets are properly maintained.
- \$2.3 million to address rising employee healthcare costs.

Additionally, an estimated \$223 million will be spent on capital improvements in the upcoming fiscal year. These projects address critical infrastructure needs and City Council priorities in a variety of areas. Some of the notable projects include:

- Thomas Groundwater Treatment Facility: \$23.6 million
- Pima Road: Pinnacle Peak to Happy Valley: \$19.3 million
- Build/Rebuild Fire Stations: \$10.9 million
- Scottsdale Stadium Renovations: \$5.0 million
- Street Pavement Replacement: \$4.3 million

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Certificates of Achievement**

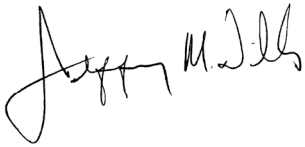
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017, marking the forty-fifth consecutive year the City has achieved this prestigious recognition. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

Additionally, the City received the *Distinguished Budget Presentation Award* for the fiscal year beginning July 1, 2017 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, 2018.

## **Acknowledgments**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffery M. Nichols". The signature is written in a cursive style with a large initial "J" and "M".

Jeffery M. Nichols, CPA

City Treasurer/Chief Financial Officer



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Government Finance Officers Association

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

Presented to

**City of Scottsdale  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

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# Comprehensive Annual Financial Report

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For the Fiscal Year Ended June 30, 2018



## City of Scottsdale, Arizona

### List of Elected and Appointed Officials

#### City Council

W.J. "Jim" Lane, Mayor

Suzanne Klapp

Virginia Korte

Kathy Littlefield

Linda Milhaven

Guy Phillips

David N. Smith

#### Charter Officers

Jim Thompson, City Manager

Bruce Washburn, City Attorney

Sharron Walker, City Auditor

Carolyn Jagger, City Clerk

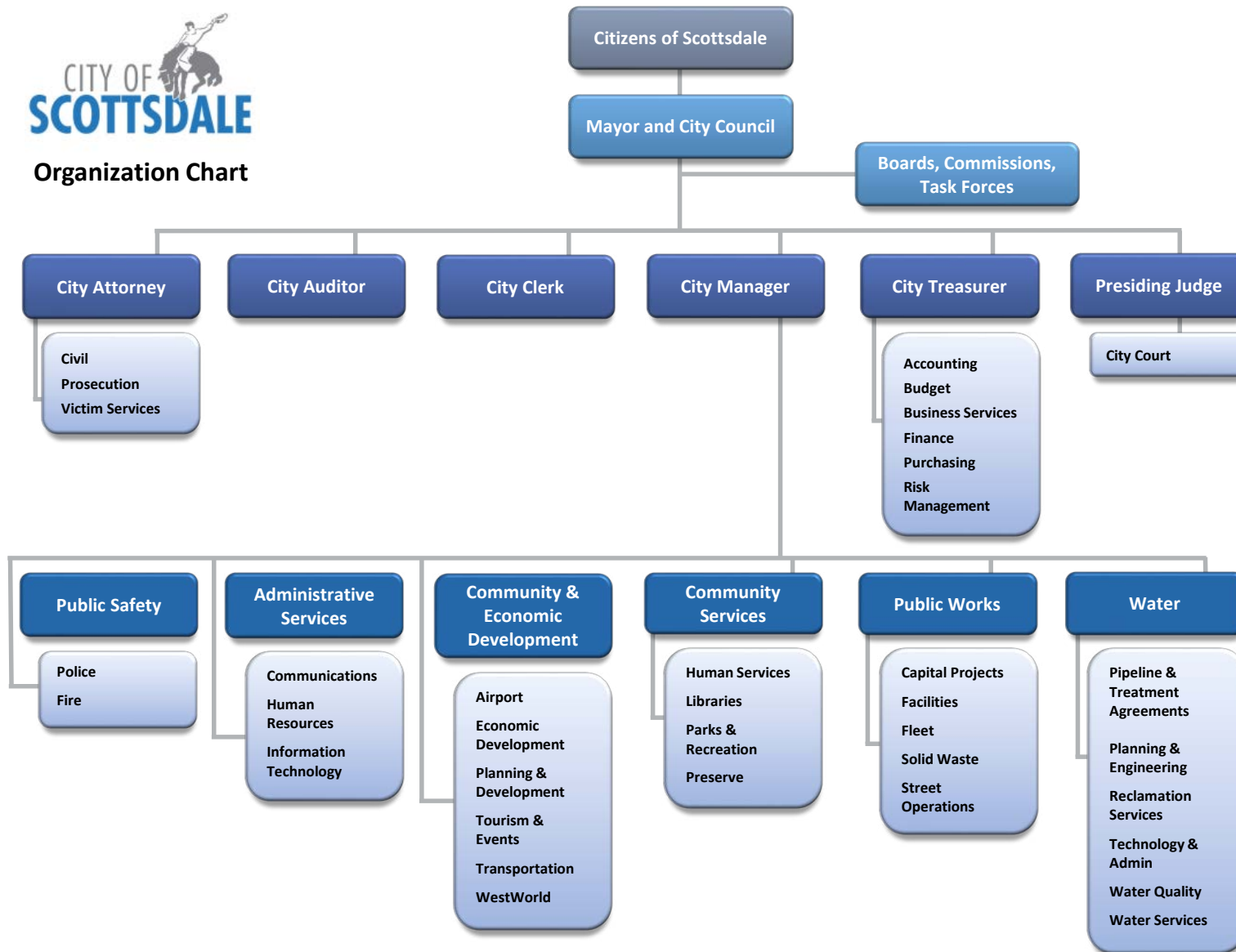
Joseph Olcavage, Presiding Judge

Jeffery M. Nichols, City Treasurer/Chief Financial Officer

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## Organization Chart





## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

As described in Note I.E., the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scottsdale, Arizona's internal control over financial reporting and compliance.

*Heinfeld, Meech & Co., P.C.*

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
October 23, 2018

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2018

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, 2018 and 2017. 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 2018 and 2017 by \$5.10 billion and \$4.99 billion (*net position*), respectively. Of these amounts, \$222.7 million and \$212.5 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 2018 by \$112.0 million compared to an increase in net position of \$98.1 million during fiscal year 2017. Total revenues exceeded total expenses in the current year due primarily to an increase in business taxes and charges for services of \$25.0 million and \$11.4 million, respectively, over the prior year.
- As of June 30, 2018, and 2017, the City's governmental funds reported combined ending fund balances of \$244.3 million and \$209.8 million, respectively. Approximately 27 percent of the current year amount (\$65.2 million) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (*the total of the committed, assigned, and unassigned components of fund balance*) for the General Fund was \$72.8 million or approximately 29 percent of total General Fund expenditures of \$253.4 million.
- The City's total long-term liabilities decreased by \$63.7 million to \$1.57 billion during the current fiscal year. This decrease was primarily due to the City making scheduled principal payments on its debt offset by the issuance of \$25.5 million in General Obligation Bonds for the renovation and construction of fire stations and pavement replacement.

## 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

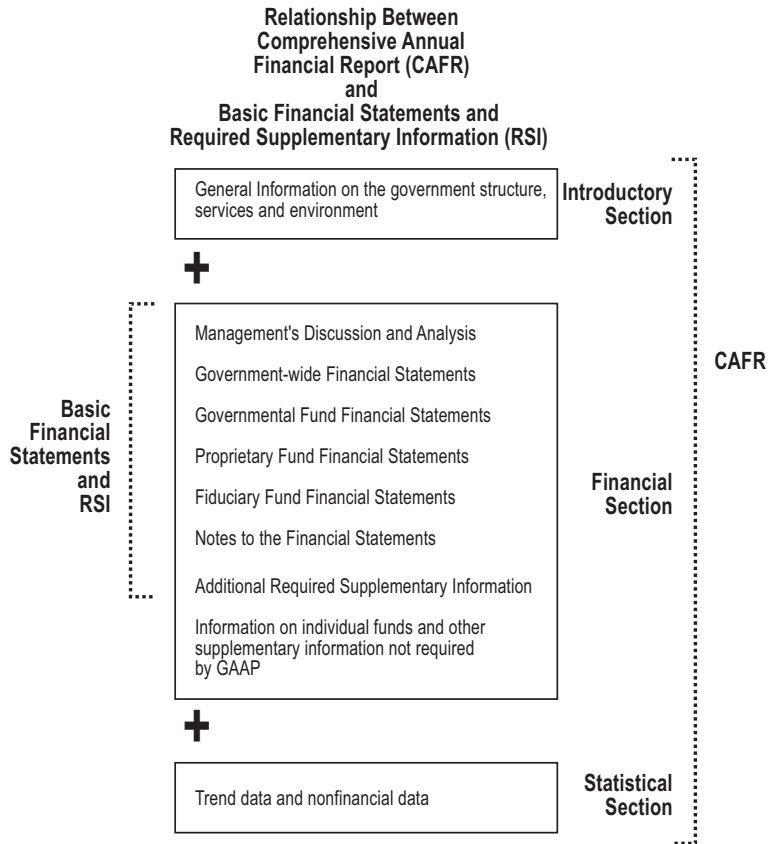
This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2018



**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, 2018

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, 2018

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) 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 three agency funds which are reported under the fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. 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 54-126 of this report.

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# Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2018

**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 pension plan's net pension liability, the changes in the City's net pension liabilities regarding the agency plan, 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 127-133 of this report.

**Combining Statements.** The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented on pages 134-168.

**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 169-172.

**Statistical Information.** The statistical section, found on pages 173-202, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the City's overall financial health.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

**Analysis of Net Position.** As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For the City, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.10 billion, and \$4.99 billion at the close of the fiscal years 2018 and 2017, respectively.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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

## Net Position

June 30, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Current and other assets	\$ 549,376	\$ 509,419	\$ 479,540	\$ 505,421	\$ 1,028,916	\$ 1,014,840
Capital assets	4,370,921	4,349,523	1,398,212	1,369,112	5,769,133	5,718,635
Total assets	4,920,297	4,858,942	1,877,752	1,874,533	6,798,049	6,733,475
Total deferred outflows of resources	94,580	107,682	13,433	16,655	108,013	124,337
<b>Total assets and deferred outflows of resources</b>	<b>5,014,877</b>	<b>4,966,624</b>	<b>1,891,185</b>	<b>1,891,188</b>	<b>6,906,062</b>	<b>6,857,812</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
Long-term liabilities outstanding	1,176,604	1,136,539	440,809	452,199	1,617,413	1,588,738
Other liabilities	123,482	195,936	48,223	59,790	171,705	255,726
Total liabilities	1,300,086	1,332,475	489,032	511,989	1,789,118	1,844,464
Total deferred inflows of resources	15,450	22,281	2,863	4,684	18,313	26,965
<b>Total liabilities and deferred inflows of resources</b>	<b>1,315,536</b>	<b>1,354,756</b>	<b>491,895</b>	<b>516,673</b>	<b>1,807,431</b>	<b>1,871,429</b>
<b>NET POSITION</b>						
Net investment in capital assets	3,604,063	3,530,134	1,099,864	1,069,475	4,703,927	4,599,609
Restricted	123,057	125,366	48,926	48,911	171,983	174,277
Unrestricted	(27,779)	(43,632)	250,500	256,129	222,721	212,497
<b>Total net position</b>	<b>\$ 3,699,341</b>	<b>\$ 3,611,868</b>	<b>\$ 1,399,290</b>	<b>\$ 1,374,515</b>	<b>\$ 5,098,631</b>	<b>\$ 4,986,383</b>

The largest portion (92.3 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 \$4.70 billion and \$4.60 billion at June 30, 2018 and 2017, 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 (3.4 percent) of the City's net position (\$172.0 million at June 30, 2018 and \$174.3 million at June 30, 2017) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (4.4 percent of the City's total net position at June 30, 2018 and 4.3 percent at June 30, 2017), \$222.7 million and \$212.5 million, respectively, may be used to meet the government's ongoing obligations to its citizens and creditors.

**Analysis of Changes in Net Position.** The City restated fiscal year 2018 beginning net position for governmental activities due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and to record several permanent endowments that were identified. More information on these adjustments can be found in Note I. F. on page 65 of this report.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Total revenues exceeded total expenses in the current year, resulting in an increase in the City's total net position of \$112.0 million in fiscal year 2018 compared to an increase in net position of \$98.1 million during fiscal year 2017. 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, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 47,449	\$ 46,200	\$ 182,225	\$ 172,124	\$ 229,674	\$ 218,324
Operating grants and contributions	30,760	29,724	-	-	30,760	29,724
Capital grants and contributions	60,819	107,334	23,865	17,539	84,684	124,873
General revenues						
Property taxes	64,718	64,417	-	-	64,718	64,417
Business taxes	222,738	197,727	144	158	222,882	197,885
Intergovernmental - taxes	54,268	50,731	-	-	54,268	50,731
Intergovernmental - other	12,031	11,120	-	-	12,031	11,120
Interest and investment income	2,218	1,132	2,291	916	4,509	2,048
Other	10,548	10,568	-	-	10,548	10,568
Total revenues	505,549	518,953	208,525	190,737	714,074	709,690
<b>EXPENSES</b>						
General Government						
Mayor and City Council	638	869	-	-	638	869
City Clerk	695	845	-	-	695	845
City Attorney	6,486	6,460	-	-	6,486	6,460
City Auditor	800	802	-	-	800	802
City Court	5,530	5,421	-	-	5,530	5,421
City Manager	3,062	2,288	-	-	3,062	2,288
City Treasurer	6,071	5,792	-	-	6,071	5,792
Public Works	42,205	40,035	-	-	42,205	40,035
Community and Economic Development	102,153	102,813	-	-	102,153	102,813
Public Safety	153,256	172,452	-	-	153,256	172,452
Community Services	54,710	54,155	-	-	54,710	54,155
Administrative Services	21,173	19,326	-	-	21,173	19,326
Streetlight and Services Districts	605	589	-	-	605	589
Gain on In-Substance Defeasance of Debt	-	(32)	-	-	-	(32)
Interest on Long-Term Debt	28,724	28,462	-	-	28,724	28,462
Bond Issuance Costs	-	672	-	-	-	672
Water Utility	-	-	96,493	95,745	96,493	95,745
Sewer Utility	-	-	52,142	50,535	52,142	50,535
Airport	-	-	7,624	4,151	7,624	4,151
Solid Waste	-	-	19,735	20,181	19,735	20,181
Total expenses	426,108	440,949	175,994	170,612	602,102	611,561
Increase in net position before transfers	79,441	78,004	32,531	20,125	111,972	98,129
Transfers	7,756	7,635	(7,756)	(7,635)	-	-
Change in net position	87,197	85,639	24,775	12,490	111,972	98,129
Net position - beginning	3,611,868	3,526,229	1,374,515	1,362,025	4,986,383	4,888,254
Net effect of prior period adjustments	276	-	-	-	276	-
Net position - beginning restated	3,612,144	3,526,229	1,374,515	1,362,025	4,986,659	4,888,254
Net position - ending	\$ 3,699,341	\$ 3,611,868	\$ 1,399,290	\$ 1,374,515	\$ 5,098,631	\$ 4,986,383



# Management's Discussion and Analysis

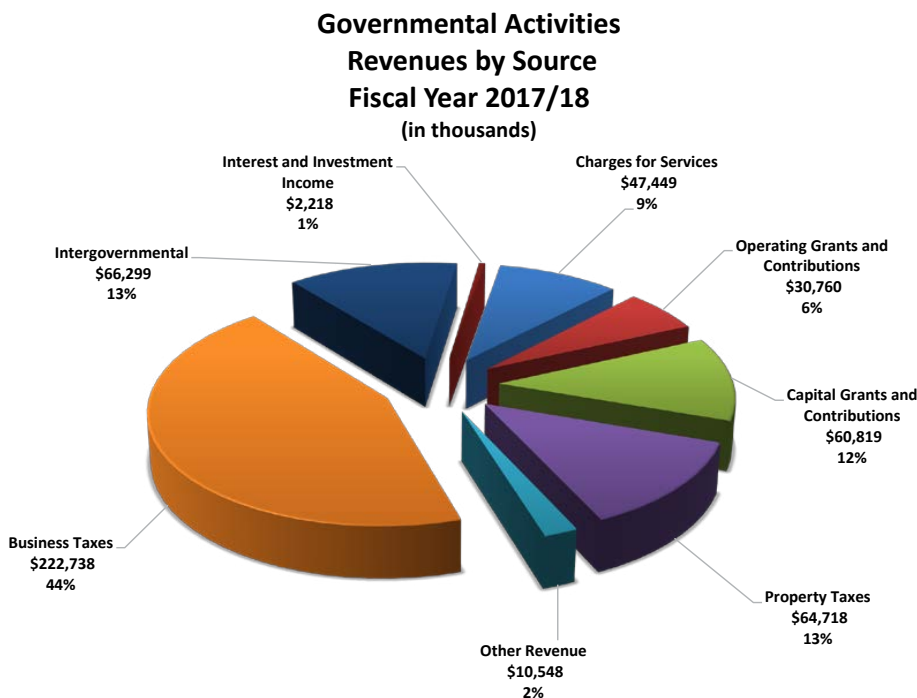
For the Fiscal Year Ended June 30, 2018

**Governmental Activities.** Net position for governmental activities increased \$87.2 million after transfers during fiscal year 2018 compared to an increase of \$85.6 million after transfers in fiscal year 2017. Total revenues decreased \$13.4 million or 2.6 percent from the prior fiscal year and expenses decreased \$14.8 million or 3.4 percent. Overall, revenues exceeded expenses resulting in an increase in net position.

The City experienced a decrease in total revenue from governmental activities from the prior year caused primarily by a 43.3 percent decrease in capital grants and contributions. However, both business taxes and interest and investment income saw increases of 12.6 percent and 95.9 percent, respectively, over the prior year. These increases reflect the continuing economic growth the City and State of Arizona have experienced over the past several years.

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 \$366.5 million in fiscal year 2018 compared to \$335.7 million in fiscal year 2017. Property taxes were slightly higher in fiscal year 2018 at \$64.7 million compared to \$64.4 million in fiscal year 2017. As previously noted, business taxes, which include privilege and franchise taxes, increased \$25.0 million or 12.6 percent from the previous year. This increase is a combination of the lag in collections the previous year due to the Arizona Department of Revenue (ADOR) taking over the administration, collection, and reporting of privilege tax on behalf of the City in January 2017, and the positive economic growth the City has continued to experience. As well, interest and investment income increased \$1.1 million over the prior year due to an increase in yields on the City's short and long-term investment portfolios.

For governmental activities overall, without regard to program, business taxes (44 percent), are the largest single source of funds, followed by property taxes (13 percent), capital grants and contributions (12 percent), intergovernmental revenues (including state shared revenues) (13 percent), and charges for services (9 percent).



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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2018

The other component of the change in net position is expense. The Public Safety Division, which is comprised of the Police and Fire Departments, is the largest expense function (36 percent), followed by the Community and Economic Development Division (24 percent), and Community Services Division (13 percent).

The Public Safety Division provides police and fire/emergency services throughout the City. The division confronts community crime, responds to community needs, and reduces the incidence and severity of emergencies through timely and skilled all-hazard services. Expenses decreased by \$19.2 million or 11.1 percent during fiscal year 2018 largely due to the prior year refund of excess pension contributions resulting from the *Parker* decision, which capped the employee contribution rates for certain participants.

The Community and Economic Development Division is charged with stimulating economic activity and offering a diverse range of value-added programs to build, revitalize, and sustain Scottsdale's unique lifestyle and character. The division has five departments: Economic Development, Planning and Development, Tourism and Events, Transportation, and WestWorld. Overall, expenses decreased by \$0.7 million or 0.6 percent during fiscal year 2018.

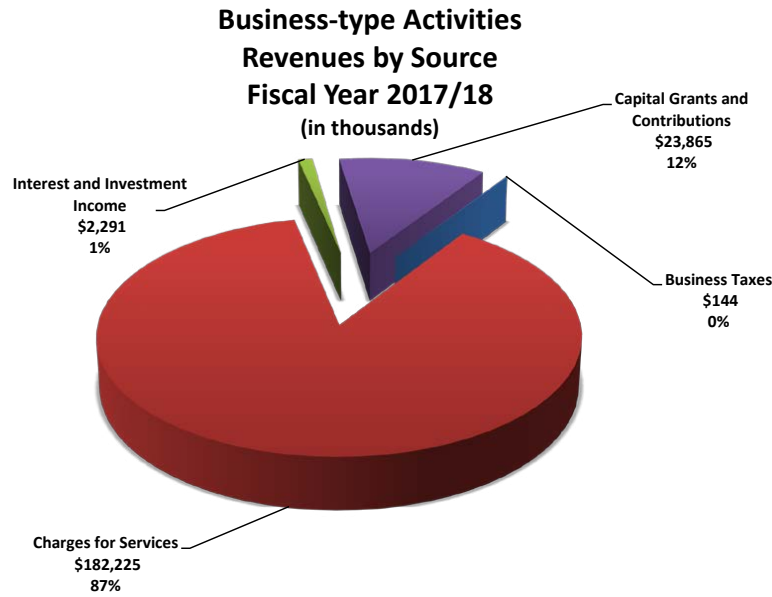
The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, development of lifetime skills, promoting healthy lifestyles, and serving as a catalyst for community involvement. They also provide assistance and guidance to those in need through federal, state, local, and private resources. The division has four departments: Parks and Recreation, Human Services, Library Systems, and Preserve Management. Overall, expenses were \$0.6 million or 1.0 percent higher than the prior fiscal year due primarily to an increase in personnel expenses.

**Business-type Activities.** Net position for business-type activities increased by \$24.8 million after transfers during fiscal year 2018 compared to \$12.5 million after transfers in fiscal year 2017. Total revenues increased by \$17.8 million or 9.3 percent due to an increase in charges for services driven primarily by a 7 percent higher usage rate by water and sewer customers. Capital grants and contributions increased by \$6.3 million compared to the prior year due to higher federal and state airport grants and developer contributions received. Interest and investment income increased by \$1.4 million due to higher yields on investments. Overall, total revenues exceeded expenses resulting in an increase in net position for the fiscal year.

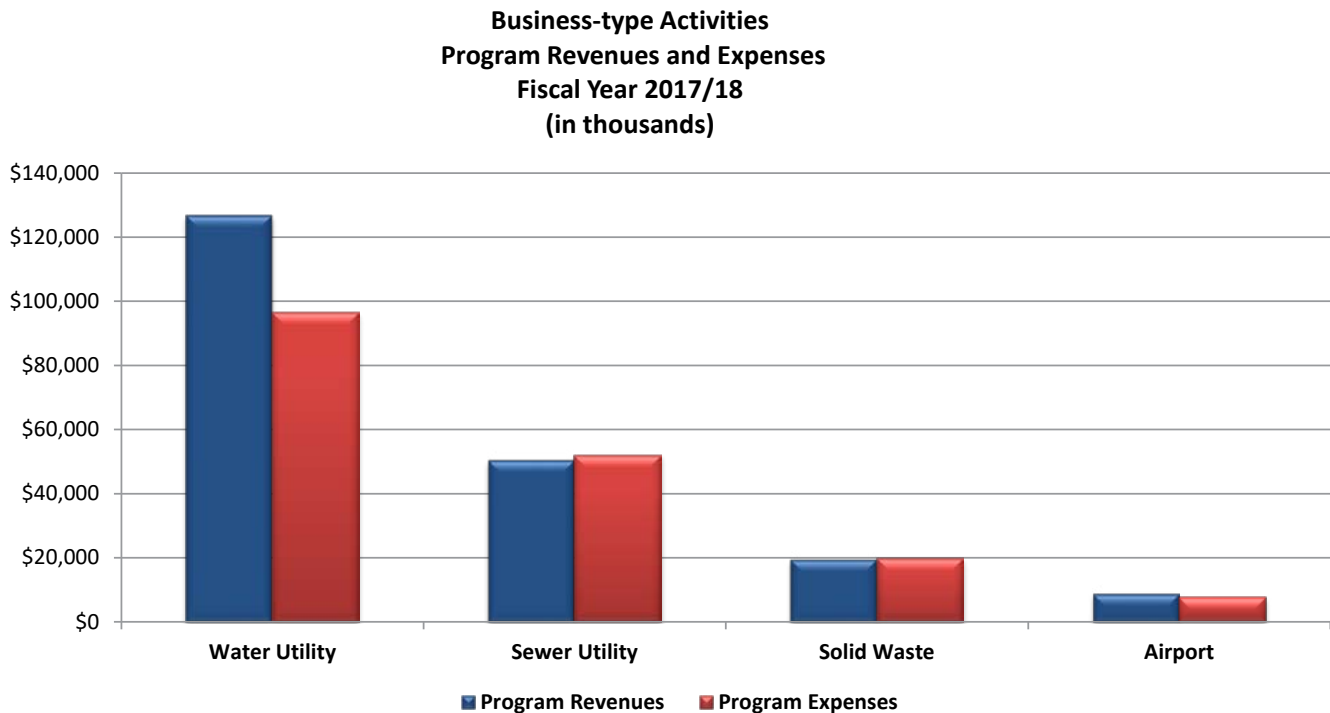
# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

As shown in the *Business-type Activities Revenues by Source* chart, charges for services provided the largest share of revenues (87 percent) followed by capital grants and contributions (12 percent).



As shown below in the *Business-type Activities Program Revenues and Expenses* chart, the largest of the City's business-type activities, water and sewer utilities, had expenses of \$96.5 million and \$52.1 million, respectively, in fiscal year 2018, followed by solid waste with \$19.7 million and airport with \$7.6 million.



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## Management's Discussion and Analysis

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For the Fiscal Year Ended June 30, 2018

The Water and Sewer Utility's combined expenses increased by 1.6 percent in fiscal year 2018 compared to fiscal year 2017. The increase was primarily driven by higher contractual services and commodities expenses. The City's Water Resources Department plans, manages, and operates a safe, reliable water supply and wastewater reclamation system and provides efficient, high quality customer service to Scottsdale citizens. The Water Resources Department provided 90,817 water service connections to customers in fiscal year 2018.

Total Solid Waste program expenses decreased 2.2 percent or \$0.4 million in fiscal year 2018 compared to fiscal year 2017 due to lower full time wages, refuse container expenses, and vehicle purchases offset by higher vehicle maintenance expenses in the current year. The Solid Waste Department provided delivery of safe, efficient, and environmentally sound refuse collection services to 82,236 residential customers in fiscal year 2018.

The Airport's total expenses increased by 83.7 percent or \$3.5 million in fiscal year 2018 compared to fiscal year 2017. The increase was primarily driven by a loss from a capital asset disposal. The Aviation Department operates the City's general aviation reliever facility with no commercial commuter or airline service and is home to many of the Valley's corporate aircraft. More than 166,000 take-offs and landings occurred in fiscal year 2018 at Scottsdale Airport.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Funds are created and segregated for the purpose of carrying 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 \$244.3 million, an increase of \$34.5 million in comparison to the balance at June 30, 2017 of \$209.8 million. Approximately 27 percent or \$65.2 million of this amount at June 30, 2018 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, 2018

Revenues for governmental functions totaled \$458.1 million in fiscal year 2018, an increase of 9.1 percent (\$38.4 million) from the previous year total of \$419.7 million. In fiscal year 2018, expenditures for governmental functions totaled \$461.1 million, a decrease of 1.3 percent (\$6.3 million) from the fiscal year 2017 total of \$467.4 million. For the current fiscal year, expenditures exceeded revenues for governmental functions by \$3.0 million. This was chiefly due to higher 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 \$72.8 million, while the total fund balance was \$73.1 million; the unassigned and total balances for the General Fund at the end of fiscal year 2017 were \$58.5 million and \$58.8 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 28.7 percent of the total General Fund expenditures of \$253.4 million in fiscal year 2018 and represented 23.1 percent of the total General Fund expenditures of \$252.8 million in fiscal year 2017. Total fund balance represented 28.8 percent and 23.3 percent of total fund expenditures for fiscal years 2018 and 2017, respectively.

Overall, the General Fund's performance resulted in revenues exceeding expenditures in the fiscal year ended June 30, 2018 by \$29.8 million. Revenues increased \$23.1 million or 8.9 percent compared to the prior year while expenditures increased only \$0.6 million or 0.2 percent. Key revenues showing an increase over the prior year included transaction privilege tax and state shared revenues. Expenditures were relatively unchanged over the prior year with the exception of a decrease for Public Safety whose prior year expenditures included the return of excess pension contributions as mandated by the *Parke* lawsuit. As a result of increased revenues (primarily privilege taxes) and a minimal increase in expenditures the fund balance of the City's General Fund increased in fiscal year 2018 by \$14.3 million.

The General Obligation Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt principal, interest, and related costs. At the end of the current fiscal year, the fund balance of the General Obligation Bond Debt Service Fund was \$2.5 million, a decrease of \$9.0 million from the \$11.5 million balance at June 30, 2017. The fund balance was intentionally drawn down in fiscal year 2018 to comply with Arizona House Bill 2011, which requires cash reserves to be no more than ten percent of annual principal and interest payments.

The General CIP Construction Capital Projects Fund accounts for the resources used to acquire, construct, and improve major capital facilities from amounts transferred from the City's General Fund. This fund also represents other City Council approved capital programs including transfers for tourism related capital projects, in-lieu parking, and in-lieu stormwater. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$38.3 million, an increase of \$5.6 million from the \$32.7 million at June 30, 2017. Higher transfers-in, as mandated by the City's financial policies, was the primary reason for the increase.

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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

**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 2018 and 2017, the unrestricted net position for the Water and Sewer Utility Fund was \$256.8 million and \$244.6 million, respectively; the Airport Fund was \$(12.9) million and \$5.2 million, respectively; and the Solid Waste Fund was \$3.4 million and \$3.8 million, respectively. The internal service funds, which are used to account for certain governmental activities, had unrestricted net position of \$20.8 million and \$19.1 million, respectively.

The total growth in net position for the enterprise funds was \$24.0 million and \$11.4 million for fiscal years 2018 and 2017, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

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

General Fund revenues for fiscal year 2018 were \$12.0 million more than projected. The most significant differences between final estimated revenues and actual revenues were as follows (in thousands):

Revenue Source	Estimated Revenues	Actual Revenues	Difference
Transaction Privilege Taxes	\$ 120,666	\$ 128,133	\$ 7,467
Interest Earnings	1,615	2,634	1,019
Court Fines and Fees	3,283	4,168	885
State Revenue Sharing	29,726	30,549	823

The increase in transaction privilege taxes was caused by the timing of collections by the Arizona Department of Revenue as well as car dealerships remaining in Scottsdale longer than expected, higher online sales, and increases in property rental revenue. Increased interest earnings were due to a to a greater yield on investments than expected due to strong market conditions as well as higher than anticipated returns associated with a change in the City's investment strategy. Higher than projected court fines were due to a greater number of civil and criminal case filings as well as an increase in collections through the Compliance Assistance Program. Increased state shared funds were also the result of the positive local economy.

Expenditures were \$6.2 million less than the revised fiscal year 2018 budget largely due to the following:

- Employees being promoted or retiring with replacement employees often coming in at a lower salary.
- Part time positions held vacant for long periods of time which resulted in higher vacancy savings.
- Jail services and photo enforcement contract spending coming in lower than anticipated.
- Lower need than projected for operating supplies such as fire protective equipment, police radios, chemicals, laboratory equipment, furniture, and other supplies.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The City's total capital assets for its governmental and business-type activities as of June 30, 2018 and 2017 totaled \$5.8 billion and \$5.7 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 2018 and 2017 was \$50.5 million or 0.9 percent. Both the Buildings and Land Improvements and Streets and Storm Drains categories experienced a net reduction in overall asset value due to annual depreciation exceeding capital additions.

### Capital Assets, Net of Depreciation

June 30, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,177,449	\$ 3,143,211	\$ 50,381	\$ 50,381	\$ 3,227,830	\$ 3,193,592
Buildings and Land Improvements	368,094	381,561	25,016	28,538	393,110	410,099
Streets and Storm Drains	702,507	721,697	-	-	702,507	721,697
Machinery and Equipment	37,650	37,579	3,490	3,610	41,140	41,189
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	752,541	750,787	752,541	750,787
Sewer System	-	-	398,502	396,395	398,502	396,395
Motor Vehicles	45,295	39,620	550	73	45,845	39,693
Furniture, Fixtures, and Office Equipment	-	-	453	278	453	278
Construction in Progress	39,926	25,855	80,108	51,879	120,034	77,734
Total	<u>\$ 4,370,921</u>	<u>\$ 4,349,523</u>	<u>\$ 1,398,212</u>	<u>\$ 1,369,112</u>	<u>\$ 5,769,133</u>	<u>\$ 5,718,635</u>

Significant capital asset events during fiscal year 2018 included the following:

- Land: \$33.2 million for land donated by developers that coincides with public street improvements for finalized permits, and \$1.0 million for land acquired for street and pedestrian right-of-way.
- Streets: \$11.9 million for new road improvements donated by developers, \$11.8 million for street preservation, and \$7.6 million related to streets, traffic control, sidewalks and storm drains.
- Vehicles: \$4.5 million for eight trolley buses (99 percent grant/externally funded), \$2.4 million for three fire ladder/pumper trucks, and \$0.7 million for solid waste vehicles.

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

**Long-term Debt.** At the end of the fiscal years 2018 and 2017, the City had total long-term liabilities of \$1,571.1 million and \$1,634.9 million, respectively. Of these amounts, \$525.5 million and \$547.3 million, for fiscal years 2018 and 2017 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 \$1,045.6 million and \$1,087.6 million for fiscal years 2018 and 2017, respectively.

# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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, 2018 and 2017 was \$401.3 million and \$359.0 million, respectively, in the 6 percent capacity and \$864.0 million and \$754.5 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, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 525,465	\$ 547,295	\$ -	\$ -	\$ 525,465	\$ 547,295
Water and Sewer Revenue Bonds	-	-	19,715	23,085	19,715	23,085
Municipal Property Corporation Bonds	187,918	199,118	306,822	321,912	494,740	521,030
Scottsdale Preserve Authority Bonds	11,950	16,315	-	-	11,950	16,315
Certificates of Participation	4,914	7,264	-	-	4,914	7,264
Community Facilities Districts General						
Obligation Bonds	18,800	21,355	-	-	18,800	21,355
Issuance Premiums	65,413	68,045	30,939	33,486	96,352	101,531
Total Bonds Payable	814,460	859,392	357,476	378,483	1,171,936	1,237,875
Capital Lease	32	95	-	-	32	95
Service Concession Arrangements	2,375	2,529	-	-	2,375	2,529
Risk Management Claims	22,933	20,351	-	-	22,933	20,351
Compensated Absences	25,516	25,374	3,531	3,467	29,047	28,841
Total Other Postemployment Benefit	2,194	1,616	-	-	2,194	1,616
Net Pension Liabilities	309,094	307,803	33,523	35,762	342,617	343,565
Total Long-term Liabilities	\$ 1,176,604	\$ 1,217,160	\$ 394,530	\$ 417,712	\$ 1,571,134	\$ 1,634,872

During fiscal year 2018, the City's total long-term liabilities decreased overall by \$63.7 million due to the City making scheduled principal payments on its debt that exceeded new issuances of debt.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the City's proportionate share of its unfunded pension liabilities for pension plans in which it participates is also included in its outstanding long-term liabilities. The City's net pension liabilities at the end of fiscal years 2018 and 2017 were \$342.6 million and \$343.6 million, respectively. Additional information on the City's pensions can be found on page 106.

