

CITY OF SCOTTSDALE

FINANCIAL STATEMENTS

* * *

JUNE 30, 1963

PRICE WATERHOUSE & CO.

PRICE WATERHOUSE & CO.

222 NORTH CENTRAL AVENUE

PHOENIX 4

To the City Council of the
City of Scottsdale

We have examined the statement of assets, liabilities and fund balances of the City of Scottsdale at June 30, 1963 and the related statement of revenues, expenditures and changes in fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as indicated in the following paragraph.

Our examination did not include tests of historical cost of property and equipment acquired before June 30, 1961 because complete accounting records thereof were not available. Accordingly, we do not express an opinion as to property and equipment, stated as \$1,085,010 in the sanitary sewer funds and \$505,708 in the general property fund, which amounts enter into the determination of financial position.

In our opinion, with the exception stated in the preceding paragraph and subject to the outcome of possible claims for tax refund described in Note 4, the accompanying statements present fairly the financial position of the City of Scottsdale at June 30, 1963 and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

September 18, 1963 (except
as to the third paragraph
of Note 4 as to which the
date is October 7, 1963)

CITY OF SCOTTSDALE

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
JUNE 30, 1963

	Combined totals	General governmental funds (Exhibit IV)	Sanitary sewer funds	Debt service fund	Special assessment fund	Trust and agency funds	General property fund
<u>ASSETS</u>							
Cash in bank and on hand (Note 3)	\$ 639,707	\$296,268	\$ 173,312	\$114,003	\$ 36,722	\$19,402	
Time deposits (Note 3)	1,246,726		1,210,926	5,800	30,000		
Receivables for:							
Sewer service	51,347		51,347				
Refuse removal service, less \$5,000 for estimated uncollectible accounts	6,714	6,714					
Property tax assessments	12,823	11,323		1,500			
Other	20,434	20,434					
Due from other funds	238,745	219,293	13,328	6,124			
Special assessments receivable	676,896		27,180		649,716		
Prepaid improvement district incidental costs	43,093					43,093	
Property and equipment (Note 1)	1,590,718		1,085,010				\$505,708
	<u>\$4,527,203</u>	<u>\$554,032</u>	<u>\$2,561,103</u>	<u>\$127,427</u>	<u>\$716,438</u>	<u>\$62,495</u>	<u>\$505,708</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Claims payable	\$ 214,604	\$187,934	\$ 26,670				
Refundable sewer service deposits	10,940		10,940				
Bond interest payable	44,132			\$ 44,132			
Improvement district assessments on city property	5,939	5,939					
Due to other funds	238,745	105,419	63,300	16,361	\$ 513	\$53,152	
Improvement district bonds and interest payable	712,120				712,120		
Deposits in trust and agency funds	9,343					9,343	
Deferred credit to revenue and reserve arising from sewer connection charges	27,180		27,180				
Bonds payable:							
General obligation	1,322,000	5,000	1,090,000	44,000			\$183,000
Revenue	945,000		905,000	6,000			34,000
Fund balances (Exhibit II)	997,200	249,740	438,013	16,934	3,805		288,708
	<u>\$4,527,203</u>	<u>\$554,032</u>	<u>\$2,561,103</u>	<u>\$127,427</u>	<u>\$716,438</u>	<u>\$62,495</u>	<u>\$505,708</u>

CITY OF SCOTTSDALE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1963

	General governmental funds	Sanitary sewer funds	Debt service fund	Special assessment fund	General property fund
Revenues:					
City privilege and business taxes	\$ 621,002				
Apportionments from the State of Arizona -					
Sales tax	365,583				
Motor vehicle license tax	95,780				
Gasoline tax	62,703				
Property taxes	535,334		\$ 70,281		
Traffic fines and forfeitures	80,274				
Permits (building, electrical, etc.)	113,420				
Public service franchise	27,452				
Recreation department fees	20,476				
Contractors' licenses	13,526				
Refuse removal and sewer service	15,842	\$188,127			
Interest		16,443	113	\$ 436	
Miscellaneous	21,737	1,758		722	
Total revenues	1,973,129	206,328	70,394	1,158	
Interfund transfers	(3,530)	(67,363)	70,893		
Total revenues and interfund transfers	1,969,599	138,965	141,287	1,158	
Expenditures (Exhibit III)	1,790,394	97,493	140,549		
Excess of revenues and interfund transfers over expenditures	179,205	41,472	738	1,158	
Fund balances at June 30, 1962	69,484	358,582	16,196	2,647	\$148,724
Changes during the year:					
Invested in property and equipment -					
Capital outlays	1,051	4,622			118,984
Retirement of bonds and other liabilities		30,000			21,000
Additions to sewer assessment reserve		3,337			
Fund balances at June 30, 1963	\$ 249,740	\$438,013	\$ 16,934	\$3,805	\$288,708
Representing:					
Sewer assessment reserve		\$ 17,139			
Grants in aid of construction		182,225			
Surplus invested in property and equipment		201,386			\$288,708
Other restricted surplus			\$ 8,569		
Unrestricted fund balances	\$ 249,740	37,263	8,365	\$3,805	
Fund balances at June 30, 1963	\$ 249,740	\$438,013	\$ 16,934	\$3,805	\$288,708

