

CITY OF SCOTTSDALE

FINANCIAL STATEMENTS

* * *

JUNE 30, 1964

PRICE WATERHOUSE & CO.

PRICE WATERHOUSE & CO.

222 NORTH CENTRAL AVENUE

PHOENIX 4

December 7, 1964

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, 1964 (exhibits I and V) and the related statements of revenues, expenditures and changes in fund balances for the year then ended (exhibits II, III and IV). 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 \$1,091,711 in the sanitary sewer funds and \$834,745 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 the annexation matters described in Note 4, the accompanying statements present fairly the financial position of the City of Scottsdale at June 30, 1964 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 except for the change, which we approve, in recording revenues when received in cash as described in Note 1.

Price Waterhouse & Co.

CITY OF SCOTTSDALE

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
JUNE 30, 1964

<u>ASSETS</u>	<u>Combined totals</u>	<u>General governmental funds (Exhibit V)</u>	<u>Sanitary sewer funds</u>	<u>Debt service fund</u>	<u>Special assessment fund</u>	<u>Trust and agency funds</u>	<u>General property fund</u>
Cash in bank and on hand (Note 3)	\$ 394,526	\$270,789	\$ 91,766	\$ 22,346	\$ 7,389	\$ 2,236	
U. S. Treasury Bills (Note 3)	994,067	111,539	698,658	122,883	60,987		
Deposits and receivables	13,054	13,054					
Due from other funds	464,302	193,797	201,807	46,232	22,196	270	
Special assessments receivable	933,439		32,011		901,428		
Prepaid improvement district incidental costs	59,822					59,822	
Property and equipment (Note 1)	1,926,456		1,091,711				\$834,745
Construction work in progress	808,898		808,898				
	<u>\$5,594,564</u>	<u>\$589,179</u>	<u>\$2,924,851</u>	<u>\$191,461</u>	<u>\$992,000</u>	<u>\$62,328</u>	<u>\$834,745</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Claims payable	\$ 183,188	\$183,188					
Refundable sewer service deposits	10,520		\$ 10,520				
Bond interest payable	3,303			\$ 3,303			
Improvement district assessments on city property	4,872	4,872					
Due to other funds	464,302	97,241	248,950	63,561	\$ 812	\$53,738	
Improvement district bonds and interest payable	985,179				985,179		
Deposits in trust and agency funds	8,590					8,590	
Deferred credit to revenue and reserve arising from sewer connection charges	32,011		32,011				
Bonds payable (Note 5):							
General obligation	1,263,000		1,050,000	39,000			\$174,000
Revenue	912,000		880,000				32,000
Fund balances (Exhibit II)	1,727,599	303,878	703,370	85,597	6,009		628,745
	<u>\$5,594,564</u>	<u>\$589,179</u>	<u>\$2,924,851</u>	<u>\$191,461</u>	<u>\$992,000</u>	<u>\$62,328</u>	<u>\$834,745</u>

CITY OF SCOTTSDALE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1964

	General governmental funds	Sanitary sewer funds	Debt service fund	Special assessment fund	General property fund
Revenues:	\$ 715,403				
City privilege and business taxes					
Apportionments from the State of Arizona -					
Sales tax	380,981				
Motor vehicle license tax	106,519				
Gasoline tax	177,733				
Property taxes	552,739	\$ 56,892	\$ 56,710		
Traffic and library fines and forfeitures	121,872				
Permits (building, electrical, etc.)	111,533				
Public service franchise	31,695				
Recreation department fees	19,606				
Liquor license	27,483				
Refuse removal and sewer service	1,723	208,622		\$1,594	
Interest	34,655	44,166	58		
Miscellaneous		12,960			
Total revenues	2,281,942	322,640	56,768	1,594	
Interfund transfers	(52,057)	(128,677)	180,734		
Total revenues and interfund transfers	2,229,885	193,963	237,502	1,594	
Expenditures (Exhibit III)	2,181,814	814,537	168,839		
Excess or (deficiency) of revenues and interfund transfers over expenditures	48,071	(620,574)	68,663	1,594	
Fund balances at June 30, 1963	249,740	438,013	16,934	3,805	\$288,708
Changes during the year:					
Invested in property and equipment -					329,037
Capital outlays	1,067	815,599			11,000
Retirement of bonds and other liabilities	5,000	65,000		610	
Additions to sewer assessment reserve		5,332			
Fund balances at June 30, 1964	\$ 303,878	\$703,370	\$ 85,597	\$6,009	\$628,745
Representing:		\$ 22,470			
Sewer assessment reserve		182,225			
Grants in aid of construction	\$ 2,118	273,087			\$628,745
Surplus invested in property and equipment					
Reserve for encumbrances and other restrictions	69,008		\$ 85,597		
Unrestricted fund balances	232,752	225,588		\$6,009	
Fund balances at June 30, 1964	\$ 303,878	\$703,370	\$ 85,597	\$6,009	\$628,745