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 90-101 of this report.



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# Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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

As the local economy continues its steady growth, the City continues its fiscally conservative approach to spending. The adopted fiscal year 2019 budget reflects the City's effort to invest in attracting and retaining excellent employees, addresses several critical one-time facilities needs, and projected increases in the overall cost of maintaining quality services to citizens. In June 2018, the City Council approved a \$1,366.8 million budget, which is a 6.8 percent increase over the prior year budget of \$1,279.8 million. The adopted fiscal year 2019 budget includes \$802.8 million for operations, including contingencies and reserves, and \$564.0 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, 2018 (in thousands)

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 281,360	\$ 188,766	\$ 470,126
Receivables (net of allowance for uncollectibles)			
Property and Other Local Taxes	28,751	19	28,770
Charges for Services	-	19,036	19,036
Fines	11,289	-	11,289
Intergovernmental and Grants	34,900	3,541	38,441
Interest	1,139	773	1,912
Other	9,852	2,425	12,277
Internal Balances	3,870	(3,870)	-
Supplies Inventory	1,189	-	1,189
Prepaid Items	-	1,051	1,051
Prepayments	27,599	-	27,599
Pollution Remediation Recoveries	-	46,279	46,279
Restricted Assets			
Cash with Fiscal Agent	83,576	76,168	159,744
Customer Advances and Deposits	-	1,010	1,010
Joint Venture Construction Deposits	-	3,888	3,888
Advanced Construction Payments	-	3,213	3,213
Advanced Lease Payments	-	1,367	1,367
Water and Sewer System Replacement	-	40,346	40,346
Revenue Bond Reserve	-	4,692	4,692
Service Concession Arrangements	64,105	-	64,105
Equity in Joint Ventures	1,746	90,836	92,582
Capital Assets Not Being Depreciated			
Land, Water Rights, and Construction in Progress	3,217,375	217,660	3,435,035
Capital Assets, Net of Accumulated Depreciation			
Facilities, Infrastructure, and Equipment	1,153,546	1,180,552	2,334,098
Total Assets	4,920,297	1,877,752	6,798,049
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refundings	26,959	9,435	36,394
Pension-Related Amounts	67,397	3,998	71,395
OPEB-Related Amounts	224	-	224
Total Deferred Outflows of Resources	\$ 94,580	\$ 13,433	\$ 108,013

(continued)

## Statement of Net Position

June 30, 2018 (in thousands)

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts Payable	\$ 16,024	\$ 15,572	\$ 31,596
Accrued Payroll and Benefits	4,454	585	5,039
Accrued Compensated Absences	233	1	234
Interest Payable	16,110	8,015	24,125
Matured Bonds, Loans, and Other Payables	66,625	18,460	85,085
Due to Other Governments	5,108	-	5,108
Unearned Revenue	9,398	-	9,398
Liabilities Payable from Restricted Assets			
Advanced Construction Payments	-	3,213	3,213
Advanced Lease Payments	-	1,367	1,367
Customer Advances & Deposits	2,535	1,010	3,545
Other Liabilities	2,995	-	2,995
Noncurrent Liabilities			
Due Within One Year			
Accrued Compensated Absences	11,007	1,507	12,514
Bonds, Loans, and Other Payables	73,830	19,593	93,423
Due in More Than One Year			
Accrued Compensated Absences	14,509	2,024	16,533
Total Other Postemployment Benefit Liability	2,194	-	2,194
Net Pension Liabilities	309,094	33,523	342,617
Bonds, Loans, and Other Payables	765,970	337,883	1,103,853
Pollution Remediation Obligation	-	46,279	46,279
Total Noncurrent Liabilities	<u>1,176,604</u>	<u>440,809</u>	<u>1,617,413</u>
Total Liabilities	<u>1,300,086</u>	<u>489,032</u>	<u>1,789,118</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension-Related Amounts	15,243	2,863	18,106
OPEB-Related Amounts	207	-	207
Total Deferred Inflows of Resources	<u>15,450</u>	<u>2,863</u>	<u>18,313</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,604,063	1,099,864	4,703,927
Restricted			
Debt Service	19,313	4,692	24,005
Transportation and Preserve Privilege Tax Activities	43,940	-	43,940
Capital Projects	52,990	-	52,990
Grants	2,587	-	2,587
Special Programs	3,505	-	3,505
Streetlight and Services Districts	4	-	4
Community Facilities Districts	65	-	65
Endowments			
Expendable	34	-	34
Nonexpendable	619	-	619
Repair and Replacement	-	40,346	40,346
Joint Venture Construction Deposits	-	3,888	3,888
Unrestricted	<u>(27,779)</u>	<u>250,500</u>	<u>222,721</u>
Total Net Position	<u>\$ 3,699,341</u>	<u>\$ 1,399,290</u>	<u>\$ 5,098,631</u>

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

**Statement of Activities**

For the Fiscal Year Ended June 30, 2018 (in thousands)

FUNCTIONS/PROGRAMS	Program Revenues						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>							
General Government							
Mayor and City Council	\$ 638	\$ 149	\$ 7	\$ -	\$ (482)	\$ -	\$ (482)
City Clerk	695	165	-	-	(530)	-	(530)
City Attorney	6,486	1,082	-	-	(5,404)	-	(5,404)
City Auditor	800	181	-	-	(619)	-	(619)
City Court	5,530	-	8	-	(5,522)	-	(5,522)
City Manager	3,062	411	688	-	(1,963)	-	(1,963)
City Treasurer	6,071	2,688	-	-	(3,383)	-	(3,383)
Public Works	42,205	1,569	-	112	(40,524)	-	(40,524)
Community and Economic Development	102,153	19,503	17,143	60,563	(4,944)	-	(4,944)
Public Safety	153,256	11,203	2,854	-	(139,199)	-	(139,199)
Community Services	54,710	6,820	10,060	144	(37,686)	-	(37,686)
Administrative Services	21,173	3,094	-	-	(18,079)	-	(18,079)
Streetlight and Services Districts	605	584	-	-	(21)	-	(21)
Interest on Long-Term Debt	28,724	-	-	-	(28,724)	-	(28,724)
<b>Total Governmental Activities</b>	<b>426,108</b>	<b>47,449</b>	<b>30,760</b>	<b>60,819</b>	<b>(287,080)</b>	<b>-</b>	<b>(287,080)</b>
<b>Business-type Activities</b>							
Water Utility	96,493	117,537	-	9,242	-	30,286	30,286
Sewer Utility	52,142	40,666	-	9,947	-	(1,529)	(1,529)
Airport	7,624	4,335	-	4,676	-	1,387	1,387
Solid Waste	19,735	19,687	-	-	-	(48)	(48)
<b>Total Business-type Activities</b>	<b>175,994</b>	<b>182,225</b>	<b>-</b>	<b>23,865</b>	<b>-</b>	<b>30,096</b>	<b>30,096</b>
<b>Total Government</b>	<b>\$ 602,102</b>	<b>\$ 229,674</b>	<b>\$ 30,760</b>	<b>\$ 84,684</b>	<b>(287,080)</b>	<b>30,096</b>	<b>(256,984)</b>
<b>General Revenues</b>							
Taxes							
Property Taxes					64,718	-	64,718
Sales and Use Taxes					209,256	144	209,400
Franchise Taxes					13,482	-	13,482
Intergovernmental - Unrestricted							
State Shared Sales					23,719	-	23,719
State Revenue Sharing					30,549	-	30,549
Other					12,031	-	12,031
Interest and Investment Income					2,218	2,291	4,509
Other Revenue					10,548	-	10,548
Transfers					7,756	(7,756)	-
<b>Total General Revenues and Transfers</b>					<b>374,277</b>	<b>(5,321)</b>	<b>368,956</b>
Change in Net Position					87,197	24,775	111,972
Net Position - Beginning, Restated*					3,612,144	1,374,515	4,986,659
Net Position - Ending					<b>\$ 3,699,341</b>	<b>\$ 1,399,290</b>	<b>\$ 5,098,631</b>

\*Restated the Governmental Activities Net Position to record endowments.

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

# Balance Sheet

## Governmental Funds

June 30, 2018 (in thousands)

ASSETS	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 54,640	\$ 2,119	\$ 36,936	\$ 136,036	\$ 229,731
Cash with Fiscal Agent	1,266	58,196	-	24,114	83,576
Receivable (net of allowance for uncollectibles)					
Interest	694	-	129	316	1,139
Privilege Tax	15,162	-	-	5,781	20,943
Transient Occupancy Tax	-	-	-	1,188	1,188
Property Tax	977	1,017	-	110	2,104
State Shared Sales Tax	869	-	-	-	869
Franchise Fee	3,200	-	-	55	3,255
Court Receivable	10,894	-	-	-	10,894
Library Receivable	395	-	-	-	395
Highway User Tax	-	-	-	1,449	1,449
Auto Lieu Tax	392	-	-	-	392
Intergovernmental	-	-	-	29,459	29,459
Grants	-	-	-	3,992	3,992
Miscellaneous	4,529	-	2,207	2,862	9,598
Due from Other Funds	10,794	-	-	-	10,794
Supplies Inventory	264	-	-	-	264
Total Assets	\$ 104,076	\$ 61,332	\$ 39,272	\$ 205,362	\$ 410,042

(continued)

# Balance Sheet

## Governmental Funds

June 30, 2018 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 4,265	\$ -	\$ 991	\$ 7,087	\$ 12,343
Accrued Payroll and Benefits	4,346	-	6	231	4,583
Due to Other Funds	-	-	-	3,673	3,673
Matured Bond Interest Payable	90	10,866	-	5,154	16,110
Matured Bonds Payable	1,175	47,330	-	18,120	66,625
Unearned Revenue					
Intergovernmental	-	-	-	7,564	7,564
Other	1,176	-	9	649	1,834
Due to Other Governments	5,103	-	-	3	5,106
Guaranty and Other Deposits	2,530	-	-	5	2,535
Other	2,992	-	-	-	2,992
Total Liabilities	<u>21,677</u>	<u>58,196</u>	<u>1,006</u>	<u>42,486</u>	<u>123,365</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	9,326	665	1	32,373	42,365
Total Liabilities and Deferred Inflows of Resources	<u>31,003</u>	<u>58,861</u>	<u>1,007</u>	<u>74,859</u>	<u>165,730</u>
<b>Fund Balances (Deficits)</b>					
Nonspendable	264	-	-	619	883
Restricted	-	2,471	-	112,920	115,391
Committed	-	-	38,265	24,602	62,867
Unassigned	72,809	-	-	(7,638)	65,171
Total Fund Balances (Deficits)	<u>73,073</u>	<u>2,471</u>	<u>38,265</u>	<u>130,503</u>	<u>244,312</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 104,076</u>	<u>\$ 61,332</u>	<u>\$ 39,272</u>	<u>\$ 205,362</u>	<u>\$ 410,042</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, 2018 (in thousands)

Fund Balances - Total Governmental Funds	\$ 244,312
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.	4,313,588
Equity in joint venture is not a financial resource; therefore, is not reported in the funds.	1,744
Prepayments and service concession arrangements are not financial resources; therefore, are not reported in the funds.	91,704
Deferred outflows relating to deferred amounts on refundings, pensions, and other postemployment benefits are not financial resources; therefore, are not reported in the funds.	93,958
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	(1,148,183)
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.	27,347
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.	74,871
Net Position of Governmental Activities	<u>\$ 3,699,341</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, 2018 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes - Local					
Property	\$ 26,918	\$ 33,292	\$ -	\$ 3,367	\$ 63,577
Transaction Privilege	128,133	-	-	62,133	190,266
Transient Occupancy	-	-	-	19,837	19,837
Light and Power Franchise	8,853	-	-	253	9,106
Cable TV Franchise	4,391	-	-	-	4,391
Salt River Project In-Lieu	227	-	-	-	227
Other Taxes	931	-	-	-	931
Taxes - Intergovernmental					
State Shared Sales	23,719	-	-	-	23,719
State Revenue Sharing	30,549	-	-	-	30,549
Auto Lieu Tax	10,205	-	-	-	10,205
Highway User Tax	-	-	-	16,067	16,067
Local Transportation Assistance Fund	-	-	-	657	657
Business and Liquor Licenses	1,709	-	-	59	1,768
Charges for Current Services					
Building and Related Permits	14,594	-	70	-	14,664
Recreation Fees	4,292	-	-	2,178	6,470
WestWorld Equestrian Facility Fees	4,804	-	-	-	4,804
Fire Fees	1,125	-	-	-	1,125
Fines, Fees, and Forfeitures					
Court	4,168	-	-	161	4,329
City Attorney Service Enhancement	310	-	-	-	310
Parking	314	-	-	-	314
Photo Radar	2,536	-	-	-	2,536
Court Enhancement	-	-	-	2,031	2,031
Library	307	-	-	142	449
Police	-	-	-	418	418
Property Rental	3,330	-	-	2,529	5,859
Interest Earnings	2,634	-	303	1,287	4,224
Net Decrease in the Fair Value of Investments	(2,006)	-	-	-	(2,006)
Intergovernmental					
Federal Grants	-	-	-	13,903	13,903
State Grants	-	-	-	227	227
Miscellaneous	1,767	-	-	11,438	13,205
Developer Contributions	-	-	-	835	835
Streetlight and Services Districts	-	-	-	584	584
Contributions and Donations	-	-	-	2,333	2,333
Reimbursements from Outside Sources	1,674	-	5	161	1,840
Indirect Costs	6,897	-	-	558	7,455
Other	812	-	2	55	869
Total Revenues	\$ 283,193	\$ 33,292	\$ 380	\$ 141,213	\$ 458,078

(continued)

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

## Governmental Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>					
Current					
General Government					
Mayor and City Council	\$ 637	\$ -	\$ -	\$ 16	\$ 653
City Clerk	735	-	-	-	735
City Attorney	6,747	-	-	-	6,747
City Auditor	816	-	-	-	816
City Court	4,560	-	-	1,132	5,692
City Manager	2,406	-	-	688	3,094
City Treasurer	5,820	-	-	159	5,979
Public Works	19,734	-	-	15,279	35,013
Community and Economic Development	24,093	-	-	23,603	47,696
Public Safety	134,105	-	-	1,970	136,075
Community Services	34,518	-	-	12,538	47,056
Administrative Services	16,309	-	-	-	16,309
Streetlight and Services Districts	-	-	-	605	605
Debt Service					
Principal	2,567	47,330	-	18,120	68,017
Interest and Fiscal Charges	373	21,347	-	10,332	32,052
Bond Issuance Costs	-	241	-	-	241
Capital Outlay	-	-	13,158	41,153	54,311
Total Expenditures	<u>253,420</u>	<u>68,918</u>	<u>13,158</u>	<u>125,595</u>	<u>461,091</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>29,773</u>	<u>(35,626)</u>	<u>(12,778)</u>	<u>15,618</u>	<u>(3,013)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	9,675	26,355	18,856	49,040	103,926
Transfers Out	(25,376)	-	(486)	(70,410)	(96,272)
Sale of General Capital Assets	214	-	-	-	214
Issuance of Long-Term Capital-Related Debt	-	80	-	25,420	25,500
Premium on Long-Term Debt Issued	-	146	-	3,350	3,496
Total Other Financing Sources (Uses)	<u>(15,487)</u>	<u>26,581</u>	<u>18,370</u>	<u>7,400</u>	<u>36,864</u>
Net Change in Fund Balances	14,286	(9,045)	5,592	23,018	33,851
Fund Balances - Beginning, Restated*	58,787	11,516	32,673	107,485	210,461
Fund Balances - Ending	<u>\$ 73,073</u>	<u>\$ 2,471</u>	<u>\$ 38,265</u>	<u>\$ 130,503</u>	<u>\$ 244,312</u>

\*Restated the Total Nonmajor Governmental Funds to record endowments.

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, 2018 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$	33,851
<p>Amounts reported for governmental activities in the statement of activities are different because (see Note II.B.):</p>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(28,779)
Donations of capital assets and changes in joint venture equity interest are not capitalized on the governmental fund statements, but are shown in the statement of activities.		45,113
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.		(37,826)
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.		26,257
Current-year joint venture contributions are reclassified from expenditures in the governmental funds to an increase in the investment in the joint venture in the government-wide statements.		181
Amounts provided by the State Treasurer directly to the Public Safety Personnel Retirement System on behalf of the City are not recognized in the governmental fund statements but are shown in the statement of activities.		1,886
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,340)
Prepayments are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position. This is the amount of the amortization expense in the current period.		(967)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, neither transaction has any effect on net position. This is the amount by which principal retirement exceeded debt proceeds in the current period.		39,021
Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refundings.		3,328
The change in net position of the Internal Service Funds is attributed to governmental activities.		<u>6,472</u>
Change in Net Position of Governmental Activities	<u>\$</u>	<u>87,197</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, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Property	\$ 27,197	\$ 27,197	\$ 26,918	\$ -	\$ 26,918	\$ (279)
Transaction Privilege	120,666	120,666	128,133	-	128,133	7,467
Light and Power Franchise	8,467	8,467	8,853	-	8,853	386
Cable TV Franchise	3,637	3,637	4,391	-	4,391	754
Salt River Project In-Lieu	225	225	227	-	227	2
Other Taxes	917	917	931	-	931	14
Taxes - Intergovernmental						
State Shared Sales	23,132	23,132	23,719	-	23,719	587
State Revenue Sharing	29,726	29,726	30,549	-	30,549	823
Auto Lieu Tax	10,278	10,278	10,205	-	10,205	(73)
Business and Liquor Licenses	1,893	1,893	1,709	-	1,709	(184)
Charges for Current Services						
Building and Related Permits	14,998	14,998	14,594	-	14,594	(404)
Recreation Fees	4,160	4,160	4,292	-	4,292	132
WestWorld Equestrian Facility Fees	4,764	4,764	4,804	-	4,804	40
Fire Fees	704	704	1,125	-	1,125	421
Fines, Fees, and Forfeitures						
Court	3,283	3,283	4,168	-	4,168	885
City Attorney Service Enhancement	309	309	310	-	310	1
Parking	226	226	314	-	314	88
Photo Radar	3,020	3,020	2,536	-	2,536	(484)
Library	304	304	307	-	307	3
Property Rental	3,103	3,103	3,330	-	3,330	227
Interest Earnings	1,615	1,615	2,634	-	2,634	1,019
Net Decrease in the Fair Value of Investments	-	-	-	(2,006)	(2,006)	-
Intergovernmental						
Miscellaneous	1,751	1,751	1,767	-	1,767	16
Reimbursements from Outside Sources	1,151	1,151	1,674	-	1,674	523
Indirect Costs	6,897	6,897	6,897	-	6,897	-
Other	799	799	812	-	812	13
Total Revenues	<u>\$ 273,222</u>	<u>\$ 273,222</u>	<u>\$ 285,199</u>	<u>\$ (2,006)</u>	<u>\$ 283,193</u>	<u>\$ 11,977</u>

(continued)

# General Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

EXPENDITURES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>Current</b>						
General Government						
Mayor and City Council	\$ 631	\$ 690	\$ 668	\$ (31)	\$ 637	\$ 22
City Clerk	758	775	732	3	735	43
City Attorney	6,855	6,983	6,719	28	6,747	264
City Auditor	909	927	813	3	816	114
City Court	4,724	4,628	4,546	14	4,560	82
City Manager	2,433	2,499	2,398	8	2,406	101
City Treasurer	6,232	6,108	5,796	24	5,820	312
Public Works	19,864	20,171	19,710	24	19,734	461
Community and Economic Development	24,650	24,656	24,040	53	24,093	616
Public Safety	145,106	144,966	142,196	(8,091)	134,105	2,770
Community Services	35,544	35,211	34,423	95	34,518	788
Administrative Services	17,853	16,929	16,254	55	16,309	675
Debt Service						
Principal	2,504	2,504	2,567	-	2,567	(63)
Interest and Fiscal Charges	370	370	373	-	373	(3)
Total Expenditures	<u>268,433</u>	<u>267,417</u>	<u>261,235</u>	<u>(7,815)</u>	<u>253,420</u>	<u>6,182</u>
Excess of Revenues over Expenditures	<u>4,789</u>	<u>5,805</u>	<u>23,964</u>	<u>5,809</u>	<u>29,773</u>	<u>18,159</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	9,116	9,116	9,675	-	9,675	559
Transfers Out	(20,584)	(20,584)	(25,376)	-	(25,376)	(4,792)
Sale of General Capital Assets	303	303	214	-	214	(89)
Total Other Financing Sources (Uses)	<u>(11,165)</u>	<u>(11,165)</u>	<u>(15,487)</u>	<u>-</u>	<u>(15,487)</u>	<u>(4,322)</u>
Net Change in Fund Balances	(6,376)	(5,360)	8,477	5,809	14,286	13,837
Fund Balances - Beginning	<u>52,602</u>	<u>72,574</u>	<u>72,574</u>	<u>(13,787)</u>	<u>58,787</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 46,226</u>	<u>\$ 67,214</u>	<u>\$ 81,051</u>	<u>\$ (7,978)</u>	<u>\$ 73,073</u>	<u>\$ 13,837</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, 2018 (in thousands)

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#### Explanation of Differences:

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

Net Decrease in the Fair Value of Investments	<u>\$ (2,006)</u>
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The City budgets for certain expenditures on the cash basis, rather than on the modified accrual basis:

Payroll Accrual and Compensated Absences	<u>(7,815)</u>
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Net Increase in Fund Balance - Budget to GAAP	<u><u>\$ 5,809</u></u>
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The notes to the financial statements are an integral part of this statement.

## Statement of Fund Net Position

### Proprietary Funds

June 30, 2018 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets</b>					
Current Assets					
Cash and Investments	\$ 178,862	\$ -	\$ 9,904	\$ 188,766	\$ 51,629
Receivables (net of allowance for uncollectibles)					
Privilege Tax	-	19	-	19	-
Charges for Services	17,087	-	1,949	19,036	-
Intergovernmental	-	1,649	-	1,649	-
Interest	715	21	37	773	-
Miscellaneous	2,051	336	38	2,425	254
Supplies Inventory	-	-	-	-	925
Restricted Cash, Cash Equivalents, and Investments					
Cash with Fiscal Agent	53,408	22,760	-	76,168	-
Customer Advances and Deposits	926	84	-	1,010	-
Prepaid Items	1,051	-	-	1,051	-
Other Restricted Assets					
Joint Venture Construction Deposits	3,888	-	-	3,888	-
Total Current Assets	257,988	24,869	11,928	294,785	52,808
Noncurrent Assets					
Long-Term Receivables	1,892	-	-	1,892	-
Equity in Joint Ventures	90,787	4	45	90,836	2
Pollution Remediation Recoveries	46,279	-	-	46,279	-
Restricted Cash, Cash Equivalents, and Investments					
Advanced Construction Payments	3,213	-	-	3,213	-
Advanced Lease Payments	-	1,367	-	1,367	-
Water and Sewer System Replacement	40,346	-	-	40,346	-
Revenue Bond Reserve	4,692	-	-	4,692	-
Capital Assets					
Land	39,706	9,564	1,111	50,381	-
Water Rights	87,171	-	-	87,171	-
Water System	1,248,800	-	-	1,248,800	-
Sewer System	635,013	-	-	635,013	-
Buildings and Improvements	-	31,765	5,587	37,352	12,887
Motor Vehicles	-	1,151	-	1,151	87,592
Machinery and Equipment	5,982	494	490	6,966	3,497
Furniture and Fixtures	631	9	89	729	-
Construction in Progress	50,886	29,222	-	80,108	273
Less Accumulated Depreciation	(735,940)	(10,317)	(3,202)	(749,459)	(46,916)
Total Capital Assets (net of accumulated depreciation)	1,332,249	61,888	4,075	1,398,212	57,333
Total Noncurrent Assets	1,519,458	63,259	4,120	1,586,837	57,335
Total Assets	1,777,446	88,128	16,048	1,881,622	110,143
<b>Deferred Outflows of Resources</b>					
Deferred Amounts on Refundings	9,435	-	-	9,435	-
Pension-Related Amounts	2,926	173	899	3,998	622
Total Deferred Outflows of Resources	\$ 12,361	\$ 173	\$ 899	\$ 13,433	\$ 622

(continued)

## Statement of Fund Net Position

### Proprietary Funds

June 30, 2018 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>LIABILITIES AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable	\$ 9,043	\$ 6,200	\$ 329	\$ 15,572	\$ 3,681
Accrued Payroll and Benefits	420	25	140	585	104
Accrued Compensated Absences - Current	-	1	-	1	-
Accrued Compensated Absences - Due within one year	1,101	64	342	1,507	204
Due to Other Governments	-	-	-	-	2
Due to Other Funds	-	7,121	-	7,121	-
Customer Advances and Deposits	926	84	-	1,010	-
Interest Payable	7,526	489	-	8,015	-
Matured Bonds and Other Payables	17,815	645	-	18,460	-
Bonds Payable and Other Payables - Due within one year	18,818	775	-	19,593	7,804
Total Current Liabilities	55,649	15,404	811	71,864	11,795
Noncurrent Liabilities					
Accrued Compensated Absences - Due in more than one year	1,409	129	486	2,024	225
Advanced Construction Payments	3,213	-	-	3,213	-
Advanced Lease Payments	-	1,367	-	1,367	-
Net Pension Liabilities	24,544	1,411	7,568	33,523	5,059
Bonds, Loans, and Other Payables - Due in more than one year	314,194	23,689	-	337,883	15,132
Pollution Remediation Obligation	46,279	-	-	46,279	-
Total Noncurrent Liabilities	389,639	26,596	8,054	424,289	20,416
Total Liabilities	445,288	42,000	8,865	496,153	32,211
<b>Deferred Inflows of Resources</b>					
Pension-Related Amounts	2,097	120	646	2,863	432
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,036,739	59,050	4,075	1,099,864	57,333
Restricted for Water and Sewer System Replacement	40,346	-	-	40,346	-
Restricted for Debt Service	4,692	-	-	4,692	-
Restricted for Joint Venture Construction Deposits	3,888	-	-	3,888	-
Unrestricted	256,757	(12,869)	3,361	247,249	20,789
Total Net Position	\$ 1,342,422	\$ 46,181	\$ 7,436	\$ 1,396,039	\$ 78,122

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, 2018 (in thousands)

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Total Enterprise Fund Net Position	\$ 1,396,039
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Amounts reported for business-type activities in the government-wide statement of net position are different because:

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

<u>3,251</u>
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Net Position of Business-type Activities
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<u><u>\$ 1,399,290</u></u>
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The notes to the financial statements are an integral part of this statement.

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

### Proprietary Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for Sales and Services					
Water Service Fees	\$ 102,725	\$ -	\$ -	\$ 102,725	\$ -
Sewer Service Fees	39,641	-	-	39,641	-
Proprietary - Non-potable water fees	14,594	-	-	14,594	-
Solid Waste Fees	-	-	19,686	19,686	-
Airport Fees	-	4,221	-	4,221	-
Other Services	-	-	-	-	60,630
Other	1,214	114	1	1,329	1,521
Total Operating Revenues	<u>158,174</u>	<u>4,335</u>	<u>19,687</u>	<u>182,196</u>	<u>62,151</u>
<b>OPERATING EXPENSES</b>					
Costs for Sales and Services					
Water Operations	52,410	-	-	52,410	-
Sewer Operations	29,651	-	-	29,651	-
Solid Waste Operations	-	-	18,321	18,321	-
Airport Operations	-	2,478	-	2,478	-
Other Services	-	-	-	-	53,823
Indirect Costs	5,069	566	1,820	7,455	-
Depreciation	51,106	1,370	262	52,738	7,147
Total Operating Expenses	<u>138,236</u>	<u>4,414</u>	<u>20,403</u>	<u>163,053</u>	<u>60,970</u>
Operating Income (Loss)	<u>19,938</u>	<u>(79)</u>	<u>(716)</u>	<u>19,143</u>	<u>1,181</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Transaction Privilege Tax	-	144	-	144	-
Property Tax	-	-	-	-	1,047
Investment Income	1,958	265	68	2,291	-
Interest Expense	(10,483)	(373)	-	(10,856)	-
Gain (Loss) on Sale of Capital Assets	29	(2,841)	-	(2,812)	140
Net Non-Operating Revenue (Expenses)	<u>(8,496)</u>	<u>(2,805)</u>	<u>68</u>	<u>(11,233)</u>	<u>1,187</u>
Income Before Contributions and Transfers	<u>11,442</u>	<u>(2,884)</u>	<u>(648)</u>	<u>7,910</u>	<u>2,368</u>
Capital Contributions	19,189	4,676	-	23,865	4,758
Transfers In	-	-	-	-	104
Transfers Out	(7,756)	-	-	(7,756)	(2)
Change in Net Position	<u>22,875</u>	<u>1,792</u>	<u>(648)</u>	<u>24,019</u>	<u>7,228</u>
Total Net Position - Beginning	<u>1,319,547</u>	<u>44,389</u>	<u>8,084</u>	<u>1,372,020</u>	<u>70,894</u>
Total Net Position - Ending	<u>\$ 1,342,422</u>	<u>\$ 46,181</u>	<u>\$ 7,436</u>	<u>\$ 1,396,039</u>	<u>\$ 78,122</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, 2018 (in thousands)

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Net Change in Total Enterprise Fund Net Position	\$ 24,019
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Amounts reported for business-type activities in the government-wide statement of net position are different because:

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

756

Change in Net Position of Business-type Activities	<u>\$ 24,775</u>
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The notes to the financial statements are an integral part of this statement.

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$ 156,820	\$ 4,031	\$ 19,576	\$ 180,427	\$ 61,110
Cash Payments to Suppliers for Goods/Services	(63,591)	(1,866)	(13,821)	(79,278)	(46,045)
Cash Payments to Employees for Services	(22,459)	(1,282)	(7,021)	(30,762)	(5,028)
Other Cash Receipts	(144)	114	1	(29)	1,522
Net Cash Provided by (Used for) Operating Activities	<u>70,626</u>	<u>997</u>	<u>(1,265)</u>	<u>70,358</u>	<u>11,559</u>
<b>Cash Flows from Non-Capital Financing Activities</b>					
Property Tax	-	-	-	-	1,047
Transaction Privilege Tax	-	139	-	139	-
Cash received from other funds	-	7,121	-	7,121	-
Transfers In	-	-	-	-	104
Transfers Out	(7,756)	-	-	(7,756)	(2)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(7,756)</u>	<u>7,260</u>	<u>-</u>	<u>(496)</u>	<u>1,149</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Contributions from:					
Water and Sewer Development Fees	6,761	-	-	6,761	-
Capital Grants	-	3,038	-	3,038	-
Acquisition and Construction of Property and Equipment	(48,540)	(17,868)	(16)	(66,424)	(6,731)
Water and Sewer Development Fee Credit Agreements	(236)	-	-	(236)	-
Principal Payments on Capital Debt and Other Payables	(15,835)	-	-	(15,835)	-
Interest Paid on Capital Debt	(11,182)	32	-	(11,150)	-
Investment in Joint Venture and CIP Deposit	(3,007)	-	-	(3,007)	-
Sale of Capital Assets	29	(2,841)	-	(2,812)	490
Net Cash Used for Capital and Related Financing Activities	<u>(72,010)</u>	<u>(17,639)</u>	<u>(16)</u>	<u>(89,665)</u>	<u>(6,241)</u>
<b>Cash Flows from Investing Activities</b>					
Income Received on Investments	1,600	257	53	1,910	-
Net Cash Provided by Investing Activities	<u>1,600</u>	<u>257</u>	<u>53</u>	<u>1,910</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,540)	(9,125)	(1,228)	(17,893)	6,467
Cash and Cash Equivalents at Beginning of Year	<u>288,987</u>	<u>33,336</u>	<u>11,132</u>	<u>333,455</u>	<u>45,162</u>
Cash and Cash Equivalents at End of Year	<u>\$ 281,447</u>	<u>\$ 24,211</u>	<u>\$ 9,904</u>	<u>\$ 315,562</u>	<u>\$ 51,629</u>

(continued)

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Cash and Cash Equivalents at End of Year includes:</b>					
Cash and Investments	\$ 178,862	\$ -	\$ 9,904	\$ 188,766	\$ 51,629
Cash with Fiscal Agent	53,408	22,760	-	76,168	-
Restricted Cash and Investments	49,177	1,451	-	50,628	-
Total Cash and Cash Equivalents	<u>\$ 281,447</u>	<u>\$ 24,211</u>	<u>\$ 9,904</u>	<u>\$ 315,562</u>	<u>\$ 51,629</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ 19,938	\$ (79)	\$ (716)	\$ 19,143	\$ 1,181
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Depreciation/ Amortization	51,106	1,370	262	52,738	7,147
Current Year Pension Contributions	(1,683)	(102)	(516)	(2,301)	(366)
Change in Equity in Joint Venture RWC	(9)	-	(5)	(14)	-
Change in Equity in Joint Venture SROG	5,501	-	-	5,501	-
Change in Accounts Receivable	(1,769)	-	(149)	(1,918)	483
Change in Miscellaneous Receivable	1,662	(89)	39	1,612	-
Change in Inventories	-	-	-	-	(183)
Change in Prepaid Expense	(734)	-	-	(734)	-
Change in Customer Deposits	(32)	-	-	(32)	-
Change in Accounts Payable	(3,046)	65	(69)	(3,050)	546
Change in Unearned Revenue	-	-	-	-	(3)
Change in Accrued Payroll and Compensated Absences	72	(4)	91	159	37
Change in Claims Payable	-	-	-	-	2,582
Change in Advanced Construction Payments	(1,358)	-	-	(1,358)	-
Change in Advanced Lease Payments	-	(100)	-	(100)	-
Change in Net Pension Liability	(1,189)	(187)	(863)	(2,239)	(312)
Change in Deferred Outflows of Resources Related to Pensions	3,441	212	1,119	4,772	717
Change in Deferred Inflows of Resources Related to Pensions	(1,274)	(89)	(458)	(1,821)	(271)
Change in Other Liabilities	-	-	-	-	1
Total Adjustments	<u>50,688</u>	<u>1,076</u>	<u>(549)</u>	<u>51,215</u>	<u>10,378</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 70,626</u>	<u>\$ 997</u>	<u>\$ (1,265)</u>	<u>\$ 70,358</u>	<u>\$ 11,559</u>
<b>Supplemental Disclosure of Non-Cash Financing Activities</b>					
Contributions from Developers	\$ 12,664	\$ -	\$ -	\$ 12,664	\$ -
Contributions from Other Funds	-	-	-	-	4,758
Change in Equity in Joint Venture SROG	3,007	-	-	3,007	-
Total Non-Cash Financing Activities	<u>\$ 15,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,671</u>	<u>\$ 4,758</u>

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

# Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2018 (in thousands)

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 92
Total Assets	<u>\$ 92</u>
<b>LIABILITIES</b>	
Escrow Payable Vouchers	\$ 92
State Land Department Rebate	-
UUID I-6002 Assessments	-
Total Liabilities	<u>\$ 92</u>

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

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

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

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

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

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

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



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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

## 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, 2018

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

The *Agency Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds are used to record the Family Self-Sufficiency activity, Crossroads East Development Agreement, and the APS 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, 2018

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, bankers' acceptances, repurchase agreements, commercial paper (A-1/P-1), 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, although there are investments with maturities in excess of three months when purchased in the portfolio. This is due to the fact that the proprietary funds may deposit or withdraw cash at any time without prior notice or penalty, having the characteristics of demand deposits.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The City has elected to report all investments at fair value. The City's policy is to invest in certificates of deposit; bankers' acceptances; repurchase agreements; commercial paper (A-1, P-1); money market mutual funds; highly rated corporate bonds/notes; obligations of the United States Government, or any of its agencies, and other instrumentalities; highly rated obligations issued or guaranteed by any state or political subdivision thereof or any obligations issued or guaranteed by the City; and the state of Arizona Local Government Investment Pool (LGIP), which is overseen by the Office of the Arizona State Treasurer.

