



# Comprehensive Annual Financial Report

City of Scottsdale, Arizona  
For the Fiscal Year Ended June 30, 2013





**City of Scottsdale, Arizona**



**Comprehensive Annual Financial Report  
for the fiscal year ended June 30, 2013**

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**Prepared by:**

Finance and Accounting Division  
Jeffery M. Nichols, CPA  
City Treasurer/Chief Financial Officer  
Joyce L. Gilbride, CPA  
Accounting Director



# City of Scottsdale, Arizona

## Comprehensive Annual Financial Report For the Fiscal Year ended June 30, 2013

### Table of Contents

#### Page

#### INTRODUCTORY SECTION

Letter of Transmittal – City Treasurer, Finance and Accounting.....	1
Certificate of Achievement – Government Finance Officers Association .....	7
List of Elected and Appointed Officials.....	8
Organizational Chart.....	9

#### FINANCIAL SECTION

Independent Auditors' Report.....	11
Management's Discussion and Analysis .....	14

#### Basic Financial Statements:

##### Government-wide Financial Statements:

Statement of Net Position.....	34
Statement of Activities .....	35

##### Fund Financial Statements:

Balance Sheet – Governmental Funds .....	36
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	39
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	41
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	44
Statement of Fund Net Position – Proprietary Funds .....	45
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	47
Statement of Cash Flows – Proprietary Funds.....	48
Statement of Fiduciary Net Position – Fiduciary Funds.....	50
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	51

##### Notes to Financial Statements:

I. Summary of Significant Accounting Policies .....	52
II. Reconciliation of Government-wide and Fund Financial Statements .....	62
III. Stewardship, Compliance, and Accountability .....	68
IV. Detailed Notes on All Funds:	
A. Cash and Investments .....	71
B. Receivables .....	74
C. Capital Assets.....	75
D. Interfund Balances and Interfund Transfers .....	77
E. Leases.....	78
F. Service Concession Arrangements.....	80
G. Bonds, Loans, and Other Payables.....	81



V. Other Information:	
A. Risk Management.....	92
B. Contingent Liabilities .....	92
C. Subsequent Events.....	93
D. Joint Venture.....	94
E. Pollution Remediation.....	94
F. Related Organization.....	95
G. Effect of Implementation of Future Accounting Standard.....	95
H. Retirement and Pension Plans .....	95
I. Other Postemployment Benefits .....	99
J. Postemployment Benefits Other Than Pensions.....	100
Required Supplementary Information.....	103
<b>Combining and Individual Fund Statements and Schedules:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	109
Combining Balance Sheet – Nonmajor Special Revenue Governmental Funds.....	111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Governmental Funds.....	113
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Highway User Fuel Tax – Special Revenue Fund .....	115
Community Development Block Grant – Special Revenue Fund .....	116
HOME – Special Revenue Fund.....	117
Grants – Special Revenue Fund .....	118
Section 8 Housing – Special Revenue Fund .....	119
Preserve Privilege Tax – Special Revenue Fund .....	120
Streetlight Districts – Special Revenue Fund.....	121
Special Programs – Special Revenue Fund .....	122
Tourism Development – Special Revenue Fund.....	123
Combining Balance Sheet – Nonmajor Debt Service Governmental Funds.....	124
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Governmental Funds.....	125
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Obligation Bond Debt Service Fund .....	126
Municipal Property Corporation Bond Debt Service Fund .....	127
Special Assessments Bond Debt Service Fund.....	128
Scottsdale Preserve Authority Bond Debt Service Fund .....	129
Combining Balance Sheet – Nonmajor Capital Projects Governmental Funds .....	130
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Governmental Funds .....	131
Combining Statement of Fund Net Position – Internal Service Funds.....	133
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds.....	134
Combining Statement of Cash Flows – Internal Service Funds .....	135
Combining Statement of Fiduciary Net Position – Fiduciary Funds .....	137
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	138

**Other Supplementary Information:**

Schedule of Changes in Long-Term Debt.....	140
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**STATISTICAL SECTION****Financial Trends**

Net Position by Component – Last Ten Fiscal Years (accrual basis of accounting).....	144
Changes in Net Position – Last Ten Fiscal Years (accrual basis of accounting).....	145
Fund Balances of Governmental Funds – Last Ten Fiscal Years (modified accrual basis of accounting).....	148
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years (modified accrual basis of accounting).....	149
Tax Revenue by Source – Last Ten Fiscal Years (modified accrual basis of accounting).....	152

**Revenue Capacity**

Taxable Sales Subject to Privilege (Sales) Tax by Category – Last Ten Fiscal Years.....	153
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years.....	154
Sales Tax Revenue Payers by Industry – Current Year and Nine Years Ago.....	155
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years.....	156
Principal Property Taxpayers – Current Year and Nine Years Ago.....	157
Assessed Value of Taxable Property – Last Ten Fiscal Years.....	158
Property Tax Levies and Collections – Last Ten Fiscal Years.....	159

**Debt Capacity**

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	160
Ratios of Net General Bonded Debt Outstanding – Last Ten Fiscal Years.....	161
Direct and Overlapping Governmental Activities Debt as of June 30, 2013.....	162
Legal Debt Margin Information – Last Ten Fiscal Years.....	163
Pledged-Revenue Coverage – Last Ten Fiscal Years.....	165

**Demographic and Economic Information**

Demographic and Economic Statistics – Last Ten Fiscal Years.....	166
Principal Employers – Current Year and Nine Years Ago.....	167

**Operating Information**

Full-time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	168
Operating Indicators by Division – Last Ten Fiscal Years.....	169
Capital Asset Statistics by Function – Last Ten Fiscal Years.....	172





October 30, 2013

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, 2013, is submitted in accordance with Article 6, Section 14, of the City Charter. Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control established 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.

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 auditors' 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.

The City contracted with CliftonLarsonAllen, LLP, a firm of Certified Public Accountants, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for the fiscal year ended June 2013 are fairly stated in conformity with accounting principles in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent auditors' report is located at the front of the financial section of this report. In addition, CliftonLarsonAllen, LLP audited the City's major program expenditures of federal funds for compliance with the Federal Single Audit Act. The report of the Single Audit is published separately from this report and may be obtained upon request.

#### **CITY OF SCOTTSDALE PROFILE**

Scottsdale was founded in the 1800s 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.



## **Letter of Transmittal**

For the Fiscal Year  
Ended June 30, 2013

City of Scottsdale  
Scottsdale, Arizona



Scottsdale is centrally located in Maricopa County, Arizona, with its boundaries encompassing approximately 184 square miles, stretching 31 miles from north to south. 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, with the 1950 census reporting 2,032 residents, and the 2010 census reporting 217,385. The City's population is currently estimated at 219,713 residents making it the sixth largest city in Arizona.

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 City 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.

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. Two public hearings are held prior to the final budget adoption in order to obtain taxpayer comments. 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 2012/13, 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**

The City of Scottsdale's tax revenue base consists of a variety of tax categories; the most significant being taxes applicable to retail sales. The City benefits from a stable diversified economic base and being a desirable location to work and live. Scottsdale is beyond its historic period of peak expansion and the long-term economic outlook for the City recognizes this fact. Revitalization efforts have resulted in a rebirth of the City's downtown area, as well as renewed interest in redevelopment of the more mature, southern parts of the City. Commercial successes are due, in part, to Scottsdale's commitment to targeted business recruitment efforts that focus on industry segments that complement the existing business mix, including: corporate headquarters and regional offices; high-tech research and development; bio-technology; healthcare and medical; luxury resorts and hotels; and business and professional services. The following categories represent key indicators affecting Scottsdale's economic and financial success:

## **Tourism**

Tourism is one of Scottsdale's largest and most vibrant industries, and is a significant contributor to the City's economy. A variety of lodging properties in the area, including several world-class resorts and "boutique" hotels, provide over 9,300 guest rooms, along with spectacular spas, trend-setting dining and one-of-a-kind Sonoran desert golf courses. With close to 5,000 retail shops, more than 600 restaurants, 125 golf courses, national and international events, art galleries, and a spectacular southwest Sonoran desert setting, Scottsdale continues to be a popular destination for visitors year-round and is well-positioned as the economy recovers. Transient Occupancy Tax revenues to the City increased by 3 percent for fiscal year 2012/13, due to a strengthening Scottsdale tourism industry.

## **McDowell Sonoran Preserve**

The Preserve encompasses some of the most scenic desert lands and mountains in Arizona and includes hundreds of miles of trails, including the award-winning Bajada Nature Trail, for explorers of all skill levels. Ultimately the Preserve is planned to span about 34,000 acres – about one-third of the City's land mass.

## **Retail Sales**

Scottsdale's largest revenue source is sales tax generated from a balanced variety of business categories including automotive, construction, food stores, hotels/motels, 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 applied tax rate. The City saw a third consecutive year of growth in retail sales tax revenues with a year-over-year increase of 4 percent in fiscal year 2012/13 and the highest collections seen since fiscal year 2007/08.

## **Property Values**

The City benefits from a robust assessed valuation of the properties contained within the City boundaries. These strong assessed valuations, even though reduced from historical highs due to the recession and housing bubble, results in Scottsdale having lower property tax rates than most of the surrounding municipalities in the Phoenix metro area.

## **Employment**

Scottsdale's unemployment rate for the month of June 2013 was 6.1 percent, significantly lower than the state level of 8.5 percent. Historically, Scottsdale's unemployment rate is about 2 percent lower than the state's rate. The Scottsdale Airpark is one of the largest employment centers in Arizona boasting about 41,000 employees in more than 1,300 businesses. A total of 22 companies relocated to Scottsdale in fiscal year 2012/13 creating approximately 540 new jobs. Additionally, the expansion of 14 companies resulted in another 1,045 jobs.

## **Commercial Vacancy Rates**

Scottsdale's citywide average office vacancy rate was 22.4 percent for the second quarter of calendar year 2013 – similar to the Phoenix market average of 22.1 percent. Of the commercial construction underway in the Phoenix Market area at the end of the second quarter 2013, 6,100 square feet of retail construction was located in Scottsdale.



## **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 few years with a continued focus on efficient spending to maintain essential City services to the community such as police, fire, transportation and social services. Achieving and maintaining fiscal stability requires many elements, all working in concert with one another. The following identifies other key elements of the City's financial plan:

### **Adopted Comprehensive Financial Policies**

Financial policies establish the guidance for Scottsdale's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The City has 45 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 which 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.

### **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, 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 generally 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.G. 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, 2013**

	<b>Moody's Investors Service</b>	<b>Standard and Poor's Rating Group</b>	<b>Fitch Investors Services</b>
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+

**MAJOR INITIATIVES**

The City of Scottsdale’s adopted fiscal year 2013/14 budget anticipates a moderate increase in revenues with a continued focus on efficient spending to maintain services to the community. Key issues and initiatives include reinvesting in the workforce and building a high performance organization, addressing deferred maintenance at city facilities, and ensuring financial sustainability by improving support of tourism events, and developing economic development and transportation strategies.