CITY OF SCOTTSDALE

EXPENDITURES BY FUND AND CHARACTER
FOR THE YEAR ENDED JUNE 30, 1964

By Fund	By Character				Total
	Personal services	Contractual services	Commodities	Capital outlay	
Mayor and council	\$ 8,536	\$ 6,561	\$ 820	\$ 76	\$ 15,993
City manager	22,458	7,092	1,121	4,865	35,536
City clerk	10,436	7,262	501	463	18,662
Elections	2,305	4,073	101		6,479
City court	22,997	4,000	637	698	28,332
City attorney	23,718	8,836	594	5,836	38,984
City treasurer	6,715	1,499	309	422	8,945
Finance director	15,718	1,761	194		17,673
Division of accounts	23,586	22,932	2,894	1,131	50,543
Division of purchasing	9,738	953	5,835	137	16,663
Public Works director	15,858	1,844	526	3,288	21,516
Engineering	51,967	35,547	23,955	49,465	160,934
Building inspection	50,447	17,445	979	3,347	72,218
Refuse removal	36,506	428,538	9,071	74,446	548,561
Sewers	13,722		293	13,020	27,035
Street maintenance	32	8,863	29,596	10,429	48,920
Street lighting		19,491			19,491
Building and grounds	1,378	40,911	712	1,030	44,031
Equipment maintenance	2,243	508	110	14,696	17,557
Planning and zoning	18,555	3,516	1,165	2,229	25,465
Police	384,523	46,807	27,018	45,984	504,332
Fire		51,716			51,716
Community promotion		23,003	116		23,119
Total general fund	<u>721,438</u>	<u>743,158</u>	<u>106,547</u>	<u>231,562</u>	<u>1,802,705</u>
Library	28,130	7,549	3,766	22,709	62,154
Parks	89,941	16,305	11,609	11,454	129,309
Gas tax	67,416	18,244	22,884	10,491	119,035
Public works reserve				68,611	68,611
Total general governmental	<u>906,925</u>	<u>785,256</u>	<u>144,806</u>	<u>344,827</u>	<u>2,181,814</u>
Sanitary sewer	32,733	15,072	5,428	6,701	59,934 *
Debt service		168,839			168,839
Total budgeted expenditures	<u>\$939,658</u>	<u>\$969,167</u>	<u>\$150,234</u>	<u>\$351,528</u>	<u>2,410,587</u>
Construction of sewers					<u>754,603 *</u>
Total budgeted and sewer construction expenditures					<u>\$3,165,190</u>

* Total Sewer Fund expenditures shown on Exhibit II - \$814,537

CITY OF SCOTTSDALE

TOTAL EXPENDITURES AND ENCUMBRANCES BY ACTIVITY
 COMPARED WITH THE BUDGET AS ADJUSTED
 FOR THE YEAR ENDED JUNE 30, 1964

Activity	Expenditures	Encumbrances at June 30, 1964	Total expenditures and encumbrances	Budget	Contingency adjustments	Adjusted budget	(Over) under budget
Mayor and council	\$ 15,993	\$ 4,786	\$ 20,779	\$ 8,061	\$ 14,000	\$ 22,061	\$ 1,282
City manager	35,536		35,536	32,862	3,000	35,862	326
City clerk - general	18,662		18,662	27,114		27,114	8,452
Elections	6,479		6,479	12,150		12,150	5,671
City court	28,332	191	28,523	30,630		30,630	2,107
City attorney	38,984	863	39,847	27,826	13,000	40,826	979
City Treasurer	8,945		8,945	7,275	2,000	9,275	330
Finance director -	17,673		17,673	16,722	951	17,673	
Division of accounts	50,543	2,794	53,337	51,806	3,840	55,646	2,309
Division of purchasing	16,663		16,663	7,454	9,209	16,663	
Public Works director -	21,516	160	21,676	19,651	2,025	21,676	
Engineering	162,002	18,182	180,184	192,663		192,663	12,479
Building inspection	72,218	139	72,357	61,826	10,531	72,357	
Refuse removal	548,561	132	548,693	530,600	18,093	548,693	
Sewers	86,969	817	87,786	56,809	40,500	97,309	9,523
Street maintenance	227,101	6,784	233,885	245,752		245,752	11,867
Street lighting	19,491		19,491	11,500	7,991	19,491	
Buildings and grounds	47,029	119	47,148	24,650	22,498	47,148	
Equipment maintenance	17,557	2,710	20,267	20,700		20,700	433
Planning and zoning	25,465	625	26,090	27,687		27,687	1,597
Police	504,332	18,279	522,611	579,366		579,366	56,755
Fire	51,716	25	51,741	96,500		96,500	44,759
Library	62,154	1,563	63,717	62,161		62,161	(1,556)
Parks	129,309	3,839	133,148	127,188		127,188	(5,960)
Community promotion	23,119		23,119	6,000	13,000	19,000	(4,119)
Debt service	174,238		174,238	179,099		179,099	4,861
Civil defense		7,000	7,000	7,000		7,000	
Contingencies				168,974	(160,638)	8,336	8,336
	<u>\$2,410,587</u>	<u>\$69,008</u>	<u>\$2,479,595</u>	<u>\$2,640,026</u>	-	<u>\$2,640,026</u>	<u>\$160,431</u>