16,443
11,5
436

16,992

CITY OF SCOTTSDALE
EXPENDITURES
YEAR ENDED JUNE 30, 1963

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
<u>GENERAL FUND</u>			
Mayor and council:			
Personal services	\$ 738	\$ 2,220	\$ 1,482
Contractual services	5,200	4,800	(400)
Commodities	205	300	95
Miscellaneous expenses	2,353	1,300	(1,053)
Capital outlay	175	190	15
	8,671 ✓	8,810	139
City manager:			
Personal services	22,030	23,890	1,860
Contractual services	5		(5)
Commodities	1,904	2,500	596
Miscellaneous expenses	2,017	1,300	(717)
Capital outlay	688	600	(88)
	26,644 ✓	28,290	1,646
City clerk:			
Personal services	13,344	16,000	2,656
Contractual services		75	75
Commodities	1,133	2,000	867
Miscellaneous expenses	75	300	225
Capital outlay	603	654	51
	15,155 ✓	19,029	3,874
Municipal court:			
Personal services	14,880	15,248	368
Contractual services	1,684		(1,684)
Commodities	812	1,825	1,013
Capital outlay	36	1,780	1,744
	17,412 ✓	18,853	1,441
City attorney:			
Personal services	15,332	13,800	(1,532)
Contractual services	26,725	25,500	(1,225)
Commodities	1,937	1,289	(648)
Miscellaneous expenses	677		(677)
Capital outlay	2,915	3,411	496
	47,586 ✓	44,000	(3,586)

CITY OF SCOTTSDALE
EXPENDITURES
YEAR ENDED JUNE 30, 1963

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
Treasurer:			
Personal services	14,270	15,050	780
Contractual services	7,088	6,300	(788)
Commodities	1,118	1,060	(58)
Miscellaneous expenses	78	200	122
Capital outlay	<u>1,960</u>	<u>740</u>	<u>(1,220)</u>
	<u>24,514</u> ✓	<u>23,350</u>	<u>(1,164)</u>
Finance department:			
Personal services	26,524	24,570	(1,954)
Contractual services	24	3,700	3,676
Commodities	2,404	3,500	1,096
Miscellaneous expenses	120	150	30
Capital outlay	<u>768</u>	<u>4,130</u>	<u>3,362</u>
	<u>29,840</u> ✓	<u>36,050</u>	<u>6,210</u>
Public works:			
Director -			
Personal services	11,310	12,900	1,590
Commodities	107	1,000	893
Miscellaneous expenses	343	635	292
Capital outlay	<u>831</u>	<u>500</u>	<u>(331)</u>
	<u>12,591</u> ✓	<u>15,035</u>	<u>2,444</u>
Engineer -			
Personal services	26,368	27,660	1,292
Contractual services	2,252	7,700	5,448
Commodities	7,103	5,236	(1,867)
Miscellaneous expenses	3,714	3,125	(589)
Capital outlay	<u>1,140</u>	<u>500</u>	<u>(640)</u>
	<u>40,577</u> ✓	<u>44,221</u>	<u>3,644</u>
Building inspection -			
Personal services	33,599	34,000	401
Contractual services	5,899	4,936	(963)
Commodities	1,269	1,850	581
Miscellaneous expenses	4,722	6,100	1,378
Capital outlay	<u>2,089</u>	<u>1,300</u>	<u>(789)</u>
	<u>47,578</u> ✓	<u>48,186</u>	<u>608</u>