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

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

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

### **4. Restricted Assets**

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The revenue bond reserve and water and sewer replacement accounts are used to report resources set aside to meet unexpected contingencies or to fund asset replacements. The joint venture construction deposits with the City of Phoenix are used for capital expansion, rehabilitation, and expansion of the jointly used facilities.

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

### 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. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

When capital assets are disposed of, the cost and accumulated depreciation or amortization 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, 2018

### 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, 2018. 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, 2018, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2018, 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, 2018

## 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 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 from the employer subsequent to the measurement date of the net pension liability/total OPEB liability and before the end of the reporting period will reduce the beginning net pension liability/total OPEB liability in the following fiscal year.

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

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

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

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

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

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

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

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

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

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.



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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

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.

## E. Implementation of New Accounting Principles

### 1. Governmental Accounting Standards Board Statement No. 75

The City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The scope of this statement addresses accounting and financial reporting OPEB that is provided to state and local governmental employees. The statement establishes standards for recognizing and measuring the liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

### 2. Governmental Accounting Standards Board Statement No. 81

The City adopted the provisions of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements, which can be further defined as a specific type of giving arrangement used by donors to provide resources to two or more beneficiaries including governments. This pronouncement did not impact the preparation of these financial statements.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

### 3. Governmental Accounting Standards Board Statement No. 85

The City adopted the provisions of GASB Statement No. 85, *Omnibus 2017*. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This pronouncement did not impact the preparation of these financial statements.

## F. Prior Period Adjustments

### 1. Change in Accounting Principle

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

### 2. Prior Period Correction

The City identified several permanent endowments in which the City has been designated as the beneficiary to utilize the interest earnings for library and human service programs.

The table below reflects the restatement amounts on the government-wide statement of net position and the governmental funds balance sheet (in thousands):

	Government-wide Statement of Net Position		Governmental Funds Balance Sheet	
	Governmental Activities	Business-type Activities	Permanent Funds	Special Revenue Funds
Net position at June 30, 2017, as previously reported	\$ 3,611,868	\$ 1,374,515	\$ -	\$ 66,723
Prior period adjustment - implementation of GASB 75	(357)	-	-	-
Prior period adjustment - record endowments	633	-	657	(24)
Net position at July 1, 2017, as restated	<u>\$ 3,612,144</u>	<u>\$ 1,374,515</u>	<u>\$ 657</u>	<u>\$ 66,699</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, \$244,312,000 differs from net position of governmental activities, \$3,699,341,000 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental fund balance sheets.

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

(in thousands)

	Total Governmental Funds	Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows <sup>(1)</sup>	Internal Service Funds <sup>(2)</sup>	Reclassifications and Eliminations <sup>(3)</sup>	Statement of Net Position Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Cash and Investments	\$ 229,731	\$ -	\$ 51,629	\$ -	\$ 281,360
Cash with Fiscal Agent	83,576	-	-	-	83,576
Receivables (net of allowance for uncollectibles)					
Interest	1,139	-	-	-	1,139
Privilege Tax	20,943	-	-	-	20,943
Transient Occupancy Tax	1,188	-	-	-	1,188
Property Tax	2,104	-	-	-	2,104
State Shared Sales Tax	869	-	-	-	869
Franchise Fee	3,255	-	-	-	3,255
Court	10,894	-	-	-	10,894
Library	395	-	-	-	395
Highway User Tax	1,449	-	-	-	1,449
Auto Lieu Tax	392	-	-	-	392
Intergovernmental	29,459	-	-	-	29,459
Grants	3,992	-	-	-	3,992
Miscellaneous	9,598	-	254	-	9,852
Due from Other Funds	10,794	-	-	(3,673)	7,121
Supplies Inventory	264	-	925	-	1,189
Capital Assets (net of accumulated depreciation)	-	4,313,588	57,333	-	4,370,921
Equity in Joint Ventures	-	1,744	2	-	1,746
Prepayments	-	27,599	-	-	27,599
Service Concession Arrangements	-	64,105	-	-	64,105
Total Assets	<u>410,042</u>	<u>4,407,036</u>	<u>110,143</u>	<u>(3,673)</u>	<u>4,923,548</u>
Deferred Outflows of Resources					
Deferred Amounts on Refundings	-	26,959	-	-	26,959
Pension-Related Amounts	-	66,775	622	-	67,397
OPEB-Related Amounts	-	224	-	-	224
Total Deferred Outflows of Resources	<u>-</u>	<u>93,958</u>	<u>622</u>	<u>-</u>	<u>94,580</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 410,042</u>	<u>\$ 4,500,994</u>	<u>\$ 110,765</u>	<u>\$ (3,673)</u>	<u>\$ 5,018,128</u>

(continued)

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

(in thousands)

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE/NET POSITION</b>	<b>Total Governmental Funds</b>	<b>Long-Term Assets and Deferred Outflows/ Liabilities and Deferred Inflows<sup>(1)</sup></b>	<b>Internal Service Funds<sup>(2)</sup></b>	<b>Reclassifications and Eliminations<sup>(3)</sup></b>	<b>Statement of Net Position Total</b>
Liabilities					
Accounts Payable	\$ 12,343	\$ -	\$ 3,681	\$ -	\$ 16,024
Accrued Payroll and Benefits	4,583	(233)	104	-	4,454
Due to Other Funds	3,673	-	3,251	(3,673)	3,251
Accrued Compensated Absences - Current	-	233	-	-	233
Accrued Compensated Absences - Due within one year	-	10,803	204	-	11,007
Accrued Compensated Absences - Due in more than one year	-	14,284	225	-	14,509
Claims Payable - Due within one year	-	-	7,801	-	7,801
Matured Bond Interest Payable	16,110	-	-	-	16,110
Matured Bonds Payable	66,625	-	-	-	66,625
Unearned Revenue					
Intergovernmental	7,564	-	-	-	7,564
Other	1,834	-	-	-	1,834
Due to Other Governments	5,106	-	2	-	5,108
Guaranty and Other Deposits	2,535	-	-	-	2,535
Other	2,992	-	3	-	2,995
Bonds, Loans, Capital Leases, and Other Payables	-	1,123,096	20,191	-	1,143,287
Total Liabilities	<u>123,365</u>	<u>1,148,183</u>	<u>35,462</u>	<u>(3,673)</u>	<u>1,303,337</u>
Deferred Inflows of Resources					
Unavailable Revenue	42,365	(42,365)	-	-	-
Pension-Related Amounts	-	14,811	432	-	15,243
OPEB-Related Amounts	-	207	-	-	207
Total Deferred Inflows of Resources	<u>42,365</u>	<u>(27,347)</u>	<u>432</u>	<u>-</u>	<u>15,450</u>
Total Liabilities and Deferred Inflows of Resources	<u>165,730</u>	<u>1,120,836</u>	<u>35,894</u>	<u>(3,673)</u>	<u>1,318,787</u>
Fund Balances/Net Position					
Total Fund Balances/Net Position	<u>244,312</u>	<u>3,380,158</u>	<u>74,871</u>	<u>-</u>	<u>3,699,341</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	<u>\$ 410,042</u>	<u>\$ 4,500,994</u>	<u>\$ 110,765</u>	<u>\$ (3,673)</u>	<u>\$ 5,018,128</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	\$ 5,787,823
Accumulated depreciation	<u>(1,474,235)</u>
	<u>\$ 4,313,588</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>\$ 1,744</u>
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Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid (such as long-term prepayments), while others arise from the incurrence of long-term liabilities or the receipt of capital assets from elsewhere within the City, such as service concession arrangements (SCAs). These assets are capitalized and amortized over the life of the corresponding agreement.

Prepayments at 7/1/17	\$ 28,566
Amortization of prepayments	<u>(967)</u>
	<u>\$ 27,599</u>
SCAs at 7/1/17	\$ 67,607
Land improvements additions for SCAs	831
Amortization of SCAs	<u>(4,333)</u>
	<u>\$ 64,105</u>

Deferred outflows consist of items that will consume net position in a future reporting period(s) and do not meet the definition of an asset. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. The pension- 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 from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period.

Deferred amounts on refundings	\$ 26,959
Pension-related amounts	66,775
OPEB-related amounts	<u>224</u>
	<u>\$ 93,958</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, 2018, were:

Capital leases payable	\$ (32)
Bonds/Certificate of Participation payable	(749,047)
Service concession arrangements	(2,375)
Issuance premium	(65,413)
Accrued vacation and sick leave pay	(25,087)
Total OPEB liability	(2,194)
Net pension liabilities	(304,035)
	<u>\$ (1,148,183)</u>

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

Unavailable library revenue	\$ 384
Unavailable court revenue	3,727
Unavailable property tax revenue	1,287
Unavailable privilege tax revenue	3,290
Unavailable transient occupancy tax revenue	27
Unavailable intergovernmental revenue	32,226
Unavailable other revenue	1,424
	<u>\$ 42,365</u>

Deferred inflows represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions 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	\$ (14,811)
OPEB-related amounts	(207)
	<u>\$ (15,018)</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.

\$ 74,871

(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>\$ (3,673)</u>
Reduction of amount due to other governmental fund	<u>\$ (3,673)</u>

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

**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, \$33,851,000 differs from the change in net position for the governmental activities, \$87,197,000 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	\$ 63,577	\$ 94	\$ -	\$ 1,047	\$ -	\$ -	\$ 64,718
Transaction Privilege	190,266	(846)	-	-	-	-	189,420
Transient Occupancy	19,837	(1)	-	-	-	-	19,836
Light and Power Franchise	9,106	-	-	-	-	-	9,106
Cable TV Franchise	4,391	(15)	-	-	-	-	4,376
Salt River Project In-Lieu	227	-	-	-	-	-	227
Other Taxes	931	11	-	-	-	-	942
Taxes - Intergovernmental							
State Shared Sales	23,719	-	-	-	-	-	23,719
State Revenue Sharing	30,549	-	-	-	-	-	30,549
Auto Lieu Tax	10,205	-	-	-	-	-	10,205
Highway User Tax	16,067	-	-	-	-	-	16,067
Local Transportation Assistance Fund	657	-	-	-	-	-	657
Business and Liquor Licenses	1,768	114	-	-	-	-	1,882
Charges for Current Services							
Building and Related Permits	14,664	42	-	-	(22)	-	14,684
Recreation Fees	6,470	(1)	-	-	-	-	6,469
WestWorld Equestrian Facility Fees	4,804	15	-	-	-	-	4,819
Fire Fees	1,125	115	-	-	-	-	1,240
Fines, Fees, and Forfeitures							
Court	4,329	(240)	-	-	-	-	4,089
City Attorney Service Enhancement	310	-	-	-	-	-	310
Parking	314	(19)	-	-	-	-	295
Photo Radar	2,536	(7)	-	-	-	-	2,529
Court Enhancement	2,031	-	-	-	-	-	2,031
Library	449	(138)	-	-	-	-	311
Police	418	-	-	-	-	-	418
Property Rental	5,859	37	-	-	-	-	5,896
Interest Earnings	4,224	-	-	-	-	-	4,224
Net Decrease in Fair Value of Investments	(2,006)	-	-	-	-	-	(2,006)
Intergovernmental							
Federal Grants	13,903	2,247	-	-	-	-	16,150
State Grants	227	11	-	-	-	-	238
Miscellaneous	13,205	(2,782)	-	-	-	-	10,423
Developer Contributions	835	-	-	-	-	-	835
Streetlight and Services Districts	584	-	-	-	-	-	584
Contributions and Donations	2,333	-	-	-	-	-	2,333
Reimbursements from Outside Sources	1,840	7	-	-	-	-	1,847
Indirect Costs	7,455	-	-	-	-	-	7,455
Other	869	1,948	-	-	(12)	-	2,805
Total Revenues	\$ 458,078	\$ 592	\$ -	\$ 1,047	\$ (34)	\$ -	\$ 459,683

(continued)



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

(in thousands)

	Total Governmental Funds	Long-Term Revenue/ Expenses <sup>(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>EXPENDITURES/EXPENSES</b>							
Current							
General Government							
Mayor and City Council	\$ 653	\$ (17)	\$ -	\$ 2	\$ -	\$ -	\$ 638
City Clerk	735	(44)	2	2	-	-	695
City Attorney	6,747	(316)	15	40	-	-	6,486
City Auditor	816	(19)	-	3	-	-	800
City Court	5,692	(207)	25	20	-	-	5,530
City Manager	3,094	(57)	19	6	-	-	3,062
City Treasurer	5,979	(238)	317	25	(12)	-	6,071
Public Works	35,013	(842)	8,257	(181)	(42)	-	42,205
Community and Economic Development	47,696	3,406	55,689	(132)	(4,604)	98	102,153
Public Safety	136,075	12,206	5,107	(235)	(22)	125	153,256
Community Services	47,056	(497)	8,139	(6)	-	18	54,710
Administrative Services	16,309	(687)	5,520	31	-	-	21,173
Streetlight and Services Districts	605	-	-	-	-	-	605
Debt Service							
Principal	68,017	-	-	-	-	(68,017)	-
Interest and Fiscal Charges	32,052	-	-	-	-	(3,328)	28,724
Bond Issuance Costs	241	-	-	-	-	(241)	-
Capital Outlay	54,311	-	(54,311)	-	-	-	-
Total Expenditures/Expenses	\$ 461,091	\$ 12,688	\$ 28,779	\$ (425)	\$ (4,680)	\$ (71,345)	\$ 426,108
<b>OTHER FINANCING SOURCES (USES) / CHANGES IN NET POSITION</b>							
Net Transfers from Other Funds	\$ 7,654	\$ -	\$ -	\$ 102	\$ -	\$ -	\$ 7,756
Capital Contributions	-	-	45,421	4,758	(4,646)	-	45,533
Sale of Capital Assets	214	(21)	-	140	-	-	333
Issuance of Long-Term Capital-Related Debt	25,500	-	-	-	-	(25,500)	-
Premium on Long-Term Debt Issued	3,496	-	-	-	-	(3,496)	-
Total	36,864	(21)	45,421	5,000	(4,646)	(28,996)	53,622
Net Change for the Year	\$ 33,851	\$ (12,117)	\$ 16,642	\$ 6,472	\$ -	\$ 42,349	\$ 87,197

(continued)

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

(in thousands)

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

Property tax revenue	\$ 94
Court revenue	(260)
Library revenue	(138)
Privilege tax revenue	(846)
Transient occupancy tax revenue	(1)
Intergovernmental revenue	(423)
Other receivable revenue	234
	<u>\$ (1,340)</u>

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

Amortization of long-term prepaid leases	<u>\$ (967)</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The change in equity of the joint venture is reclassified from governmental fund expenses to an adjustment to the equity on the Statement of Activities.

Accrual for long-term compensated absences	\$ (135)
OPEB expense	(316)
Pension expense	(33,042)
Change in equity interest for joint venture	(308)
Amortization of service concession arrangements (SCAs)	(4,333)
	<u>\$ (38,134)</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	\$ 26,146
Current-year OPEB contributions	111
	<u>\$ 26,257</u>

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

	<u>\$ 181</u>
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The State Treasurer distributes funding directly to the Public Safety Personnel Retirement System (PSPRS) that is used to offset the contributions required to be made by the City to the PSPRS. This amount is recognized as revenue by the City although no cash is received directly from the State Treasurer.

	<u>\$ 1,886</u>
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(5) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	\$ 54,311
Miscellaneous net capital expenditures	(5,235)
Depreciation expense	(76,638)
Loss on disposal of capital assets	(1,217)
	<u>\$ (28,779)</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	\$ 45,421
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(6) Internal Service funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and fleet management to the individual funds. The adjustments for internal service funds adjust those funds by charging additional amounts to participating governmental activities and recording an amount due to/from the enterprise funds.

Change in net position	\$ 7,228
Internal payable to Enterprise Fund	(756)
	\$ 6,472

(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	\$ (4,680)
Reduction in expenditures/expenses - Governmental Funds	4,680
	\$ -

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

Transferred to the paying agent	
Principal payments made	\$ 68,017

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

Amortization of deferred charges on refundings	\$ (2,800)
Amortization of bond premium and discounts	6,128
	\$ 3,328

Bond proceeds 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:

Long-Term capital-related debt	\$ (25,500)
Premium on bonds	(3,496)
	\$ (28,996)

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budget and Budgetary Accounting

The City prepared an annual budget that covered fiscal year 2018. The fiscal year 2018 budget appropriation is established and reflected in the financial statements as follows:

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

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

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

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

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

In June, the budget is legally enacted through the passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized beyond the limit for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2018, there were no supplemental budgetary appropriations to the original budget.

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

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

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

The Preserve Privilege Tax Special Revenue Fund exceeded its expenditure appropriation by \$4,000. The additional expenditures incurred were funded by available fund balance within the fund.

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

The Community Development Block Grant Special Revenue Fund, HOME Special Revenue Fund, Grants Special Revenue Fund, and the External Sources Capital Project Fund had deficit ending fund balances of \$40,000, \$185,000, \$322,000, and \$4,396,000, respectively. These deficits were caused by certain grant reimbursements and pending reimbursements from intergovernmental agreements related to capital projects the City is required to fund, not being available at the end of the fiscal year. Revenue accruals are not recognized in the current fiscal year due to the unavailability of the funds. These reimbursements due will be recognized as revenue when actually received.

The Preserve Privilege Tax Capital Projects Fund had a deficit ending fund balance of \$5,000 primarily due to timing differences of cash transfers for the payroll accrual.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## D. Fund Balance Classifications

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

(in thousands)	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Inventory	\$ 264	\$ -	\$ -	\$ -	\$ 264
Endowments	-	-	-	619	619
Total Nonspendable	<u>264</u>	<u>-</u>	<u>-</u>	<u>619</u>	<u>883</u>
<b>Restricted</b>					
Property Tax for Debt Service	-	2,471	-	-	2,471
Transaction Privilege and Highway User Tax for Transportation Improvements	-	-	-	9,745	9,745
Federal Grants for CDBG	-	-	-	69	69
Federal Grants for Section 8 Housing	-	-	-	471	471
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	34,094	34,094
Property Tax for Community Facility Districts	-	-	-	894	894
Streetlight Districts	-	-	-	4	4
General Government-Mayor and City Council Special Programs	-	-	-	7	7
General Government-City Court Special Programs	-	-	-	2,172	2,172
Public Works Special Programs	-	-	-	99	99
Community and Economic Development Special Programs	-	-	-	83	83
Public Safety Special Programs	-	-	-	842	842
Community Services Special Programs	-	-	-	302	302
Sales Tax Rebate for District Debt Service	-	-	-	321	321
Stadium Surcharge for Debt Service	-	-	-	2,234	2,234
Maricopa County Stadium District/State Tourism Authority Contracts for Debt Service	-	-	-	1,803	1,803
GO Bond Proceeds for Capital Improvements	-	-	-	20,675	20,675
Transaction Privilege Tax for Transportation Capital Improvements	-	-	-	36,515	36,515
Federal Grant Capital Improvements for CDBG	-	-	-	2	2
Contributions for Drainage Capital Improvements	-	-	-	2,280	2,280
Contributions for Stadium Capital Improvements	-	-	-	274	274
Endowments	-	-	-	34	34
Total Restricted	<u>-</u>	<u>2,471</u>	<u>-</u>	<u>112,920</u>	<u>115,391</u>
<b>Committed</b>					
General Fund Contribution for Capital Improvements	-	-	30,780	-	30,780
Stadium Surcharge for Stadium Improvements	-	-	256	-	256
In-Lieu Parking Fees for Parking Projects	-	-	259	-	259
In-Lieu Stormwater Fees for Drainage Improvements	-	-	493	-	493
Transient Occupancy Tax for Tourism Related Capital Improvements	-	-	6,308	-	6,308
Court Enhancement Fees for Court Capital Improvements	-	-	167	-	167
Risk Management Contributions for Technology Infrastructure	-	-	2	-	2
General Government-City Court Special Programs	-	-	-	5,441	5,441
Public Works Special Programs	-	-	-	250	250
Community and Economic Development Special Programs	-	-	-	3,627	3,627
Public Safety Special Programs	-	-	-	169	169
Community Services Special Programs	-	-	-	1,746	1,746
Transient Occupancy Tax for Tourism Development	-	-	-	8,669	8,669
Excise Tax Debt Reserve	-	-	-	4,700	4,700
Total Committed	<u>-</u>	<u>-</u>	<u>38,265</u>	<u>24,602</u>	<u>62,867</u>
<b>Unassigned</b>	<u>72,809</u>	<u>-</u>	<u>-</u>	<u>(7,638)</u>	<u>65,171</u>
<b>Total Fund Balances</b>	<u>\$ 73,073</u>	<u>\$ 2,471</u>	<u>\$ 38,265</u>	<u>\$ 130,503</u>	<u>\$ 244,312</u>

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

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, 2018:

#### Net Position Restrictions (in thousands)

##### Water and Sewer

Restricted for System Replacement	\$	40,346
Restricted for Debt Service		4,692
Restricted for Joint Venture Construction Deposits		3,888
	\$	<u>48,926</u>

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# Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

## IV. DETAILED NOTES ON ALL FUNDS

### A. Cash and Investments

The City maintains a cash and investment pool for use by all funds except the Community Facilities Districts, Municipal Property Corporation, Scottsdale Preserve Authority Funds, and the City's endowment funds, which have investments held separately by a trustee.

City Charter, ordinance, and trust agreements authorize the City to invest in certificates of deposit; bankers' acceptances; repurchase agreements; commercial paper (A-1, P-1); money market mutual funds; highly rated corporate bonds/notes; obligations of the United States Government, its agencies, and other instrumentalities; highly rated obligations issued or guaranteed by any state or political subdivision thereof or any obligations issued or guaranteed by the City; and the State of Arizona Local Government Investment Pool (LGIP), which is overseen by the Office of the Arizona State Treasurer.

#### Deposits

At June 30, 2018, the carrying amount of the City's deposits was \$164,857,338, and the bank balance was \$181,001,155. The \$16,143,817 difference represents outstanding checks, deposits in transit, timing differences in transfers between depository account and investment accounts, and other reconciling items.

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2018, in accordance with City policy, \$500,000 of the City's deposits were covered by federal depository insurance, \$20,756,638 were collateralized by securities held by the City's agent, and \$159,744,517 were securities held by the pledging financial institution's trust department in the name of the City. Thus, the City had no deposits that were exposed to custodial credit risk.

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

#### Interest Rate Risk

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



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

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	\$ 128,427	\$ 69,625	\$ 15,517	\$ 22,680	\$ 20,605
U.S. Government Agencies	109,571	6,416	77,954	25,201	-
U.S. Government Instrumentalities	31,842	-	3,346	28,496	-
Corporate Notes	56,753	14,447	24,011	18,295	-
Commercial Paper	69,755	69,755	-	-	-
Negotiable Certificates of Deposit	65,918	23,004	30,582	12,332	-
Money Market Mutual Funds	52,803	52,803	-	-	-
<b>Total Investments</b>	<b>\$ 515,069</b>	<b>\$ 236,050</b>	<b>\$ 151,410</b>	<b>\$ 107,004</b>	<b>\$ 20,605</b>

## Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). The City's investment policy limits its corporate debt investments and investments in negotiable certificates of deposit to the top three rating categories by Moody's Investors Service or Standard and Poor's Corporation, its investments in commercial paper to be rated P-1 by Moody's Investors Service and A-1 by Standard and Poor's, and its investments in money market mutual funds to those funds which are registered with the Securities and Exchange Commission under the Investment Company Act of 1940. The City's investments in the investment types referenced above at June 30, 2018, meet the aforementioned criteria. Presented below are the ratings as of June 30, 2018, for each investment type (in thousands):

Investment Type	Total	A-1	A-1+	A-	A	A+	AA-	AA	AA+	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 128,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,427
U.S. Government Agencies	109,571	-	-	-	-	-	-	-	109,571	-	-
U.S. Government Instrumentalities	31,842	-	-	-	-	-	-	-	-	31,842	-
Corporate Notes	56,753	-	-	10,943	16,556	11,255	11,344	2,503	4,152	-	-
Commercial Paper	69,755	64,244	5,511	-	-	-	-	-	-	-	-
Negotiable Certificates of Deposit	65,918	15,039	7,965	-	10,022	15,536	17,356	-	-	-	-
Money Market Mutual Funds	52,803	-	-	-	-	-	-	-	-	52,803	-
<b>Total Investments</b>	<b>\$ 515,069</b>	<b>\$ 79,283</b>	<b>\$ 13,476</b>	<b>\$ 10,943</b>	<b>\$ 26,578</b>	<b>\$ 26,791</b>	<b>\$ 28,700</b>	<b>\$ 2,503</b>	<b>\$ 113,723</b>	<b>\$ 84,645</b>	<b>\$ 128,427</b>

Note: A-1 and A-1+ are short-term credit ratings.

## Concentration of Credit Risk

The City investment guidelines place no limit on the amount that the City may invest in any one issuer of obligations of the United States Government, its agencies, and other instrumentalities; however, the overall percentage of callable securities is monitored. Supranational debt (i.e.: an instrumentality of the United States Government) of an issuer is limited to 3 percent of the aggregate portfolio and investment in this sector class cannot exceed 10 percent of the total portfolio. Certificates of deposit and medium-term corporate notes each have a per issuer limit of 5 percent of the aggregate portfolio and investment in each of these sectors is limited to 30 percent of the total portfolio. Commercial paper has a per issuer limit of 3 percent of the aggregate portfolio and investment in this sector is limited to 10 percent of the total portfolio.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

The following is a listing by issuer of the City's investments at June 30, 2018:

(dollars in thousands)

<u>Issuer</u>	<u>Investment Type</u>	<u>Market Value</u>	<u>Percent of Holdings</u>
U.S. Treasury	U.S. Government Securities	\$ 128,427	27.80%
Federal Home Loan Bank (FHLB)	U.S. Government Agencies	22,574	4.88%
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Government Agencies	39,338	8.51%
Federal National Mortgage Association (FNMA)	U.S. Government Agencies	47,659	10.31%
African Development Bank	U.S. Government Instrumentalities	2,380	0.51%
Asian Development Bank	U.S. Government Instrumentalities	3,244	0.70%
Inter-American Development Bank	U.S. Government Instrumentalities	8,630	1.87%
International Bank of Reconstruction and Development	U.S. Government Instrumentalities	9,929	2.15%
International Finance Corporation	U.S. Government Instrumentalities	7,659	1.66%
American Honda Finance	Corporate Notes	2,541	0.55%
Apple Inc.	Corporate Notes	4,152	0.90%
Bank of New York Mellon	Corporate Notes	5,418	1.17%
BB&T	Corporate Notes	1,687	0.37%
Berkshire Hathaway Inc.	Corporate Notes	2,503	0.54%
Caterpillar Inc.	Corporate Notes	2,454	0.53%
Chevron Corp.	Corporate Notes	1,873	0.41%
Cisco Systems Inc.	Corporate Notes	5,789	1.25%
General Electric Co.	Corporate Notes	6,253	1.35%
Home Depot	Corporate Notes	1,498	0.32%
Honeywell International	Corporate Notes	933	0.20%
IBM Corp.	Corporate Notes	5,463	1.18%
JP Morgan Chase & Co.	Corporate Notes	3,289	0.71%
Toyota Motor Credit Corp.	Corporate Notes	3,682	0.80%
Unilever Capital Corp.	Corporate Notes	433	0.09%
Walt Disney Co.	Corporate Notes	2,819	0.61%
Wells Fargo & Co.	Corporate Notes	5,966	1.29%
Bank of Montreal Chicago	Commercial Paper	8,667	1.87%
BNP Paribas NY	Commercial Paper	9,817	2.12%
Cooperatieve Rabobank U.A.	Commercial Paper	16,333	3.53%
Dexia Credit Local SA NY	Commercial Paper	5,511	1.19%
ING (US) Funding LLC	Commercial Paper	6,523	1.41%
J.P. Morgan Securities LLC	Commercial Paper	13,086	2.83%
MUFG Bank LTD NY	Commercial Paper	9,818	2.12%
Bank of Montreal Chicago	Negotiable Certificates of Deposit	7,985	1.73%
Bank of Nova Scotia Houston	Negotiable Certificates of Deposit	6,454	1.40%
Canadian Imperial Bank NY	Negotiable Certificates of Deposit	3,225	0.70%
Credit Agricole CIB NY	Negotiable Certificates of Deposit	3,316	0.72%
Credit Suisse NY	Negotiable Certificates of Deposit	3,365	0.73%
MUFG Bank LTD NY	Negotiable Certificates of Deposit	3,341	0.72%
Nordea Bank AB NY	Negotiable Certificates of Deposit	5,023	1.09%
Skandinaviska Enskilda Banken NY	Negotiable Certificates of Deposit	6,444	1.39%
Sumitomo Mitsui Bank NY	Negotiable Certificates of Deposit	6,467	1.40%
Svenska Handelsbanken NY	Negotiable Certificates of Deposit	7,965	1.72%
Swedbank NY	Negotiable Certificates of Deposit	6,589	1.43%
WestPac Banking Corp. NY	Negotiable Certificates of Deposit	5,744	1.24%
	<b>Total Investments</b>	<b>\$ 462,266</b>	<b>100.00%</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Investments

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

Cash on Hand	\$ 19
Carrying Amount of City Deposits	164,857
Investments	515,069
Endowments	645
<b>Total Cash and Investments</b>	<b>\$ 680,590</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, 2018:

## Investments Measured at Fair Value

(in thousands)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ 128,427	\$ -	\$ -
U.S. Government Agencies	-	109,571	-
U.S. Government Instrumentalities	-	31,842	-
Corporate Notes	-	56,753	-
Commercial Paper	-	69,755	-
Negotiable Certificates of Deposit	-	65,918	-
	\$ 128,427	\$ 333,839	\$ -

Debt securities classified in Level 1 of the fair value hierarchy are valued using the price received from the primary exchange. Debt securities and certain of the negotiable certificates of deposit classified in Level 2 of the fair value hierarchy are also valued using the price received from the primary exchange. The primary exchange for both Level 1 and Level 2 investments has been set based upon where the highest number of trade days for a particular security has occurred. One of the certificates of deposit and all of the commercial paper investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is a method of supplying system-generated prices to assets using yield curves that is defined by SEI Investments Company.

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

Primary Government	
Cash and Investments	\$ 470,126
Cash with Fiscal Agent	159,744
Other Restricted Cash	50,628
Family Self-Sufficiency Agency Fund	92
<b>Total Cash and Investments</b>	<b>\$ 680,590</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

Investment income comprises the following for the fiscal year ended June 30, 2018 (in thousands):

Net Interest	\$ 8,296
Net Decrease in the Fair Value of Investments	<u>(3,787)</u>
<b>Total Net Investment Income</b>	<b><u><u>\$ 4,509</u></u></b>

The net decrease in the fair value of investments for the fiscal year was \$(3,787,122). This amount takes into account all changes in fair value (realized and unrealized) that occurred during the year.

## B. Endowments

City of Scottsdale 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 of Scottsdale, made by and through the Scottsdale City Council. As of June 30, 2018, the amount of donor-restricted endowment funds available for authorization and expenditure is \$26,300.

## C. Receivables

Receivables as of June 30, 2018, for the government's individual major governmental funds, nonmajor governmental funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

### Governmental and Governmental Activities Internal Service Funds

	General	General Obligation Bond Debt Service	General CIP Construction Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
<b>Receivables</b>					
<b>Property Taxes and Penalties</b>					
Property	\$ 977	\$ 1,017	\$ -	\$ 110	\$ 2,104
Court	55,468	-	-	-	55,468
Subtotal Property Taxes and Penalties	56,445	1,017	-	110	57,572
<b>Other Local Taxes</b>					
Privilege	15,880	-	-	5,781	21,661
Transient Occupancy	-	-	-	1,188	1,188
State Shared Sales	869	-	-	-	869
Franchise Fee	3,200	-	-	55	3,255
Auto Lieu	392	-	-	-	392
Highway User	-	-	-	1,449	1,449
Subtotal Other Local Taxes	20,341	-	-	8,473	28,814
<b>Intergovernmental/Grants</b>	-	-	-	33,451	33,451
<b>Interest and Other</b>					
Interest	694	-	129	316	1,139
Library	1,529	-	-	-	1,529
Miscellaneous	4,529	-	2,207	3,116	9,852
Subtotal Interest and Other	6,752	-	2,336	3,432	12,520
Gross Receivables	83,538	1,017	2,336	45,466	132,357
Less: Allowances for Uncollectibles	(46,426)	-	-	-	(46,426)
<b>Net Total Receivables</b>	<b>\$ 37,112</b>	<b>\$ 1,017</b>	<b>\$ 2,336</b>	<b>\$ 45,466</b>	<b>\$ 85,931</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

The City has a development agreement relating to biomedical research activities with the Translational Genomics Research Institute (TGen) to repay \$2,220,000 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, 2018, the loan balances totaled \$2,032,383, of which the majority is not expected to be collected within the next year.