In fiscal year 2013/14 citizen tax bills will reflect an estimated combined property tax rate of \$1.2946 which is \$0.0694 more than the combined rate for the prior year. The adopted budget also reflects a net increase of 6.85 full time equivalent (FTE) positions across all funds to address several years of deferrals. This will bring the City’s total FTE count to 2,430, which is 13 percent lower than the City’s peak authorized staffing of 2,808 in fiscal year 2008/09.

The fiscal year 2013/14 Capital Improvement Plan totals \$517.4 million and funds a variety of infrastructure and utility projects. One-time savings will be used to address many of these issues including deferred maintenance of buildings and equipment and replacement of equipment at playgrounds and pools.

**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 of Scottsdale for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the fortieth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government has to 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.

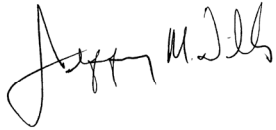


The City of Scottsdale also received the “Distinguished Budget Presentation Award” for the fiscal year beginning July 1, 2012 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and we expect to receive this award again for the fiscal year beginning July 1, 2013.

### **Acknowledgments**

The preparation of this report would not have been possible without the talent, effort, and dedication of the entire staff of the Finance and Accounting division. I wish to thank all City divisions for their assistance in providing the data necessary to prepare this report. 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, flowing style.

Jeffery M. Nichols, CPA  
City Treasurer/Chief Financial Officer



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, 2012**

Executive Director/CEO



**Comprehensive  
Annual  
Financial  
Report**

For the Fiscal Year  
Ended June 30, 2013

City of Scottsdale  
Scottsdale, Arizona

**City of Scottsdale, Arizona  
List of Elected and Appointed Officials**

**City Council**

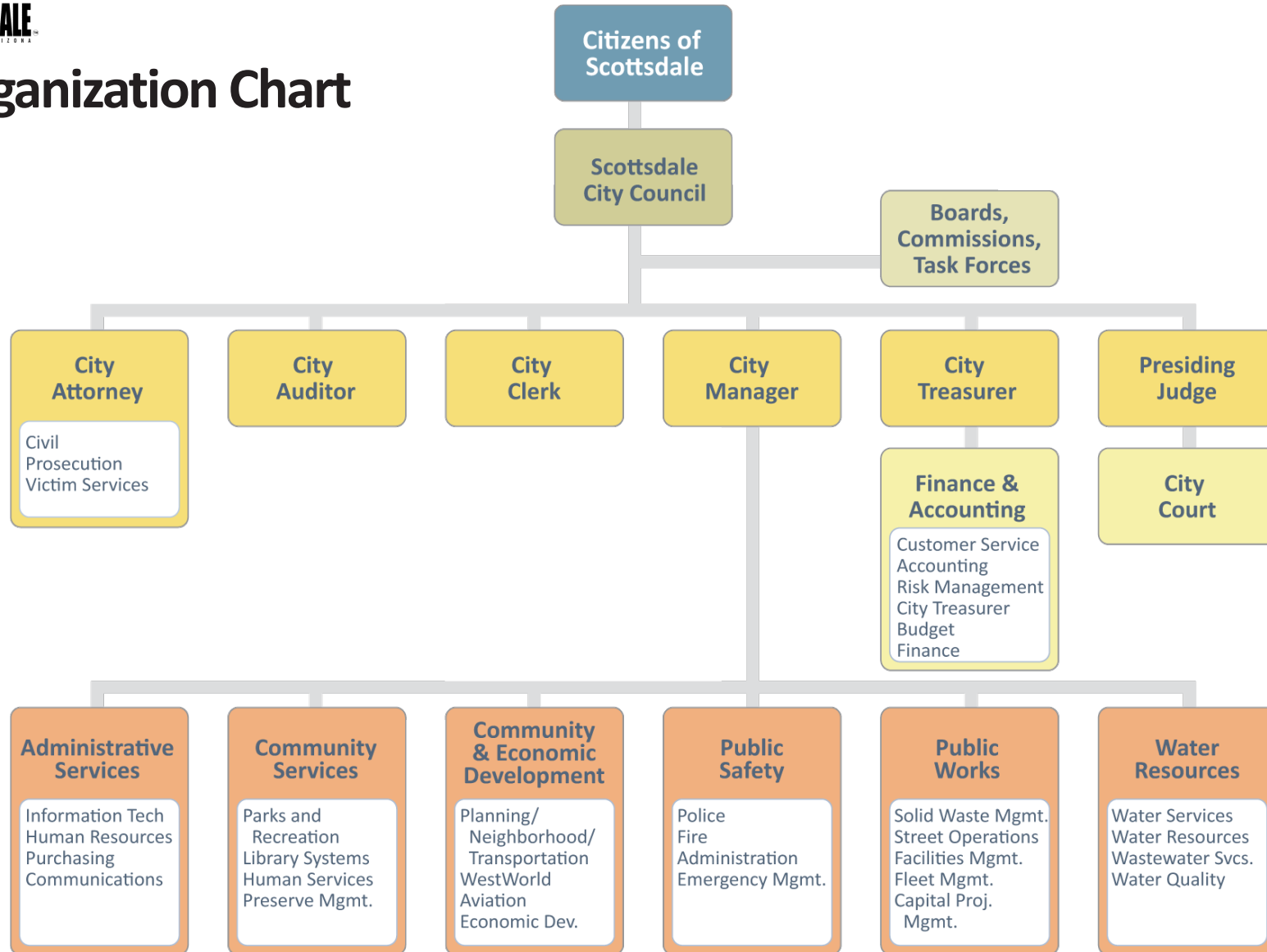
W.J. "Jim" Lane, Mayor  
Suzanne Klapp  
Virginia Korte  
Robert W. Littlefield  
Linda Milhaven  
Guy Phillips  
Dennis Robbins

**Charter Offices**

Fritz Behring, 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



# Organization Chart







## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2013, 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.

### ***Auditors' 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 auditors' 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, 2013, 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.

### ***Emphasis of a Matter***

During the fiscal year ended June 30, 2013, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 60, *Accounting and Reporting for Service Concession Arrangements*. As a result of the implementation of GASBS No. 60, the City reported a change in accounting principle (See Note I.E.5.) to report the service concession arrangement.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 32, the Public Safety Personnel Retirement System Schedule of Funding Progress on pages 103 and 104, and the Other Postemployment Benefit Plan Schedule of Funding Progress on page 105 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.

#### ***Supplementary and 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 combining and individual fund financial statements and schedules, the other supplementary information, and the introductory and statistical sections, as referenced in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual fund financial 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 30, 2013, on our consideration of the City of Scottsdale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Scottsdale, Arizona's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
October 30, 2013



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013 and 2012. 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.

The City adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Readers should note that GASB 63 changes the previous classification of net assets to net position, and consequently the statement of net assets to the statement of net position. Additional information regarding this change can be found in Note I. E. 4. on page 61 of this report.

## FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2013 are as follows:

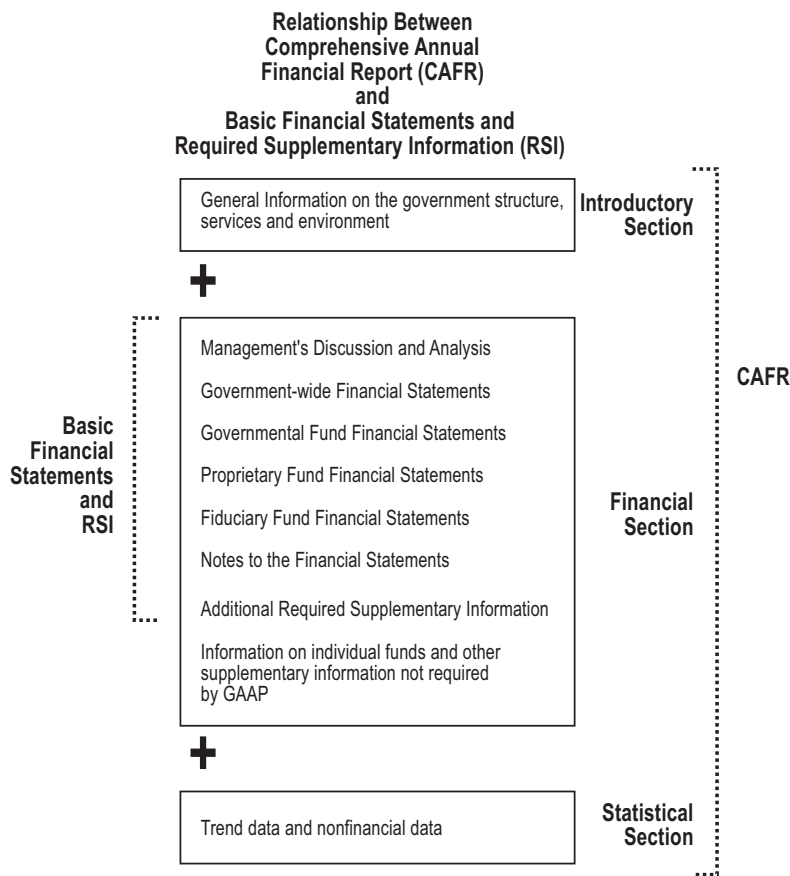
- The total assets of the City exceeded total liabilities at the close of the fiscal years 2013 and 2012 by \$4.3 billion and \$4.3 billion (net position), respectively. Of these amounts, \$376.7 million and \$317.2 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$31.0 million and \$83.7 million during fiscal years 2013 and 2012, respectively.
- As of June 30, 2013 and 2012, the City's governmental funds had combined ending balances of \$218.2 million and \$207.8 million, respectively.
- At the close of the fiscal year, the unassigned fund balance for the General Fund was \$48.7 million or 19.5 percent of total General Fund expenditures of \$250.1 million.
- The City's total long-term liabilities increased by \$91.4 million to \$1.4 billion at June 30, 2013. Primary factors leading to this increase include the issuance of \$75 million of new McDowell Sonoran Preserve General Obligation bonds and \$65 million of new Municipal Property Corporation bonds, partially offset by payments on long-term debt.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of four components:

- (1) Government-wide Financial Statements
- (2) Fund Financial Statements
- (3) Notes to the Financial Statements
- (4) Required Supplementary Information

In addition, this report also contains other supplementary information.



## 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not 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 balances.

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, administrative services, and streetlight districts. The business-type activities of the City include water, sewer, solid waste management, and airport operations.

The government-wide financial statements include not only the City (known as the *primary government*), but also include 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 City's Finance and Accounting Division, 7447 East Indian School Road, Suite 210, Scottsdale, Arizona 85251.