CITY OF SCOTTSDALE

EXPENDITURES
YEAR ENDED JUNE 30, 1963

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over) under budget</u>
Refuse removal -			
Personal services	5,189	5,220	31
Contractual services	447,401	449,446	2,045
Commodities	40	50	10
Miscellaneous expenses	1,208	1,230	22
Capital outlay	<u>528</u>	<u>600</u>	<u>72</u>
	<u>454,366</u> ✓	<u>456,546</u>	<u>2,180</u>
Street maintenance -			
Personal services	26,129	47,423	21,294
Contractual services	6,152	16,900	10,748
Commodities	36,267	41,655	5,388
Miscellaneous expenses	894	1,320	426
Capital outlay	<u>18,386</u>	<u>9,397</u>	<u>(8,989)</u>
	<u>87,828</u> ✓	<u>116,695</u>	<u>28,867</u>
Street lighting -			
Contractual services		20,000	20,000
Commodities	11,001	800	(10,201)
Miscellaneous expenses	664		(664)
Capital outlay	<u>70</u>	<u>200</u>	<u>130</u>
	<u>11,735</u> ✓	<u>21,000</u>	<u>9,265</u>
Building and grounds -			
Personal services	1,748	1,900	152
Contractual services	7,876	8,500	624
Commodities	1,040	3,550	2,510
Miscellaneous expenses	2,946	3,160	214
Capital outlay	<u>5,038</u>	<u>6,633</u>	<u>1,595</u>
	<u>18,648</u> ✓	<u>23,743</u>	<u>5,095</u>
Planning and zoning -			
Personal services	5,160	9,240	4,080
Commodities	658	400	(258)
Miscellaneous expenses	635	760	125
Capital outlay	<u>254</u>	<u>800</u>	<u>546</u>
	<u>6,707</u> ✓	<u>11,200</u>	<u>4,493</u>

CITY OF SCOTTSDALE

EXPENDITURES
YEAR ENDED JUNE 30, 1963

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
Police department:			
Personal services	259,813	275,568	15,755
Contractual services	11,818	13,435	1,617
Commodities	36,581	53,180	16,599
Miscellaneous expenses	14,923	15,085	162
Capital outlay	28,373	25,045	(3,328)
	<u>351,508</u>	<u>382,313</u>	<u>30,805</u>
Parks and recreation:			
Personal services	66,111	67,440	1,329
Contractual services	9,911	8,325	(1,586)
Commodities	10,727	8,600	(2,127)
Miscellaneous expenses	442	635	193
Capital outlay	857		(857)
	<u>88,048</u>	<u>85,000</u>	<u>(3,048)</u>
Community promotion:			
Personal services	6,806	6,524	(282)
Contractual services	2,800		(2,800)
Commodities	1,446	500	(946)
Miscellaneous expenses	8,498	9,500	1,002
	<u>19,550</u>	<u>16,524</u>	<u>(3,026)</u>
Civil defense:			
Miscellaneous expenses		500	500
Capital outlay	X	1,000	1,000
		<u>1,500</u>	<u>1,500</u>
Other expenditures:			
Fire protection	41,804	45,600	3,796
Health and accident insurance	5,661	15,000	9,339
Legal advertising	6,898	20,000	13,102
Insurance	18,867	8,500	(10,367)
Utilities	8,768 8,768	5,000	(3,768)
Contingencies	104,639	127,196	22,557
Miscellaneous	9,763	7,000	(2,763)
	<u>196,400</u>	<u>228,296</u>	<u>31,896</u>
Total general fund	<u>1,505,358</u>	<u>\$1,628,641</u>	<u>\$123,283</u>

CITY OF SCOTTSDALE

EXPENDITURES
YEAR ENDED JUNE 30, 1963

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
<u>SPECIAL GENERAL FUND</u>			
Elections:			
Personal services		\$ 850	\$ 850
Commodities		<u>900</u>	<u>900</u>
		1,750	1,750
Other:			
Social security expense	19,444	19,800	356
Arizona state retirement	<u>16,863</u>	<u>17,173</u>	<u>310</u>
	<u>36,307</u>	<u>\$ 38,723</u>	<u>\$ 2,416</u>
<u>LIBRARY FUND</u>			
General expenses:			
Personal services	17,447	\$ 21,809	\$ 4,362
Contractual services	1,535	1,750	215
Commodities	4,053	3,385	(668)
Miscellaneous expenses	627	910	283
Capital outlay	8,054	10,711	2,657
Memorial books purchased	<u>132</u>		<u>(132)</u>
	<u>31,848</u> ✓	<u>\$ 38,565</u>	<u>\$ 6,717</u>
<u>GAS TAX FUND</u>			
Street maintenance:			
Personal services	<i>ST maint</i> <u>25,760</u> ✓	<u>\$ 26,470</u>	<u>\$ 710</u>