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

The City and the Arizona Tourism and Sports Authority, doing business as the Arizona Sports and Tourism Authority (AZSTA), have an intergovernmental agreement for the AZSTA to pay for costs related to the Scottsdale municipal spring training facility renovation project. The balance of \$10,934,201 is estimated to be paid by 2031 contingent upon revenue receipts collected by AZSTA.

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

**Business-type Activities Enterprise Funds**  
(in thousands)

	<u>Water and Sewer Utility</u>	<u>Airport</u>	<u>Solid Waste</u>	<u>Total Enterprise Fund</u>
<b>Receivables</b>				
Privilege Tax	\$ -	\$ 19	\$ -	\$ 19
Charges for Services	17,113	-	1,952	19,065
Intergovernmental	1,892	1,649	-	3,541
Interest	715	21	37	773
Miscellaneous	2,051	336	38	2,425
	<u>21,771</u>	<u>2,025</u>	<u>2,027</u>	<u>25,823</u>
Gross Receivables				
Less: Allowances for Uncollectibles	(26)	-	(3)	(29)
<b>Net Total Receivables</b>	<u>\$ 21,745</u>	<u>\$ 2,025</u>	<u>\$ 2,024</u>	<u>\$ 25,794</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):

	<u>Unavailable</u>	<u>Unearned</u>
Property Tax	\$ 1,287	\$ -
Transient Occupancy Tax	27	-
Court	3,727	-
Library	384	-
Privilege Tax	3,290	-
Intergovernmental	32,226	7,564
Other	1,424	1,834
<b>Total</b>	<u>\$ 42,365</u>	<u>\$ 9,398</u>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows (in thousands):

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets, not being depreciated</b>				
Land	\$ 3,143,211	\$ 34,238	\$ -	\$ 3,177,449
Construction in Progress	25,855	54,387	(40,316)	39,926
Total Capital Assets, not being depreciated	<u>3,169,066</u>	<u>88,625</u>	<u>(40,316)</u>	<u>3,217,375</u>
<b>Capital Assets, being depreciated</b>				
Buildings and Land Improvements	716,572	7,800	(811)	723,561
Streets and Storm Drains	1,753,876	31,326	(167)	1,785,035
Motor Vehicles	77,800	12,085	(4,799)	85,086
Machinery and Equipment	77,327	7,179	(3,491)	81,015
Total Capital Assets, being depreciated	<u>2,625,575</u>	<u>58,390</u>	<u>(9,268)</u>	<u>2,674,697</u>
<b>Less Accumulated depreciation for</b>				
Buildings and Land Improvements	335,011	20,958	(502)	355,467
Streets and Storm Drains	1,032,179	50,516	(167)	1,082,528
Motor Vehicles	38,180	6,114	(4,503)	39,791
Machinery and Equipment	39,748	6,197	(2,580)	43,365
Total Accumulated depreciation	<u>1,445,118</u>	<u>83,785</u>	<u>(7,752)</u>	<u>1,521,151</u>
Total Capital Assets, being depreciated, net	<u>1,180,457</u>	<u>(25,395)</u>	<u>(1,516)</u>	<u>1,153,546</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 4,349,523</u>	<u>\$ 63,230</u>	<u>\$ (41,832)</u>	<u>\$ 4,370,921</u>

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets, not being depreciated</b>				
Land	\$ 50,381	\$ -	\$ -	\$ 50,381
Water Rights	87,171	-	-	87,171
Construction in Progress	51,879	76,489	(48,260)	80,108
Total Capital Assets, not being depreciated	<u>189,431</u>	<u>76,489</u>	<u>(48,260)</u>	<u>217,660</u>
<b>Capital Assets, being depreciated</b>				
Water System	1,213,936	35,530	(666)	1,248,800
Sewer System	616,142	18,871	-	635,013
Buildings and Land Improvements	43,140	845	(6,633)	37,352
Machinery and Equipment	6,529	437	-	6,966
Motor Vehicles	628	523	-	1,151
Furniture, Fixtures, and Office Equipment	486	244	(1)	729
Total Capital Assets, being depreciated	<u>1,880,861</u>	<u>56,450</u>	<u>(7,300)</u>	<u>1,930,011</u>
<b>Less Accumulated depreciation for</b>				
Water System	463,149	33,776	(666)	496,259
Sewer System	219,747	16,764	-	236,511
Buildings and Land Improvements	14,602	1,526	(3,792)	12,336
Machinery and Equipment	2,919	557	-	3,476
Motor Vehicles	555	46	-	601
Furniture, Fixtures, and Office Equipment	208	69	(1)	276
Total Accumulated depreciation	<u>701,180</u>	<u>52,738</u>	<u>(4,459)</u>	<u>749,459</u>
Total Capital Assets, being depreciated, net	<u>1,179,681</u>	<u>3,712</u>	<u>(2,841)</u>	<u>1,180,552</u>
<b>Business-type Activities Capital Assets, net</b>	<u>\$ 1,369,112</u>	<u>\$ 80,201</u>	<u>\$ (51,101)</u>	<u>\$ 1,398,212</u>

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

During the fiscal year, the Airport and Water and Sewer Utility Enterprise Funds capitalized net interest costs of \$3,657,294. Total interest expense in these funds before capitalization was \$16,291,956.

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

<b>Governmental Activities</b>	
City Clerk	\$ 2
City Attorney	15
City Court	40
City Manager	55
Public Works	8,347
Community and Economic Development	51,403
Public Safety	4,255
City Treasurer	6
Community Services	8,548
Administrative Services	3,967
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	7,147
Total Depreciation Expense - Government Activities	\$ 83,785

<b>Business-type Activities</b>	
Water and Sewer System	\$ 51,106
Airport	1,370
Solid Waste	262
Total Depreciation Expense - Business-type Activities	\$ 52,738

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Construction Commitments

The City has active construction projects as of June 30, 2018. At year end the government's commitments with contractors for specific projects are as follows (in thousands):

<u>Capital Project Program Classification</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aviation	\$ 28,001	\$ 7,767
Drainage and Flood Control	2,910	1,117
Fire Protection	4,092	767
Municipal Facilities	434	286
Neighborhood and Community	4,361	1,198
Parks	584	685
Police	82	78
Preservation	1,485	820
Streets	8,886	3,751
Technology	578	693
Traffic	1,572	94
Transit	6,132	2,295
Wastewater	4,387	7,447
Water	24,511	13,106
Total Construction Commitments	<u>\$ 88,015</u>	<u>\$ 40,104</u>
<b><u>Governmental Activities</u></b>		
General CIP Construction Capital Projects Fund	\$ 4,915	\$ 2,738
Nonmajor Governmental Funds	26,014	8,801
Internal Service Funds	91	180
Total Governmental Activities	<u>31,020</u>	<u>11,719</u>
<b><u>Business-type Activities</u></b>		
Water and Sewer Utility	28,910	20,580
Airport	28,001	7,767
Solid Waste	84	38
Total Business-type Activities	<u>56,995</u>	<u>28,385</u>
Total Construction Commitments	<u>\$ 88,015</u>	<u>\$ 40,104</u>

## E. Interfund Balances and Interfund Transfers

### Due To and Due From Other Funds

“Due to” and “Due from” balances have been recorded to address temporary cash flow needs. The composition of interfund balances as of June 30, 2018, is as follows (in thousands):

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 7,121	Enterprise Fund - Airport	\$ 7,121
General Fund	3,673	Nonmajor Governmental Funds	3,673
Total	<u>\$ 10,794</u>	Total	<u>\$ 10,794</u>



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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

The Airport Enterprise Fund, the External Sources Capital Project Fund, and the Streetlight Districts Special Revenue Fund had deficit cash balances of \$7,120,783, \$3,671,206, and \$1,531, respectively, due to pending reimbursements from bonds, grants, and intergovernmental agreements.

### Interfund Transfers

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

Net Transfers (in thousands)

	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Governmental Funds</b>		
General	\$ 25,376	\$ 9,675
Debt Service - General Obligation Bond	-	26,355
Capital Projects - General CIP Construction	486	18,856
Nonmajor Governmental Funds	70,410	49,040
Total Governmental Funds	<u>96,272</u>	<u>103,926</u>
<b>Enterprise Funds</b>		
Water and Sewer Utility	7,756	-
Total Enterprise Funds	<u>7,756</u>	<u>-</u>
<b>Internal Service Funds</b>		
Self-Insurance	2	104
Total Internal Service Funds	<u>2</u>	<u>104</u>
<b>Total Transfers</b>	<u>\$ 104,030</u>	<u>\$ 104,030</u>

### F. Leases

#### Operating Leases

##### *City as Lessee*

The City, as a lessee, has entered into lease agreements involving motor vehicles, a distributed antenna system, and data center facility space. Payments relating to these leases totaled \$541,865, the full amount of which consisted of minimum lease payments.

The distributed antenna system's lease increases annually by 3 percent as per the lease agreement's escalation clause and may be renewed by the City for up to ten years subsequent to the initial lease term's ending date of March 31, 2020. The data center facility space's lease increases annually by 5 percent as per the lease agreement's escalation clause and may be renewed annually by agreement between the City and the lessor subsequent to the initial lease term's ending date of September 30, 2021.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

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

Fiscal Year	
<u>Ending June 30,</u>	
2019	\$ 246
2020	253
2021	264
2022	70
2023	-
Total	<u>\$ 833</u>

### *City as Lessor*

The City has agreements in which it conveys the right to use land, airport facilities, and other capital assets that it accounts for as operating leases. Minimum future rentals on noncancellable operating leases at June 30, 2018, are as follows (in thousands):

Fiscal Year	
<u>Ending June 30,</u>	
2019	\$ 3,953
2020	3,837
2021	2,989
2022	1,972
2023	1,802
Thereafter	90,082
Total	<u>\$ 104,635</u>

The above amounts do not include contingent rentals, which totaled \$2,391,553 for the fiscal year ended June 30, 2018.

A summary of the assets leased to third parties under the City's operating lease agreements at June 30, 2018, are as follows (in thousands):

Cost	\$ 115,429
Less: Accumulated Depreciation	<u>(25,617)</u>
Carrying Value	<u>\$ 89,812</u>

### Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of printing and imaging equipment for its administrative operations. This lease agreement qualifies as a capital lease for accounting purposes and is therefore included in the City's governmental capital assets. The equipment acquired through this lease agreement is recorded at a cost of \$296,434, less accumulated amortization of \$261,850. Current year amortization expense was \$54,346.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

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

<u>Fiscal Year</u> <u>Ending June 30,</u>		
2019	\$	33
Less: Imputed		<u>(1)</u>
Total	<u>\$</u>	<u>32</u>

### G. Service Concession Arrangements

In 1983, the City entered into a cost-sharing and land use agreement with the United States Bureau of Reclamation (BOR), under which the City would operate and develop the land where the City's WestWorld operation is located for a period of 50 years (with a mutual option to renew for an additional 25 years). The City entered into this agreement to develop the WestWorld facility for public recreation use and to enhance its revenue stream from rentals, concession sales, and parking fees. Beginning in fiscal year 2001, the BOR required the City to make annual payments for the administration of the agreement, and the present value of those payments as of June 30, 2018, is \$1,119,000. The City has also provided consideration in the form of land improvements with a book value of \$10,502,000 as of June 30, 2013, upon implementation of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and an additional \$50,929,000 through the fiscal year ended June 30, 2018. 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 \$47,831,000 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, 2018, is \$1,256,000. 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, 2018. 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 \$16,274,000 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, 2018. The totals shown are the principal amount outstanding, net of the amount due July 1, 2018.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

### General Obligation Bonds

General Obligation (GO) bonds are issued, after approval by City of Scottsdale voters at an authorized bond election, to finance the construction of water and sewer systems, artificial lighting, parks and open spaces, recreational facilities, and general-purpose improvements. In May 2004, voters authorized \$500,000,000 of additional Preservation GO bonds, as well as an additional 0.15 percent sales tax increase to be used to finance Preserve land acquisitions. As of June 30, 2018, the City has \$256,544,516 of unissued Preservation GO bonds from the May 2004 authorization. Preservation GO bonds are backed by the full faith and credit of the City and are repaid through the Preserve sales tax approved by voters in May 1995 and May 2004 to be used specifically to finance land acquisitions for the McDowell Sonoran Preserve.

### Municipal Property Corporation Bonds

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

The City has pledged to repay \$584,210,000 in MPC Excise Tax Revenue Bonds issued from 2006 through June 30, 2018, payable through 2037. Bonds issued prior to July 1, 2010, were pledged by revenues that included transient occupancy tax while bonds issued after this date exclude transient occupancy tax. The coverage ratio (revenues to debt service) for 2018 for MPC bonds is 4.32 (excluding the transient occupancy tax). The total principal and interest remaining to be paid on all MPC bonds is \$685,281,963. Principal and interest paid for the current year and total excise tax collections (excluding transient occupancy taxes) were \$50,197,619 and \$216,642,614, respectively.

### Scottsdale Preserve Authority Bonds

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

The City has pledged to repay \$44,870,000 in SPA bonds issued in 2010 and 2011. The bonds are payable through 2022. The coverage ratio (revenues to debt service) for 2018 is 7.86. The total principal and interest remaining to be paid on the bonds is \$13,075,750. Principal and interest paid for the current year and total sales tax were \$5,099,375 and \$40,088,895, respectively.

### 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, 2018, the funds restricted for this purpose were \$40,346,083.

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 2018 is 17.43. The total principal and interest remaining to be paid on the bonds is \$22,920,988. Principal and interest for the current year and total customer net revenues were \$4,564,688 and \$79,556,000, respectively.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

### **Certificates of Participation**

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

### **Community Facilities Districts General Obligation Bonds**

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

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

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

Bonds payable at June 30, 2018, consisted of the following:

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

<b>General Obligation Bonds</b>	<b>Bonds Outstanding (in thousands)</b>
2002 Refunding Bonds (issued September 26, 2002) due in annual installments of \$1,625,000 to \$8,795,000 through July 1, 2019; interest at 2 percent to 5 percent. On April 15, 2004, \$1,510,000 due 2010 was defeased. Original issue amount \$72,000,000.	\$ 1,725
2010 Various Purpose Bonds (issued April 7, 2010) due in annual installments of \$950,000 to \$4,800,000 through July 1, 2030; interest at 2 percent to 4 percent. On May 17, 2017, \$28,250,000 due 2022 through 2029 was refunded. Original issue amount \$50,800,000.	11,550
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.	3,580
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.	18,685
2012 Preservation Bonds (issued February 2, 2012) due in annual installments of \$1,400,000 to \$18,000,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$50,000,000.	48,600
2012 Refunding Bonds (issued July 11, 2012) due in annual installments of \$205,000 to \$30,045,000 through July 1, 2025; interest at 2 percent to 5 percent. Original issue amount \$83,025,000.	60,800
2013 Preservation Bond (issued February 13, 2013) due in annual installments of \$1,000,000 to \$8,665,000 through July 1, 2034; interest at 2 percent to 4 percent. Original issue amount \$75,000,000.	74,000
2014 Preservation Bond (issued May 7, 2014) due in annual installments of \$465,000 to \$945,000 through July 1, 2034; interest at 1.75 percent to 4 percent. Original issue amount \$14,000,000.	11,870
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.	57,600
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.	142,465
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

(continued)

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

<b>General Obligation Bonds (continued)</b>	<b>Bonds Outstanding (in thousands)</b>
2017 Refunding Bonds (issued May 17, 2017) due in annual installments of \$1,055,000 to \$5,525,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$39,985,000.	\$ 39,985
2017C Various Purpose Bonds (issued December 6, 2017) due in annual installments of \$1,690,000 to \$6,800,000 through July 1, 2027; interest at 5 percent. Original issue amount \$25,500,000.	18,700
Total General Obligation Bonds Outstanding	<u>\$ 525,465</u>
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.	\$ 51,940
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.	21,155
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.	1,190
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.	30,855
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.	19,800
2015A Municipal Property Corporation Excise Tax Revenue Bonds (issued January 6, 2015) due in annual installments of \$205,000 to \$865,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$12,200,000.	10,670
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.	12,600
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.	39,708
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 187,918</u>



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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

	<b>Bonds Outstanding (in thousands)</b>
<b>Scottsdale Preserve Authority Bonds</b>	
2010 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds (issued October 20, 2010) due in annual installments of \$3,110,000 to \$6,090,000 through July 1, 2024; interest at 3 percent to 5.25 percent. On May 17, 2017, \$19,535,000 due 2021 through 2024 was refunded. Original issue amount \$32,855,000.	\$ 6,950
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.	5,000
Total Scottsdale Preserve Authority Bonds	<u>\$ 11,950</u>
<b>Certificates of Participation</b>	
2010 Certificates of Participation (issued August 24, 2010) due in semi-annual installments of \$984,651 to \$1,246,573 beginning January 1, 2012, through July 1, 2020; interest at 2.97 percent. Original issue amount \$20,000,000.	<u>\$ 4,914</u>
<b>Community Facilities Districts General Obligation Bonds</b>	
2007 Waterfront Commercial Community Facilities District General Obligation Bonds (issued December 11, 2007) due in annual installments of \$25,000 to \$300,000 beginning July 15, 2009 through July 15, 2032; interest at 4.85 percent to 6.05 percent. Original issue amount \$3,805,000.	\$ 2,950
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.	9,820
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.	5,040
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.	990
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>\$ 18,800</u>
<b>Total Bonds Payable Recorded in Governmental Activities</b>	<u>\$ 749,047</u>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

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

	<b>Bonds Outstanding (in thousands)</b>
<b>Water and Sewer Revenue Bonds</b>	
2008 Water and Sewer Revenue Refunding Bonds (issued February 6, 2008) due in annual installments of \$190,000 to \$4,375,000 through July 1, 2023; interest at 3.25 percent to 5.25 percent. Original issue amount \$35,290,000.	<u>\$ 19,715</u>
<b>Municipal Property Corporation Bonds</b>	
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$3,600,000 to \$10,140,000 through July 1, 2030; interest at 5 percent. Original issue amount \$110,510,000.	\$ 87,785
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.	15,230
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.	16,165
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.	46,812
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.	37,985
2017B Municipal Property Corporation Excise Tax Revenue Bonds (issued May 24, 2017) due in annual installments of \$645,000 to \$1,655,000 through July 1, 2037; interest at 3 percent to 5 percent. Original issue amount \$23,520,000.	<u>22,875</u>
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 306,822</u>
Total Bonds Payable Recorded in Business-type Activities	<u>\$ 326,537</u>
<b>Total Long-Term Bonds Payable</b>	<u><u>\$ 1,075,584</u></u>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Statutory Debt Limitation

Under the provisions 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, sewer, light, parks, open space purposes, public safety, 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 also are not subject to or included in this calculation. The following summarizes the City’s legal GO bonded debt borrowing capacity at June 30, 2018:

<b>General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks, Open Spaces, Public Safety, and Transportation</b>		<b>General Obligation Bonds Issued for All Other Purposes</b>	
20% Constitutional Limit	\$ 1,385,687,229	6% Constitutional Limit	\$ 415,706,168
Less General Obligation		Less General Obligation	
20% Bonds Outstanding	(511,046,163)	6% Bonds Outstanding	(14,418,837)
Excess Premium	<u>(10,637,251)</u>	Excess Premium	<u>-</u>
<b>Available 20% Limitation Borrowing Capacity</b>	<b>\$ <u>864,003,815</u></b>	<b>Available 6% Limitation Borrowing Capacity</b>	<b>\$ <u>401,287,331</u></b>

## Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City used an independent consultant to evaluate the City’s outstanding tax-exempt debt for arbitrage liability and determined that there is no arbitrage liability due as of June 30, 2018.

## 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, 2018

The following table reflects refunded debt outstanding at June 30, 2018, net of any amounts to be paid or retired by the trustee on July 1, 2018 (in thousands):

### Refunded Debt Outstanding

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

### 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, 2018 (in thousands):

Governmental Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 547,295	\$ 25,500	\$ (47,330)	\$ 525,465	\$ 42,250
Municipal Property Corporation Bonds	199,118	-	(11,200)	187,918	14,157
Scottsdale Preserve Authority Bonds	16,315	-	(4,365)	11,950	4,540
Certificates of Participation	7,264	-	(2,350)	4,914	2,421
Community Facilities Districts General Obligation Bonds	21,355	-	(2,555)	18,800	2,475
Add Issuance Premiums	68,045	3,496	(6,128)	65,413	-
Total Bonds Payable	859,392	28,996	(73,928)	814,460	65,843
Capital Lease	95	-	(63)	32	32
Service Concession Arrangements	2,529	-	(154)	2,375	154
Risk Management Claims	20,351	37,315	(34,733)	22,933	7,801
Compensated Absences	25,374	10,479	(10,337)	25,516	11,007
Total Other Postemployment Benefit Liability	1,616	578	-	2,194	-
Net Pension Liabilities	307,803	1,291	-	309,094	-
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 1,217,160</b>	<b>\$ 78,659</b>	<b>\$ (119,215)</b>	<b>\$ 1,176,604</b>	<b>\$ 84,837</b>

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, 2018, \$429,000 of accrued compensated absences is included in the above amount for Internal Service Funds. For the governmental activities, the General Fund, Special Revenue Funds, Capital Projects Funds, and Internal Service Funds generally liquidate accrued compensated absences, the total OPEB liability, and the net pension liabilities. The compensated absences presented in this note are net of the current liability of \$233,000.

Business-type Activities	Beginning Balance	Additional Obligations and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 23,085	\$ -	\$ (3,370)	\$ 19,715	\$ 3,540
Municipal Property Corporation Bonds	321,912	-	(15,090)	306,822	16,053
Add Issuance Premiums	33,486	-	(2,547)	30,939	-
Total Bonds Payable	378,483	-	(21,007)	357,476	19,593
Compensated Absences	3,467	1,369	(1,305)	3,531	1,507
Net Pension Liabilities	35,762	-	(2,239)	33,523	-
<b>Business-type Activities Long-Term Liabilities</b>	<b>\$ 417,712</b>	<b>\$ 1,369</b>	<b>\$ (24,551)</b>	<b>\$ 394,530</b>	<b>\$ 21,100</b>

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2018:

**Governmental Activities**  
(in thousands)

Fiscal Year	General Obligation Bonds Issued to Provide Water, Sewer, Light, Parks, Open Spaces, Public Safety, and Transportation Facilities 20% Limitation			General Obligation Bonds Issued For All Other Purposes 6% Limitation			Total General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 31,781	\$ 19,342	\$ 51,123	\$ 10,469	\$ 437	\$ 10,906	\$ 42,250	\$ 19,779	\$ 62,029
2020	40,265	18,143	58,408	2,250	123	2,373	42,515	18,266	60,781
2021	44,925	16,512	61,437	1,700	55	1,755	46,625	16,567	63,192
2022	45,020	14,621	59,641	-	-	-	45,020	14,621	59,641
2023	48,780	12,728	61,508	-	-	-	48,780	12,728	61,508
2024-2028	194,380	38,130	232,510	-	-	-	194,380	38,130	232,510
2029-2033	89,065	11,858	100,923	-	-	-	89,065	11,858	100,923
2034-2038	16,830	599	17,429	-	-	-	16,830	599	17,429
<b>Total</b>	<b>\$ 511,046</b>	<b>\$ 131,933</b>	<b>\$ 642,979</b>	<b>\$ 14,419</b>	<b>\$ 615</b>	<b>\$ 15,034</b>	<b>\$ 525,465</b>	<b>\$ 132,548</b>	<b>\$ 658,013</b>

Fiscal Year	Municipal Property Corporation Bonds			Scottsdale Preserve Authority Excise Tax Revenue Bonds			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 14,157	\$ 8,369	\$ 22,526	\$ 4,540	\$ 577	\$ 5,117	\$ 32	\$ 1	\$ 33
2020	15,552	7,773	23,325	4,780	350	5,130	-	-	-
2021	10,952	7,042	17,994	1,280	131	1,411	-	-	-
2022	9,770	6,518	16,288	1,350	68	1,418	-	-	-
2023	10,345	6,042	16,387	-	-	-	-	-	-
2024-2028	61,887	22,244	84,131	-	-	-	-	-	-
2029-2033	54,705	9,126	63,831	-	-	-	-	-	-
2034-2038	10,550	662	11,212	-	-	-	-	-	-
<b>Total</b>	<b>\$ 187,918</b>	<b>\$ 67,776</b>	<b>\$ 255,694</b>	<b>\$ 11,950</b>	<b>\$ 1,126</b>	<b>\$ 13,076</b>	<b>\$ 32</b>	<b>\$ 1</b>	<b>\$ 33</b>

Fiscal Year	Certificates of Participation			Community Facilities Districts General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 2,421	\$ 128	\$ 2,549	\$ 2,475	\$ 680	\$ 3,155
2020	2,493	56	2,549	2,550	601	3,151
2021	-	-	-	2,650	519	3,169
2022	-	-	-	2,755	433	3,188
2023	-	-	-	1,470	345	1,815
2024-2028	-	-	-	5,800	943	6,743
2029-2033	-	-	-	1,100	171	1,271
2034-2038	-	-	-	-	-	-
<b>Total</b>	<b>\$ 4,914</b>	<b>\$ 184</b>	<b>\$ 5,098</b>	<b>\$ 18,800</b>	<b>\$ 3,692</b>	<b>\$ 22,492</b>

(continued)

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Governmental Activities (in thousands)

Fiscal Year	Service Concession Arrangements			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2019	\$ 154	\$ 188	\$ 342	\$ 66,029	\$ 29,722
2020	154	205	359	68,044	27,251	95,295
2021	154	223	377	61,661	24,482	86,143
2022	154	242	396	59,049	21,882	80,931
2023	154	262	416	60,749	19,377	80,126
2024-2028	769	1,643	2,412	262,836	62,960	325,796
2029-2033	689	2,051	2,740	145,559	23,206	168,765
2034-2038	147	582	729	27,527	1,843	29,370
Total	<u>\$ 2,375</u>	<u>\$ 5,396</u>	<u>\$ 7,771</u>	<u>\$ 751,454</u>	<u>\$ 210,723</u>	<u>\$ 962,177</u>

## Business-type Activities (in thousands)

Fiscal Year	Water and Sewer Revenue Bonds			Municipal Property Corporation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 3,540	\$ 1,026	\$ 4,566	\$ 16,053	\$ 14,105	\$ 30,158
2020	3,725	849	4,574	16,978	13,315	30,293
2021	3,930	654	4,584	17,843	12,481	30,324
2022	4,145	447	4,592	18,765	11,622	30,387
2023	4,375	230	4,605	19,595	10,703	30,298
2024-2028	-	-	-	91,358	39,741	131,099
2029-2033	-	-	-	87,730	17,419	105,149
2034-2038	-	-	-	38,500	3,380	41,880
Total	<u>\$ 19,715</u>	<u>\$ 3,206</u>	<u>\$ 22,921</u>	<u>\$ 306,822</u>	<u>\$ 122,766</u>	<u>\$ 429,588</u>

Fiscal Year	Total Business-type Activities		
	Principal	Interest	Total
2019	\$ 19,593	\$ 15,131	\$ 34,724
2020	20,703	14,164	34,867
2021	21,773	13,135	34,908
2022	22,910	12,069	34,979
2023	23,970	10,933	34,903
2024-2028	91,358	39,741	131,099
2029-2033	87,730	17,419	105,149
2034-2038	38,500	3,380	41,880
Total	<u>\$ 326,537</u>	<u>\$ 125,972</u>	<u>\$ 452,509</u>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## V. OTHER INFORMATION

### A. Risk Management

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

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

The liability claims amount recorded in the accompanying financial statements is based on reported pending claims and an actuarial analysis and projection of the accrued liability amounts necessary to fund the claims. At June 30, 2018, the general liability claims payable totaled \$20,630,000 and the self-insured benefits claims payable totaled \$2,303,000. The City began to administer all self-insured health and dental plans in January of 2004.

	Fiscal Year Ended June 30	
	(in thousands)	
	2018	2017
Claims Payable, July 1	\$ 20,351	\$ 17,582
Current Year Claims Incurred	37,315	33,599
Current Year Claim Payments	<u>(34,733)</u>	<u>(30,830)</u>
<b>Claims Payable, June 30</b>	<b><u>\$ 22,933</u></b>	<b><u>\$ 20,351</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, 2018, \$1,912,163 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, 2018

The City has entered into several agreements whereby it will reimburse developers a portion of development costs and interest or sales tax generated on their site for a period of time and up to a maximum dollar amount. The funding source for the reimbursements will come from sales tax collected on the site over the life of the agreements. The City does not become liable under the agreements until a certificate of occupancy is issued or sales tax is generated, collected, and remitted to the City. As of June 30, 2018, these requirements have not been met under any of the agreements. The City's estimated contingent liability related to the agreements at June 30, 2018, is \$19,963,609.

### 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 a portion 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, 2018, the City abated eligible privilege taxes totaling \$121,653 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 \$121,653.
- 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, 2018, as the developer has yet to construct and commence the initial operation of the dealerships. As part of the agreement, the City also agreed to waive any City fees related to the initial design and construction of, or the issuance of a certificate of occupancy for, the dealerships.



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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

### 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, 2017, (the latest audited information available from SROG), the City's net investment in SROG was \$92,679,000. SROG's net cash operating expenses for the fiscal year ended June 30, 2017, were \$37,806,567, of which the City's share was \$3,845,300, or 10.2 percent. For the fiscal year ended June 30, 2018, the City paid \$3,524,418 for SROG capital contributions and \$3,922,302 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, 2017, 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, 2018

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, 2017, (the latest audited information available from RWC), was \$1,879,621 or 2.3 percent of the RWC's total net position. The City contributed \$218,606 for the fiscal year ended June 30, 2018, and shared in estimated depreciation expenses of \$218,064 resulting in an estimated equity balance as of June 30, 2018, of \$1,880,163. 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 in order to provide funding and regulatory authority for the study and cleanup of contaminated sites. The EPA, in conjunction with the State of Arizona, directs the cleanup of the North Indian Bend Wash (NIBW) Site that encompasses a groundwater contamination plume in Scottsdale.

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

The measurement of the City's pollution remediation obligation liability includes all remediation work that the City expects to perform, including work expected to be performed for the participating companies. In order to estimate the CGTF liability, ten projected cash flows, based on the prior ten years of historical costs and weighted equally, were used to calculate an average annual cost. In order to estimate the NGTF liability, five projected cash flows, based on the prior five 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 56 years for CGTF and the NGTF. The Environmental Protection Agency (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 2018 reimbursable outlays for operating and monitoring the CGTF were \$493,065 and for the NGTF were \$141,877. 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 benefitted employees of the City including the Mayor and the City Council are covered by one of four pension plans. All full-time City employees, except public safety personnel (police officers and firefighters) and the Mayor and City Council, participate in the Arizona State Retirement System, a cost-sharing multiple-employer defined benefit pension plan. All public safety personnel participate in the Public Safety Personnel Retirement System, which is an agent multiple-employer defined benefit pension plan. The Mayor and City Council participate in either the Elected Officials' Retirement Plan (a cost-sharing multiple-employer defined benefit pension plan) or the Elected Officials' Defined Contribution Retirement System (a defined contribution plan). The City contributes to the Elected Officials' Retirement Plan; however, the plan is not described below because of its relative insignificance to the financial statements. All plans are component units of the State of Arizona.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Arizona State Retirement System

### General Information about the Pension Plan

#### *Plan Description*

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

#### *Benefits Provided*

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

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

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

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

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

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

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

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

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

### *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 11.34 percent of their annual pay for the fiscal year ended June 30, 2018, and the City's required contribution rate was 10.90 percent during the same time period. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.26 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, 2018, was actuarially determined to yield contribution amounts sufficient to finance costs earned by employees during the year and to amortize the Plan's unfunded actuarially accrued liability over the period specified in the statutes. Contributions to the pension plan from the City were \$11,437,000 for the fiscal year ended June 30, 2018.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

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

At June 30, 2018, the City reported a liability of \$164,631,956 for its proportionate share of the collective net pension liability of the ASRS. The collective net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2016. Update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the collective net pension liability was based on the City's proportionate share of contributions to the pension plan relative to the contributions of all participating entities for the fiscal year ended June 30, 2017. At June 30, 2017, the City's proportion was 1.05682 percent, which was a decrease of 0.03017 percent from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the City recognized a collective pension expense of \$3,680,702. At June 30, 2018, the City reported a collective deferred outflow of resources and a collective deferred inflow of resources related to pensions from the following sources (in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 4,936
Changes in assumptions	7,150	4,923
Net difference between projected and actual earnings on pension plan investments	1,182	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	4,204
City contributions subsequent to the measurement date	11,437	-
Total	\$ 19,769	\$ 14,063

The \$11,437,000 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, 2019. 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:**

2019	\$ (8,835)
2020	5,181
2021	1,710
2022	(3,787)
2023	-
Thereafter	-

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

### *Actuarial Assumptions*

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Actuarial rollforward date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	
Plan amendments	Immediate
Investment gain/loss	Five years
Assumption gain/loss	Average future service lives
Experience gain/loss	Average future service lives
Asset valuation	Fair value
Discount rate	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Commodities	2%	3.84%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Total	<u>100%</u>	

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

### *Discount Rate*

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

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

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

	<u>1% Decrease</u> <u>(7.0%)</u>	<u>Discount Rate</u> <u>(8.0%)</u>	<u>1% Increase</u> <u>(9.0%)</u>
City's proportionate share of the collective net pension liability	\$ 211,307,976	\$ 164,631,956	\$ 125,630,144

### *Pension Plan Fiduciary Net Position*

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



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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Public Safety Personnel Retirement System

### General Information about the Pension Plan

#### *Plan Description*

All of the City's sworn public safety personnel participate in Public Safety Personnel Retirement System (PSPRS). PSPRS administers an agent multiple-employer defined benefit pension plan and the public safety personnel defined contribution pension 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 232 local boards. PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PSPRS, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016, calling (602) 255-5575, or by visiting: <http://www.psprs.com/investments--financials/annual-reports>.

#### *Benefits Provided*

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

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

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## Notes to Financial Statements

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### For the Fiscal Year Ended June 30, 2018

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 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.
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 included in a new tier of benefits that was established by legislation passed in 2016. This group of members will have the 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). Both police and fire employees who are part of this cohort may also elect to participate in a defined contribution plan in lieu of the respective choices listed above. 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 compensation within the last 20 years of service
Tier 2	60 consecutive months of highest compensation 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, 2018

Disability benefits are calculated as follows:

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

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

A retired member or survivor of a retired member may receive a 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. The first payment will be made on July 1, 2018, and every July 1 thereafter.