The government-wide financial statements can be found on pages 34 and 35 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. Doing so highlights the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their purpose (special revenue, debt service, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, General Obligation Bond Debt Service Fund, Municipal Property Corporation Debt Service Fund, General Capital Improvement Plan (CIP) Capital Projects Fund, and the Preserve Privilege Tax 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 36-44 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 the operations of the Water, Sewer, Solid Waste Management and Airport operations of the City. 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 insurance and general liability insurance activities. Because these services predominantly benefit internal units or divisions of the City, 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 are 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 45-49 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 one private-purpose trust fund and 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.

The basic Fiduciary Fund financial statements can be found on pages 50-51 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 52-102 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The required supplementary information (RSI) provides additional information regarding the City's other post-employment benefit (OPEB) and the Public Safety Personnel Retirement system. RSI can be found on pages 103-105 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 108-138.

## **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 139-142.

## **Statistical Information**

The statistical section, found on pages 143-172, 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 and liabilities 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 changes 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 may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$4.3 billion and \$4.3 billion at the close of the fiscal years 2013 and 2012, respectively.

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

#### Net Position

June 30, 2013 and 2012 (in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
Current and Other Assets	\$ 452,841	\$ 380,880	\$ 344,660	\$ 357,734	\$ 797,501	\$ 738,614
Capital Assets	3,663,472	3,587,980	1,400,476	1,391,647	5,063,948	4,979,627
Total Assets	4,116,313	3,968,860	1,745,136	1,749,381	5,861,449	5,718,241
<b>LIABILITIES</b>						
Long-Term Liabilities Outstanding	954,334	858,618	356,665	380,403	1,310,999	1,239,021
Other Liabilities	171,424	156,020	45,283	50,350	216,707	206,370
Total Liabilities	1,125,758	1,014,638	401,948	430,753	1,527,706	1,445,391
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,756,186	2,800,451	1,058,880	1,036,985	3,815,066	3,837,436
Restricted	100,472	100,275	41,545	38,576	142,017	138,851
Unrestricted	133,897	74,124	242,763	243,067	376,660	317,191
Total Net Position	\$ 2,990,555	\$ 2,974,850	\$ 1,343,188	\$ 1,318,628	\$ 4,333,743	\$ 4,293,478

The largest portion (88 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 \$3.8 billion and \$3.8 billion at June 30, 2013 and 2012, respectively. Although the City's net 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.

A small portion (3 percent) of the City's net position (\$142.0 million at June 30, 2013, and \$138.9 million at June 30, 2012) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (9 percent of the City's total net position) at June 30, 2013 and 2012, \$376.7 million and \$317.2 million, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

## Analysis of Changes in Net Position

For the fiscal year ending June 30, 2013, GASB Statements No. 60 and No. 62 were implemented. The implementation of Statement No. 60 resulted in certain contracts payable that were previously reported at their gross value to be discounted to their present value. Intangible assets relating to the City's service concession arrangements were also recorded. The implementation of Statement No. 62 resulted in the City capitalizing certain leasing arrangements that were previously expensed. As a result, the City's government-wide net position as of June 30, 2012, increased by \$9.3 million. See Note I.E.5. on page 61 for additional information.

The City's total net position increased by \$31.0 million and \$83.7 million during the fiscal years 2013 and 2012, respectively. These increases are explained in the governmental and business-type activities discussion herein, and are primarily a result of charges for service, business taxes, and contributions from developers of infrastructure assets. Such amounts are included in the table that follows.

### Changes in Net Position

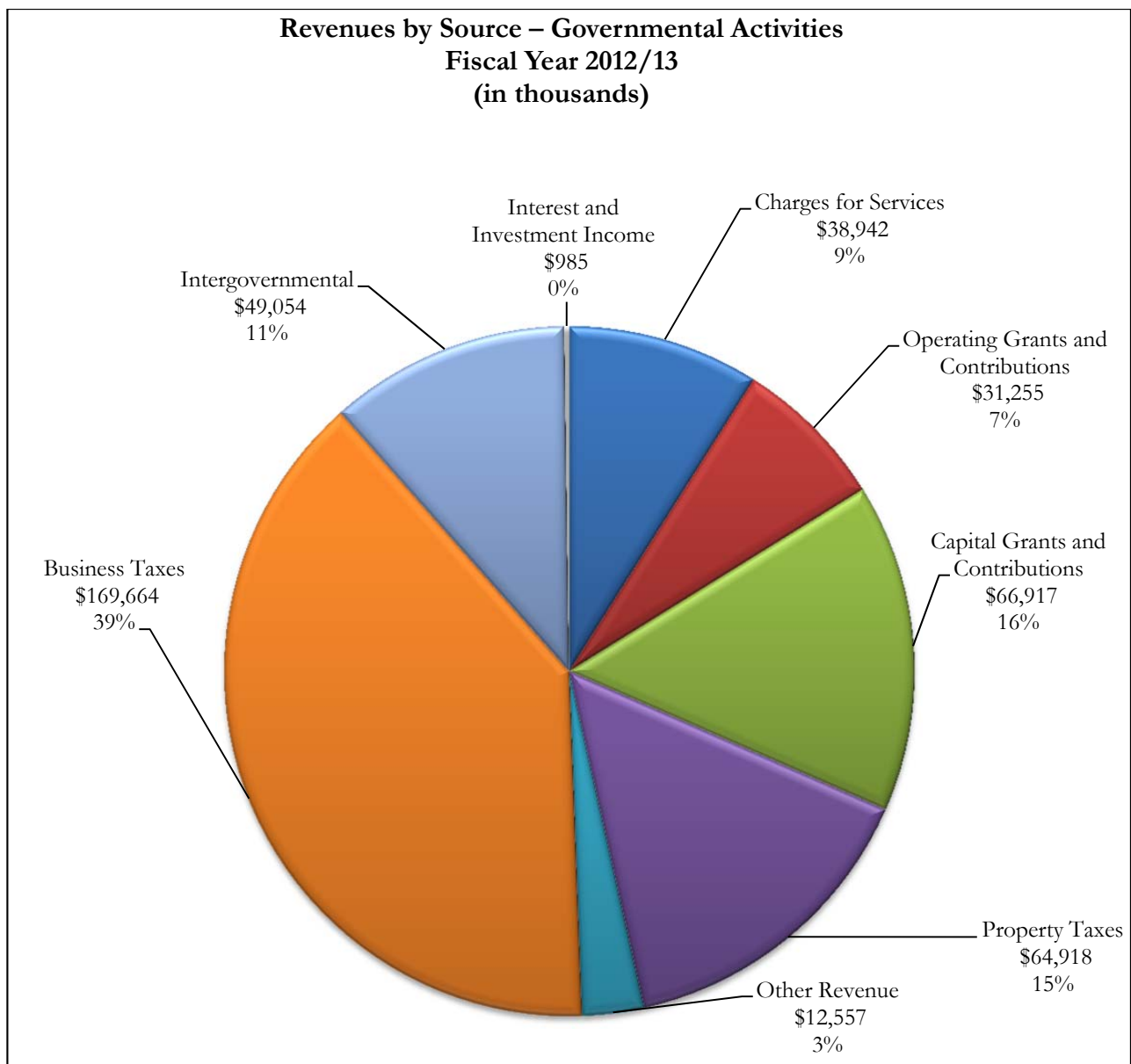
For the fiscal years ended June 30, 2013 and 2012 (in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 38,942	\$ 37,338	\$ 161,564	\$ 165,578	\$ 200,506	\$ 202,916
Operating Grants and Contributions	31,255	28,144	-	-	31,255	28,144
Capital Grants and Contributions	66,917	112,163	25,638	8,607	92,555	120,770
General Revenues						
Property Taxes	64,918	64,479	-	-	64,918	64,479
Business Taxes	169,664	163,484	144	132	169,808	163,616
Intergovernmental - Taxes	39,998	35,334	-	-	39,998	35,334
Intergovernmental - Other	9,056	8,701	-	-	9,056	8,701
Interest and Investment Income	985	1,063	763	421	1,748	1,484
Other Revenue	12,557	20,405	-	-	12,557	20,405
Total Revenues	<u>434,292</u>	<u>471,111</u>	<u>188,109</u>	<u>174,738</u>	<u>622,401</u>	<u>645,849</u>
<b>EXPENSES</b>						
General Government						
Mayor and City Council	791	734	-	-	791	734
City Clerk	921	1,118	-	-	921	1,118
City Attorney	5,778	5,419	-	-	5,778	5,419
City Auditor	647	617	-	-	647	617
City Court	5,621	5,736	-	-	5,621	5,736
City Manager	807	842	-	-	807	842
City Treasurer - Finance and Accounting	6,420	4,498	-	-	6,420	4,498
Public Works	36,477	34,416	-	-	36,477	34,416
Community and Economic Development	148,666	126,622	-	-	148,666	126,622
Public Safety	118,033	115,740	-	-	118,033	115,740
Community Services	55,158	54,442	-	-	55,158	54,442
Administrative Services	16,863	17,318	-	-	16,863	17,318
Streetlight and Services Districts	569	572	-	-	569	572
Interest on Long-Term Debt	38,389	40,647	-	-	38,389	40,647
Water Utility	-	-	90,205	90,829	90,205	90,829
Sewer Utility	-	-	43,169	41,218	43,169	41,218
Airport	-	-	3,785	3,681	3,785	3,681
Solid Waste	-	-	19,146	17,671	19,146	17,671
Total Expenses	<u>435,140</u>	<u>408,721</u>	<u>156,305</u>	<u>153,399</u>	<u>591,445</u>	<u>562,120</u>
Increase (Decrease) in Net Position Before Transfers	(848)	62,390	31,804	21,339	30,956	83,729
Transfers	7,244	7,366	(7,244)	(7,366)	-	-
Change in Net Position	<u>6,396</u>	<u>69,756</u>	<u>24,560</u>	<u>13,973</u>	<u>30,956</u>	<u>83,729</u>
Net Position at Beginning of Year	2,974,850	2,905,094	1,318,628	1,304,655	4,293,478	4,209,749
Net Effect of Accounting Change	9,309	-	-	-	9,309	-
Net Position at Beginning of Year - restated	<u>2,984,159</u>	<u>2,905,094</u>	<u>1,318,628</u>	<u>1,304,655</u>	<u>4,302,787</u>	<u>4,209,749</u>
Net Position at End of Year	<u>\$ 2,990,555</u>	<u>\$ 2,974,850</u>	<u>\$ 1,343,188</u>	<u>\$ 1,318,628</u>	<u>\$ 4,333,743</u>	<u>\$ 4,293,478</u>

## Governmental Activities

In fiscal year 2013, governmental activities increased the City's net position by \$6.4 million and by \$69.8 million in fiscal year 2012. Governmental activities accounted for 21 percent of the total growth in net position of the City for fiscal year 2013. Capital grants and contributions posted a year-over-year decrease of 40 percent. This was caused primarily by a \$20 million reduction in funding from Growing Smarter State Trust Land Acquisition Grants and lower developer contributions over the prior fiscal year.