CITY OF SCOTTSDALE

EXPENDITURES
YEAR ENDED JUNE 30, 1963

	<u>Expenditures</u>	<u>Budget</u>	<u>(Over)</u> <u>under</u> <u>budget</u>
<u>PUBLIC WORKS RESERVE FUND</u>			
General expenses:			
Community Center including			
\$8,400 interest	61,491		
Seal coating	53,576		
Traffic lights	25,234		
Parking lot improvements	14,484		
Intersection projects	7,063		
Land rent	6,710		
Maps	6,384		
Water system	6,331		
Building remodeling	4,346		
Papago Park road	2,000		
Utility poles	1,225		
Improvement District assessments			
on city property	1,051		
Supai lighting	771		
Clearing right of way	455		
	<u>191,121</u>	<u>\$275,200</u>	<u>\$84,079</u>
Total general governmental expenditures	<u>\$1,790,394</u>		

Exhibit II

SANITARY SEWER FUNDS

Treatment plant:			
Personal services	\$ 36,704	\$ 40,540	\$ 3,836
Contractual services	8,041	14,000	5,959
Commodities	9,074	5,260	(3,814)
Other expense	553	740	187
Capital outlay	4,622	12,110	7,488
	<u>58,994</u>	<u>\$ 72,650</u>	<u>\$13,656</u>
Non-budgetary funds:			
Construction	35,981		
Replacement and extension	2,518		
	<u>\$ 97,493</u>		

Exhibit II

CITY OF SCOTTSDALE
EXPENDITURES
YEAR ENDED JUNE 30, 1963

DEBT SERVICE FUND

	<u>Total</u>	<u>Interest</u>	<u>Redemption</u>
General obligation bonds:			
Sewer - 1957	\$ 23,850	\$13,850	\$10,000
Sewer - 1960	16,800	1,800	15,000
Sewer - 1961	27,413	27,413	
Public works	27,280	8,280	19,000
Revenue bonds:			
Sewer - 1957	13,925	8,925	5,000
Sewer - 1961	27,750	27,750	
Gas tax anticipation bonds	<u>3,530</u>	<u>1,530</u>	<u>2,000</u>
	<u>\$140,548</u>	<u>\$89,548</u>	<u>\$51,000</u>

Exhibit II

CITY OF SCOTTSDALE
 GENERAL GOVERNMENTAL FUNDS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES

JUNE 30, 1963

	<u>Total</u>	<u>General fund</u>	<u>Library fund</u>	<u>Gas tax fund</u>	<u>Public works reserve fund</u>	<u>Public works construction fund</u>
<u>ASSETS</u>						
Cash in bank and on hand	\$296,268	\$138,075	\$15,845	\$32,483	\$101,554	\$8,311
Receivables for:						
Refuse removal service, less \$5,000 for estimated un- collectible accounts	6,714	6,714				
Property tax assessments	11,323	6,476	718		4,129	
Other	20,434	10,434			10,000	
Due from other funds	<u>219,293</u>	<u>198,432</u>	<u> </u>	<u> </u>	<u>20,861</u>	<u> </u>
	<u>\$554,032</u>	<u>\$360,131</u>	<u>\$16,563</u>	<u>\$32,483</u>	<u>\$136,544</u>	<u>\$8,311</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Claims payable	\$187,934	\$187,934				
Improvement district assessments on city property	5,939	5,939				
Due to other funds	105,419	4,505	\$ 598		\$ 98,908	\$1,408
Bonds payable	5,000					5,000
Fund balances	<u>249,740</u>	<u>161,753</u>	<u>15,965</u>	<u>\$32,483</u>	<u>37,636</u>	<u>1,903</u>
	<u>\$554,032</u>	<u>\$360,131</u>	<u>\$16,563</u>	<u>\$32,483</u>	<u>\$136,544</u>	<u>\$8,311</u>

CITY OF SCOTTSDALE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1963

NOTE 1 - Principles of accounting:

The City of Scottsdale maintains its accounts, except for property and equipment as indicated in the following paragraph, substantially in accordance with practices recommended by the National Committee on Governmental Accounting, which practices constitute generally accepted accounting principles applicable to municipalities. The accounts are kept on a modified cash basis under which revenues from taxation are recorded only when received in cash, except that property taxes are recorded in the year due; revenues from city services such as the sanitary sewer and refuse removal are recorded when earned. Expenditures are recorded when the liability therefor has been incurred.