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

JUNE 30, 1964

	<u>Total</u>	<u>General fund</u>	<u>Library fund</u>	<u>Parks and recreation 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	\$270,789	\$176,003	\$2,648	\$7,669	\$52,569	\$ 31,900	
U. S. Treasury Bills	111,539	6,000			35,000	62,228	\$8,311
Deposits and receivables	13,054	3,054				10,000	
Due from other funds	<u>193,797</u>	<u>105,787</u>	<u> </u>	<u> </u>	<u> </u>	<u>88,010</u>	<u> </u>
	<u>\$589,179</u>	<u>\$290,844</u>	<u>\$2,648</u>	<u>\$7,669</u>	<u>\$87,569</u>	<u>\$192,138</u>	<u>\$8,311</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Claims payable	\$183,188	\$183,188					
Improvement district assessments on city property	4,872	4,872					
Due to other funds	97,241	46,921			\$ (888)	\$ 49,800	\$1,408
Fund balances	<u>303,878</u>	<u>55,863</u>	<u>\$2,648</u>	<u>\$7,669</u>	<u>88,457</u>	<u>142,338</u>	<u>6,903</u>
	<u>\$589,179</u>	<u>\$290,844</u>	<u>\$2,648</u>	<u>\$7,669</u>	<u>\$87,569</u>	<u>\$192,138</u>	<u>\$8,311</u>

CITY OF SCOTTSDALE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1964

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. These practices constitute generally accepted accounting principles applicable to municipalities. Revenues are recorded only when received in cash. As a result of changing to the cash basis method of accounting for revenues for certain property taxes and sewer and refuse removal, the revenues recorded during the year ended June 30, 1964 are approximately \$80,000 less than would have been shown under the accrual method of accounting. Expenditures are recorded when the liability therefor has been incurred; however, commitments are encumbered at yearend and related surplus is appropriated.

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. 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 and 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, library, parks and recreation, 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. Parks and recreation revenues are used for operation and maintenance of the city's recreational facilities. 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 U. S. Treasury Bills:

Cash in bank at June 30, 1964 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	\$ 4,928
Sanitary sewer funds	57,750
Special assessment fund	7,389
Debt service fund	22,346
Trust and agency funds	2,236

U. S. Treasury bills and savings accounts amounting to \$698,658 and \$122,883 in the sanitary sewer funds and debt service fund, respectively, comprise 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 and repayment of bond principal and interest.

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 to apply rentals paid to the purchase price. As the purchase options had not been exercised at June 30, 1964, liability for remaining payments totalling approximately \$397,000 had not been recorded in the city's accounts.

Three annexation matters are pending, on appeal, before the Supreme Court of Arizona. In the event the annexations are determined to be invalid by the Court, residents and taxpayers of these areas might sue for recovery of taxes paid to the City during the period in which the City asserted jurisdiction over these areas. The amount of such claims which might be made and the City's ultimate liability, if any, for refunds thereunder cannot be determined.

NOTE 5 - Authorization and sale of additional bonds:

During the year ended June 30, 1964, revenue bonds amounting to \$7,500,000 were authorized for issuance. In July 1964, bonds amounting to \$1,750,000 were sold for the purpose of constructing a sewage plant and related lines jointly with the cities of Phoenix, Glendale, and Tempe, Arizona.