General revenues such as property, franchise, and privilege taxes are not shown by program, but are used to support program activities citywide. For governmental activities overall, without regard to program, business taxes, which includes sales and use taxes and franchise taxes (39 percent), are the largest single source of funds, followed by capital grants and contributions (16 percent), property taxes (15 percent), intergovernmental revenues (including state shared revenues) (11 percent), and charges for services (9 percent).





Property taxes increased by 1 percent from the previous year, primarily due to growth on the property tax rolls caused by new construction. A decrease in both the primary and secondary assessed valuations from the prior year caused increases in both the primary (\$0.06) and secondary (\$0.7) tax rates per \$100 of assessed value.

Business taxes increased 4 percent from the previous year. For the third year in a row, sales tax posted a year-over-year growth in the 2013 fiscal year resulting in an increase of 4 percent. Categories with the largest increases over the prior year include other taxable activity, automotive, and construction.

The Community and Economic Development Division is the largest expense function (34 percent) followed by the Scottsdale Police and Fire Departments, which together comprise the Public Safety Division (27 percent), and Community Services Division (13 percent).

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. Overall, expenses increased by \$22 million or 17 percent during fiscal year 2013 primarily due to the prepayment of a lease.

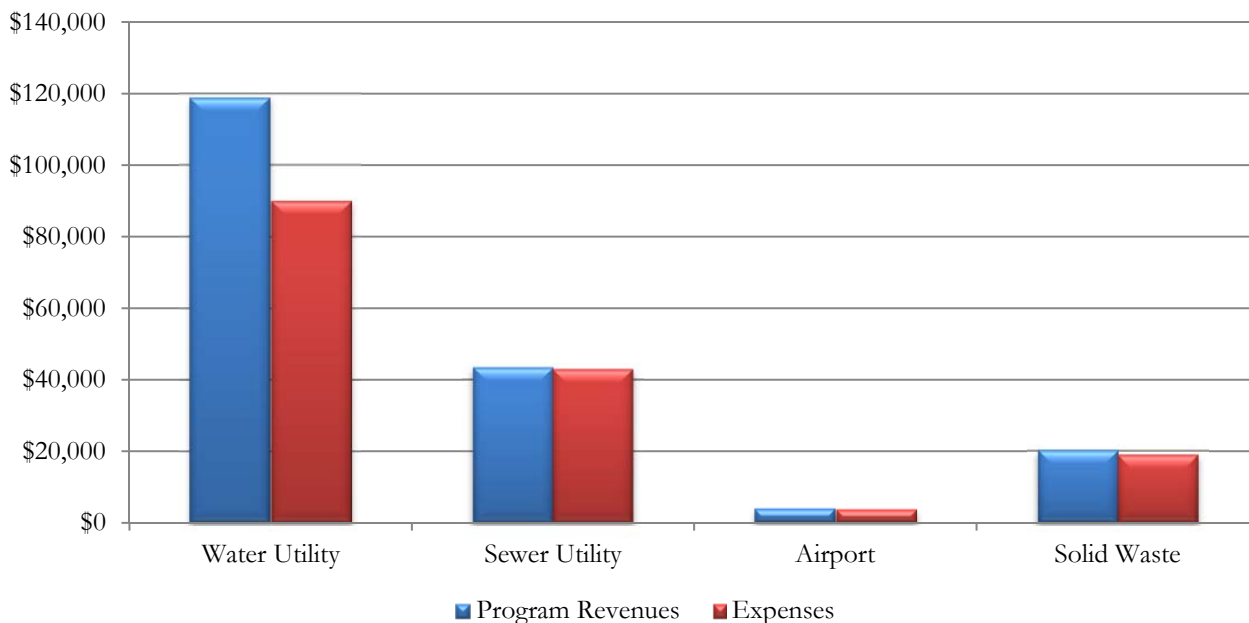
The Public Safety Division provides police and fire/emergency services throughout the City. The division confronts community crime, responds to community needs, and reduces the incidence and severity of emergencies through timely and skilled all-hazard services. Overall, expenses increased by \$2.3 million or 2 percent during fiscal year 2013 due to increases in wages and overtime.

The City's Community Services Division is responsible for improving and maintaining facilities and sponsors services that provide opportunities for family interaction, cultural enrichment, and 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. Overall, expenses increased by \$0.7 million or 1 percent during fiscal year 2013 due to machinery and equipment purchases.

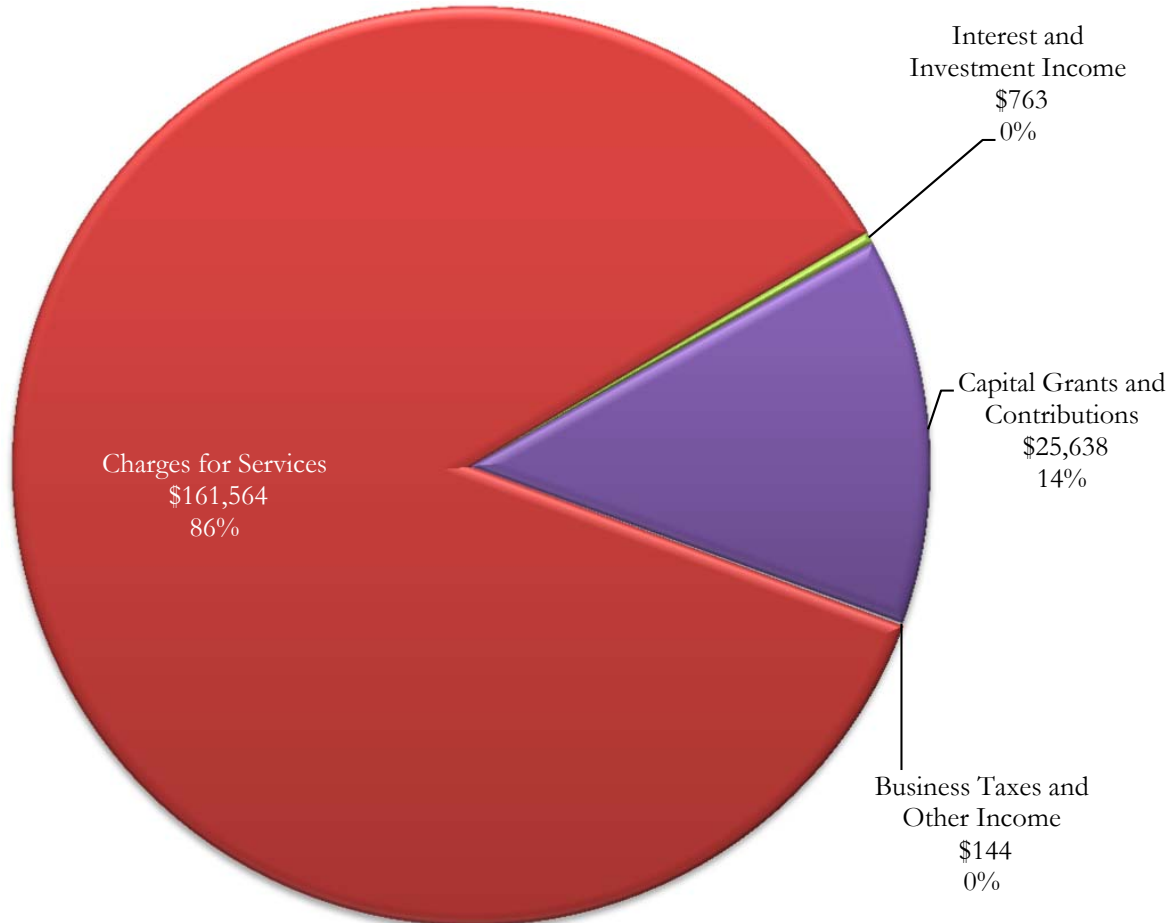
### **Business-Type Activities**

Business-type activities increased the City's net position in fiscal years 2013 and 2012 by \$24.6 million and \$14.0 million, respectively, accounting for 79 percent and 17 percent, respectively, of the total growth in the City's net position. One key factor of this increase was Water and Sewer Utility Fund capital contributions from developers and grantors, resulting in \$25.6 million and \$8.6 million for fiscal years 2013 and 2012, respectively. The majority of this amount was due to capital contributions received from Irrigation Water Distribution System participants. Other contributing factors were an increase in development fees due to an improving economy, and infrastructure donated by developers.

**Program Revenues and Expenses - Business-Type Activities**  
**Fiscal Year 2012/13**  
**(in thousands)**



**Revenues by Source – Business-Type Activities**  
**Fiscal Year 2012/13**  
**(in thousands)**



As shown in the "Program Revenues and Expenses for Business-Type Activities" chart, the largest of Scottsdale's business-type activities, Water and Sewer utilities, had expenses of \$90.2 million and \$43.2 million, respectively, in fiscal year 2013, followed by Solid Waste with operating expenses of \$19.1 million and Aviation of \$3.8 million. As shown on the "Revenues by Source - Business-Type Activities" chart, charges for services provided the largest share of revenues (86 percent) followed by capital grants and contributions (14 percent), which are principally developer contributions and development fees.

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 87,851 water service connections to customers in fiscal year 2012/13.

The Solid Waste Department provides delivery of safe, efficient and environmentally sound solid waste services to 80,013 residential customers and 1,163 commercial customers.

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 146,000 take-offs and landings occurred last year 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 on 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 nonspendable resources. Such information may be useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund, 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 \$218.2 million, an increase of \$10.4 million in comparison to the balance at June 30, 2012 of \$207.8 million. Approximately \$47.3 million of the total at June 30, 2013, constitutes unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

Revenues for governmental functions overall totaled approximately \$406.4 million in fiscal year 2013, a decrease of 1.7 percent (\$6.9 million) from the previous year total of \$413.3 million. In fiscal year 2013 expenditures for governmental functions totaled \$576.8 million, an increase of 23.5 percent (\$109.9 million) from the fiscal year 2012 total of \$466.9 million. In the fiscal years ended June 30, 2013 and 2012, expenditures for governmental functions exceeded revenues by approximately \$170.4 million and \$53.6 million respectively. This deficit was offset by \$180.9 million from other financing sources and uses.

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 \$48.7 million, while the total fund balance was \$48.9 million; the unassigned and total balances for the General Fund at the end of fiscal year 2012 were \$52.1 million and \$52.6 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 19.5 percent of the total General Fund expenditures of \$250.1 million in fiscal year 2013 and represented 23.9 percent of the total General Fund expenditures of \$217.7 million in fiscal year 2012. Total fund balance represented 19.6 percent and 24.2 percent of total fund expenditures for fiscal years 2013 and 2012, respectively.

Overall, the General Fund's performance resulted in expenditures exceeding revenues in the fiscal year ended June 30, 2013, by \$24.1 million. One reason for the variance is due to receipting Transient Occupancy Tax to the new Tourism Development Special Revenue Fund rather than the General Fund. The General Fund balance decreased in fiscal year 2013 by \$3.7 million. The primary reason for the decrease in fund balance was the planned use of fund balance for City Council approved initiatives in the fiscal year 2013 budget which included performance-based pay increases for employees, infrastructure improvements, and capital maintenance.