Property and equipment shown by the statement of assets, liabilities and fund balances represents acquisitions since May 1, 1956 from bond proceeds, grants in aid of construction and other city funds expended in connection with the projects so financed. Assets acquired prior to that date and a portion of those acquired from general governmental funds from that date to June 30, 1961 were not capitalized, contrary to recommended practices, and accordingly are not included in property and equipment shown by the statement. Effective July 1, 1961 the city adopted the policy of capitalizing land, buildings and equipment acquired from general governmental funds and established the general property fund to account for these assets. The recorded assets are carried at cost. Depreciation is not recognized in the accounts.

NOTE 2 - Description of funds:

The financial activities of the city are carried out through several funds in accordance with applicable state law and resolutions of the city council. These funds are classified in the following categories:

1. General governmental funds - These consist of the general fund and special general, library, gas tax and public works reserve funds. The revenues of these funds are derived primarily from the city's taxing and licensing powers and from allocations of sales, gasoline and motor vehicle license taxes received from the State of Arizona and Maricopa County. The revenues of the general fund are used for the general activities of the city and, by transfers to the special general fund, for social security and retirement contributions and for conducting city elections. Library fund revenues are used for the operation of the city library, including the purchase of books. Gas tax and public works reserve fund revenues are used respectively for street construction or maintenance and for general property additions or replacements, as required by law.
2. Sanitary sewer funds - Revenues of these funds are principally from charges made to city residents for use of the sanitary sewer services. Expenditures from the funds are for operation of the treatment plant and additions to the system. Monies are also transferred from these funds for debt service in accordance with the terms of the bond resolutions.
3. Debt service fund - Revenues of this fund are principally transfers from general and sanitary sewer funds, and are used to pay interest on the outstanding debt and to redeem maturing bonds.
4. Special assessment fund - This fund accounts for collection of assessments levied against owners of property within established improvement districts and disbursements of the amounts so collected to retire the bonds issued to finance the improvements.
5. Trust and agency funds - The purpose of these funds is to

account for monies received and expended by certain city officials as trustee or agent.

6. General property fund - This separate balanced group of accounts is used to record all city properties (other than the sanitary sewer system), the liability for unmatured bonds which financed the properties and the surplus invested therein.

NOTE 3 - Restricted cash and time deposits:

Cash in bank at June 30, 1963 includes certain amounts which are restricted and may be expended only for the specific purposes for which they have been set aside, as follows:

General governmental funds	\$ 14,312
Sanitary sewer funds	59,867
Special assessment fund	36,722
Debt service fund	97,641
Trust and agency funds	<u>19,402</u>
	<u>\$277,944</u>

Time deposits in the combined total amount of \$1,246,726 mature on or before August 1, 1963 and bear interest at rates from 1.966% to 2.016%. Except for \$5,800 in the debt service fund, all of these time deposits are restricted as to use. The \$30,000 in the special assessment fund may be used only to pay improvement district bonds and interest. The \$1,210,926 in the sanitary sewer funds, together with \$43,255 of the restricted cash referred to in the preceding paragraph comprises the unexpended portion of proceeds of the 1961 bond issue, and may be expended only for sewer system construction and related purposes for which the bonds were authorized.

NOTE 4 - Contingent liabilities and commitments:

In April 1961 certain officials of the city entered into a contract for the purchase of 10 acres of land for a total price of \$54,000 of which \$10,000 was paid in cash and the balance was

payable over approximately ten years in accordance with the terms of a mortgage and contract. City officials believe, on the advice of counsel, that the contract is invalid; accordingly the liability thereunder is not recorded, the periodic payments have not been made, and the \$10,000 down payment which is expected to be recovered is included in receivables in the balance sheet.

The city is leasing certain property and equipment with the option to purchase and apply rentals paid to the purchase price. As the purchase options had not been exercised at June 30, 1963, liability for remaining payments totalling approximately \$245,000 had not been recorded in the city's accounts. An option to purchase one of these properties for approximately \$60,000 payable during the year ending June 30, 1964 was exercised in July 1963.

On October 3, 1963 the trial judge issued a ruling upholding the validity of a challenged annexation of approximately six square miles of territory east of the former city limits. However, judgment has not yet been entered and whether or not an appeal from the ruling will be made may not be known for several weeks. Another case involving the legality of a 1962 annexation of approximately eight square miles north of the previous city limits is pending in Maricopa County Superior Court on briefs without a decision. City officials believe that these annexations were valid; however, in the event either annexation is finally held to be invalid, claims for refund of taxes paid under protest may be made against the city. The amount of such claims which might be made and city's ultimate liability, if any, for refunds thereunder cannot now be determined.