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## Notes to Financial Statements

**For the Fiscal Year Ended June 30, 2018**

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

Ratio of Actuarial Value of Assets to Liabilities	Maximum increase
70-80%	1.00%
80-90%	1.50%
90-100%	2.00%

### *Employees Covered by Benefit Terms*

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	259
Inactive employees entitled to, but not yet receiving benefits	102
Active Employees	<u>616</u>
 Total	 <u><u>977</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, 2018

The City's contribution rates for fiscal year ended June 30, 2018 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	47.26%	47.26%	47.26%	40.15%	39.42%	

<b>Fire</b>	<b>Tier 1</b>		<b>Tier 2</b>		<b>Tier 3</b>		
Membership date	7/19/2011 or earlier	On or after 7/20/2011	1/1/2012 or later		7/1/2017 or later		
Plan type	Defined benefit	Defined benefit	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined benefit (hybrid)	Defined contribution (hybrid)	Defined contribution
Employee contribution rate	7.65%	11.65%	11.65%	3.00%	10.33%	3.00%	9.00%
Employer contribution rate	17.19%	17.19%	17.19%	4.00%	12.69%	3.00%	11.36%

Participants' defined contributions and the earnings on those contributions are immediately vested. A participant is fully vested in employer contributions after ten years of service; the vesting occurs at a rate of ten percent per year. If a participant dies before completing ten years of service, the employer contributions are immediately fully vested. In addition, the City was required by statute to contribute an actuarially determined rate (30.42 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, 2018, were \$17,376,660.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

ARS Title 9, Chapter 8, Article 3, Section 9-952 requires the state treasurer to distribute a fire insurance premium tax to the respective incorporated cities and towns and legally organized fire districts in proportion to the full cash value of the real property and improvements in each incorporated city and town and legally organized fire district which procures the services of a private fire company and in each area served by a department or legally organized fire district. The warrant issued by the state treasurer is identified as the “fire fighters’ relief and pension fund,” to cover the firefighting personnel deposit into the pension plan. The annual tax provided by law is based on a portion of the premiums received on policies and contracts of fire insurance covering property within the state. PSPRS received \$1,887,734 of fire insurance premium tax for the City’s fire pension plan for fiscal year ended June 30, 2018. PSPRS accounts for the fire insurance premium tax collected for the City as employer contributions.

### Net Pension Liability

The City’s net pension liability of \$177,985,291 was measured as of June 30, 2017, 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, 2017, measurement was determined using the following actuarial assumptions:

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

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study of the period July 1, 2011 to June 30, 2016.

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

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

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

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.40 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the PSPRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balances at 6/30/17</b>	\$ 303,913	\$ 145,977	\$ 157,936
<b>Changes for the year:</b>			
Service cost	7,841	-	7,841
Interest	22,479	-	22,479
Changes of benefit terms	2,584	-	2,584
Differences between expected and actual experience	(921)	-	(921)
Changes of assumptions/other inputs	9,028	-	9,028
Contributions-employer	-	11,888	(11,888)
Contributions-employee	-	3,983	(3,983)
Net investment income	-	17,104	(17,104)
Benefit payments, including refunds of employee contributions	(16,239)	(16,239)	-
Administrative expense	-	(152)	152
Other changes	-	(134)	134
<b>Net changes</b>	<u>24,772</u>	<u>16,450</u>	<u>8,322</u>
<b>Balances at 6/30/18</b>	<u>\$ 328,685</u>	<u>\$ 162,427</u>	<u>\$ 166,258</u>



# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	(a)	(b)	(a)-(b)
<b>Balances at 6/30/17</b>	\$ 75,250	\$ 65,072	\$ 10,178
<b>Changes for the year:</b>			
Service cost	5,009	-	5,009
Interest	5,797	-	5,797
Changes of benefit terms	639	-	639
Differences between expected and actual experience	1,264	-	1,264
Changes of assumptions/other inputs	1,881	-	1,881
Contributions-employer	-	2,737	(2,737)
Contributions-employee	-	2,551	(2,551)
Net investment income	-	7,822	(7,822)
Benefit payments, including refunds of employee contributions	(932)	(932)	-
Administrative expense	-	(70)	70
Other changes	-	1	(1)
<b>Net changes</b>	13,658	12,109	1,549
<b>Balances at 6/30/18</b>	\$ 88,908	\$ 77,181	\$ 11,727

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.40 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate (in thousands):

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
Police net pension liability (asset)	\$ 212,569	\$ 166,258	\$ 128,666
Fire net pension liability (asset)	27,289	11,727	(835)

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## Notes to Financial Statements

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For the Fiscal Year Ended June 30, 2018

### *Pension Plan Fiduciary Net Position*

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

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

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$30,208,584 related to the defined benefit plan and the defined benefit portion of the hybrid plan and \$192,310 related to the defined contribution plan and the defined contribution portion of the hybrid plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,208	\$ 4,043
Change of assumptions or other inputs	28,838	-
Net difference between projected and actual earnings on pension plan investments	3,203	-
City contributions subsequent to the measurement date	17,377	-
Total	<u>\$ 51,626</u>	<u>\$ 4,043</u>

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

City contributions subsequent to the measurement date of \$17,376,660 were reported as deferred outflows and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. 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:**

2019	\$	7,460
2020		9,406
2021		6,133
2022		1,480
2023		2,615
Thereafter		3,112

### **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, 2018, the City recognized pension expense of \$1,080.

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

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

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

The projected liability for active employees, as of June 30, 2018, was \$14,978,456. The projected liability was considered payable within one year or greater and all but the current portion of \$158,321 was therefore considered non-current and included in the proprietary fund and government-wide financial statements. Significant actuarial assumptions of the January 1, 2018, actuarial valuation include: a) mortality rates based on the RPH-2017 Total Dataset Mortality Table fully generational using scale MP 2017; b) interest compounded 4.0 percent annually; c) salary increases at a rate of 2 percent to 4 percent based on years of service; and d) Traditional Unit Credit cost method based on participant data as of January 1, 2018.

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

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

#### *Plan Description*

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

#### *Benefits Provided*

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

#### *Employees Covered by Benefit Terms*

At June 30, 2018, the following employees were covered by the benefit terms:

As of June 30, 2018, Membership Consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	20
Inactive Employees Entitled to but Not Yet Receiving Benefits	-
Active Employees	<u>660</u>
Total	<u><u>680</u></u>

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# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

## Total OPEB Liability

The City's total OPEB liability of \$2,194,370 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

### *Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2017, 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	3.56%
Healthcare Cost Trend Rates*	7.88% for 2019, 8.50% for 2020, and then decreasing 0.5% per year to an ultimate rate of 5.00% for 2027 and later years
Retirees' Share of Benefit-Related Costs	100%

\*The initial trend rate reflects the City's actual projected cost increases from fiscal year 2018 to 2019.

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

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017 for current actives and the RPH-2017 Disabled Mortality Table fully generational using scale MP-2017 for disabled retirees.

## Changes in the Total OPEB Liability

(in thousands)	<u>Total OPEB Liability</u>
<b>Balance at 6/30/17</b>	<u>\$ 2,083</u>
<b>Changes for the year:</b>	
Service cost	260
Interest	67
Differences between expected and actual experience	(230)
Changes of assumptions/other inputs	125
Benefit payments	(111)
<b>Net changes</b>	<u>111</u>
<b>Balance at 6/30/18</b>	<u><u>\$ 2,194</u></u>

Changes in assumptions reflect the following:

1. Change in the actuarial cost method from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level Percent of Salary.

# Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

2. Change in the discount rate to be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax-exempt, high quality 20-year municipal bonds. The prior full valuation used a discount rate of 4.00 percent. The current full valuation uses a discount rate of 2.92 percent as of the beginning of the year and 3.56 percent as of the end of the year.
3. Mortality table has been updated from RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016 to RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 for current actives.
4. Mortality table has been updated from RPH-2016 Disabled Mortality Table fully generational using Scale MP-2016 to RPH-2017 Disabled Mortality Table fully generational using Scale MP-2017 for disabled retirees.
5. Disability, withdrawal, and retirement rates have been updated based on the Maricopa County rates first used in the Arizona Public Safety Personnel Retirement System report as of June 30, 2017.
6. Healthcare trend rates have been updated to reflect actual premium increases from fiscal year 2018 to fiscal year 2019, followed by an annual trend of 8.5 percent decreasing by 0.5 percent annually to an ultimate rate of 5.0 percent.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate (in thousands):

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 2,299	\$ 2,194	\$ 2,086

*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 (6.88 percent decreasing to 4.00 percent) or 1-percentage-point higher (8.88 percent decreasing to 6.00 percent) than the current healthcare cost trend rates (in thousands):

	1% Decrease (6.88% decreasing to 4.00%)	Healthcare Cost Trend Rates (7.88% decreasing to 5.00%)	1% Increase (8.88% decreasing to 6.00%)
Total OPEB Liability	\$ 1,963	\$ 2,194	\$ 2,461

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## Notes to Financial Statements

For the Fiscal Year Ended June 30, 2018

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$315,933. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 207
Change of assumptions or other inputs	113	-
City contributions subsequent to the measurement date	111	-
Total	<u>\$ 224</u>	<u>\$ 207</u>

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:**

2019	\$ (11)
2020	(11)
2021	(10)
2022	(10)
2023	(10)
Thereafter	(42)

### Medical Reimbursements

The federal government may provide the City subsidies per the Medicare Part D Prescription Drug Subsidy Program for providing healthcare for Medicare eligible retirees. Any current and future years' subsidies are recorded as revenue in the year received and are not recognized as a reduction to the total OPEB liability.

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net collective pension liability	1.056820%	1.086990%	1.099760%	1.102563%
City's proportionate share of the collective net pension liability	\$164,632	\$175,451	\$171,304	\$163,142
City's covered payroll	\$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	153.49%	172.15%	168.01%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018

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

	2018	2017	2016	2015
<b>Total pension liability</b>				
Service cost	\$ 7,841	\$ 6,603	\$ 6,537	\$ 6,363
Interest	22,479	20,570	19,640	16,898
Changes of benefit terms	2,584	17,206	-	3,987
Differences between expected and actual experience	(921)	(3,203)	87	(896)
Changes of assumptions or other inputs	9,028	11,023	-	22,122
Benefit payments, including refunds of employee contributions	(16,239)	(14,059)	(14,835)	(12,411)
<b>Net change in total pension liability</b>	24,772	38,140	11,429	36,063
<b>Total pension liability-beginning</b>	303,913	265,773	254,344	218,281
<b>Total pension liability-ending (a)</b>	\$ 328,685	\$ 303,913	\$ 265,773	\$ 254,344
<b>Plan fiduciary net position</b>				
Contributions-employer	\$ 11,888	\$ 11,710	\$ 8,970	\$ 7,997
Contributions-employee	3,983	4,230	3,944	3,495
Net investment income	17,104	842	5,113	17,047
Benefit payments, including refunds of employee contributions	(16,239)	(14,059)	(14,835)	(12,411)
Administrative expense	(152)	(122)	(125)	(137)
Other changes	(134)	(36)	(243)	(50)
<b>Net change in plan fiduciary net position</b>	16,450	2,565	2,824	15,941
<b>Plan fiduciary net position-beginning</b>	145,977	143,412	140,588	124,647
<b>Plan fiduciary net position-ending (b)</b>	\$ 162,427	\$ 145,977	\$ 143,412	\$ 140,588
<b>City's net pension liability-ending ((a) - (b))</b>	\$ 166,258	\$ 157,936	\$ 122,361	\$ 113,756
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	49.42%	48.03%	53.96%	55.27%
<b>Covered payroll</b>	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
<b>City's net pension liability as a percentage of covered payroll</b>	490.49%	477.54%	369.95%	361.84%

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

# Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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

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

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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

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

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For the Fiscal Year Ended June 30, 2018

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

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 15,341	\$ 12,328	\$ 11,635	\$ 8,921	\$ 7,997
Employer contributions in relation to the actuarially determined contribution	<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>
Covered payroll	\$ 34,869	\$ 33,896	\$ 33,073	\$ 33,075	\$ 31,438
Contributions as a percentage of covered payroll	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 2014 is not available.

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,924	\$ 2,840	\$ 2,626	\$ 2,276	\$ 2,392
Employer contributions in relation to the actuarially determined contribution	<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>
Covered payroll	\$ 23,192	\$ 23,500	\$ 21,498	\$ 20,420	\$ 19,336
Contributions as a percentage of covered payroll	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 2014 is not available.

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## Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

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

**Total OPEB Liability and Related Ratios  
Current Fiscal Year (dollars in thousands)**

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 260
Interest	67
Differences between expected and actual experience	(230)
Changes of assumptions/other inputs	125
Benefit payments	<u>(111)</u>
<b>Net change in total OPEB liability</b>	111
<b>Total OPEB liability-beginning</b>	<u>2,083</u>
<b>Total OPEB liability-ending</b>	<u><u>\$ 2,194</u></u>
<b>Covered-employee payroll</b>	\$ 51,137
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	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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## 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 and 0.2 percent of transportation privilege tax for transportation improvements. The amount of Highway User Revenue available to each city is allocated on a population basis, which is determined by the latest federal census and must be used for street construction, reconstruction, maintenance, or transit.

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

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

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

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

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

**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

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## NONMAJOR GOVERNMENTAL FUNDS (Continued)

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

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

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

### Debt Service Funds

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

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

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

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

Scottsdale Mountain CFD

McDowell Mountain Ranch CFD

DC Ranch CFD

Via Linda Road CFD

Waterfront Commercial CFD

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



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## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### 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 authorized 0.2 percent Transportation Privilege (Sales) Tax dedicated to transportation capital improvements. Voters approved the tax on November 7, 1989.

**Preserve Privilege Tax Fund.** This fund accounts for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Resources are provided by the 0.15 percent 2004 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, 2018 (in thousands)

<b>ASSETS</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
Cash and Investments	\$ 66,879	\$ 9,058	\$ 59,446	\$ 653	\$ 136,036
Cash with Fiscal Agent	63	24,051	-	-	24,114
Receivables (net of allowance for uncollectibles)					
Interest	145	-	171	-	316
Privilege Tax	5,781	-	-	-	5,781
Transient Occupancy Tax	1,188	-	-	-	1,188
Property Tax	2	108	-	-	110
Franchise Fee	55	-	-	-	55
Highway User Tax	1,449	-	-	-	1,449
Intergovernmental	3,148	10,934	15,377	-	29,459
Grants	645	-	3,347	-	3,992
Miscellaneous	2,649	-	213	-	2,862
Total Assets	<u>\$ 82,004</u>	<u>\$ 44,151</u>	<u>\$ 78,554</u>	<u>\$ 653</u>	<u>\$ 205,362</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>					
Liabilities					
Accounts Payable	\$ 3,665	\$ -	\$ 3,422	\$ -	\$ 7,087
Accrued Payroll and Benefits	205	-	26	-	231
Due to Other Funds	2	-	3,671	-	3,673
Matured Bond Interest Payable	-	5,154	-	-	5,154
Matured Bonds Payable	-	18,120	-	-	18,120
Unearned Revenue					
Intergovernmental	7,564	-	-	-	7,564
Other	474	-	175	-	649
Due to Other Governments	3	-	-	-	3
Guaranty and Other Deposits	5	-	-	-	5
Total Liabilities	<u>11,918</u>	<u>23,274</u>	<u>7,294</u>	<u>-</u>	<u>42,486</u>
Deferred Inflows of Resources					
Unavailable Revenues	2,912	10,990	18,471	-	32,373
Total Liabilities and Deferred Inflows of Resources	<u>14,830</u>	<u>34,264</u>	<u>25,765</u>	<u>-</u>	<u>74,859</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	619	619
Restricted	47,953	5,187	59,746	34	112,920
Committed	19,902	4,700	-	-	24,602
Unassigned	(681)	-	(6,957)	-	(7,638)
Total Fund Balances (Deficits)	<u>67,174</u>	<u>9,887</u>	<u>52,789</u>	<u>653</u>	<u>130,503</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 82,004</u>	<u>\$ 44,151</u>	<u>\$ 78,554</u>	<u>\$ 653</u>	<u>\$ 205,362</u>

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

REVENUES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
Taxes - Local					
Property	\$ 111	\$ 3,256	\$ -	\$ -	\$ 3,367
Transaction Privilege	62,133	-	-	-	62,133
Transient Occupancy	19,837	-	-	-	19,837
Light and Power Franchise	253	-	-	-	253
Taxes - Intergovernmental					
Highway User Tax	16,067	-	-	-	16,067
Local Transportation Assistance Fund	657	-	-	-	657
Business and Liquor Licenses	59	-	-	-	59
Charges for Current Services					
Recreation Fees	2,178	-	-	-	2,178
Fines, Fees, and Forfeitures					
Court	161	-	-	-	161
Court Enhancement	2,031	-	-	-	2,031
Library	142	-	-	-	142
Police	418	-	-	-	418
Property Rental	2,383	146	-	-	2,529
Interest Earnings	602	5	641	39	1,287
Intergovernmental					
Federal Grants	8,106	-	5,797	-	13,903
State Grants	227	-	-	-	227
Miscellaneous	1,083	3,226	7,129	-	11,438
Developer Contributions	835	-	-	-	835
Streetlight and Services Districts	584	-	-	-	584
Contributions and Donations	2,001	-	332	-	2,333
Reimbursements from Outside Sources	161	-	-	-	161
Indirect Costs	558	-	-	-	558
Other	55	-	-	-	55
Total Revenues	<u>120,642</u>	<u>6,633</u>	<u>13,899</u>	<u>39</u>	<u>141,213</u>
<b>EXPENDITURES</b>					
Current					
General Government					
Mayor and City Council	16	-	-	-	16
City Court	1,132	-	-	-	1,132
City Manager	688	-	-	-	688
City Treasurer	159	-	-	-	159
Public Works	15,279	-	-	-	15,279
Community and Economic Development	23,603	-	-	-	23,603
Public Safety	1,970	-	-	-	1,970
Community Services	12,495	-	-	43	12,538
Streetlight and Services Districts	605	-	-	-	605
Debt Service					
Principal	-	18,120	-	-	18,120
Interest and Fiscal Charges	-	10,332	-	-	10,332
Capital Outlay	-	-	41,153	-	41,153
Total Expenditures	<u>55,947</u>	<u>28,452</u>	<u>41,153</u>	<u>43</u>	<u>125,595</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>64,695</u>	<u>(21,819)</u>	<u>(27,254)</u>	<u>(4)</u>	<u>15,618</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,660	25,207	22,173	-	49,040
Transfers Out	(65,880)	(4,296)	(234)	-	(70,410)
Issuance of Long-Term Capital-Related Debt	-	-	25,420	-	25,420
Premium on Long-Term Debt Issued	-	-	3,350	-	3,350
Total Other Financing Sources (Uses)	<u>(64,220)</u>	<u>20,911</u>	<u>50,709</u>	<u>-</u>	<u>7,400</u>
Net Change in Fund Balances	475	(908)	23,455	(4)	23,018
Fund Balances - Beginning, Restated*	66,699	10,795	29,334	657	107,485
Fund Balances - Ending	<u>\$ 67,174</u>	<u>\$ 9,887</u>	<u>\$ 52,789</u>	<u>\$ 653</u>	<u>\$ 130,503</u>

\*Restated the Special Revenue and Permanent funds to record endowments.

**Combining Balance Sheet**

**Nonmajor Special Revenue Governmental Funds**

June 30, 2018 (in thousands)

<b>ASSETS</b>	<b>Transportation</b>	<b>Community Development Block Grant</b>	<b>HOME</b>	<b>Grants</b>	<b>Section 8</b>	<b>Preserve Privilege Tax</b>	<b>Scottsdale Mountain CFD</b>	<b>McDowell Mountain Ranch CFD</b>
Cash and Investments	\$ 8,653	\$ 355	\$ 43	\$ 397	\$ 487	\$ 30,284	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	-	134	-	-
Privilege Tax	2,062	-	-	-	-	3,719	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	-	-
Franchise Fee	-	-	-	-	-	-	-	-
Highway User Tax	1,449	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	109	186	350	-	-	-	-
Miscellaneous	182	2,032	-	-	6	-	-	-
Total Assets	<u>\$ 12,346</u>	<u>\$ 2,496</u>	<u>\$ 229</u>	<u>\$ 747</u>	<u>\$ 493</u>	<u>\$ 34,137</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>								
Liabilities								
Accounts Payable	\$ 2,363	\$ 97	\$ 185	\$ 128	\$ 2	\$ 43	\$ -	\$ -
Accrued Payroll and Benefits	137	7	-	16	7	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Unearned Revenue								
Intergovernmental	-	281	44	190	-	-	-	-
Other	-	4	-	413	-	-	-	-
Due to Other Governments	-	-	-	-	2	-	-	-
Guaranty and Other Deposits	-	5	-	-	-	-	-	-
Total Liabilities	<u>2,500</u>	<u>394</u>	<u>229</u>	<u>747</u>	<u>11</u>	<u>43</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources								
Unavailable Revenues	101	2,142	185	322	11	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>2,601</u>	<u>2,536</u>	<u>414</u>	<u>1,069</u>	<u>22</u>	<u>43</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)								
Restricted	9,745	69	-	-	471	34,094	-	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(109)	(185)	(322)	-	-	-	-
Total Fund Balances (Deficits)	<u>9,745</u>	<u>(40)</u>	<u>(185)</u>	<u>(322)</u>	<u>471</u>	<u>34,094</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 12,346</u>	<u>\$ 2,496</u>	<u>\$ 229</u>	<u>\$ 747</u>	<u>\$ 493</u>	<u>\$ 34,137</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

## Combining Balance Sheet

### Nonmajor Special Revenue Governmental Funds

June 30, 2018 (in thousands)

ASSETS	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Total
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ 19,059	\$ 7,601	\$ 66,879
Cash with Fiscal Agent	53	-	10	-	-	-	63
Receivables (net of allowance for uncollectibles)							
Interest	-	-	-	-	11	-	145
Privilege Tax	-	-	-	-	-	-	5,781
Transient Occupancy Tax	-	-	-	-	-	1,188	1,188
Property Tax	1	-	1	-	-	-	2
Franchise Fee	-	-	-	-	55	-	55
Highway User Tax	-	-	-	-	-	-	1,449
Intergovernmental	-	-	-	-	3,148	-	3,148
Grants	-	-	-	-	-	-	645
Miscellaneous	-	-	-	6	271	152	2,649
Total Assets	\$ 54	\$ -	\$ 11	\$ 6	\$ 22,544	\$ 8,941	\$ 82,004
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>							
<b>Liabilities</b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 606	\$ 241	\$ 3,665
Accrued Payroll and Benefits	-	-	-	-	34	4	205
Due to Other Funds	-	-	-	2	-	-	2
Unearned Revenue							
Intergovernmental	-	-	-	-	7,049	-	7,564
Other	-	-	-	-	57	-	474
Due to Other Governments	-	-	-	-	1	-	3
Guaranty and Other Deposits	-	-	-	-	-	-	5
Total Liabilities	-	-	-	2	7,747	245	11,918
<b>Deferred Inflows of Resources</b>							
Unavailable Revenues	-	-	-	-	124	27	2,912
Total Liabilities and Deferred Inflows of Resources	-	-	-	2	7,871	272	14,830
<b>Fund Balances (Deficits)</b>							
Restricted	54	-	11	4	3,505	-	47,953
Committed	-	-	-	-	11,233	8,669	19,902
Unassigned	-	-	-	-	(65)	-	(681)
Total Fund Balances (Deficits)	54	-	11	4	14,673	8,669	67,174
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 54	\$ -	\$ 11	\$ 6	\$ 22,544	\$ 8,941	\$ 82,004

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

**Nonmajor Special Revenue Governmental Funds**

For the Fiscal Year Ended June 30, 2018 (in thousands)

<u>REVENUES</u>	<u>Transportation</u>	<u>Community Development Block Grant</u>	<u>HOME</u>	<u>Grants</u>	<u>Section 8</u>	<u>Preserve Privilege Tax</u>	<u>Scottsdale Mountain CFD</u>	<u>McDowell Mountain Ranch CFD</u>
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ 10
Transaction Privilege	22,044	-	-	-	-	40,089	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
Highway User Tax	16,067	-	-	-	-	-	-	-
Local Transportation Assistance Fund	657	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Recreation Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-
Property Rental	-	64	-	-	-	-	-	-
Interest Earnings	-	-	-	-	-	518	-	-
Intergovernmental								
Federal Grants	-	1,537	1	1,019	5,549	-	-	-
State Grants	-	-	-	227	-	-	-	-
Miscellaneous	202	-	-	2	-	-	-	-
Developer Contributions	-	-	-	-	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,656	-	-	-	-
Reimbursements from Outside Sources	67	-	-	-	2	-	-	-
Indirect Costs	558	-	-	-	-	-	-	-
Other	3	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>39,598</b>	<b>1,601</b>	<b>1</b>	<b>2,904</b>	<b>5,551</b>	<b>40,607</b>	<b>11</b>	<b>10</b>
<b>EXPENDITURES</b>								
Current								
General Government								
Mayor and City Council	-	-	-	5	-	-	-	-
City Court	-	-	-	-	-	-	-	-
City Manager	-	-	-	688	-	-	-	-
City Treasurer	42	-	-	-	-	6	11	10
Public Works	15,004	-	-	-	-	-	-	-
Community and Economic Development	8,684	-	-	68	-	-	-	-
Public Safety	-	-	-	784	-	-	-	-
Community Services	1,539	1,425	185	1,200	5,540	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>25,269</b>	<b>1,425</b>	<b>185</b>	<b>2,745</b>	<b>5,540</b>	<b>6</b>	<b>11</b>	<b>10</b>
Excess (Deficiency) of Revenues over (under) Expenditures	14,329	176	(184)	159	11	40,601	-	-
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	300	-	-	-	-	-	-	-
Transfers Out	(19,570)	(4)	-	(17)	-	(33,817)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(19,270)</b>	<b>(4)</b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>(33,817)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances (Deficits)	(4,941)	172	(184)	142	11	6,784	-	-
Fund Balances (Deficits) - Beginning	14,686	(212)	(1)	(464)	460	27,310	-	-
<b>Fund Balances (Deficits) - Ending</b>	<b>\$ 9,745</b>	<b>\$ (40)</b>	<b>\$ (185)</b>	<b>\$ (322)</b>	<b>\$ 471</b>	<b>\$ 34,094</b>	<b>\$ -</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, 2018 (in thousands)

REVENUES	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Total
Taxes - Local							
Property	\$ 67	\$ 10	\$ 13	\$ -	\$ -	\$ -	\$ 111
Transaction Privilege	-	-	-	-	-	-	62,133
Transient Occupancy	-	-	-	-	-	19,837	19,837
Light and Power Franchise	-	-	-	-	253	-	253
Taxes - Intergovernmental							
Highway User Tax	-	-	-	-	-	-	16,067
Local Transportation Assistance Fund	-	-	-	-	-	-	657
Business and Liquor Licenses	-	-	-	-	59	-	59
Charges for Current Services							
Recreation Fees	-	-	-	-	2,178	-	2,178
Fines, Fees, and Forfeitures							
Court	-	-	-	-	161	-	161
Court Enhancement	-	-	-	-	2,031	-	2,031
Library	-	-	-	-	142	-	142
Police	-	-	-	-	418	-	418
Property Rental	-	-	-	-	398	1,921	2,383
Interest Earnings	-	-	-	-	84	-	602
Intergovernmental							
Federal Grants	-	-	-	-	-	-	8,106
State Grants	-	-	-	-	-	-	227
Miscellaneous	-	-	-	-	879	-	1,083
Developer Contributions	-	-	-	-	835	-	835
Streetlight and Services Districts	-	-	-	584	-	-	584
Contributions and Donations	-	-	-	-	345	-	2,001
Reimbursements from Outside Sources	-	-	-	-	87	5	161
Indirect Costs	-	-	-	-	-	-	558
Other	-	-	-	-	52	-	55
Total Revenues	67	10	13	584	7,922	21,763	120,642
<b>EXPENDITURES</b>							
Current							
General Government							
Mayor and City Council	-	-	-	-	11	-	16
City Court	-	-	-	-	1,132	-	1,132
City Manager	-	-	-	-	-	-	688
City Treasurer	70	10	10	-	-	-	159
Public Works	-	-	-	-	275	-	15,279
Community and Economic Development	-	-	-	-	425	14,426	23,603
Public Safety	-	-	-	-	1,186	-	1,970
Community Services	-	-	-	-	2,606	-	12,495
Streetlight and Services Districts	-	-	-	605	-	-	605
Total Expenditures	70	10	10	605	5,635	14,426	55,947
Excess (Deficiency) of Revenues over (under) Expenditures	(3)	-	3	(21)	2,287	7,337	64,695
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	-	-	-	1,110	250	1,660
Transfers Out	-	-	-	-	(707)	(11,765)	(65,880)
Total Other Financing Sources (Uses)	-	-	-	-	403	(11,515)	(64,220)
Net Change in Fund Balances	(3)	-	3	(21)	2,690	(4,178)	475
Fund Balances - Beginning, Restated*	57	-	8	25	11,983	12,847	66,699
Fund Balances - Ending	\$ 54	\$ -	\$ 11	\$ 4	\$ 14,673	\$ 8,669	\$ 67,174

\*Restated the Special Programs Fund to reclassify the endowments to the Permanent Fund.