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 \$10.1 million, an increase of \$4.3 million from the \$5.8 million as of June 30, 2012. The increase in fund balance was primarily caused by \$2.4 million of the 2013 McDowell Sonoran Preserve General Obligation Bond premium being deposited into the debt service fund. This premium will be used to offset future debt service payments on said bonds.

The Municipal Property Corporation Debt Service Fund is used for the accumulation of resources for, and the payment of, revenue bond principal, interest and related costs. At the end of the current fiscal year, the fund balance of the Municipal Property Corporation Debt Service Fund was \$10.0 million, an increase of \$0.9 million from the \$9.1 million as of June 30, 2012, due to increased payments from the Arizona Sports and Tourism Authority.

The General CIP Construction Capital Project, Fund accounts for the resources used to acquire, construct and improve major capital facilities, other than those financed by Proprietary Funds. At the end of the current fiscal year, the fund balance of the General CIP Construction Capital Projects fund was \$44.3 million, an increase of \$9.2 million from the \$35.1 million at June 30, 2012. The primary reason for the increase was proceeds received from the sale of bonds. Capital improvement expenditures in 2013 and 2012 were \$66.9 million, and \$56.7 million, respectively.

The Preserve Privilege Tax Capital Projects Fund accounts for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Significant transactions in fiscal year 2012/13 include the purchase of more than 6,000 acres of state trust land. The transaction was partially funded by a state land trust grant and the remainder of the purchase was financed using bond proceeds. The debt service will be paid from voter approved Preserve Privilege Tax.

### **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 2013 and 2012, the unrestricted net position for the Water and Sewer Utility were \$222.4 million and \$225.0 million, respectively; Scottsdale Airport's were \$6.5 million and \$5.7 million, respectively; and the Solid Waste Fund's were \$13.9 million and \$12.3 million, respectively. The Internal Service Funds, which are used to account for certain governmental activities, also had unrestricted net position of \$18.1 million and \$22.1 million, respectively.

The total growth in net position for the Enterprise Funds was \$24.6 million and \$14.0 million for fiscal years 2013 and 2012, respectively. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In particular, the Scottsdale Water and Sewer net position increased by \$22.8 million due to capital contributions of \$25.2 million.

### **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.

The City's final year-end budget differs from the original adopted budget primarily due to the City Council approved budget transfer for the prepayment of a lease agreement, and the transfer of the Bed Tax revenue budget within the Community and Economic Development Division to the new Tourism Development Special Revenue Fund.

Revenues were \$7.0 million more than projected. The largest drivers of the favorable variance were \$2.7 million in Building and related Permit Charges which performed better than expected primarily attributable to large new commercial projects; \$1.3 million settlement with the Arizona State Retirement System; and \$0.6 million state sales tax refund for water consumption on government activities. Expenses were \$2.2 million less than the revised budget. Specifically, full-time and part-time wages, other professional services, and specialty lines were all less than the revised budget.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2013 and 2012, totaled to \$5.1 billion and \$5.0 billion, respectively (net of accumulated depreciation). Capital assets include 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 2013 and 2012 was 1.7 percent.



**Capital Assets, Net of Depreciation**

June 30, 2013 and 2012 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012	2013	2012*
Land	\$ 1,809,216	\$ 1,693,561	\$ 54,560	\$ 40,699	\$ 1,863,776	\$ 1,734,260
Buildings and Land Improvements	394,825	354,744	18,439	17,919	413,264	372,663
Streets and Storm Drains	1,302,362	1,342,950	-	-	1,302,362	1,342,950
Machinery and Equipment	28,712	24,979	13,154	13,993	41,866	38,972
Water Rights	-	-	87,171	87,171	87,171	87,171
Water System	-	-	786,064	805,830	786,064	805,830
Sewer System	-	-	402,618	407,741	402,618	407,741
Motor Vehicles and Maintenance by Fleet	22,973	19,945	-	-	22,973	19,945
Furniture, Fixtures, and Office Equipment	-	-	129	164	129	164
Construction in Progress	105,384	151,801	38,341	18,130	143,725	169,931
Total	<u>\$ 3,663,472</u>	<u>\$ 3,587,980</u>	<u>\$ 1,400,476</u>	<u>\$ 1,391,647</u>	<u>\$ 5,063,948</u>	<u>\$ 4,979,627</u>

\* The June 30, 2012, Governmental Activities balances for Buildings and Land Improvements, Streets and Storm Drains, and Machinery and Equipment were restated due to the implementation of GASB Statement No. 60 and reclassification of certain improvements to Service Concession Arrangement.

Major capital asset events during the current fiscal year included the following:

- The Police Special Investigations Building project consists of a building purchase with secure parking and restoration to a warehouse building for storing sensitive equipment. Expenditures totaled \$2.0 million this year against a budget of \$2.7 million, leaving a balance of \$0.7 million. The project is anticipated to be completed in fiscal year 2013/14.
- The Pavement Overlay Program project consists of an on-going program that completed street pavement overlays. Expenditures totaled \$2.4 million this year against a budget of \$2.5 million leaving a minor balance of \$0.1 million. The balance will be spent in fiscal year 2013/14.
- The Scottsdale Road Preservation Streetscape Enhancement project acquires, preserves and restores desert land along Scottsdale Road, and promotes its designation as a scenic corridor. Expenditures totaled \$2.8 million this year against a budget of \$26.9 million. As of June 30, 2013, the inception to date expenditures total \$17.6 million, leaving a balance of \$9.3 million. The project is anticipated to be completed in fiscal year 2014/15.
- The Brown's Ranch Trailhead is for the design and construction of trailhead amenities. Expenditures totaled \$2.9 million this year against a budget of \$4.1 million. As of June 30, 2013, the inception to date expenditures total \$3.3 million, leaving a balance of \$0.8 million. The project is anticipated to be completed in fiscal year 2013/14.
- The Upper Camelback Wash Watershed project has a goal to reduce flooding as much as feasible for this major wash corridor. Expenditures totaled \$3.9 million this year against a budget of \$17.7 million. As of June 30, 2013, the inception to date expenditures total \$9.1 million, leaving a balance of \$8.6 million. The project is anticipated to be completed in fiscal year 2014/15.
- The Scottsdale/Thunderbird Park and Ride Facility project will provide vehicle parking for nearby residents who use public transit, vanpool and carpool. Expenditures totaled \$5.2 million against a budget of \$8.6 million. As of June 30, 2013, the inception to date expenditures total \$7.8 million, leaving a balance of \$0.8 million. The project is anticipated to be completed in fiscal year 2013/14.

- The Scottsdale Road-Thompson Peak Parkway to Pinnacle Peak project will design and construct a six-lane major arterial cross-section. Expenditures totaled \$5.5 million against a budget of \$17.5 million. As of June 30, 2013, the inception to date expenditures total \$7.3 million, leaving a balance of \$10.2 million. The project is anticipated to be completed in fiscal year 2014/15.
- The Airpark Area Access Projects Phase I project will design and construct a new public collector street, a new frontage road and capacity improvements. Expenditures totaled \$6.4 million this year against a budget of \$6.1 million. As of June 30, 2013, the inception to date expenditures total \$7.0 million, with the anticipation that the budget is to increase to \$11.1 million in FY 13/14. The project is anticipated to be completed in fiscal year 2014/15.
- The expenditures for the Tony Nelssen Equestrian Center Expansion project totaled \$29.5 million this year against a budget of \$46.6 million. As of June 30, 2013, the inception to date expenditures total \$34.8 million, leaving a balance of \$11.8 million. The project is anticipated to be completed in fiscal year 2013/14.
- Preserve land purchased under the Expanded McDowell Sonoran Preserve project. Expenditures totaled \$74.5 million this year against a budget of \$271.2 million. As of June 30, 2013, the inception to date expenditures total \$248.3 million, leaving a balance of \$22.9 million. Preserve land may continue to be purchased in future years within the 36,400 acre planned Preserve boundary, as approved by the voters in May 1995 and November 1998.
- Preserve land purchased was acquired with funding from three Growing Smarter Grant projects. Expenditures totaled \$16.0 million this year against a budget of \$16.0 million. The project was completed and closed when the state grant funds were spent on the land purchase.
- The City's water and sewer 5-year capital improvement plan includes significant cost impacts from "unfunded" federal water quality mandates for treatment of arsenic and disinfection by-product requirements, in addition to plant and infrastructure expansion to accommodate growth. The most significant CIP cash expenditures include:
  - o Chaparral Water Treatment Plant Pretreatment – This project will examine specific pretreatment processes to prevent Trihalomethanes (THM) from being formed within water treatment plant prior to distribution into the distribution system. The project's budget totals \$10 million. As of June 30, 2013, the inception to date expenditures total \$5.2 million, leaving a balance of \$4.8 million. This project is anticipated to be completed in fiscal year 2014/15.
  - o Gravity Thickener – Design and construction of a third gravity thickener at the CAP plant. The project's budget totals \$3.9 million. As of June 30, 2013, the inception to date expenditures total \$2.2 million, leaving a balance of \$1.7 million. The project is anticipated to be completed in fiscal year 2013/14.
  - o Water Campus Chlorine Generation – This project will modify the existing chlorine storage system. The project's budget totals \$10.0 million. As of June 30, 2013, the inception to date expenditures total \$9.9 million, leaving a balance of \$0.1 million. The project is anticipated to be completed in fiscal year 2013/14.

- o Reclaimed Water Distribution Systems (RWDS) Improvements – Provides for improvements to the RWDS pipeline pump stations and reservoirs. The project's budget totals \$7.1 million. As of June 30, 2013, the inception to date expenditures total \$6.0 million, leaving a balance of \$1.1 million. The project is anticipated to be completed in fiscal year 2013/14.
- o Water Quality Improvements-Southern Neighborhoods – This project will upgrade components of the water production system as needed to meet system demands. The project's budget totals \$17.5 million. As of June 30, 2013, the inception to date expenditures total \$14.0 million, leaving a balance of \$3.5 million. The project is anticipated to be completed in fiscal year 2014/15.
- o Wastewater Collection System Improvements – Design and construction of sewer lines and rehabilitation of sewer manholes in the aging sewer system per the Asset Management Program. The project's budget totals \$55.7 million. As of June 30, 2013, the inception to date expenditures total \$49.7 million, leaving a balance of \$6.0 million. The project is anticipated to be completed in fiscal year 2013/14.
- o Advanced Water Treatment – Phase 4 – Design and construction of expansion of the advanced water treatment plant consistent with the capacity of the water reclamation plant as incorporated in the updated Water and Wastewater Master Plans. This expansion will help the City comply with sewer capacity, management, operations, and maintenance regulatory requirements and minimize or eliminate the need for additional capacity in the Sub-Regional Operating Group regional sewage transmission facilities. The project's budget totals \$58.9 million. As of June 30, 2013, the inception to date expenditures total \$58.1 million, leaving a balance of \$0.8 million. The project is in the construction phase and is anticipated to be complete in fiscal year 2013/14.
- o Water Distribution System Improvements – Provides for water distribution system improvements needed due to age of the system and increasing demand. Includes replacement of mains, meters and valves, as well as design and construction of new water mains at various locations throughout the distribution system to improve service and to reduce operating costs. The project's budget totals \$62.4 million. As of June 30, 2013, the inception to date expenditures total \$59.1 million, leaving a balance of \$3.3 million. The project is anticipated to be completed in fiscal year 2013/14.

Additional information on the City's capital assets can be found in Note IV.C. on pages 75-77 of this report.

## Debt Administration

At the end of the fiscal years 2013 and 2012, the City had total long-term liabilities of \$1,365.4 million and \$1,267.9 million, respectively. Of these amounts, \$639.1 million and \$594.4 million, 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, preserve authority bonds, certificates of participation, and other obligations of \$726.3 million and \$673.5 million for fiscal years 2013 and 2012, respectively.

### Long-Term Liabilities

June 30, 2013 and 2012 (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012	2013	2012*
General Obligation Bonds	\$ 639,135	\$ 594,425	\$ -	\$ -	\$ 639,135	\$ 594,425
Water and Sewer Revenue Bonds	-	-	35,515	38,630	35,515	38,630
Municipal Property Corporation Bonds	207,654	144,977	290,555	299,775	498,209	444,752
Scottsdale Preserve Authority Bonds	52,465	56,265	-	-	52,465	56,265
Special Assessments Bonds	-	750	-	-	-	750
Certificates of Participation	16,003	18,031	-	-	16,003	18,031
Community Facilities Districts General Obligation Bonds	31,885	34,640	-	-	31,885	34,640
Add Deferred Issuance Premiums	44,182	25,610	19,422	20,752	63,604	46,362
Less Deferred Amounts on Refunding	(13,457)	(7,519)	(3,896)	(4,495)	(17,353)	(12,014)
Total Bonds Payable	<u>977,867</u>	<u>867,179</u>	<u>341,596</u>	<u>354,662</u>	<u>1,319,463</u>	<u>1,221,841</u>
Contracts Payable	2,570	3,529	-	-	2,570	3,529
Capital Lease	183	391	-	-	183	391
Service Concession Arrangements	3,144	3,298	-	-	3,144	3,298
Risk Management Claims	12,882	10,611	-	-	12,882	10,611
Compensated Absences	23,906	25,172	3,007	3,039	26,913	28,211
Net Other Postemployment Benefit	288	-	-	-	288	-
Total Long-Term Liabilities	<u>\$ 1,020,840</u>	<u>\$ 910,180</u>	<u>\$ 344,603</u>	<u>\$ 357,701</u>	<u>\$ 1,365,443</u>	<u>\$ 1,267,881</u>

\* The June 30, 2012, Governmental Activities balances for Contracts Payable to the Bureau of Reclamation, Capital Leases, and Service Concession Arrangements were restated due to the implementation of GASB Statement No. 60 and 62.

During fiscal year 2013, the City's total long-term liabilities increased approximately \$97.6 million. This is due primarily to the City issuing \$75 million of new Preserve General Obligation bonds and \$65 million of new Municipal Property Corporation (MPC) bonds partially offset by paying down approximately \$49.0 million of debt (\$30 million of General Obligation bonds, \$12 million of MPC bonds, and \$7 million of Revenue bonds). Additionally, a portion of the change was due to the implementation of GASB 60 and 62. As part of the new issuance process, the City's ratings on its uninsured General Obligation Bonds and MPC bonds were affirmed by the Rating Agencies in January 2013 (see the Letter of Transmittal page 5 for more information).

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, 2013 and 2012 is \$226.8 million and \$271.8 million, respectively, in the 6 percent capacity and \$454.9 million and \$613.7 million, respectively, in the 20 percent capacity. Additional information on the debt limitations and capacities may be found in Section IV.G. of the Notes to the Financial Statements and also in Tables XVIa and XVIIb in the Statistical Section of this report.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Net Other Postemployment Benefit Obligation (NOPEBO) included in the Outstanding Long-Term Liabilities represents the City's unfunded annual required contributions (ARC) pursuant to the actuarial calculations for the accrued cost of eligible retiree health insurance as of June 30, 2013. The NOPEBO at the end of the fiscal years 2013 and 2012 were \$0.3 million and \$(0.2) million, respectively.

Additional information in the City's long-term liabilities can be found in Section IV.G. of the Notes to the Financial Statements on pages 81-91 of this report.

### **Economic Factors and Next Year's Budget and Rates**

The City's long-term financial plan remains one of conservative economic growth as Scottsdale's economy continues to grow. City revenues are forecast to increase by modest amounts again in fiscal year 2013/14. A particularly positive revenue category is sales tax related to construction which has seen a boost over the prior year as well as permit revenues. These increases combined with a focus on efficient spending, continue the trend from the prior two years.

The City of Scottsdale's fiscal year 2013/14 budget includes funding for a pay program designed to reward employee performance and address other pay issues along with one-time funding to address Police Department employee salary inequity issues. The City Council directed the use of a portion of unassigned fund balance for improvement and upkeep of infrastructure and deferred maintenance of buildings and equipment and also reinstated the employee tuition reimbursement program.

In fiscal year 2013/14, citizen tax bills will reflect an estimated combined property tax rate of \$1.2946 which is \$0.0694 more than the adopted combined fiscal year 2012/13 rate of \$1.2252.

Water rate and charges include a revised residential and non-residential rate structure, a new irrigation tiered-rate structure for non-residential irrigation, revised water service charges and a flat stormwater fee. Water reclamation rate and charges will see a 4 percent across-the-board increase. The budget also includes various rate and fee adjustments for Planning and Development, Community Services, and City Court.

A separate, key component of the annual financial plan is the City's five-year Capital Improvement Plan (CIP) for infrastructure and public facilities including roads, water and sewer improvements, parks, buildings, and information technology. The adopted CIP appropriation for fiscal year 2013/14 is \$517.4 million, which includes \$334.9 million (or 65 percent of the total) re-budgeted from the prior year. Under Arizona law, the City must re-budget for a capital project until it is completed. Some examples of major projects included in the CIP budget are:

- **Community Facilities** – Acquire, preserve, and restore desert lands along Scottsdale Road to promote its designation as a Scenic Corridor, Scottsdale Stadium infrastructure improvements, and completion of the Tony Nelssen Equestrian Center Expansion.
- **Preservation** – Construct trails supporting the gateway to the preserve and expansion of preserve lands.
- **Drainage and Flood Control** – Improve drainage to several areas within Scottsdale including the Granite Reef Watershed, Upper Camelback Watershed, and Pima Road Drainage System.
- **Public Safety** – Build out of the Police Special Investigations building, and purchase of various technologies such as telephone interception equipment and throwbox.

- **Service Facilities** – Solid Waste vehicle monitoring system and purchase of Street Operations Work and Asset Management System.
- **Transportation** – Reconstruction of Taxiway “A” and Exits in the airport, and improvements to several main Scottsdale thorough ways including Pima Road-McDowell to 90th Street and Airpark Area Access Projects Phase I. Additionally, improvements will be made to bicycle lanes, enhanced sidewalks, and street pavement.
- **Water Services** – Modification and improvements to water distribution and wastewater collection system improvements.

The adopted budget continues the practice of maintaining 10 percent of the General Fund and Highway User Fund (Transportation Fund) program budgets to ensure the City can provide basic services in the event of major emergencies. For fiscal year 2013/14, this amount is \$35.4 million (including a \$5.0 million contingency).

### **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 addressed to:

City of Scottsdale  
Finance and Accounting Division  
7447 E. Indian School Road, Suite 210  
Scottsdale, AZ 85251  
(480) 312-2437

Or visit our website at:

<http://www.scottsdaleaz.gov/finance>



# Basic Financial Statements

**Statement of Net Position**

June 30, 2013 (in thousands of dollars)

ASSETS	Governmental Activities	Business-Type Activities	Total
<b>Current Assets</b>			
Cash and Investments	\$ 237,186	\$ 116,907	\$ 354,093
Cash with Fiscal Agent	77,414	20,520	97,934
Receivables (net of uncollectible amounts of \$33,645)			
Property Taxes and Penalties	11,872	-	11,872
Other Local Taxes	23,945	12	23,957
Charges for Services	-	18,638	18,638
Intergovernmental	31,022	118	31,140
Interest and Other	8,475	2,965	11,440
Supplies Inventory	1,088	-	1,088
<b>Restricted Cash, Cash Equivalents, and Investments</b>			
Customer Advances and Deposits	-	1,137	1,137
Other Restricted Assets			
Joint Venture Construction Deposits	-	4,535	4,535
<b>Total Current Assets</b>	<b>391,002</b>	<b>164,832</b>	<b>555,834</b>
<b>Noncurrent Assets</b>			
Equity in Joint Venture	-	110,778	110,778
Deferred Charges	38,289	1,253	39,542
Pollution Remediation Recoveries	-	23,182	23,182
Service Concession Arrangements	23,550	-	23,550
<b>Restricted Cash, Cash Equivalents, and Investments</b>			
Deferred Revenue	-	3,070	3,070
Water and Sewer System Replacement	-	36,539	36,539
Revenue Bond Reserve	-	5,006	5,006
<b>Capital Assets</b>			
Land, Water Rights, and Construction in Progress	1,914,600	180,072	2,094,672
Facilities, Infrastructure, and Equipment (net of accumulated depreciation)	1,748,872	1,220,404	2,969,276
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>3,663,472</b>	<b>1,400,476</b>	<b>5,063,948</b>
<b>Total Noncurrent Assets</b>	<b>3,725,311</b>	<b>1,580,304</b>	<b>5,305,615</b>
<b>Total Assets</b>	<b>4,116,313</b>	<b>1,745,136</b>	<b>5,861,449</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	18,876	8,424	27,300
Accrued Payroll and Benefits	7,485	1,012	8,497
Accrued Compensated Absences - Current	2	-	2
Accrued Compensated Absences - Due within one year	9,970	1,190	11,160
Claims Payable	5,244	-	5,244
Due to Other Governments	3,914	-	3,914
Customer Advances and Deposits	1,779	1,137	2,916
Matured Bonds, Loans, and Other Payables	40,814	12,335	53,149
Matured Bonds, Loans, and Other Interest Payable	19,527	8,185	27,712
Bonds, Loans, and Other Payables - Due within one year	51,292	13,000	64,292
Unearned Revenue	9,728	-	9,728
Other Liabilities	2,793	-	2,793
<b>Total Current Liabilities</b>	<b>171,424</b>	<b>45,283</b>	<b>216,707</b>
<b>Noncurrent Liabilities</b>			
Accrued Compensated Absences - Due in more than one year	13,936	1,817	15,753
Deferred Revenue	-	3,070	3,070
Bonds, Loans, and Other Payables - Due in more than one year	940,398	328,596	1,268,994
Pollution Remediation Obligation	-	23,182	23,182
<b>Total Noncurrent Liabilities</b>	<b>954,334</b>	<b>356,665</b>	<b>1,310,999</b>
<b>Total Liabilities</b>	<b>1,125,758</b>	<b>401,948</b>	<b>1,527,706</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,756,186	1,058,880	3,815,066
<b>Restricted</b>			
Debt Service	36,060	5,006	41,066
Highway User and Preserve Privilege Tax Activities	35,487	-	35,487
Capital Projects	23,272	-	23,272
Community Development Block Grant	25	-	25
Grants	1,329	-	1,329
Special Programs	4,047	-	4,047
Streetlight and Service District	252	-	252
Repair and Replacement	-	36,539	36,539
Unrestricted	133,897	242,763	376,660
<b>Total Net Position</b>	<b>\$ 2,990,555</b>	<b>\$ 1,343,188</b>	<b>\$ 4,333,743</b>