## Transportation – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ 20,933	\$ 20,933	\$ 22,044	\$ -	\$ 22,044	\$ 1,111
Taxes - Intergovernmental						
Highway User Tax	16,382	16,382	16,067	-	16,067	(315)
Local Transportation Assistance Fund	655	655	657	-	657	2
Intergovernmental						
Miscellaneous	325	325	202	-	202	(123)
Reimbursements from Outside Sources	-	-	67	-	67	67
Indirect Costs	558	558	558	-	558	-
Other	5	5	3	-	3	(2)
Total Revenues	<u>38,858</u>	<u>38,858</u>	<u>39,598</u>	<u>-</u>	<u>39,598</u>	<u>740</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Treasurer	-	43	42	-	42	1
Public Works	15,095	15,069	14,982	22	15,004	87
Community and Economic Development	9,478	9,644	8,678	6	8,684	966
Community Services	1,574	1,575	1,539	-	1,539	36
Total Expenditures	<u>26,147</u>	<u>26,331</u>	<u>25,241</u>	<u>28</u>	<u>25,269</u>	<u>1,090</u>
Excess of Revenues over Expenditures	<u>12,711</u>	<u>12,527</u>	<u>14,357</u>	<u>(28)</u>	<u>14,329</u>	<u>1,830</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	300	300	300	-	300	-
Transfers Out	(10,491)	(10,491)	(19,570)	-	(19,570)	(9,079)
Sale of General Capital Assets	10	10	-	-	-	(10)
Total Other Financing Sources (Uses)	<u>(10,181)</u>	<u>(10,181)</u>	<u>(19,270)</u>	<u>-</u>	<u>(19,270)</u>	<u>(9,089)</u>
Net Change in Fund Balance	2,530	2,346	(4,913)	(28)	(4,941)	(7,259)
Fund Balance - Beginning	10,513	14,599	14,599	87	14,686	-
Fund Balance - Ending	<u>\$ 13,043</u>	<u>\$ 16,945</u>	<u>\$ 9,686</u>	<u>\$ 59</u>	<u>\$ 9,745</u>	<u>\$ (7,259)</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 28</u>
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## 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, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Property Rental	\$ 39	\$ 39	\$ 64	\$ -	\$ 64	\$ 25
Intergovernmental						
Federal Grants	2,173	2,176	1,537	-	1,537	(639)
Total Revenues	<u>2,212</u>	<u>2,215</u>	<u>1,601</u>	<u>-</u>	<u>1,601</u>	<u>(614)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	2,212	2,219	1,422	3	1,425	797
Total Expenditures	<u>2,212</u>	<u>2,219</u>	<u>1,422</u>	<u>3</u>	<u>1,425</u>	<u>797</u>
Excess (Deficiency) of Revenues over (under) Expenditures	-	(4)	179	(3)	176	183
<b>OTHER FINANCING USES</b>						
Transfers Out	-	(4)	(4)	-	(4)	-
Total Other Financing Uses	<u>-</u>	<u>(4)</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>
Net Change in Fund Balance	-	(8)	175	(3)	172	183
Fund Balance (Deficit) - Beginning	-	(208)	(208)	(4)	(212)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ (216)</u>	<u>\$ (33)</u>	<u>\$ (7)</u>	<u>\$ (40)</u>	<u>\$ 183</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 3</u>
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# HOME – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 667	\$ 667	\$ 1	\$ -	\$ 1	\$ (666)
Total Revenues	<u>667</u>	<u>667</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>(666)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	667	667	185	-	185	482
Total Expenditures	<u>667</u>	<u>667</u>	<u>185</u>	<u>-</u>	<u>185</u>	<u>482</u>
Deficiency of Revenues under Expenditures	-	-	(184)	-	(184)	(184)
Fund Balance (Deficit) - Beginning	-	(1)	(1)	-	(1)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (185)</u>	<u>\$ -</u>	<u>\$ (185)</u>	<u>\$ (184)</u>

## Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 1,764	\$ 1,775	\$ 1,019	\$ -	\$ 1,019	\$ (756)
State Grants	208	12	227	-	227	215
Miscellaneous	-	13	2	-	2	(11)
Contributions and Donations	3,650	3,846	1,656	-	1,656	(2,190)
Total Revenues	<u>5,622</u>	<u>5,646</u>	<u>2,904</u>	<u>-</u>	<u>2,904</u>	<u>(2,742)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	-	5	5	-	5	-
City Manager	2,338	691	689	(1)	688	2
Community and Economic Development	300	82	68	-	68	14
Public Safety	857	1,245	778	6	784	467
Community Services	2,127	2,473	1,201	(1)	1,200	1,272
Total Expenditures	<u>5,622</u>	<u>4,496</u>	<u>2,741</u>	<u>4</u>	<u>2,745</u>	<u>1,755</u>
Excess of Revenues over Expenditures	-	1,150	163	(4)	159	(987)
<b>OTHER FINANCING USES</b>						
Transfers Out	-	-	(17)	-	(17)	(17)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>-</u>	<u>(17)</u>	<u>(17)</u>
Net Change in Fund Balance	-	1,150	146	(4)	142	(1,004)
Fund Balance (Deficit) - Beginning	-	(461)	(461)	(3)	(464)	-
Fund Balance (Deficit) - Ending	<u>\$ -</u>	<u>\$ 689</u>	<u>\$ (315)</u>	<u>\$ (7)</u>	<u>\$ (322)</u>	<u>\$ (1,004)</u>

#### Explanation of Differences:

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

    Payroll Accruals \$ 4

## Section 8 – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual Amounts GAAP Basis</u>	<u>Variance Between Final Budget and Actual Amounts Budgetary Basis</u>
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 6,110	\$ 6,110	\$ 5,549	\$ -	\$ 5,549	\$ (561)
Reimbursements from Outside Sources	-	-	2	-	2	2
Total Revenues	<u>6,110</u>	<u>6,110</u>	<u>5,551</u>	<u>-</u>	<u>5,551</u>	<u>(559)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	6,110	6,120	5,541	(1)	5,540	579
Total Expenditures	<u>6,110</u>	<u>6,120</u>	<u>5,541</u>	<u>(1)</u>	<u>5,540</u>	<u>579</u>
Excess (Deficiency) of Revenues over (under) Expenditures	-	(10)	10	1	11	20
Fund Balance - Beginning	-	460	460	-	460	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ 470</u>	<u>\$ 1</u>	<u>\$ 471</u>	<u>\$ 20</u>

**Explanation of Differences:**

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

    Payroll Accruals \$ (1)

## 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, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Transaction Privilege	\$ 37,766	\$ 37,766	\$ 40,089	\$ -	\$ 40,089	\$ 2,323
Interest Earnings	399	399	518	-	518	119
Total Revenues	<u>38,165</u>	<u>38,165</u>	<u>40,607</u>	<u>-</u>	<u>40,607</u>	<u>2,442</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Treasurer	-	-	6	-	6	(6)
Community Services	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total Expenditures	<u>2</u>	<u>2</u>	<u>6</u>	<u>-</u>	<u>6</u>	<u>(4)</u>
Excess of Revenues over Expenditures	<u>38,163</u>	<u>38,163</u>	<u>40,601</u>	<u>-</u>	<u>40,601</u>	<u>2,438</u>
<b>OTHER FINANCING USES</b>						
Transfers Out	<u>(35,734)</u>	<u>(35,734)</u>	<u>(33,817)</u>	<u>-</u>	<u>(33,817)</u>	<u>1,917</u>
Total Other Financing Uses	<u>(35,734)</u>	<u>(35,734)</u>	<u>(33,817)</u>	<u>-</u>	<u>(33,817)</u>	<u>1,917</u>
Net Change in Fund Balance	2,429	2,429	6,784	-	6,784	4,355
Fund Balance - Beginning	<u>27,604</u>	<u>28,116</u>	<u>28,116</u>	<u>(806)</u>	<u>27,310</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 30,033</u>	<u>\$ 30,545</u>	<u>\$ 34,900</u>	<u>\$ (806)</u>	<u>\$ 34,094</u>	<u>\$ 4,355</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, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Streetlight and Services Districts	\$ 598	\$ 598	\$ 584	\$ -	\$ 584	\$ (14)
Total Revenues	598	598	584	-	584	(14)
<b>EXPENDITURES</b>						
Current						
Streetlight and Services Districts	623	623	605	-	605	18
Total Expenditures	623	623	605	-	605	18
Deficiency of Revenues under Expenditures	(25)	(25)	(21)	-	(21)	4
Fund Balance - Beginning	25	25	25	-	25	-
Fund Balance - Ending	\$ -	\$ -	\$ 4	\$ -	\$ 4	\$ 4

## Special Programs – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Light and Power Franchise	\$ 269	\$ 269	\$ 253	\$ -	\$ 253	\$ (16)
Business and Liquor Licenses	52	52	59	-	59	7
Charges for Current Services						
Recreation Fees	1,904	1,904	2,178	-	2,178	274
Fines, Fees, and Forfeitures						
Court	170	170	161	-	161	(9)
Court Enhancement	1,763	1,763	2,031	-	2,031	268
Library	150	150	142	-	142	(8)
Police	400	400	418	-	418	18
Property Rental	344	344	398	-	398	54
Interest Earnings	33	33	84	-	84	51
Intergovernmental						
Miscellaneous	1,907	1,907	879	-	879	(1,028)
Developer Contributions	-	-	835	-	835	835
Contributions and Donations	307	307	345	-	345	38
Reimbursements from Outside Sources	88	88	87	-	87	(1)
Other	75	75	52	-	52	(23)
Total Revenues	<u>7,462</u>	<u>7,462</u>	<u>7,922</u>	<u>-</u>	<u>7,922</u>	<u>460</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Mayor and City Council	8	10	11	-	11	(1)
City Court	1,480	1,499	1,129	3	1,132	370
Public Works	250	250	275	-	275	(25)
Community and Economic Development	371	609	425	-	425	184
Public Safety	1,755	1,762	1,184	2	1,186	578
Community Services	2,740	2,662	2,604	2	2,606	58
Total Expenditures	<u>6,604</u>	<u>6,792</u>	<u>5,628</u>	<u>7</u>	<u>5,635</u>	<u>1,164</u>
Excess of Revenues over Expenditures	<u>858</u>	<u>670</u>	<u>2,294</u>	<u>(7)</u>	<u>2,287</u>	<u>1,624</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	10	10	1,110	-	1,110	1,100
Transfers Out	(452)	(452)	(707)	-	(707)	(255)
Total Other Financing Sources (Uses)	<u>(442)</u>	<u>(442)</u>	<u>403</u>	<u>-</u>	<u>403</u>	<u>845</u>
Net Change in Fund Balance	416	228	2,697	(7)	2,690	2,469
Fund Balance - Beginning, Restated*	11,047	12,031	12,031	(48)	11,983	-
Fund Balance - Ending	<u>\$ 11,463</u>	<u>\$ 12,259</u>	<u>\$ 14,728</u>	<u>\$ (55)</u>	<u>\$ 14,673</u>	<u>\$ 2,469</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 7</u>
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\*Restated the Special Programs Fund to reclassify the endowments to the Permanent Fund.

## Tourism Development – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Transient Occupancy Tax	\$ 19,441	\$ 19,441	\$ 19,837	\$ -	\$ 19,837	\$ 396
Property Rental	1,667	1,667	1,921	-	1,921	254
Reimbursements from Outside Sources	21	21	5	-	5	(16)
Total Revenues	<u>21,129</u>	<u>21,129</u>	<u>21,763</u>	<u>-</u>	<u>21,763</u>	<u>634</u>
<b>EXPENDITURES</b>						
Current						
Community and Economic Development	13,739	15,243	14,425	1	14,426	818
Total Expenditures	<u>13,739</u>	<u>15,243</u>	<u>14,425</u>	<u>1</u>	<u>14,426</u>	<u>818</u>
Excess of Revenues over Expenditures	<u>7,390</u>	<u>5,886</u>	<u>7,338</u>	<u>(1)</u>	<u>7,337</u>	<u>1,452</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	250	-	250	250
Transfers Out	(5,492)	(5,492)	(11,765)	-	(11,765)	(6,273)
Total Other Financing Sources (Uses)	<u>(5,492)</u>	<u>(5,492)</u>	<u>(11,515)</u>	<u>-</u>	<u>(11,515)</u>	<u>(6,023)</u>
Net Change in Fund Balance	1,898	394	(4,177)	(1)	(4,178)	(4,571)
Fund Balance - Beginning	12,671	12,848	12,848	(1)	12,847	-
Fund Balance - Ending	<u>\$ 14,569</u>	<u>\$ 13,242</u>	<u>\$ 8,671</u>	<u>\$ (2)</u>	<u>\$ 8,669</u>	<u>\$ (4,571)</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 1</u>
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Combining Balance Sheet

Nonmajor Debt Service Governmental Funds

June 30, 2018 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
<b>ASSETS</b>									
Cash and Investments	\$ -	\$ 9,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,058
Cash with Fiscal Agent	15,605	-	188	1,436	1,244	233	613	4,732	24,051
Receivables (net of allowance for uncollectibles)									
Property Tax	-	-	22	22	36	5	23	-	108
Intergovernmental	-	10,934	-	-	-	-	-	-	10,934
Total Assets	<u>\$ 15,605</u>	<u>\$ 19,992</u>	<u>\$ 210</u>	<u>\$ 1,458</u>	<u>\$ 1,280</u>	<u>\$ 238</u>	<u>\$ 636</u>	<u>\$ 4,732</u>	<u>\$ 44,151</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
Liabilities									
Matured Bond Interest Payable	\$ 4,405	\$ -	\$ 4	\$ 88	\$ 183	\$ 15	\$ 92	\$ 367	\$ 5,154
Matured Bonds Payable	11,200	-	160	1,155	920	185	135	4,365	18,120
Total Liabilities	<u>15,605</u>	<u>-</u>	<u>164</u>	<u>1,243</u>	<u>1,103</u>	<u>200</u>	<u>227</u>	<u>4,732</u>	<u>23,274</u>
Deferred Inflows of Resources									
Unavailable Revenues	-	10,934	20	12	23	1	-	-	10,990
Total Liabilities and Deferred Inflows of Resources	<u>15,605</u>	<u>10,934</u>	<u>184</u>	<u>1,255</u>	<u>1,126</u>	<u>201</u>	<u>227</u>	<u>4,732</u>	<u>34,264</u>
Fund Balances									
Restricted	-	4,358	26	203	154	37	409	-	5,187
Committed	-	4,700	-	-	-	-	-	-	4,700
Total Fund Balances	<u>-</u>	<u>9,058</u>	<u>26</u>	<u>203</u>	<u>154</u>	<u>37</u>	<u>409</u>	<u>-</u>	<u>9,887</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,605</u>	<u>\$ 19,992</u>	<u>\$ 210</u>	<u>\$ 1,458</u>	<u>\$ 1,280</u>	<u>\$ 238</u>	<u>\$ 636</u>	<u>\$ 4,732</u>	<u>\$ 44,151</u>

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

Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Municipal Property Corporation	Debt Service Stabilization	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	Total
<b>REVENUES</b>									
Taxes - Local									
Property	\$ -	\$ -	\$ 129	\$ 1,318	\$ 1,268	\$ 210	\$ 331	\$ -	\$ 3,256
Property Rental	-	146	-	-	-	-	-	-	146
Interest Earnings	1	-	-	-	-	-	4	-	5
Intergovernmental									
Miscellaneous	-	3,226	-	-	-	-	-	-	3,226
Total Revenues	<u>1</u>	<u>3,372</u>	<u>129</u>	<u>1,318</u>	<u>1,268</u>	<u>210</u>	<u>335</u>	<u>-</u>	<u>6,633</u>
<b>EXPENDITURES</b>									
Debt Service									
Principal	11,200	-	160	1,155	920	185	135	4,365	18,120
Interest and Fiscal Charges	8,820	-	11	176	368	31	187	739	10,332
Total Expenditures	<u>20,020</u>	<u>-</u>	<u>171</u>	<u>1,331</u>	<u>1,288</u>	<u>216</u>	<u>322</u>	<u>5,104</u>	<u>28,452</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(20,019)</u>	<u>3,372</u>	<u>(42)</u>	<u>(13)</u>	<u>(20)</u>	<u>(6)</u>	<u>13</u>	<u>(5,104)</u>	<u>(21,819)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	20,103	-	-	-	-	-	-	5,104	25,207
Transfers Out	(84)	(4,212)	-	-	-	-	-	-	(4,296)
Total Other Financing Sources (Uses)	<u>20,019</u>	<u>(4,212)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,104</u>	<u>20,911</u>
Net Change in Fund Balances	-	(840)	(42)	(13)	(20)	(6)	13	-	(908)
Fund Balances - Beginning	-	9,898	68	216	174	43	396	-	10,795
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 9,058</u>	<u>\$ 26</u>	<u>\$ 203</u>	<u>\$ 154</u>	<u>\$ 37</u>	<u>\$ 409</u>	<u>\$ -</u>	<u>\$ 9,887</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, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Taxes - Local						
Property	\$ 33,559	\$ 33,559	\$ 33,292	\$ -	\$ 33,292	\$ (267)
Total Revenues	33,559	33,559	33,292	-	33,292	(267)
<b>EXPENDITURES</b>						
Debt Service						
Principal	40,530	47,630	47,330	-	47,330	300
Interest and Fiscal Charges	19,353	21,348	21,347	-	21,347	1
Bond Issuance Costs	-	-	241	-	241	(241)
Total Expenditures	59,883	68,978	68,918	-	68,918	60
Deficiency of Revenues under Expenditures	(26,324)	(35,419)	(35,626)	-	(35,626)	(207)
<b>OTHER FINANCING SOURCES</b>						
Transfers In	25,724	25,724	26,355	-	26,355	631
Issuance of Long-Term Capital-Related Debt	-	-	80	-	80	80
Premium on Long-Term Debt Issued	-	-	146	-	146	146
Total Other Financing Sources	25,724	25,724	26,581	-	26,581	857
Net Change in Fund Balance	(600)	(9,695)	(9,045)	-	(9,045)	650
Fund Balance - Beginning	10,966	11,516	11,516	-	11,516	-
Fund Balance - Ending	\$ 10,366	\$ 1,821	\$ 2,471	\$ -	\$ 2,471	\$ 650

# 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, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Interest Earnings	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ 1
Total Revenues	-	-	1	-	1	1
<b>EXPENDITURES</b>						
Debt Service						
Principal	11,200	11,200	11,200	-	11,200	-
Interest and Fiscal Charges	8,820	8,820	8,820	-	8,820	-
Total Expenditures	20,020	20,020	20,020	-	20,020	-
Deficiency of Revenues under Expenditures	(20,020)	(20,020)	(20,019)	-	(20,019)	1
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	20,020	20,020	20,103	-	20,103	83
Transfers Out	-	-	(84)	-	(84)	(84)
Total Other Financing Sources (Uses)	20,020	20,020	20,019	-	20,019	(1)
Net Change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning	-	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## Debt Service Stabilization Debt Service Fund

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

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Property Rental	\$ 145	\$ 145	\$ 146	\$ -	\$ 146	\$ 1
Intergovernmental						
Miscellaneous	3,487	3,487	3,226	-	3,226	(261)
Total Revenues	3,632	3,632	3,372	-	3,372	(260)
<b>EXPENDITURES</b>						
Total Expenditures	-	-	-	-	-	-
Excess of Revenues over Expenditures	3,632	3,632	3,372	-	3,372	(260)
<b>OTHER FINANCING USES</b>						
Transfers Out	(4,211)	(4,211)	(4,212)	-	(4,212)	(1)
Total Other Financing Uses	(4,211)	(4,211)	(4,212)	-	(4,212)	(1)
Net Change in Fund Balance	(579)	(579)	(840)	-	(840)	(261)
Fund Balance - Beginning	10,542	9,898	9,898	-	9,898	-
Fund Balance - Ending	\$ 9,963	\$ 9,319	\$ 9,058	\$ -	\$ 9,058	\$ (261)

# 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, 2018 (in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
<b>REVENUES</b>						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>						
Debt Service						
Principal	4,365	4,365	4,365	-	4,365	-
Interest and Fiscal Charges	1,765	751	739	-	739	12
Total Expenditures	6,130	5,116	5,104	-	5,104	12
Deficiency of Revenues under Expenditures	(6,130)	(5,116)	(5,104)	-	(5,104)	12
<b>OTHER FINANCING SOURCES</b>						
Transfers In	6,130	6,130	5,104	-	5,104	(1,026)
Total Other Financing Sources	6,130	6,130	5,104	-	5,104	(1,026)
Net Change in Fund Balance	-	1,014	-	-	-	(1,014)
Fund Balance - Beginning	-	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ 1,014	\$ -	\$ -	\$ -	\$ (1,014)

# Combining Balance Sheet

## Nonmajor Capital Projects Governmental Funds

June 30, 2018 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
<b>ASSETS</b>						
Cash and Investments	\$ 21,256	\$ 38,065	\$ 125	\$ -	\$ -	\$ 59,446
Receivables (net of allowance for uncollectibles)						
Interest	70	101	-	-	-	171
Intergovernmental	-	13,921	-	-	1,456	15,377
Grants	-	-	-	-	3,347	3,347
Miscellaneous	-	-	-	-	213	213
Total Assets	<u>\$ 21,326</u>	<u>\$ 52,087</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 5,016</u>	<u>\$ 78,554</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>						
Liabilities						
Accounts Payable	\$ 648	\$ 1,635	\$ 126	\$ -	\$ 1,013	\$ 3,422
Accrued Payroll and Benefits	3	16	4	-	3	26
Due to Other Funds	-	-	-	-	3,671	3,671
Unearned Revenue						
Other	-	-	-	-	175	175
Total Liabilities	<u>651</u>	<u>1,651</u>	<u>130</u>	<u>-</u>	<u>4,862</u>	<u>7,294</u>
Deferred Inflows of Resources						
Unavailable Revenues	-	13,921	-	-	4,550	18,471
Total Liabilities and Deferred Inflows of Resources	<u>651</u>	<u>15,572</u>	<u>130</u>	<u>-</u>	<u>9,412</u>	<u>25,765</u>
Fund Balances (Deficits)						
Restricted	20,675	36,515	-	-	2,556	59,746
Unassigned	-	-	(5)	-	(6,952)	(6,957)
Total Fund Balances (Deficits)	<u>20,675</u>	<u>36,515</u>	<u>(5)</u>	<u>-</u>	<u>(4,396)</u>	<u>52,789</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 21,326</u>	<u>\$ 52,087</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 5,016</u>	<u>\$ 78,554</u>

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

### Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	Preserve Privilege Tax	Municipal Property Corporation Bonds	External Sources	Total
<b>REVENUES</b>						
Interest Earnings	\$ 266	\$ 370	\$ -	\$ 1	\$ 4	\$ 641
Intergovernmental						
Federal Grants	-	-	-	-	5,797	5,797
Miscellaneous	-	-	-	-	7,129	7,129
Contributions and Donations	-	-	-	-	332	332
Total Revenues	<u>266</u>	<u>370</u>	<u>-</u>	<u>1</u>	<u>13,262</u>	<u>13,899</u>
<b>EXPENDITURES</b>						
Current						
Capital Outlay	11,344	11,775	2,362	84	15,588	41,153
Total Expenditures	<u>11,344</u>	<u>11,775</u>	<u>2,362</u>	<u>84</u>	<u>15,588</u>	<u>41,153</u>
Deficiency of Revenues under Expenditures	<u>(11,078)</u>	<u>(11,405)</u>	<u>(2,362)</u>	<u>(83)</u>	<u>(2,326)</u>	<u>(27,254)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	19,570	2,366	84	153	22,173
Transfers Out	-	-	(4)	(119)	(111)	(234)
Issuance of Long-Term Capital-Related Debt	25,420	-	-	-	-	25,420
Premium on Long-Term Debt Issued	3,350	-	-	-	-	3,350
Total Other Financing Sources (Uses)	<u>28,770</u>	<u>19,570</u>	<u>2,362</u>	<u>(35)</u>	<u>42</u>	<u>50,709</u>
Net Change in Fund Balances	17,692	8,165	-	(118)	(2,284)	23,455
Fund Balances (Deficits) - Beginning	2,983	28,350	(5)	118	(2,112)	29,334
Fund Balances (Deficits) - Ending	<u>\$ 20,675</u>	<u>\$ 36,515</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ (4,396)</u>	<u>\$ 52,789</u>



# Combining Balance Sheet

## Nonmajor Permanent Governmental Funds

June 30, 2018 (in thousands)

	Rassner Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
<b>ASSETS</b>					
Cash and Investments	\$ 445	\$ 134	\$ 41	\$ 33	\$ 653
Total Assets	<u>\$ 445</u>	<u>\$ 134</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 653</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances					
Nonspendable	419	129	39	32	619
Restricted	26	5	2	1	34
Total Fund Balances	<u>445</u>	<u>134</u>	<u>41</u>	<u>33</u>	<u>653</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 445</u>	<u>\$ 134</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 653</u>

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

### Nonmajor Permanent Governmental Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Rassner Library Endowment	Scottsdale Community Endowment	Scottsdale Employee Endowment	Herbert R. Drinkwater Youth Services Endowment	Total
<b>REVENUES</b>					
Interest Earnings	\$ 26	\$ 8	\$ 3	\$ 2	\$ 39
Total Revenues	<u>26</u>	<u>8</u>	<u>3</u>	<u>2</u>	<u>39</u>
<b>EXPENDITURES</b>					
Current					
Community Services	39	2	1	1	43
Total Expenditures	<u>39</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>43</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(13)</u>	<u>6</u>	<u>2</u>	<u>1</u>	<u>(4)</u>
Net Change in Fund Balances	(13)	6	2	1	(4)
Fund Balances - Beginning, Restated*	458	128	39	32	657
Fund Balances - Ending	<u>\$ 445</u>	<u>\$ 134</u>	<u>\$ 41</u>	<u>\$ 33</u>	<u>\$ 653</u>

\*Restated beginning fund balance to record endowment funds.

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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, 2018 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Current Assets				
Cash and Investments	\$ 15,197	\$ 34,509	\$ 1,923	\$ 51,629
Receivables (net of allowance for uncollectibles)				
Miscellaneous	123	131	-	254
Supplies Inventory	925	-	-	925
Total Current Assets	<u>16,245</u>	<u>34,640</u>	<u>1,923</u>	<u>52,808</u>
Noncurrent Assets				
Equity in Joint Venture	2	-	-	2
Capital Assets				
Buildings and Improvements	12,887	-	-	12,887
Motor Vehicles	87,592	-	-	87,592
Machinery and Equipment	1,032	7	2,458	3,497
Construction in Progress	273	-	-	273
Less Accumulated Depreciation	(46,380)	-	(536)	(46,916)
Total Noncurrent Assets	<u>55,406</u>	<u>7</u>	<u>1,922</u>	<u>57,335</u>
Total Assets	<u>71,651</u>	<u>34,647</u>	<u>3,845</u>	<u>110,143</u>
<b>Deferred Outflows of Resources</b>				
Pension-Related Amounts	514	108	-	622
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>Liabilities</b>				
Current Liabilities				
Accounts Payable	2,249	1,421	11	3,681
Accrued Payroll and Benefits	83	21	-	104
Accrued Compensated Absences - Due within one year	162	42	-	204
Due to Other Governments	2	-	-	2
Other Payables - Due within one year	1	7,803	-	7,804
Total Current Liabilities	<u>2,497</u>	<u>9,287</u>	<u>11</u>	<u>11,795</u>
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	168	57	-	225
Net Pension Liabilities	4,159	900	-	5,059
Other Payables - Due in more than one year	-	15,132	-	15,132
Total Noncurrent Liabilities	<u>4,327</u>	<u>16,089</u>	<u>-</u>	<u>20,416</u>
Total Liabilities	<u>6,824</u>	<u>25,376</u>	<u>11</u>	<u>32,211</u>
<b>Deferred Inflows of Resources</b>				
Pension-Related Amounts	355	77	-	432
<b>NET POSITION</b>				
Net Investment in Capital Assets	55,404	7	1,922	57,333
Unrestricted	9,582	9,295	1,912	20,789
Total Net Position	<u>\$ 64,986</u>	<u>\$ 9,302</u>	<u>\$ 3,834</u>	<u>\$ 78,122</u>

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

### Internal Service Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
Operating Revenues				
Charges for Sales and Services				
Billings to User Programs	\$ 20,006	\$ 31,578	\$ 1,021	\$ 52,605
Self-Insurance Contributions - Employee	-	7,673	-	7,673
Self-Insurance Contributions - Retiree	-	207	-	207
State Contributions	-	145	-	145
Other	697	824	-	1,521
Total Operating Revenues	20,703	40,427	1,021	62,151
Operating Expenses				
Costs of Sales and Services				
Fleet Management Operations	11,824	-	-	11,824
Self-Insurance Administration	-	2,116	-	2,116
Self-Insurance Claims	-	7,937	-	7,937
Self-Insurance Benefits	-	29,378	-	29,378
Insurance and Bond Premiums	-	2,566	-	2,566
Depreciation	6,772	-	375	7,147
Computer Replacement	-	-	2	2
Total Operating Expenses	18,596	41,997	377	60,970
Operating Income (Loss)	2,107	(1,570)	644	1,181
Non-Operating Revenues				
Property Tax	-	1,047	-	1,047
Gain (Loss) on Sale of Capital Assets	143	-	(3)	140
Total Non-Operating Revenues	143	1,047	(3)	1,187
Income Before Contributions and Transfers	2,250	(523)	641	2,368
Capital Contributions	4,758	-	-	4,758
Transfers In	-	104	-	104
Transfers Out	-	(2)	-	(2)
Change in Net Position	7,008	(421)	641	7,228
Total Net Position - Beginning	57,978	9,723	3,193	70,894
Total Net Position - Ending	\$ 64,986	\$ 9,302	\$ 3,834	\$ 78,122

## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 20,008	\$ 40,081	\$ 1,021	\$ 61,110
Cash Payments to Employees for Services	(3,837)	(1,191)	-	(5,028)
Cash Payments to Suppliers for Goods/Services	(8,317)	(37,726)	(2)	(46,045)
Other Cash Receipts	697	825	-	1,522
Net Cash Provided by Operating Activities	<u>8,551</u>	<u>1,989</u>	<u>1,019</u>	<u>11,559</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Property Tax	-	1,047	-	1,047
Transfers In	-	104	-	104
Transfers Out	-	(2)	-	(2)
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>1,149</u>	<u>-</u>	<u>1,149</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(6,090)	(7)	(634)	(6,731)
Sale of Capital Assets	490	-	-	490
Net Cash Used for Capital and Related Financing Activities	<u>(5,600)</u>	<u>(7)</u>	<u>(634)</u>	<u>(6,241)</u>
Net Increase in Cash and Cash Equivalents	2,951	3,131	385	6,467
Cash and Cash Equivalents at Beginning of Year	<u>12,246</u>	<u>31,378</u>	<u>1,538</u>	<u>45,162</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,197</u>	<u>\$ 34,509</u>	<u>\$ 1,923</u>	<u>\$ 51,629</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 2,107	\$ (1,570)	\$ 644	\$ 1,181
Income Provided by (Used for) Operating Activities				
Depreciation	6,772	-	375	7,147
Current Year Pension Contributions	(304)	(62)	-	(366)
Change in Accounts Receivable	1	482	-	483
Change in Inventories	(183)	-	-	(183)
Change in Accounts Payable	69	477	-	546
Change in Unearned Revenue	-	(3)	-	(3)
Change in Accrued Payroll	23	10	-	33
Change in Compensated Absences Payable	(13)	17	-	4
Change in Claims Payable	-	2,582	-	2,582
Change in Net Pension Liability	(288)	(24)	-	(312)
Change in Deferred Outflows of Resources Related to Pensions	594	123	-	717
Change in Deferred Inflows of Resources Related to Pensions	(227)	(44)	-	(271)
Change in Other Liabilities	-	1	-	1
Total Adjustments	<u>6,444</u>	<u>3,559</u>	<u>375</u>	<u>10,378</u>
Net Cash Provided by Operating Activities	<u>\$ 8,551</u>	<u>\$ 1,989</u>	<u>\$ 1,019</u>	<u>\$ 11,559</u>
<b>Supplemental Disclosure of Non-Cash Financing Activities</b>				
Additions to Property, Plant, and Equipment				
Contributions from other funds	<u>\$ 4,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,758</u>

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## **FIDUCIARY FUNDS**

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

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

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

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

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

### **APS 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, 2018 (in thousands)

	Agency Funds			Total
	Family Self-Sufficiency Agency Fund	Crossroads East Development Agreement Agency Fund	AZ Public Service Raintree UUID Agency Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 92	\$ -	\$ -	\$ 92
Total Assets	92	-	-	92
<b>LIABILITIES</b>				
Escrow Payable Vouchers	92	-	-	92
State Land Department Rebate	-	-	-	-
UUID I-6002 Assessments	-	-	-	-
Total Liabilities	\$ 92	\$ -	\$ -	\$ 92



**Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

For the Fiscal Year Ended June 30, 2018 (in thousands)

	Family Self-Sufficiency				Crossroads East Development Agreement				AZ Public Service Raintree UUID			
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ 135	\$ 43	\$ 86	\$ 92	\$ 1,415	\$ 1,340	\$ 2,755	\$ -	\$ -	\$ 240	\$ 240	\$ -
Total Assets	<u>\$ 135</u>	<u>\$ 43</u>	<u>\$ 86</u>	<u>\$ 92</u>	<u>\$ 1,415</u>	<u>\$ 1,340</u>	<u>\$ 2,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240</u>	<u>\$ 240</u>	<u>\$ -</u>
<b>LIABILITIES</b>												
Escrow Payable Vouchers	\$ 135	\$ 43	\$ 86	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Land Department Rebate	-	-	-	-	1,415	1,340	2,755	-	-	-	-	-
UUID I-6002 Assessments	-	-	-	-	-	-	-	-	-	1,261	1,261	-
Total Liabilities	<u>\$ 135</u>	<u>\$ 43</u>	<u>\$ 86</u>	<u>\$ 92</u>	<u>\$ 1,415</u>	<u>\$ 1,340</u>	<u>\$ 2,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,261</u>	<u>\$ 1,261</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, 2018 (in thousands)

	July 1, 2017	Issued	Retired	Refunding Bonds Issued	Bonds Deceased	Amortizations and Contract Adjustments	June 30, 2018	Governmental Activities	Business-type Activities	Final Payment Date
<b>GENERAL OBLIGATION BONDS</b>										
Governmental Activities										
2002 GO Refunding Preservation	\$ 3,405	\$ -	\$ 1,680	\$ -	\$ -	\$ -	\$ 1,725	\$ 1,725	\$ -	07/01/19
2008A GO Various Purpose	5,400	-	5,400	-	-	-	-	-	-	07/01/18
2008B GO Preservation	650	-	650	-	-	-	-	-	-	07/01/18
2010 GO Various Purpose	13,450	-	1,900	-	-	-	11,550	11,550	-	07/01/30
2011 GO Preservation	4,410	-	830	-	-	-	3,580	3,580	-	07/01/22
2011 GO Refunding Various Purpose	1,555	-	1,555	-	-	-	-	-	-	07/01/18
2011 GO Refunding Preservation	20,665	-	1,980	-	-	-	18,685	18,685	-	07/01/24
2012 GO Preservation	50,000	-	1,400	-	-	-	48,600	48,600	-	07/01/34
2012 GO Refunding Various Purpose	24,075	-	7,295	-	-	-	16,780	16,780	-	07/01/21
2012 GO Refunding Preservation	44,020	-	-	-	-	-	44,020	44,020	-	07/01/25
2013 GO Preservation	74,000	-	-	-	-	-	74,000	74,000	-	07/01/34
2014 GO Preservation	12,435	-	565	-	-	-	11,870	11,870	-	07/01/34
2014 GO Refunding Various Purpose	60,479	-	9,797	-	-	-	50,682	50,682	-	07/01/23
2014 GO Refunding Preservation	8,156	-	1,238	-	-	-	6,918	6,918	-	07/01/23
2015 GO Refunding Various Purpose	86,400	-	-	-	-	-	86,400	86,400	-	07/01/28
2015 GO Refunding Preservation	62,305	-	6,240	-	-	-	56,065	56,065	-	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	-	25,500	6,800	-	-	-	18,700	18,700	-	07/01/27
2008A GO Series Issuance Premium	92	-	-	-	-	(92)	-	-	-	-
2008B GO Series Issuance Premium	5	-	-	-	-	(5)	-	-	-	-
2010 GO Bonds Issuance Premium	188	-	-	-	-	(14)	174	174	-	-
2011 GO Preserve Series Issuance Premium	51	-	-	-	-	(3)	48	48	-	-
2011 GO Refunding Series Issuance Premium	1,998	-	-	-	-	(286)	1,712	1,712	-	-
2012 GO Preserve Issuance Premium	1,848	-	-	-	-	(109)	1,739	1,739	-	-
2012 GO Refunding Series Issuance Premium	4,904	-	-	-	-	(613)	4,291	4,291	-	-
2013 GO Preserve Issuance Premium	2,457	-	-	-	-	(145)	2,312	2,312	-	-
2014 GO Preserve Issuance Premium	483	-	-	-	-	(29)	454	454	-	-
2014 GO Refunding Series Issuance Premium	6,222	-	-	-	-	(1,037)	5,185	5,185	-	-
2015 GO Refunding Series Issuance Premium	12,573	-	-	-	-	(740)	11,833	11,833	-	-
2017A GO Preserve Series Issuance Premium	2,751	-	-	-	-	(162)	2,589	2,589	-	-
2017B GO Preserve Acquisition Refinancing Series Issuance Premium	3,393	-	-	-	-	(484)	2,909	2,909	-	-
2017 GO Refunding Series Issuance Premium	6,650	-	-	-	-	(391)	6,259	6,259	-	-
2017C GO Various Purpose Issuance	-	3,496	-	-	-	(207)	3,289	3,289	-	-
Total General Obligation Bonds	\$ 590,910	\$ 28,996	\$ 47,330	\$ -	\$ -	\$ (4,317)	\$ 568,259	\$ 568,259	\$ -	-
<b>REVENUE BONDS</b>										
Business-type Activities										
2008 Utility Revenue Series Refunding	\$ 23,085	\$ -	\$ 3,370	\$ -	\$ -	\$ -	\$ 19,715	\$ -	\$ 19,715	07/01/23
2008 Refunding Series Issuance Premium	1,625	-	-	-	-	(271)	1,354	-	1,354	-
Total Revenue Bonds	\$ 24,710	\$ -	\$ 3,370	\$ -	\$ -	\$ (271)	\$ 21,069	\$ -	\$ 21,069	-

\*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, 2018 (in thousands)

	July 1, 2017	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2018	Governmental Activities	Business-type Activities	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Activities										
2006 MPC Refunding	\$ 53,140	\$ -	\$ 1,200	\$ -	\$ -	\$ -	\$ 51,940	\$ 51,940	\$ -	07/01/34
2013A MPC	22,405	-	1,250	-	-	-	21,155	21,155	-	07/01/28
2013B MPC	1,245	-	55	-	-	-	1,190	1,190	-	07/01/33
2013C MPC	32,215	-	1,360	-	-	-	30,855	30,855	-	07/01/33
2014 MPC Refunding	22,735	-	2,935	-	-	-	19,800	19,800	-	07/01/27
2015A MPC	11,130	-	460	-	-	-	10,670	10,670	-	07/01/34
2015A MPC Taxable	13,190	-	590	-	-	-	12,600	12,600	-	07/01/34
2015 MPC Refunding	43,058	-	3,350	-	-	-	39,708	39,708	-	07/01/35
2006 Refunding Series Issuance Premium	4,200	-	-	-	-	(247)	3,953	3,953	-	-
2013A MPC Series Issuance Premium	3,532	-	-	-	-	(321)	3,211	3,211	-	-
2013B MPC Series Issuance Premium	156	-	-	-	-	(9)	147	147	-	-
2013C MPC Series Issuance Premium	3,946	-	-	-	-	(247)	3,699	3,699	-	-
2014 Refunding Series Issuance Premium	2,033	-	-	-	-	(204)	1,829	1,829	-	-
2015A Series Issuance Premium	999	-	-	-	-	(59)	940	940	-	-
2015A Taxable Series Issuance Premium	235	-	-	-	-	(14)	221	221	-	-
2015 Refunding Series Issuance Premium	7,316	-	-	-	-	(406)	6,910	6,910	-	-
Subtotal Governmental Activities	221,535	-	11,200	-	-	(1,507)	208,828	208,828	-	-
Business-type Activities										
2006 MPC Refunding	95,630	-	7,845	-	-	-	87,785	-	87,785	07/01/30
2008A MPC Water/Sewer	3,725	-	3,725	-	-	-	-	-	-	07/01/18
2010 MPC Bonds Water/Sewer	16,330	-	1,100	-	-	-	15,230	-	15,230	07/01/30
2015A MPC Bonds Water/Sewer	16,860	-	695	-	-	-	16,165	-	16,165	07/01/34
2015 MPC Refunding	46,812	-	-	-	-	-	46,812	-	46,812	07/01/28
2017 MPC Refunding	79,970	-	-	-	-	-	79,970	-	79,970	07/01/36
2017A MPC Bonds Water	39,065	-	1,080	-	-	-	37,985	-	37,985	07/01/37
2017B MPC Bonds Aviation	23,520	-	645	-	-	-	22,875	-	22,875	07/01/37
2006 Refunding Series Issuance Premium	7,326	-	-	-	-	(564)	6,762	-	6,762	-
2008A Series Issuance Premium	157	-	-	-	-	(157)	-	-	-	-
2010 Water/Sewer Issuance Premium	590	-	-	-	-	(45)	545	-	545	-
2015A Series Issuance Premium	1,513	-	-	-	-	(89)	1,424	-	1,424	-
2015 Refunding Series Issuance Premium	6,845	-	-	-	-	(622)	6,223	-	6,223	-
2017 Refunding Series Issuance Premium	10,485	-	-	-	-	(552)	9,933	-	9,933	-
2017A Series Issuance Premium	3,272	-	-	-	-	(163)	3,109	-	3,109	-
2017B Series Issuance Premium	1,673	-	-	-	-	(84)	1,589	-	1,589	-
Subtotal Business-type Activities	353,773	-	15,090	-	-	(2,276)	336,407	-	336,407	-
Total Municipal Property Corporation Bonds	\$ 575,308	\$ -	\$ 26,290	\$ -	\$ -	\$ (3,783)	\$ 545,235	\$ 208,828	\$ 336,407	-
<b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>										
Governmental Activities										
2010 Excise Tax Refunding	\$ 10,210	\$ -	\$ 3,260	\$ -	\$ -	\$ -	\$ 6,950	\$ 6,950	\$ -	07/01/20
2011 Excise Tax Refunding	6,105	-	1,105	-	-	-	5,000	5,000	-	07/01/22
2010 Excise Tax Revenue Issuance Premium	1,022	-	-	-	-	(146)	876	876	-	-
2011 Excise Tax Revenue Issuance Premium	486	-	-	-	-	(97)	389	389	-	-
Total Scottsdale Preserve Authority Bonds	\$ 17,823	\$ -	\$ 4,365	\$ -	\$ -	\$ (243)	\$ 13,215	\$ 13,215	\$ -	-

\*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, 2018 (in thousands)

	July 1, 2017	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations and Contract Adjustments	June 30, 2018	Governmental Activities	Business-type Activities	Final Payment Date
<b>CERTIFICATES OF PARTICIPATION</b>										
Governmental Activities										
Series 2010-Public Safety Communications Project	\$ 7,264	\$ -	\$ 2,350	\$ -	\$ -	\$ -	\$ 4,914	\$ 4,914	\$ -	07/01/20
Total Certificates of Participation	\$ 7,264	\$ -	\$ 2,350	\$ -	\$ -	\$ -	\$ 4,914	\$ 4,914	\$ -	
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Activities										
Scottsdale Mountain Refunding Series 2002	\$ 160	\$ -	\$ 160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/15/18
Waterfront Commercial Series 2007	3,085	-	135	-	-	-	2,950	2,950	-	07/15/32
DC Ranch Refunding Series 2012	10,740	-	920	-	-	-	9,820	9,820	-	07/15/27
McDowell Mtn Ranch Refunding Series 2012	6,195	-	1,155	-	-	-	5,040	5,040	-	07/15/22
Via Linda Road Refunding Series 2012	1,175	-	185	-	-	-	990	990	-	07/15/23
Scottsdale Mountain 2002 Issuance Premium	1	-	-	-	-	(1)	-	-	-	
DC Ranch 2012 Issuance Premium	393	-	-	-	-	(39)	354	354	-	
McDowell Mtn Ranch 2012 Issuance Premium	111	-	-	-	-	(21)	90	90	-	
Total Community Facilities District Bonds	\$ 21,860	\$ -	\$ 2,555	\$ -	\$ -	\$ (61)	\$ 19,244	\$ 19,244	\$ -	
Total Bonds	\$ 1,237,875	\$ 28,996	\$ 86,260	\$ -	\$ -	\$ (8,675)	\$ 1,171,936	\$ 814,460	\$ 357,476	
<b>CAPITAL LEASES</b>										
Governmental Activities										
Copier Equipment - Administrative Services	\$ 95	\$ -	\$ 63	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ -	12/31/18
Total Capital Leases	\$ 95	\$ -	\$ 63	\$ -	\$ -	\$ -	\$ 32	\$ 32	\$ -	
<b>SERVICE CONCESSION ARRANGEMENTS</b>										
Governmental Activities										
Bureau of Reclamation\Westworld	\$ 1,199	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 1,119	\$ 1,119	\$ -	2032
Bureau of Reclamation\TPC	1,330	-	74	-	-	-	1,256	1,256	-	2035
Total Service Concession Arrangements	\$ 2,529	\$ -	\$ 154	\$ -	\$ -	\$ -	\$ 2,375	\$ 2,375	\$ -	
<b>TOTAL BONDS, CAPITAL LEASES, AND SERVICE CONCESSION ARRANGEMENTS</b>										
	\$ 1,240,499	\$ 28,996	\$ 86,477	\$ -	\$ -	\$ (8,675)	\$ 1,174,343	\$ 816,867	\$ 357,476	
Compensated Absences							\$	25,516	\$ 3,531	
Total Other Postemployment Benefit Liability								2,194	-	
Net Pension Liabilities								309,094	33,523	
Risk Management Claims								22,933	-	
<b>Total Long-Term Debt</b>							<b>\$</b>	<b>1,176,604</b>	<b>\$ 394,530</b>	

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

## Statistical Section

	<b>Page</b>
<b>Contents</b>	
<b>Financial Trends</b>	<b>174</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>183</b>
These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax, and sale and use taxes.	
<b>Debt Capacity</b>	<b>190</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>196</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>198</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 2,586,731	\$ 2,729,334	\$ 2,704,433	\$ 2,800,451	\$ 2,756,186	\$ 2,685,105	\$ 2,663,269	\$ 3,406,976	\$ 3,530,134	\$ 3,604,063
Restricted	131,732	97,950	91,862	100,275	100,472	109,615	117,485	122,932	125,366	123,057
Unrestricted	83,884	87,698	108,799	74,124	133,897	180,942	(19,464)	(3,679)	(43,632)	(27,779)
Total Governmental Activities Net Position	<u>\$ 2,802,347</u>	<u>\$ 2,914,982</u>	<u>\$ 2,905,094</u>	<u>\$ 2,974,850</u>	<u>\$ 2,990,555</u> <sup>(1)</sup>	<u>\$ 2,975,662</u> <sup>(2)</sup>	<u>\$ 2,761,290</u> <sup>(3)</sup>	<u>\$ 3,526,229</u> <sup>(5)</sup>	<u>\$ 3,611,868</u>	<u>\$ 3,699,341</u> <sup>(7)</sup>
Business-type Activities										
Net Investment in Capital Assets	\$ 991,390	\$ 941,884	\$ 1,009,973	\$ 1,036,985	\$ 1,058,880	\$ 1,046,345	\$ 1,036,650	\$ 1,059,001	\$ 1,069,475	\$ 1,099,864
Restricted	26,568	32,244	36,287	38,576	41,545	47,101	46,901	47,521	48,911	48,926
Unrestricted	239,103	307,279	258,395	243,067	242,763	273,321	253,109	255,503	256,129	250,500
Total Business-type Activities Net Position	<u>\$ 1,257,061</u>	<u>\$ 1,281,407</u>	<u>\$ 1,304,655</u>	<u>\$ 1,318,628</u>	<u>\$ 1,343,188</u>	<u>\$ 1,366,767</u> <sup>(2)</sup>	<u>\$ 1,336,660</u> <sup>(4)</sup>	<u>\$ 1,362,025</u> <sup>(6)</sup>	<u>\$ 1,374,515</u>	<u>\$ 1,399,290</u>
Primary Government										
Net Investment in Capital Assets	\$ 3,578,121	\$ 3,671,218	\$ 3,714,406	\$ 3,837,436	\$ 3,815,066	\$ 3,731,450	\$ 3,699,919	\$ 4,465,977	\$ 4,599,609	\$ 4,703,927
Restricted	158,300	130,194	128,149	138,851	142,017	156,716	164,386	170,453	174,277	171,983
Unrestricted	322,987	394,977	367,194	317,191	376,660	454,263	233,645	251,824	212,497	222,721
Total Primary Government Net Position	<u>\$ 4,059,408</u>	<u>\$ 4,196,389</u>	<u>\$ 4,209,749</u>	<u>\$ 4,293,478</u>	<u>\$ 4,333,743</u>	<u>\$ 4,342,429</u>	<u>\$ 4,097,950</u>	<u>\$ 4,888,254</u>	<u>\$ 4,986,383</u>	<u>\$ 5,098,631</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. 65 and to record the City's endowment funds.

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

Table IIa

	2009	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012 <sup>(3)</sup>	2013	2014 <sup>(4)</sup>	2015	2016	2017 <sup>(5)</sup>	2018 <sup>(6)</sup>
<b>Expenses</b>										
<b>Governmental Activities</b>										
General Government	\$ 20,646	\$ 24,351	\$ 21,495	\$ 18,964	\$ 20,985	\$ 21,084	\$ 21,210	\$ 22,252	\$ 22,477	\$ 23,282
Public Works	-	37,143	35,605	34,416	36,405	43,597	40,631	38,291	40,035	42,205
Community and Economic Development	-	-	134,221	126,622	147,514	134,626	138,899	102,892	102,813	102,153
Public Safety	-	116,155	111,227	115,740	118,033	127,026	135,647	136,261	172,452	153,256
Human Resources	3,545	3,717	3,047	-	-	-	-	-	-	-
Community Services	78,523	53,596	51,974	54,442	56,382	55,190	55,134	53,322	54,155	54,710
Information Technology	-	14,876	13,491	-	-	-	-	-	-	-
Administrative Services	-	1,917	2,905	17,318	16,863	17,552	17,849	20,264	19,326	21,173
Citizen and Neighborhood Resources	3,802	-	-	-	-	-	-	-	-	-
Economic Vitality	8,553	20,676	-	-	-	-	-	-	-	-
Finance and Accounting	-	5,848	-	-	-	-	-	-	-	-
Financial Services	9,913	-	-	-	-	-	-	-	-	-
Fire	31,174	-	-	-	-	-	-	-	-	-
Information Services	13,723	-	-	-	-	-	-	-	-	-
Municipal Services	22,887	-	-	-	-	-	-	-	-	-
Planning and Development	29,029	-	-	-	-	-	-	-	-	-
Planning, Neighborhood, and Transportation	-	114,530	-	-	-	-	-	-	-	-
Police	92,530	-	-	-	-	-	-	-	-	-
The Downtown Group	4,595	-	-	-	-	-	-	-	-	-
Transportation	87,552	-	-	-	-	-	-	-	-	-
WestWorld	595	-	-	-	-	-	-	-	-	-
Streetlight and Service Districts	631	538	578	572	569	576	583	589	589	605
Gain on In-Substance Defeasance of Debt	-	-	-	-	-	-	-	-	(32)	-
Interest on Long-Term Debt	42,242	39,405	40,358	40,647	38,389	35,486	34,134	31,665	28,462	28,724
Bond Issuance Costs	-	-	-	-	-	998	1,643	-	672	-
<b>Total Governmental Activities Expenses</b>	<b>449,940</b>	<b>432,752</b>	<b>414,901</b>	<b>408,721</b>	<b>435,140</b>	<b>436,135</b>	<b>445,730</b>	<b>405,536</b>	<b>440,949</b>	<b>426,108</b>
<b>Business-type Activities</b>										
Water Utility	81,391	76,178	83,888	90,829	90,205	91,496	95,958	100,854	95,745	96,493
Sewer Utility	33,509	33,274	34,533	41,218	43,169	45,421	44,352	42,058	50,535	52,142
Airport	3,482	3,120	3,680	3,681	3,785	4,014	3,703	3,894	4,151	7,624
Solid Waste	19,650	18,889	18,853	17,671	19,146	19,608	20,911	20,786	20,181	19,735
<b>Total Business-type Activities Expenses</b>	<b>138,032</b>	<b>131,461</b>	<b>140,954</b>	<b>153,399</b>	<b>156,305</b>	<b>160,539</b>	<b>164,924</b>	<b>167,592</b>	<b>170,612</b>	<b>175,994</b>
<b>Total Primary Government Expenses</b>	<b>\$ 587,972</b>	<b>\$ 564,213</b>	<b>\$ 555,855</b>	<b>\$ 562,120</b>	<b>\$ 591,445</b>	<b>\$ 596,674</b>	<b>\$ 610,654</b>	<b>\$ 573,128</b>	<b>\$ 611,561</b>	<b>\$ 602,102</b>

<sup>(1)</sup>In fiscal year 2010, the City's Governmental Activities were restructured from Departments to Divisions, which resulted in the shift of reporting associated expenses.

<sup>(2)</sup>In fiscal year 2011, Economic Vitality merged with Planning, Neighborhood, and Transportation to become the Community and Economic Development Division. In addition, Finance and Accounting was merged into General Government.

<sup>(3)</sup>In fiscal year 2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

<sup>(4)</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>(5)</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>(6)</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Program Revenue</b>										
Governmental Activities										
Charges for Services:										
General Government	\$ 14,670	\$ 13,982	\$ 4,777	\$ 3,965	\$ 4,340	\$ 4,282	\$ 4,279	\$ 3,970	\$ 3,999	\$ 4,676
Public Works	-	-	4,666	3,543	1,498	1,580	1,861	6,149	2,041	1,569
Community and Economic Development	-	-	9,604	10,958	14,736	17,981	19,474	17,464	18,455	19,503
Public Safety	-	12,655	9,917	10,102	9,139	10,268	10,350	11,459	11,739	11,203
Human Resources	-	-	973	-	-	-	-	-	-	-
Community Services	4,619	5,773	4,617	5,573	5,523	5,914	6,334	6,269	6,268	6,820
Information Technology	-	-	2,485	-	-	-	-	-	-	-
Administrative Services	-	-	635	2,549	3,155	2,890	2,827	2,926	3,096	3,094
Planning, Neighborhood, and Transportation	-	6,837	-	-	-	-	-	-	-	-
Economic Vitality	-	2,552	-	-	-	-	-	-	-	-
Fire	2,275	-	-	-	-	-	-	-	-	-
Planning and Development	6,393	-	-	-	-	-	-	-	-	-
Police	5,703	-	-	-	-	-	-	-	-	-
WestWorld	2,682	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	599	289	478	551	551	400	531	577	602	584
Operating Grants and Contributions	26,272	29,319	32,205	28,144	31,255	27,710	28,397	29,708	29,724	30,760
Capital Grants and Contributions	240,289	190,279	41,072	112,163	66,917	38,817	14,831	82,162	107,334	60,819
Total Governmental Activities Program Revenues	<u>303,502</u>	<u>261,686</u>	<u>111,429</u>	<u>177,548</u>	<u>137,114</u>	<u>109,842</u>	<u>88,884</u>	<u>160,684</u>	<u>183,258</u>	<u>139,028</u>
Business-type Activities										
Charges for Services:										
Water Utility	91,546	94,199	94,056	97,944	100,615	104,722	98,495	110,560	107,031	117,537
Sewer Utility	34,198	35,027	34,533	36,032	36,939	39,917	39,541	39,741	40,434	40,666
Airport	2,813	2,879	2,816	3,248	3,552	3,635	4,020	4,404	4,390	4,335
Solid Waste	20,049	20,269	20,940	20,744	20,458	20,162	20,232	20,120	20,269	19,687
Capital Grants and Contributions	22,067	9,268	17,889	8,607	25,638	22,019	11,726	22,545	17,539	23,865
Total Business-type Activities Revenues	<u>170,673</u>	<u>161,642</u>	<u>170,234</u>	<u>166,575</u>	<u>187,202</u>	<u>190,455</u>	<u>174,014</u>	<u>197,370</u>	<u>189,663</u>	<u>206,090</u>
Total Primary Government Revenues	<u>\$ 474,175</u>	<u>\$ 423,328</u>	<u>\$ 281,663</u>	<u>\$ 344,123</u>	<u>\$ 324,316</u>	<u>\$ 300,297</u>	<u>\$ 262,898</u>	<u>\$ 358,054</u>	<u>\$ 372,921</u>	<u>\$ 345,118</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (146,438)	\$ (171,066)	\$ (303,472)	\$ (231,173)	\$ (298,026)	\$ (326,293)	\$ (356,846)	\$ (244,852)	\$ (257,691)	\$ (287,080)
Business-type Activities	32,641	30,181	29,280	13,176	30,897	29,916	9,090	29,778	19,051	30,096
Total Primary Government Net Expense	<u>\$ (113,797)</u>	<u>\$ (140,885)</u>	<u>\$ (274,192)</u>	<u>\$ (217,997)</u>	<u>\$ (267,129)</u>	<u>\$ (296,377)</u>	<u>\$ (347,756)</u>	<u>\$ (215,074)</u>	<u>\$ (238,640)</u>	<u>\$ (256,984)</u>

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

Table IIc

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes	\$ 221,272	\$ 208,083	\$ 222,118	\$ 227,963	\$ 234,582	\$ 248,642	\$ 257,860	\$ 265,416	\$ 262,144	\$ 287,456
Intergovernmental - Unrestricted	64,145	56,830	49,190	44,035	49,054	52,715	56,316	57,630	61,851	66,299
Interest and Investment Income	14,653	1,368	248	1,063	985	1,274	1,372	2,955	1,132	2,218
Miscellaneous and Special Items	5,038	6,730	11,849	20,502	12,557	8,422	13,829	9,987	10,568	10,548
Transfers	9,932	10,690	10,179	7,366	7,244	6,202	6,579	7,174	7,635	7,756
Total Governmental Activities	<u>315,040</u>	<u>283,701</u>	<u>293,584</u>	<u>300,929</u>	<u>304,422</u>	<u>317,255</u>	<u>335,956</u>	<u>343,162</u>	<u>343,330</u>	<u>374,277</u>
Business-type Activities										
Taxes	117	130	134	132	144	154	169	145	158	144
Interest and Investment Income	4,958	4,295	2,658	421	763	964	1,346	2,531	916	2,291
Miscellaneous	408	430	1,355	7,610	-	-	-	-	-	-
Transfers	(9,932)	(10,690)	(10,179)	(7,366)	(7,244)	(6,202)	(6,579)	(7,174)	(7,635)	(7,756)
Total Business-type Activities	<u>(4,449)</u>	<u>(5,835)</u>	<u>(6,032)</u>	<u>797</u>	<u>(6,337)</u>	<u>(5,084)</u>	<u>(5,064)</u>	<u>(4,498)</u>	<u>(6,561)</u>	<u>(5,321)</u>
Total Primary Government	<u>\$ 310,591</u>	<u>\$ 277,866</u>	<u>\$ 287,552</u>	<u>\$ 301,726</u>	<u>\$ 298,085</u>	<u>\$ 312,171</u>	<u>\$ 330,892</u>	<u>\$ 338,664</u>	<u>\$ 336,769</u>	<u>\$ 368,956</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 168,602	\$ 112,635	\$ (9,888)	\$ 69,756	\$ 6,396	\$ (9,038)	\$ (20,890)	\$ 98,310	\$ 85,639	\$ 87,197
Business-type Activities	28,192	24,346	23,248	13,973	24,560	24,832	4,026	25,280	12,490	24,775
Total Primary Government	<u>\$ 196,794</u>	<u>\$ 136,981</u>	<u>\$ 13,360</u>	<u>\$ 83,729</u>	<u>\$ 30,956</u>	<u>\$ 15,794</u>	<u>\$ (16,864)</u>	<u>\$ 123,590</u>	<u>\$ 98,129</u>	<u>\$ 111,972</u>

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

**Table III**

	<u>2009</u>	<u>2010</u>	<u>2011<sup>(1)</sup></u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>(2)</sup></u>
General Fund										
Nonspendable			\$ 247	\$ 264	\$ 265	\$ 266	\$ 227	\$ 249	\$ 269	\$ 264
Restricted			281	260	-	-	-	-	-	-
Committed			-	-	-	-	-	-	-	-
Assigned			-	-	-	-	-	-	-	-
Unassigned			53,199	52,105	48,679	52,354	56,017	65,347	58,518	72,809
Reserved	\$ 835	\$ 586								
Unreserved	59,587	51,518								
Total General Fund	<u>\$ 60,422</u>	<u>\$ 52,104</u>	<u>\$ 53,727</u>	<u>\$ 52,629</u>	<u>\$ 48,944</u>	<u>\$ 52,620</u>	<u>\$ 56,244</u>	<u>\$ 65,596</u>	<u>\$ 58,787</u>	<u>\$ 73,073</u>
All Other Governmental Funds										
Nonspendable			\$ 3,000	\$ 2,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 619
Restricted			104,284	108,073	114,676	105,837	113,237	116,847	105,777	115,391
Committed			6,221	7,345	16,298	20,848	49,554	52,508	58,644	62,867
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)
Capital Project Funds			-	-	-	-	(4,770)	(4,720)	(11,205)	(6,957)
Reserved	\$ 27,236	\$ 20,193								
Unreserved, Reported in:										
Special Revenue Funds	30,710	30,963								
Capital Project Funds	102,898	102,490								
Total All Other Governmental Funds	<u>\$ 160,844</u>	<u>\$ 153,646</u>	<u>\$ 149,474</u>	<u>\$ 155,134</u>	<u>\$ 169,246</u>	<u>\$ 132,853</u>	<u>\$ 156,938</u>	<u>\$ 163,625</u>	<u>\$ 151,041</u>	<u>\$ 171,239</u>

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

<sup>(2)</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

	2009	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017	2018
<b>Revenues</b>										
Taxes - Local	\$ 219,846	\$ 204,040	\$ 221,236	\$ 228,823	\$ 236,652	\$ 249,289	\$ 258,851	\$ 264,414	\$ 264,299	\$ 288,335
Taxes - Intergovernmental	77,408	69,336	61,754	53,834	59,813	63,816	68,603	70,526	75,978	81,197
Business and Liquor Licenses	1,733	1,787	1,745	1,805	1,763	1,782	1,925	1,894	1,861	1,768
Charges for Current Services	15,719	15,322	15,119	16,985	20,870	24,078	25,855	24,404	25,225	27,063
Fines, Fees, and Forfeitures	11,459	11,637	8,579	9,133	8,472	8,343	10,000	10,617	10,532	10,387
Special Assessments	821	765	733	719	591	-	-	-	-	-
Property Rental	3,527	3,353	4,204	4,630	4,232	4,270	5,282	4,922	5,854	5,859
Interest Earnings	13,491	5,014	2,705	2,837	2,624	2,974	1,934	2,373	2,634	4,224
Net Increase (Decrease) in the Fair Value of Investments	-	(4,696)	(3,397)	(1,403)	(1,639)	(1,700)	(562)	582	(1,502)	(2,006)
Intergovernmental	31,813	17,756	52,300	67,725	53,462	40,116	19,846	16,070	20,725	27,335
Developer Contributions	9,425	2,518	254	101	203	64	653	319	498	835
Streetlight and Services Districts	599	289	478	551	551	400	531	577	602	584
Contributions and Donations	1,519	1,275	1,157	2,521	2,813	2,178	3,558	2,268	2,589	2,333
Reimbursements from Outside Sources	1,210	2,852	4,673	12,642	5,934	2,446	3,445	1,942	2,266	1,840
Indirect Costs	14,917	14,159	14,800	9,096	7,595	7,102	6,987	6,501	6,993	7,455
Other	991	644	1,892	3,265	2,438	1,652	5,134	954	1,110	869
<b>Total Revenues</b>	<b>\$ 404,478</b>	<b>\$ 346,051</b>	<b>\$ 388,232</b>	<b>\$ 413,264</b>	<b>\$ 406,374</b>	<b>\$ 406,810</b>	<b>\$ 412,042</b>	<b>\$ 408,363</b>	<b>\$ 419,664</b>	<b>\$ 458,078</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

	2009	2010 <sup>(1)</sup>	2011 <sup>(2)</sup>	2012 <sup>(3)</sup>	2013	2014	2015	2016	2017	2018
<b>Expenditures</b>										
General Government	\$ 19,216	\$ 17,030	\$ 19,783	\$ 18,523	\$ 19,695	\$ 19,730	\$ 20,815	\$ 22,623	\$ 22,397	\$ 23,716
Public Works	-	31,391	31,463	27,307	29,658	33,381	34,518	32,850	33,636	35,013
Community and Economic Development	-	-	42,357	38,369	70,351	41,063	44,550	42,735	46,320	47,696
Public Safety	-	111,459	108,003	107,934	111,960	119,159	123,761	128,527	137,304	136,075
Human Resources	3,465	3,657	3,013	-	-	-	-	-	-	-
Community Services	70,807	45,655	43,967	44,762	45,346	45,035	44,998	45,508	46,224	47,056
Information Technology	-	9,469	9,357	-	-	-	-	-	-	-
Administrative Services	-	1,859	3,031	14,450	14,141	14,950	15,050	15,648	15,919	16,309
Finance and Accounting	-	6,059	-	-	-	-	-	-	-	-
Economic Vitality	8,246	17,110	-	-	-	-	-	-	-	-
Planning, Neighborhood, and Transportation	-	27,447	-	-	-	-	-	-	-	-
Planning and Development	16,671	-	-	-	-	-	-	-	-	-
WestWorld	3,704	-	-	-	-	-	-	-	-	-
Information Systems	9,904	-	-	-	-	-	-	-	-	-
The Downtown Group	4,627	-	-	-	-	-	-	-	-	-
Fire	30,767	-	-	-	-	-	-	-	-	-
Police	89,802	-	-	-	-	-	-	-	-	-
Financial Services	9,701	-	-	-	-	-	-	-	-	-
Transportation	15,580	-	-	-	-	-	-	-	-	-
Municipal Services	18,800	-	-	-	-	-	-	-	-	-
Citizen and Neighborhood Resources	3,732	-	-	-	-	-	-	-	-	-
Streetlight and Services Districts	632	538	578	572	569	576	583	589	589	605
Debt Service										
Principal	31,308	33,701	37,677	44,700	63,234	59,387	105,930	53,313	57,956	68,017
Interest and Fiscal Charges	41,612	38,782	40,091	40,487	38,789	37,323	36,706	34,664	31,285	32,052
Bond Issuance Costs	-	497	1,057	774	1,915	998	1,643	-	672	241
Capital Outlay	155,358	77,929	107,448	129,025	181,189	99,722	52,164	26,674	75,099	54,311
<b>Total Expenditures</b>	<b>\$ 533,932</b>	<b>\$ 422,583</b>	<b>\$ 447,825</b>	<b>\$ 466,903</b>	<b>\$ 576,847</b>	<b>\$ 471,324</b>	<b>\$ 480,718</b>	<b>\$ 403,131</b>	<b>\$ 467,401</b>	<b>\$ 461,091</b>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (129,454)	\$ (76,532)	\$ (59,593)	\$ (53,639)	\$ (170,473)	\$ (64,514)	\$ (68,676)	\$ 5,232	\$ (47,737)	\$ (3,013)

<sup>(1)</sup>In fiscal year 2010, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated expenditures.

<sup>(2)</sup>In fiscal year 2011, Economic Vitality merged with Planning, Neighborhood, and Transportation to become the Community and Economic Development Division. In addition, Finance and Accounting was merged into General Government.

<sup>(3)</sup>In fiscal year 2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

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

**Table IVc**

	2009	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017	2018
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 160,319	\$ 108,066	\$ 79,592	\$ 81,579	\$ 78,171	\$ 89,669	\$ 89,806	\$ 85,080	\$ 101,427	\$ 103,926
Transfers Out	(145,357)	(98,693)	(69,378)	(75,826)	(70,919)	(82,696)	(83,211)	(79,079)	(94,074)	(96,272)
Capital Lease Acquisitions	-	-	-	-	-	296	-	-	-	-
Proceeds of Refunding Bonds	-	-	87,985	-	111,250	105,885	207,173	-	58,480	-
Issuance of Long-Term Capital-Related Debt	-	50,800	42,525	50,000	140,000	14,000	26,815	-	17,410	25,500
Premium on Long-Term Debt Issued	-	843	10,047	2,448	22,082	12,742	23,871	-	12,955	3,496
Payment to Refunded Bonds Escrow Agent	-	-	(94,818)	-	(99,684)	(108,099)	(168,069)	-	(68,105)	-
Sale of Capital Assets	-	-	1,091	-	-	-	-	4,806	251	214
<b>Total Other Financing Sources (Uses)</b>	<b>14,962</b>	<b>61,016</b>	<b>57,044</b>	<b>58,201</b>	<b>180,900</b>	<b>31,797</b>	<b>96,385</b>	<b>10,807</b>	<b>28,344</b>	<b>36,864</b>
<b>Net Change in Fund Balances</b>	<b>\$ (114,492)</b>	<b>\$ (15,516)</b>	<b>\$ (2,549)</b>	<b>\$ 4,562</b>	<b>\$ 10,427</b>	<b>\$ (32,717)</b>	<b>\$ 27,709</b>	<b>\$ 16,039</b>	<b>\$ (19,393)</b>	<b>\$ 33,851</b>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>	<b>19.3%</b>	<b>21.0%</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>

<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

Sales and Use Taxes							
Fiscal Year	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn Preserve	Privilege and Use - Transportation	Privilege and Use - Public Safety	Transient Occupancy	
2009	\$ 60,493	\$ 85,829	\$ 29,121	\$ 16,141	\$ 8,289	\$ 7,577	
2010	58,354	77,878	26,416	14,608	7,541	7,113	
2011	65,970	80,119	27,199	15,042	7,765	13,126 <sup>(1)</sup>	
2012	65,089	84,633	28,809	15,985	8,231	13,430	
2013	64,908	89,002	30,376	16,852	8,679	13,852	
2014	64,914	95,604	32,655	18,116	9,330	15,303	
2015	64,272	100,560	34,429	19,097	9,837	17,047	
2016	61,956	104,995	36,029	19,938	10,294	17,397	
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	

Franchise Taxes		Intergovernmental			
Fiscal Year	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other
2009	\$ 3,606	\$ 7,831	\$ 18,677	\$ 35,103	\$ 959
2010	3,317	7,834	17,227	30,309	979
2011	3,163	7,842	17,844	22,849	1,010
2012	3,445	8,115	16,987	18,347	1,086
2013	3,461	8,424	17,793	22,205	838
2014	3,722	8,477	18,922	24,230	900
2015	3,748	8,691	19,867	26,316	906
2016	3,816	8,826	20,647	26,173	913
2017	3,896	8,655	21,755	28,976	921
2018	4,391	9,106	23,719	30,549	931

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

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

**Table VI**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Automotive	\$ 918,219	\$ 818,517	\$ 862,091	\$ 950,450	\$ 1,074,591	\$ 1,209,388	\$ 1,335,511	\$ 1,403,834	\$ 1,489,632	\$ 1,558,428
Construction	1,251,432	754,583	718,652	786,402	861,934	1,073,279	1,057,986	969,281	901,684	962,050
Food Stores	624,917	611,083	611,825	626,883	639,362	655,787	690,837	713,187	677,978	763,117
Hotel/Motel	416,216	395,229	401,413	420,494	440,522	488,117	525,421	543,121	641,146	682,078
Major Department Stores	864,676	865,614	882,376	897,617	907,857	917,406	937,370	927,469	888,674	966,996
Miscellaneous Retail Stores	1,078,674	1,107,272	1,194,790	1,299,083	1,321,572	1,450,611	1,612,954	1,708,411	1,785,097	2,010,364
Other Taxable Activity	556,842	449,455	502,739	525,480	626,171	666,504	695,566	728,596	756,718	926,445
Rentals	1,217,688	1,144,939	1,113,821	1,134,785	1,189,304	1,210,218	1,315,545	1,417,607	1,380,366	1,644,191
Restaurants	684,188	670,311	713,420	799,231	794,034	844,186	925,948	961,340	957,757	1,065,825
Utilities	432,570	436,010	429,035	430,169	432,356	435,579	435,879	497,773	451,318	467,609
<b>Total</b>	<b>\$ 8,045,422</b>	<b>\$ 7,253,013</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>
City Sales Tax	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%

Note: Beginning January 1, 2017, the Arizona Department of Revenue took over all collection and administration of privilege, use, jet fuel, and bed taxes.