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

**Statement of Activities**

For the Fiscal Year Ended June 30, 2013 (in thousands of dollars)

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	\$ 791	\$ 225	\$ -	\$ -	\$ (566)	\$ -	\$ (566)
City Clerk	921	299	90	-	(532)	-	(532)
City Attorney	5,778	764	1	-	(5,013)	-	(5,013)
City Auditor	647	204	-	-	(443)	-	(443)
City Court	5,621	-	42	-	(5,579)	-	(5,579)
City Manager	807	250	-	-	(557)	-	(557)
City Treasurer - Finance and Accounting	6,420	2,598	1,064	-	(2,758)	-	(2,758)
Public Works	36,405	1,498	188	135	(34,584)	-	(34,584)
Community and Economic Development	147,514	14,736	13,554	50,214	(69,010)	-	(69,010)
Public Safety	118,033	9,139	6,547	278	(102,069)	-	(102,069)
Community Services	56,382	5,523	9,769	16,290	(24,800)	-	(24,800)
Administrative Services	16,863	3,155	-	-	(13,708)	-	(13,708)
Streetlight and Services Districts	569	551	-	-	(18)	-	(18)
Interest on Long-Term Debt	38,389	-	-	-	(38,389)	-	(38,389)
<b>Total Governmental Activities</b>	<b>435,140</b>	<b>38,942</b>	<b>31,255</b>	<b>66,917</b>	<b>(298,026)</b>	<b>-</b>	<b>(298,026)</b>
<b>Business-Type Activities</b>							
Water Utility	90,205	100,615	-	18,475	-	28,885	28,885
Sewer Utility	43,169	36,939	-	6,714	-	484	484
Airport	3,785	3,552	-	449	-	216	216
Solid Waste	19,146	20,458	-	-	-	1,312	1,312
<b>Total Business-Type Activities</b>	<b>156,305</b>	<b>161,564</b>	<b>-</b>	<b>25,638</b>	<b>-</b>	<b>30,897</b>	<b>30,897</b>
<b>Total Government</b>	<b>\$ 591,445</b>	<b>\$ 200,506</b>	<b>\$ 31,255</b>	<b>\$ 92,555</b>	<b>(298,026)</b>	<b>30,897</b>	<b>(267,129)</b>
<b>General Revenues</b>							
Taxes							
Property Taxes					64,918	-	64,918
Sales and Use Taxes					157,779	144	157,923
Franchise Taxes					11,885	-	11,885
Intergovernmental							
State Shared Sales					17,793	-	17,793
State Revenue Sharing					22,205	-	22,205
Other					9,056	-	9,056
Interest and Investment Income					985	763	1,748
Other Revenue					12,557	-	12,557
Transfers					7,244	(7,244)	-
<b>Total General Revenues and Transfers</b>					<b>304,422</b>	<b>(6,337)</b>	<b>298,085</b>
Change in Net Position					6,396	24,560	30,956
Net Position - Beginning, restated					2,984,159	1,318,628	4,302,787
<b>Net Position - Ending</b>					<b>\$ 2,990,555</b>	<b>\$ 1,343,188</b>	<b>\$ 4,333,743</b>

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

## Balance Sheet

### Governmental Funds

June 30, 2013 (in thousands)

<b>ASSETS</b>	<b>General</b>	<b>General Obligation Bond Debt Service</b>	<b>Municipal Property Corporation Debt Service</b>	<b>General CIP Construction Capital Projects</b>	<b>Preserve Privilege Tax Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and Investments	\$ 49,104	\$ 9,674	\$ 8,477	\$ 30,099	\$ 536	\$ 107,557	\$ 205,447
Cash with Fiscal Agent	1,267	43,591	7,169	15,661	-	9,726	77,414
Receivables (net of allowance for uncollectibles \$33,594)							
Interest	565	-	-	82	-	221	868
Privilege Tax	14,369	-	-	-	-	3,821	18,190
Transient Occupancy Tax	-	-	-	-	-	702	702
Property Tax	914	1,278	-	-	-	118	2,310
State Shared Sales Tax	1,549	-	-	-	-	-	1,549
Franchise Fee	1,977	-	-	-	-	48	2,025
Court Receivable	9,562	-	-	-	-	-	9,562
Library Receivable	157	-	-	-	-	-	157
Highway User Tax	-	-	-	-	-	1,126	1,126
Auto Lieu Tax	353	-	-	-	-	-	353
Intergovernmental	-	-	21,480	-	-	6,512	27,992
Grants	-	-	-	255	-	2,775	3,030
Miscellaneous	2,289	-	-	2,916	-	1,817	7,022
Due from Other Funds	3	-	-	-	-	-	3
Supplies Inventory	265	-	-	-	-	-	265
Total Assets	<u>\$ 82,374</u>	<u>\$ 54,543</u>	<u>\$ 37,126</u>	<u>\$ 49,013</u>	<u>\$ 536</u>	<u>\$ 134,423</u>	<u>\$ 358,015</u>

(continued)

## Balance Sheet

### Governmental Funds

June 30, 2013 (in thousands)

	General	General Obligation Bond Debt Service	Municipal Property Corporation Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 4,901	\$ -	\$ -	\$ 4,424	\$ 528	\$ 7,546	\$ 17,399
Accrued Payroll and Benefits	6,907	-	-	25	8	398	7,338
Due to Other Funds	-	-	-	-	-	3	3
Matured Bond Interest Payable	253	13,297	4,032	-	-	1,945	19,527
Matured Bonds Payable	1,014	30,290	3,135	-	-	6,375	40,814
Deferred Revenue							
Property Tax	619	851	-	-	-	65	1,535
Court	3,675	-	-	-	-	-	3,675
Library	157	-	-	-	-	-	157
Privilege Tax	6,440	-	-	-	-	-	6,440
Intergovernmental	-	-	19,914	255	-	12,712	32,881
Other	978	-	-	2	-	590	1,570
Due to Other Governments	3,914	-	-	-	-	-	3,914
Guaranty and Other Deposits	1,779	-	-	-	-	-	1,779
Other	2,793	-	-	-	-	-	2,793
Total Liabilities	<u>33,430</u>	<u>44,438</u>	<u>27,081</u>	<u>4,706</u>	<u>536</u>	<u>29,634</u>	<u>139,825</u>
<b>Fund Balances</b>							
Nonspendable	265	-	-	-	-	-	265
Restricted	-	10,105	3,776	9,697	-	91,098	114,676
Committed	-	-	-	1,534	-	14,764	16,298
Assigned	-	-	6,269	33,076	-	321	39,666
Unassigned	48,679	-	-	-	-	(1,394)	47,285
Total Fund Balances	<u>48,944</u>	<u>10,105</u>	<u>10,045</u>	<u>44,307</u>	<u>-</u>	<u>104,789</u>	<u>218,190</u>
Total Liabilities and Fund Balances	<u>\$ 82,374</u>	<u>\$ 54,543</u>	<u>\$ 37,126</u>	<u>\$ 49,013</u>	<u>\$ 536</u>	<u>\$ 134,423</u>	<u>\$ 358,015</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, 2013 (in thousands)

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Fund Balances - Total Governmental Funds	\$	218,190
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.		3,629,255
Bond issuance costs, prepayments, and service concession arrangements are not financial resources; therefore, are not reported in the funds.		61,839
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.		(1,007,625)
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 deferred revenue in the funds.		36,530
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and vehicles to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position.		<u>52,366</u>
Net Position of Governmental Activities	\$	<u><u>2,990,555</u></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, 2013 (in thousands)

REVENUES	General	General Obligation Bond Debt Service	Municipal Property Corporation Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
Taxes - Local							
Property	\$ 24,900	\$ 36,164	\$ -	\$ -	\$ -	\$ 3,844	\$ 64,908
Transaction Privilege	97,681	-	-	-	-	47,228	144,909
Transient Occupancy	-	-	-	-	-	13,852	13,852
Light and Power Franchise	8,171	-	-	-	-	253	8,424
Cable TV Franchise	3,461	-	-	-	-	-	3,461
Salt River Project In-Lieu	260	-	-	-	-	-	260
Other Taxes	838	-	-	-	-	-	838
Taxes - Intergovernmental							
State-Shared Sales	17,793	-	-	-	-	-	17,793
State Revenue Sharing	22,205	-	-	-	-	-	22,205
Auto Lieu Tax	7,273	-	-	-	-	-	7,273
Highway User Tax	-	-	-	-	-	11,903	11,903
Local Transportation Assistance Fund	-	-	-	-	-	639	639
Business and Liquor Licenses	1,739	-	-	-	-	24	1,763
Charges for Current Services							
Building and Related Permits	11,464	-	-	190	-	350	12,004
Recreation Fees	3,621	-	-	-	-	1,588	5,209
WestWorld Equestrian Facility Fees	2,890	-	-	-	-	-	2,890
Fire Fees	724	-	-	-	-	43	767
Fines, Fees, and Forfeitures							
Court	4,084	-	-	-	-	157	4,241
Parking	253	-	-	-	-	-	253
Photo Radar	2,174	-	-	-	-	-	2,174
Court Enhancement	-	-	-	-	-	958	958
Library	338	-	-	-	-	-	338
Police Fees	-	-	-	-	-	508	508
Special Assessments	-	-	-	-	-	591	591
Property Rental	2,259	-	160	-	-	1,813	4,232
Interest Earnings	1,450	-	-	382	-	792	2,624
Investment Income	(942)	-	-	(203)	-	(494)	(1,639)
Intergovernmental							
Federal Grants	-	-	-	23	-	15,501	15,524
State Grants	-	-	-	16,006	-	299	16,305
Miscellaneous	1,129	-	1,763	5,904	-	12,837	21,633
Developer Contributions	-	-	-	-	-	203	203
Streetlight and Services Districts	-	-	-	-	-	551	551
Contributions and Donations	90	-	-	217	67	2,439	2,813
Reimbursements from Outside Sources	3,699	-	-	475	-	1,760	5,934
Indirect Costs	7,037	-	-	-	-	558	7,595
Other	1,449	-	3	265	-	721	2,438
Total Revenues	\$ 226,040	\$ 36,164	\$ 1,926	\$ 23,259	\$ 67	\$ 118,918	\$ 406,374