**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
2009	1.65%	0.70%	5.60%	2009	1.45%	0.00%	5.60%
2010	1.65%	0.70%	6.60% <sup>(1)</sup>	2010	1.45%	0.00%	6.60% <sup>(1)</sup>
2011	1.65%	0.70%	6.60%	2011	1.45%	0.00%	6.60%
2012	1.65%	0.70%	6.60%	2012	1.45%	0.00%	6.60%
2013	1.65%	0.70%	5.60% <sup>(3)</sup>	2013	1.45%	0.00%	5.60% <sup>(3)</sup>
2014	1.65%	0.70%	5.60%	2014	1.45%	0.00%	5.60%
2015	1.65%	0.70%	5.60%	2015	1.45%	0.00%	5.60%
2016	1.65%	0.70%	5.60%	2016	1.45%	0.00%	5.60%
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%

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
2009	3.00%	1.77%	5.50%	2009	\$ 0.0180	\$ 0.0046	\$ 0.0290
2010	3.00%	1.77%	6.50% <sup>(1)</sup>	2010	0.0180	0.0046	0.0290
2011	5.00%	1.77%	6.50% <sup>(2)</sup>	2011	0.0180	0.0046	0.0290
2012	5.00%	1.77%	6.50%	2012	0.0180	0.0046	0.0290
2013	5.00%	1.77%	5.50% <sup>(3)</sup>	2013	0.0180	0.0046	0.0290
2014	5.00%	1.77%	5.50%	2014	0.0180	0.0046	0.0290
2015	5.00%	1.77%	5.50%	2015	0.0180	0.0046	0.0290
2016	5.00%	1.77%	5.50%	2016	0.0180	0.0046	0.0290
2017	5.00%	1.77%	5.50%	2017	0.0180	0.0046	0.0290
2018	5.00%	1.77%	5.50%	2018 <sup>(4)</sup>	0.0180	0.0046	0.0290

Source: City Tax Audit Section

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

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

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

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

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

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

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

<sup>(3)</sup> The state tax rate decreased, with the exception of jet fuel, on June 1, 2013, due to approval from the voters in the May 2010 election.

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

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

Table VIII

	Fiscal Year 2018				Fiscal Year 2009			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	1,120	3.79%	\$ 26,944	14.15%	534	2.40%	\$ 15,255	11.14%
Construction	3,741	12.67%	16,783	8.81%	8,214	36.91%	20,834	15.21%
Food Stores	232	0.79%	12,798	6.72%	148	0.67%	10,201	7.45%
Hotel/Motel	203	0.69%	10,918	5.73%	64	0.29%	7,140	5.21%
Major Department Stores	63	0.21%	16,358	8.59%	29	0.13%	14,381	10.50%
Miscellaneous Retail Stores	6,593	22.34%	34,316	18.04%	4,813	21.63%	19,411	14.17%
Other Taxable Activity	6,969	23.60%	17,838	9.37%	3,690	16.58%	10,113	7.37%
Rentals	9,044	30.63%	28,292	14.86%	3,681	16.54%	20,669	15.09%
Restaurants	1,138	3.85%	17,889	9.39%	835	3.75%	11,261	8.22%
Utilities	422	1.43%	8,274	4.35%	245	1.10%	7,725	5.64%
<b>Total</b>	<b>29,525</b>	<b>100.00%</b>	<b>\$ 190,410</b>	<b>100.00%</b>	<b>22,253</b>	<b>100.00%</b>	<b>\$ 136,990</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. 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.

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

Table IX

Fiscal Year	City Direct Rate			Overlapping Rates			
	Operating	Debt Service	Total City	Scottsdale Unified School District			
				Operating	Debt Service	EVIT	Total School
2009	\$ 0.3537	\$ 0.4327	\$ 0.7864	\$ 2.8179	\$ 1.0742	\$ 0.0500	\$ 3.9421
2010	0.3650	0.3782	0.7432	2.4447	1.3382	0.0500	3.8329
2011	0.3836	0.5140	0.8976	2.4017	1.3529	0.0500	3.8046
2012	0.4412	0.6503	1.0915	2.7498	1.2503	0.0500	4.0501
2013	0.5027	0.7225	1.2252	3.0875	1.3390	0.0500	4.4765
2014	0.5342	0.7604	1.2946	3.3548	1.2239	0.0500	4.6287
2015	0.5580	0.6869	1.2449	3.1091	1.0045	0.0500	4.1636
2016	0.5293	0.6244	1.1537	2.8332	1.0263	0.0500	3.9095
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

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
2009	\$ 1.0327	\$ 0.9386	\$ 0.1367	\$ -	\$ 0.0053	\$ 0.1000	\$ 0.0353	\$ 0.0856	\$ 2.3342	\$ 7.0627
2010	0.9909	0.8844	0.1367	0.3306	0.0057	0.1000	0.0353	0.0914	2.5750	7.1511
2011	1.0508	0.9728	0.1489	0.3564	0.0066	0.1000	0.0412	0.1122	2.7889	7.4911
2012	1.2407	1.2082	0.1780	0.4259	0.0084	0.1000	0.0492	0.1494	3.3598	8.5014
2013	1.2407	1.3778	0.1780	0.4717	0.0110	0.1000	0.0492	0.1683	3.5967	9.2984
2014	1.2807	1.5340	0.1392	0.5123	0.0121	0.1400	0.0438	0.1939	3.8560	9.7793
2015	1.3209	1.5187	0.1392	0.5089	0.0113	0.1400	0.0556	0.1856	3.8802	9.2887
2016	1.3609	1.4940	0.1592	0.5054	0.0116	0.1400	0.0556	0.3021	4.0288	9.0920
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

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2017".

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 2018 the rates were as follows: DC Ranch CFD - \$0.4568, McDowell Mountain Ranch CFD - \$0.7229, Scottsdale Mountain CFD - \$0.3821, Via Linda Road CFD - \$1.1170, and the Waterfront Commercial CFD - \$6.6752.

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

Table X

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 59,118	1	1.037%	\$ 60,195	1	0.728%
Scottsdale Fashion Square LLC	37,514	2	0.658%	22,666	4	0.274%
SDQ FEE LLC	18,621	3	0.327%	-	-	-
Gainey Drive Associates	14,709	4	0.258%	22,341	6	0.270%
Portales Corporate Center LLC <sup>(1)</sup>	13,642	5	0.239%	17,222	9	0.208%
Mayo Clinic Arizona	13,502	6	0.237%	-	-	-
Excel Promenade LLC	13,499	7	0.237%	-	-	-
Qwest Corporation	12,355	8	0.217%	27,807	3	0.336%
Stockdale Galleria LLC	10,874	9	0.191%	-	-	-
Southwest Gas Corporation	10,484	10	0.184%	-	-	-
Scottsdale Fashion Square Partnership	-	-	-	43,295	2	0.523%
Blackwell Robert L./Etal	-	-	-	22,652	5	0.274%
DC Ranch LLC	-	-	-	21,159	7	0.256%
PR Hotel LLC	-	-	-	19,026	8	0.230%
DTR5 LLC	-	-	-	16,215	10	0.196%
<b>Total</b>	<b>\$ 204,318</b>		<b>3.585%</b>	<b>\$ 272,578</b>		<b>3.295%</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 2018 assessed valuation of the SRP within the City is \$20,943,373 as provided by SRP.

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

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

**Table XI**

Fiscal Year Ended June 30th	Real Property				Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land	Historic and Special Use	Assessed Value			
2009 P	\$ 3,947,876	\$ 1,584,811	\$ 950,456	\$ 1,727	\$ 403,064	\$ (559,516)	\$ 6,328,418	\$ 0.35
2009 S	5,237,939	1,987,377	1,505,737	2,073	427,495	(888,204)	8,272,417	0.43
2010 P	4,409,444	1,879,139	1,177,944	1,845	259,145	(717,210)	7,010,307	0.36
2010 S	4,989,883	2,436,470	1,765,907	2,070	259,145	(1,047,474)	8,406,001	0.38
2011 P	4,212,414	1,980,853	1,170,054	4,822	242,654	(724,635)	6,886,162	0.38
2011 S	4,261,972	2,312,814	1,458,512	5,622	242,654	(906,165)	7,375,409	0.51
2012 P	3,521,958	1,615,176	969,618	4,217	224,822	(665,901)	5,669,890	0.44
2012 S	3,524,902	1,623,645	1,021,533	4,300	224,822	(707,211)	5,691,991	0.65
2013 P	3,232,809	1,402,569	845,953	3,133	228,843	(643,724)	5,069,583	0.50
2013 S	3,236,951	1,405,867	856,609	3,133	228,843	(651,408)	5,079,995	0.72
2014 P	3,179,924	1,234,395	763,038	2,810	213,781	(591,625)	4,802,323	0.53
2014 S	3,190,808	1,238,888	793,269	2,852	214,245	(612,212)	4,827,850	0.76
2015 P	3,400,223	1,211,532	731,585	2,849	208,844	(569,038)	4,985,995	0.56
2015 S	3,542,585	1,228,899	792,839	2,986	209,029	(599,560)	5,176,778	0.69
2016 P	3,608,260	1,197,395	759,840	3,143	196,631	(603,538)	5,161,731	0.53
2016 S	4,210,065	1,306,932	912,980	3,541	196,972	(674,098)	5,956,392	0.62
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

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

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

Table XII

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 58,179	\$ 55,876	96.0%	\$ 1,764	\$ 57,640	99.1%
2010	57,380	55,221	96.2%	1,622	56,843	99.1%
2011	64,327	62,237	96.8%	737	62,974	97.9%
2012	62,033	60,309	97.2%	672	60,981	98.3%
2013	62,187	60,630	97.5%	791	61,421	98.8%
2014	62,367	61,227	98.2%	598	61,825	99.1%
2015	63,380	62,233	98.2%	573	62,806	99.1%
2016	59,553	58,714	98.6%	546	59,260	99.5%
2017	60,954	60,056	98.5%	610	60,666	99.5%
2018	61,803	60,721	98.2%	-	60,721	98.2%

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 Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Municipal Property Corporation Bonds</b>	<b>Scottsdale Preserve Authority Bonds</b>	<b>Special Assessment Bonds</b>	<b>Certificates of Participation</b>	<b>Community Facilities District Bonds</b>	<b>Contracts Payable</b>	<b>Capital Leases</b>	<b>Service Concession Arrangements</b>
2009	\$ 555,701	\$ 154,837	\$ 70,915	\$ 3,000	\$ 4,954	\$ 40,578	\$ 16,828	\$ -	\$ -
2010	583,071	153,582	67,567	2,250	4,194	38,725	15,732	-	-
2011	579,972	152,578	64,309	1,500	23,409	36,762	14,582	-	-
2012	603,426	149,983	60,304	750	18,031	34,685	13,375	-	-
2013	651,224	222,403	56,154	-	16,003	32,083	2,570	183	3,144
2014	647,859	218,942	53,100	-	13,914	30,090	-	329	2,990
2015	624,616	243,044	48,276	-	11,762	27,437	-	229	2,837
2016	585,931	232,970	43,489	-	9,546	24,694	-	156	2,683
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

<b>Business-type Activities</b>						
<b>Fiscal Year Ended June 30</b>	<b>Revenue Bonds</b>	<b>Municipal Property Corporation Bonds</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2009	\$ 51,629	\$ 262,391	\$ 53	\$ 1,160,886	12.13%	\$ 5,267
2010	48,250	332,216	7	1,245,594	11.62%	5,691
2011	44,776	323,107	-	1,240,995	11.77%	5,709
2012	41,157	313,505	-	1,235,216	11.09%	5,667
2013	37,803	303,793	-	1,325,360	11.63%	5,965
2014	34,747	296,418	-	1,298,389	11.43%	5,776
2015	31,518	309,150	-	1,298,869	11.26%	5,689
2016	28,176	295,807	-	1,223,452	10.26%	5,292
2017	24,710	353,773	-	1,240,499	9.98%	5,212
2018	21,069	336,407	-	1,174,343	8.96%	4,843

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

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

**Table XIV**

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities - General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Net General Bonded Debt</b>	<b>Percentage of Total Taxable Assessed Value of Property <sup>(1)</sup></b>	<b>Per Capita</b>
2009	\$ 555,701	\$ 10,841	\$ 544,860	6.6%	\$ 2,472
2010	583,071	4,932	578,139	6.9%	2,641
2011	579,972	6,787	573,185	7.8%	2,637
2012	603,426	5,789	597,637	10.5%	2,742
2013	651,224	10,105	641,119	12.6%	2,885
2014	647,859	9,369	638,490	13.2%	2,840
2015	624,616	12,172	612,444	11.8%	2,683
2016	585,931	11,529	574,402	9.6%	2,484
2017	590,910	11,516	579,394	9.0%	2,434
2018	568,259	2,471	565,788	8.2%	2,333

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

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

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

<sup>(1)</sup>Percentage of Total Taxable Assessed Value of Property was corrected using the information from table XI for fiscal years 2008-2010.



**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2018**  
(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	\$ 445,570	14.8979%	\$ 66,381
Maricopa County Special Healthcare District	112,000	14.8979%	16,686
Tempe Elementary School District No. 3	135,525	0.0008%	1
Balsz Elementary School District No. 31	11,900	6.0553%	721
Scottsdale Unified School District No. 48	220,989	70.1026%	154,919
Paradise Valley Unified School District No. 69	275,065	29.8780%	82,184
Cave Creek Unified School District No. 93	37,040	62.7398%	23,239
Fountain Hills Unified School District No. 98	11,670	3.7200%	434
Phoenix Union High School District No. 210	263,185	0.3778%	994
Tempe Union High School District No. 213	91,995	0.0003%	-
Western Maricopa Education Center District No. 402	68,620	6.9611%	<u>4,777</u>
Subtotal, overlapping debt			350,336
<b>City direct debt</b>	816,867	100.0000%	<u>816,867</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 1,167,203</u></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.

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

The percentage of overlapping debt applicable to the City is computed on the ratio of 2017-18 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

	2009	2010	2011	2012	2013	2014	2015	2016 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018
<b>20% Limitation</b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 1,654,483	\$ 1,681,200	\$ 1,475,082	\$ 1,138,398	\$ 1,015,999	\$ 965,570	\$ 1,035,356	\$ 1,191,278	\$ 1,283,864	\$ 1,385,687
Total Net Debt Applicable to 20% Limit	413,095	499,945	498,490	524,675	561,126	553,121	532,888	513,768	521,179	511,046
Excess Premium									8,180	10,637
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 1,241,388</u>	<u>\$ 1,181,255</u>	<u>\$ 976,592</u>	<u>\$ 613,723</u>	<u>\$ 454,873</u>	<u>\$ 412,449</u>	<u>\$ 502,468</u>	<u>\$ 677,510</u>	<u>\$ 754,505</u>	<u>\$ 864,004</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	24.97%	29.74%	33.79%	46.09%	55.23%	57.28%	51.47%	43.13%	41.23%	37.65%
<b>6% Limitation</b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 496,345	\$ 504,360	\$ 442,524	\$ 341,519	\$ 304,799	\$ 289,671	\$ 310,606	\$ 357,384	\$ 385,159	\$ 415,706
Total Net Debt Applicable to 6% Limit	138,360	78,245	74,250	69,750	78,009	65,944	54,022	37,747	26,116	14,419
Excess Premium									-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 357,985</u>	<u>\$ 426,115</u>	<u>\$ 368,274</u>	<u>\$ 271,769</u>	<u>\$ 226,790</u>	<u>\$ 223,727</u>	<u>\$ 256,584</u>	<u>\$ 319,637</u>	<u>\$ 359,043</u>	<u>\$ 401,287</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	27.88%	15.51%	16.78%	20.42%	25.59%	22.77%	17.39%	10.56%	6.78%	3.47%

<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, 2018**  
(in thousands)

Table XVIb

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed Valuation as of June 30, 2018	\$	6,928,436
<b><u>20% Limitation</u></b>		
Debt Limit Equal to 20% of Assessed Valuation	\$	1,385,687
Debt applicable to limit:		
General Obligation Bonds		511,046
Excess Premium		10,637
		10,637
Legal 20% Debt Margin (Available Borrowing Capacity)	\$	864,004
<b><u>6% Limitation</u></b>		
Debt Limit Equal to 6% of Assessed Valuation	\$	415,706
Debt applicable to limit:		
General Obligation Bonds		14,419
Excess Premium		-
		-
Legal 6% Debt Margin (Available Borrowing Capacity)	\$	401,287

**Source:** City of Scottsdale City Treasurer

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

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

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

Table XVII

Fiscal Year Ended June 30	Water and Sewer Revenue Bonds						Municipal Property Corporation Bonds					
	Operating Revenue <sup>(1)</sup>	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Coverage	Excise Tax <sup>(4)(5)(6)</sup>	Debt Service Principal <sup>(7)</sup>	Debt Service Interest <sup>(7)</sup>	Coverage		
2009	\$ 130,782	\$ 71,236	\$ 59,546	\$ 3,043	\$ 62,589	10.15	\$ 185,801	\$ 7,570	\$ 19,482	6.87		
2010	133,624	70,165	63,459	3,126	66,585	12.18	170,638	9,715	18,415	6.07		
2011	132,441	77,456	54,985	3,859	58,844	10.86	155,515	9,785	22,185	4.86		
2012	134,336	78,837	55,499	3,073	58,572	10.77	157,645	11,841	21,141	4.78		
2013	138,224	73,647	64,577	12,213	76,790	15.34	170,227	12,355	21,480	5.03		
2014	142,066	77,891	64,175	15,139	79,314	15.93	183,376	18,200	22,994	4.45		
2015	139,242	79,154	60,088	5,326	65,414	14.41	195,037	16,950	22,299	4.97		
2016	152,612	81,586	71,026	5,156	76,182	16.77	194,560	20,215	23,220	4.48		
2017	148,310	85,909	62,401	6,072	68,473	15.05	196,729	22,550	21,599	4.46		
2018	160,161	87,130	73,031	6,525	79,556	17.43	216,643	26,290	23,908	4.32		

Fiscal Year Ended June 30	Special Assessment Bonds				Scottsdale Preserve Authority Bonds			
	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage <sup>(2)</sup>	0.2 % and 0.15% Sales Tax <sup>(3)</sup>	Debt Service Principal	Debt Service Interest	Coverage
2009	\$ 821	\$ 845	\$ 158	0.82	\$ 29,121	\$ 3,260	\$ 3,502	4.31
2010	765	757	121	0.87	26,416	3,365	3,374	3.92
2011	733	757	86	0.87	27,199	3,470	2,471	4.58
2012	719	755	52	0.89	28,809	3,655	2,835	4.44
2013	591	755	17	0.77	30,376	3,800	2,680	4.69
2014	-	-	-	N/A	32,655	3,960	2,508	5.05
2015	-	-	-	N/A	34,429	4,140	2,330	5.32
2016	-	-	-	N/A	36,029	4,340	2,143	5.56
2017	-	-	-	N/A	35,489	4,175	1,423	6.34
2018	-	-	-	N/A	40,089	4,365	734	7.86

**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>In May 2004, the City of Scottsdale, Arizona citizens approved an additional 0.15% Preservation Privilege Tax. This tax was effective July 1, 2004.

<sup>(4)</sup>In fiscal year 2010, Excise Tax was recalculated for prior years using correct items from Table V and the Statement of Revenue, Expenditures, and Changes in Fund Balances for the Governmental Funds.

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

<sup>(6)</sup>A de minimis amount 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>(7)</sup>Includes debt service payments paid out of revenue from the Water and Sewer Fund and the Tourism 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> (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>
2009	220,410	\$ 9,573,949	\$ 43,437	41.0	27,029	4.0%
2010	218,888	10,715,662	48,955	45.4	27,093	6.8%
2011	217,365	10,542,637	48,502	45.4	27,116	6.5%
2012	217,965	11,135,832	51,090	45.4	28,177	6.8%
2013	222,200	11,393,527	51,276	45.4	27,816	5.7%
2014	224,800	11,358,020	50,525	45.1	27,191	5.4%
2015	228,300	11,536,227	50,531	45.4	26,233	4.7%
2016	231,200	11,921,597	51,564	46.1	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	48.5	25,847	3.5%

**Data Sources and Notes:**

<sup>(1)</sup>July 1 Population Estimate, State of Arizona Office of Economic Opportunity. 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>Sites USA (estimate) 2008-2010; U.S. Census, American Community Survey, 5-Year Estimates used for fiscal year 2011-2018 estimates.

<sup>(4)</sup>U.S. Census; fiscal years 2008-2009 based on Census 2000; fiscal years 2010-2012 based on Census 2010; fiscal years 2013-2018 based on U.S. Census, American Community Survey, 5-Year Estimates.

<sup>(5)</sup>Arizona Department of Education; 2017 data updated to reflect 9 charter and 29 public schools located within Scottsdale city boundaries. At the time of reporting, information for 2018 is not available. 2017 updated based on information received in November 2017.

<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 2017 calendar year that ended within the 2018 fiscal year.

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

**Table XIX**

<b>Employer</b>	<b>2018</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment<sup>(1)</sup></b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment<sup>(1)</sup></b>
HonorHealth <sup>(2)</sup>	6,323	1	4.88%	6,650	1	3.53%
Vanguard <sup>(3)</sup>	3,365	2	2.60%	1,899	8	1.01%
CVS Health <sup>(4)</sup>	2,978	3	2.30%	2,048	6	1.09%
City of Scottsdale	2,694	4	2.08%	2,808	5	1.49%
Scottsdale Unified School District <sup>(5)</sup>	2,668	5	2.06%	3,126	4	1.66%
General Dynamics Mission Systems <sup>(6)</sup>	2,403	6	1.85%	3,600	3	1.91%
Mayo Clinic	2,011	7	1.55%	4,900	2	2.60%
Nationwide Specialty <sup>(7)</sup>	1,240	8	0.96%	1,400	10	0.74%
Yelp	1,200	9	0.93%			
Go Daddy Group	882	10	0.68%	1,915	7	1.02%
Troon Golf LLC				1,539	9	0.82%
<b>Total</b>	<b>25,764</b>		<b>19.89%</b>	<b>29,885</b>		<b>15.87%</b>

**Source:** City of Scottsdale, Economic Development Department communications with employers, June 2018.

<sup>(1)</sup>Annual Employment according to the United States Census Bureau 2016 (pulled 8/1/18) was 129,646; it was reported in the fiscal year 2009 CAFR as 188,488.

<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>Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2018 numbers only report Scottsdale-based employees. 2009 included all employees.

<sup>(6)</sup>General Dynamics was renamed General Dynamics C4 Systems in 2011 and was then renamed General Dynamics Mission Systems in 2016.

<sup>(7)</sup>Scottsdale Insurance was renamed Nationwide Specialty in 2015.

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

**Table XX**

<b>Function</b>	<b>2009</b>	<b>2010<sup>(1)</sup></b>	<b>2011</b>	<b>2012<sup>(3)</sup></b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Administrative Services	38.5	35.0	35.0	138.8	124.6	127.4	120.9	123.6	125.1	124.1
Aviation	16.0	14.0	14.0	14.0	14.0	14.0	14.5	14.5	14.5	15.5
City Treasurer		92.5	95.5	83.5	93.0	93.0	89.7	89.8	86.7	86.7
Community and Economic Development			214.5	188.5	175.5	176.5	173.0	185.1	186.6	179.6
Community Services	543.1	489.3	487.6	459.5	454.2	454.2	448.3	469.6	474.6	476.7
Economic Vitality	54.0	47.0								
Financial Services	110.5									
General Government	167.1	155.0	153.0	141.0	140.0	140.0	140.4	142.2	142.2	151.2
Human Resources <sup>(2)</sup>	35.5	30.0	30.5							
Information Technology <sup>(2)</sup>	81.8	78.8	75.8							
Planning, Neighborhood, and Transportation	224.0	167.5								
Public Safety	981.6	953.6	957.6	933.6	924.6	934.6	930.6	942.7	936.7	937.7
Public Works	233.0	197.0	206.0	205.0	204.0	204.0	205.0	205.8	206.8	210.8
Solid Waste	89.0	89.0	89.0	89.0	89.0	90.0	90.0	90.8	92.8	92.8
Water Resources	180.0	189.0	189.0	202.0	204.0	204.0	205.0	211.3	213.3	214.5
<b>Total</b>	<b>2,754.1</b>	<b>2,537.7</b>	<b>2,547.5</b>	<b>2,454.9</b>	<b>2,422.9</b>	<b>2,437.7</b>	<b>2,417.4</b>	<b>2,475.4</b>	<b>2,479.3</b>	<b>2,489.6</b>

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

<sup>(1)</sup>In fiscal year 2010, the Full-time Equivalent Employees for prior years were restated to actual. In addition, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated Full-time Equivalent Employees.

<sup>(2)</sup>In fiscal year 2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

<sup>(3)</sup>In fiscal year 2012, Meter Reading Operations was transferred from City Treasurer to Water Resources.

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

Table XXI

Division	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government</b>										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	34%	32%	40%	37%	37%	34%	39%	39%	35%	35%
<i>City Auditor</i>										
# of reports performed	13	16	17	14	14	14	16	13	13	15
<i>City Clerk</i>										
# of legal postings	1,158	1,301	1,241	1,185	1,124	1,080	1,005	1,000	1,067	1,033
# of minutes	71	87	66	63	63	65	57	61	56	70
<i>City Court</i>										
Charges filed/ charges adjudicated (resolved)	115,319 / 137,887	107,720 / 113,382	104,301 / 108,003	102,953/ 100,929	93,306/ 90,016	99,063/ 83,441	96,741/ 91,200	100,920/ 92,993	100,092/ 85,295	95,301/ 84,602
<i>City Treasurer<sup>(3)</sup></i>										
# of Accounts Payable checks issued	36,442	33,620	45,592	45,112	33,599	32,865	32,491	31,648	31,268	32,074
# of customer contacts (utilities, taxes, and licensing)	176,680	175,918	255,124	246,319	254,992	209,325	196,549	190,422	195,819	256,784
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent <sup>(4)</sup>	No Survey	No Survey	94%	No Survey	No Survey	98%	No Survey	No Survey	96%	No Survey
News releases, media updates, traffic alerts, construction updates released to news media	N/A	240	281	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total ad value equivalency generated <sup>(5)</sup>	N/A	N/A	N/A	\$20,000	\$78,861	\$64,931	\$34,863	N/A	N/A	N/A
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	25	399	2,001	4,419	6,400	2,365	0	0	420	0
% increase of Neighborhood Watch groups annually <sup>(6)</sup>	-56%	5%	5%	5%	5%	2%	0%	5%	5%	2%
<b>Administrative Services</b>										
<i>Communications</i>										
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent <sup>(4)</sup>	No Survey	No Survey	91%	No Survey	No Survey	93%	No Survey	No Survey	93%	No Survey
<i>Human Resources</i>										
Citywide turnover	6.0%	9.5%	7.3%	7.1%	7.3%	6.0%	7.8%	9.6%	8.1%	9.8%
HR operating cost as a % of City payroll	2.1%	1.6%	1.8%	1.3%	1.7%	1.4%	1.4%	1.1%	1.2%	1.3%
<i>Information Technology</i>										
# of SPAM emails blocked (monthly) from being delivered to the City (An average of 30 seconds per email is expended by staff)	2,200,000	2,100,000	1,775,000	1,870,000	1,588,935	1,335,869	1,395,338	2,686,000	2,117,633	1,512,355
Annual disk storage size (DAS, NAS, and SAN) (Terabytes)	147.8	170.0	266.0	266.0	167.3	45.8	51.4	58.6	67.2	82.8
<i>Purchasing</i>										
# of purchase orders	6,234	5,748	5,310	5,018	4,678	5,019	5,064	5,078	5,143	4,989
<b>Community Services</b>										
# attending Parks and Recreation facilities, Human Services facilities, and Libraries annually	8,747,495	8,634,522	8,855,120	8,471,649	8,223,148	7,765,110	7,322,719	6,457,925	5,678,945	4,945,276
# of square feet of medians and rights of way maintained	17,000,000	17,000,000	23,168,510	23,475,510	22,726,329	22,502,626	22,832,327	22,913,730	22,827,842	22,968,631

(continued)



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

Table XXI

Division	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014	2015	2016	2017	2018
<b>Community and Economic Development</b>										
<i>Planning and Development</i>										
Customer wait-time (in minutes) at One Stop Shop	7	7	6	6	12	15	12	12	15	13
Provide applicant with pre-application meeting within 30 days of submitting request.	100%	100%	100%	100%	100%	100%	100%	95%	100%	99%
% of inspections performed within 24 hours of the request	100%	100%	100%	100%	100%	100%	100%	98%	98%	98%
# of new Code Enforcement cases processed per year	20,568	16,452	16,000	16,500	15,603	14,222	15,514	13,781	13,797	12,594
<i>Transportation</i>										
Total citywide transit ridership	3,472,828	3,103,185	2,539,744	2,499,000	2,599,557	2,589,218	2,635,739	2,297,323	2,186,424	2,178,152
<i>Economic Development</i>										
Targeted job creation - number of companies/number of jobs <sup>(8)</sup>	7 / 394	10 / 731	7 / 450	8 / 1,595	36 / 1,593	16 / 1,069	13 / 1,180	9 / 1,183	14 / 1,019	12 / 1,852
<i>Tourism</i>										
Hotel/Motel average occupancy rate	59.2%	58.0%	58.8%	61.5%	63.0%	65.6%	67.8%	67.9%	75.1%	69.1%
Bed Tax growth (% annual change)	-21%	-6%	8%	5%	3%	10%	12%	1%	11%	5%
# of Downtown special events coordinated	100	110	95	119	126	275	325	277	174	173
<i>Aviation</i>										
Scottsdale Airport - takeoffs and landings	169,972	156,896	136,089	146,058	137,333	148,971	153,285	162,535	164,622	166,425
<i>WestWorld</i>										
# of special events at WestWorld	31	28	20	20	27	24	52	51	55	49
<b>Public Safety</b>										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) <sup>(9)</sup>										
Scottsdale	34.3	29.6	31.9	32.8	29.1	27.8	25.5	25.6	26.3	24.7
Valley Average	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Achieve the standard of six minutes or less for response to emergency calls for service (includes medical and accident related calls)	5:07	5:01	4:57	5:11	4:54	5:04	5:25	5:12	4:48	4:57
Provide initial contact to 100% of citizen traffic concerns within seven days	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<i>Fire</i>										
Total incidents	23,953	23,996	25,586	26,344	27,075	28,544	32,425	35,098	36,407	36,877
Responses per capita	0.10	0.10	0.10	0.10	0.12	0.13	0.14	0.15	0.16	0.15
Travel time (en-route to on-scene)	4:23	4:28	4:22	4:18	4:26	4:27	4:33	4:32	4:37	4:46

(continued)

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

Table XXI

Division	2009	2010 <sup>(2)</sup>	2011	2012	2013	2014	2015	2016	2017	2018
<b>Public Works and Water Resources</b>										
<i>Public Works</i>										
Facility inventory maintained (square feet) <sup>(10)</sup>	2,334,310	2,929,802	3,006,106	3,029,606	3,322,968	3,313,468	3,348,774	2,925,697	2,925,697	2,925,697
# of active Capital Projects	178	168	183	162	186	150	120	155	150	161
# of homes serviced by Residential Refuse Collection	78,607	79,006	79,508	79,787	80,013	80,354	80,785	81,187	81,665	82,236
# of citizens serviced annually by Household Hazardous Waste collection program <sup>(11)</sup>	1,923	1,497	2,573	2,591	2,691	2,905	2,362	3,345	2,770	2,509
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) <sup>(7)</sup>	N/A	8,578	10,397	10,500	5,043	3,687	4,252	6,638	9,737	8,697
<i>Water Resources</i>										
Water Service Connections	87,349	87,409	87,458	87,577	87,851	88,348	88,905	89,596	90,172	90,817
Drinking Water Supplied (million gallons per day)	69.4	68.4	67.9	69.2	67.6	70.2	63.9	67.5	67.0	70.9
Reclaimed Water Supplied (million gallons per day)	9.6	11.2	8.7	6.9	8.9	9.7	9.2	9.1	11.6	12.2
Sewer Service Connections	77,363	77,605	77,850	78,018	78,269	79,014	79,588	80,202	80,704	81,306
Sewage Treated (million gallons per day)	19.7	21.0	21.1	20.9	20.7	20.9	21.2	20.5	21.4	22.1
# of water meters read annually <sup>(12)</sup>	1,049,008	1,050,067	1,051,089	1,043,335	1,055,230	1,059,738	1,066,385	1,078,500	1,085,590	1,072,498

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

<sup>(1)</sup>This presentation is consistent with the organizational structure approved as part of the fiscal year 2018 Budget. It has been noted where changes were approved by the City Council mid-year.

<sup>(2)</sup>In fiscal year 2010, the indicators for prior years were restated to actuals.

<sup>(3)</sup>Effective December 2009, the City Council approved placing Financial Management under the control of the City Treasurer, moving Payroll and Risk Management from Human Resources to the City Treasurer, and moving Purchasing into a new division named Administrative Services.

<sup>(4)</sup>The complete results for the most recent survey, as well as archived copies of prior year surveys can be found at <http://www.scottsdaleaz.gov>, search "citizen survey"

<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>During fiscal year 2009, the Neighborhood Watch program was reviewed; participants that were no longer eligible for the program were removed, thus reducing the numbers.

<sup>(7)</sup>The statistic for "Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies)" has increased due to automation of the process. Prior to fiscal year 2010 changing signal timing was a manual process. Starting June 2009, the process was automated through the Traffic Management Center.

<sup>(8)</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>(9)</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>(10)</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>(11)</sup>The statistic for "# of citizens serviced annually by Household Hazardous Waste Collection program" number of events was restored in fiscal year 2011. During fiscal years 2009 and 2010 the number of events was reduced as a budget savings initiative.

<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>2009</b>	<b>2010</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>
Public Safety										
Police										
Stations	4	4	4	4	4	4	4	4	4	4
Police Vehicles	363	357	352	352	351	359	347	344	344	343
Fire Stations	14	14	15	15	15	15	15	15	15	15
Highways and Streets										
Square Yards of Pavement	20,644,388	20,873,951	20,828,414	20,852,234	20,859,993	20,748,525	20,827,420	21,036,767	21,023,295	21,046,327
Equivalent 12' Wide Lane Miles	2,932	2,965	2,959	2,962	2,963	2,947	2,958	2,877	2,846	2,990
Traffic Signals	295	289	289	300	303	297	304	307	295	296
Culture and Recreation										
Parks	41	41	41	42	42	42	42	42	42	42
Parks Acreage	940	941	941	974	975	975	975	975	975	975
Swimming Pools	4	4	4	4	4	4	4	4	4	4
Tennis Courts	55	55	55	55	55	55	55	55	55	53
Community Centers	5	5	5	5	6	6	6	6	6	6
Water										
Water Mains (miles)	2,044	2,061	2,059	2,064	2,070	2,079	2,079	2,094	2,102	2,117
Fire Hydrants	10,365	10,664	10,687	10,729	10,779	10,874	10,941	11,052	11,135	11,213
Sewer										
Sanitary Sewers (miles)	1,360.0	1,421.0	1,421.0	1,422.0	1,424.0	1,429.0	1,441.0	1,452.0	1,456.0	1,468.0
Storm Sewers (miles)	166.9	164.0	163.0	168.0	169.0	187.7	275.0	285.0	309.0	316.0

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

City of Scottsdale, Arizona  
City Treasurer's Office  
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