(continued on next page)

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

### Governmental Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

	General	General Obligation Bond Debt Service	Municipal Property Corporation Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>							
Current							
General Government							
Mayor and City Council	\$ 775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 775
City Clerk	893	-	-	-	-	-	893
City Attorney	5,662	-	-	-	-	-	5,662
City Auditor	665	-	-	-	-	-	665
City Court	3,610	-	-	-	-	1,812	5,422
City Manager	829	-	-	-	-	-	829
City Treasurer - Finance and Accounting	5,335	-	-	-	-	114	5,449
Public Works	17,787	-	-	-	-	11,871	29,658
Community and Economic Development	53,153	-	-	-	-	17,198	70,351
Public Safety	109,305	-	-	-	-	2,655	111,960
Community Services	33,385	-	-	-	-	11,961	45,346
Administrative Services	14,141	-	-	-	-	-	14,141
Streetlight and Services Districts	-	-	-	-	-	569	569
Debt Service							
Principal	2,484	30,290	3,135	-	-	27,325	63,234
Interest and Fiscal Charges	2,103	25,598	7,011	-	-	4,077	38,789
Bond Issuance Costs	-	1,089	648	-	-	178	1,915
Capital Improvements	-	-	-	66,928	80,793	33,468	181,189
Total Expenditures	<u>250,127</u>	<u>56,977</u>	<u>10,794</u>	<u>66,928</u>	<u>80,793</u>	<u>111,228</u>	<u>576,847</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(24,087)</u>	<u>(20,813)</u>	<u>(8,868)</u>	<u>(43,669)</u>	<u>(80,726)</u>	<u>7,690</u>	<u>(170,473)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	9,221	21,079	9,170	10,757	5,818	22,126	78,171
Transfers Out	(19,819)	-	-	(1,423)	-	(49,677)	(70,919)
Proceeds of Refunding Bonds	-	83,025	-	-	-	28,225	111,250
Proceeds from Long-Term Capital-Related Debt	26,295	92	-	38,705	74,908	-	140,000
Premium on Long-Term Debt Issued	4,705	11,068	655	4,855	-	799	22,082
Payment to Bond Refunding Escrow Agent	-	(90,135)	-	-	-	(9,549)	(99,684)
Total Other Financing Sources (Uses)	<u>20,402</u>	<u>25,129</u>	<u>9,825</u>	<u>52,894</u>	<u>80,726</u>	<u>(8,076)</u>	<u>180,900</u>
Net Change in Fund Balances	(3,685)	4,316	957	9,225	-	(386)	10,427
Fund Balances - Beginning	52,629	5,789	9,088	35,082	-	105,175	207,763
Fund Balances - Ending	<u>\$ 48,944</u>	<u>\$ 10,105</u>	<u>\$ 10,045</u>	<u>\$ 44,307</u>	<u>\$ -</u>	<u>\$ 104,789</u>	<u>\$ 218,190</u>

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

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

For the Fiscal Year Ended June 30, 2013 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 10,427
<p>Amounts reported for governmental activities in the statement of activities are different because (see Note II B):</p>	
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	44,111
<p>Donations of capital assets are not capitalized on the governmental fund statements, but are shown in the statement of activities.</p>	28,044
<p>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.</p>	608
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(492)
<p>Bond issuance costs and prepayments are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net position. This is the amount by which current year bond issuance costs and prepayments exceeded amortization expense in the current period.</p>	33,941
<p>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 affect on net position. This is the amount by which debt proceeds exceeded principal retirement in the current period.</p>	(110,463)
<p>Additional interest accretion calculated on bonds and notes payable and amortization of bond premium and deferred amounts on refunding.</p>	808
<p>The net revenues of certain activities of Internal Service Funds is reported with governmental activities.</p>	(588)
Changes in Net Position of Governmental Activities	<u>\$ 6,396</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, 2013 (in thousands)

REVENUES	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				
Taxes - Local						
Property	\$ 25,272	\$ 25,272	\$ 24,900	\$ -	\$ 24,900	\$ (372)
Transaction Privilege	97,329	97,329	97,681	-	97,681	352
Transient Occupancy	13,385	-	-	-	-	-
Light and Power Franchise	8,210	7,960	8,171	-	8,171	211
Cable TV Franchise	3,024	3,024	3,461	-	3,461	437
Salt River Project In-Lieu	226	226	260	-	260	34
Other Taxes	860	860	838	-	838	(22)
Taxes - Intergovernmental						
State-Shared Sales	18,178	18,178	17,793	-	17,793	(385)
State Revenue Sharing	22,203	22,203	22,205	-	22,205	2
Auto Lieu Tax	7,207	7,207	7,273	-	7,273	66
Business and Liquor Licenses	1,780	1,780	1,739	-	1,739	(41)
Charges for Current Services						
Building and Related Permits	8,730	8,730	11,464	-	11,464	2,734
Recreation Fees	3,658	3,658	3,621	-	3,621	(37)
WestWorld Equestrian Facility Fees	2,729	2,729	2,890	-	2,890	161
Fire Fees	466	466	724	-	724	258
Fines, Fees, and Forfeitures						
Court	4,315	4,315	4,084	-	4,084	(231)
Parking	260	260	253	-	253	(7)
Photo Radar	2,110	2,110	2,174	-	2,174	64
Library	319	319	338	-	338	19
Property Rental	3,275	1,772	2,259	-	2,259	487
Interest Earnings	1,116	1,116	1,450	-	1,450	334
Investment Income	-	-	-	(942)	(942)	-
Intergovernmental						
Miscellaneous	877	877	1,129	-	1,129	252
Contributions and Donations	90	-	90	-	90	90
Reimbursements and Outside Sources	1,793	1,793	3,699	-	3,699	1,906
Indirect Costs	7,059	7,059	7,037	-	7,037	(22)
Other	748	748	1,449	-	1,449	701
Total Revenues	\$ 235,219	\$ 219,991	\$ 226,982	\$ (942)	\$ 226,040	\$ 6,991

(continued)

## General Fund

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

For the Fiscal Year Ended June 30, 2013 (in thousands)

EXPENDITURES	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis	Variance Between Final Budget and Actual Amounts Budgetary Basis
	Original	Final				
Current						
General Government						
Mayor and City Council	\$ 779	\$ 784	\$ 772	\$ 3	\$ 775	\$ 12
City Clerk	998	1,018	890	3	893	128
City Attorney	5,582	6,087	5,683	(21)	5,662	404
City Auditor	754	763	665	-	665	98
City Court	3,746	3,724	3,603	7	3,610	121
City Manager	880	908	828	1	829	80
City Treasurer - Finance and Accounting	5,453	5,419	5,323	12	5,335	96
Public Works	17,686	17,530	17,759	28	17,787	(229)
Community and Economic Development*	23,704	22,131	53,116	37	53,153	(30,985)
Public Safety	108,773	109,864	109,051	254	109,305	813
Community Services	33,819	33,853	33,294	91	33,385	559
Administrative Services	16,153	14,361	14,111	30	14,141	250
Debt Service						
Principal	2,495	31,695	2,484	-	2,484	29,211
Interest and Fiscal Charges	3,743	3,743	2,103	-	2,103	1,640
Total Expenditures	<u>224,565</u>	<u>251,880</u>	<u>249,682</u>	<u>445</u>	<u>250,127</u>	<u>2,198</u>
Excess (Deficiency) of Revenues over Expenditures	<u>10,654</u>	<u>(31,889)</u>	<u>(22,700)</u>	<u>(1,387)</u>	<u>(24,087)</u>	<u>9,189</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	6,756	9,456	9,221	-	9,221	(235)
Transfers Out	(25,771)	(17,373)	(19,819)	-	(19,819)	(2,446)
Proceeds of Long-Term Capital-Related Debt	-	31,000	26,295	-	26,295	(4,705)
Premium on Long-Term Debt Issued	-	-	4,705	-	4,705	4,705
Total Other Financing Sources (Uses)	<u>(19,015)</u>	<u>23,083</u>	<u>20,402</u>	<u>-</u>	<u>20,402</u>	<u>(2,681)</u>
Net Change in Fund Balances	(8,361)	(8,806)	(2,298)	(1,387)	(3,685)	6,508
Fund Balances - Beginning	<u>39,432</u>	<u>57,983</u>	<u>57,983</u>	<u>(5,354)</u>	<u>52,629</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 31,071</u>	<u>\$ 49,177</u>	<u>\$ 55,685</u>	<u>\$ (6,741)</u>	<u>\$ 48,944</u>	<u>\$ 6,508</u>

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

\*\$31M payment was budgeted in the Debt Service Interest and Fiscal Charges, payment was actually made from Community & Economic Development.

## General Fund

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

For the Fiscal Year Ended June 30, 2013 (in thousands)

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#### Explanation of Differences:

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

Investment Income	<u>\$ (942)</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	442
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Bad Debt Expense	<u>3</u>
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Total Expenditure Reconciling Items:	<u>445</u>
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Net Decrease in Fund Balance - Budget to GAAP	<u><u>\$ (1,387)</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, 2013 (in thousands)

ASSETS	Water and Sewer Utility	Airport	Solid Waste	Total	Governmental Activities - Internal Service Funds
<b>Current Assets</b>					
Cash and Investments	\$ 97,482	\$ 6,361	\$ 13,064	\$ 116,907	\$ 31,739
Cash with Fiscal Agent	20,520	-	-	20,520	-
Receivables (net of uncollectible amounts of \$51)					
Privilege Tax	-	12	-	12	-
Charges for Services	16,587	-	2,051	18,638	-
Intergovernmental	-	118	-	118	-
Interest	407	16	28	451	-
Miscellaneous	2,144	318	52	2,514	428
Supplies Inventory	-	-	-	-	823
Restricted Cash, Cash Equivalents, and Investments					
Customer Advances and Deposits	1,082	55	-	1,137	-
Other Restricted Assets					
Joint Venture Construction Deposits	4,535	-	-	4,535	-
<b>Total Current Assets</b>	<b>142,757</b>	<b>6,880</b>	<b>15,195</b>	<b>164,832</b>	<b>32,990</b>
<b>Noncurrent Assets</b>					
Equity in Joint Venture	110,778	-	-	110,778	-
Deferred Charges	1,253	-	-	1,253	-
Pollution Remediation Recoveries	23,182	-	-	23,182	-
Restricted Cash, Cash Equivalents, and Investments					
Deferred Revenue	1,203	1,867	-	3,070	-
Water and Sewer System Replacement	36,539	-	-	36,539	-
Revenue Bond Reserve	5,006	-	-	5,006	-
<b>Capital Assets</b>					
Land	43,885	9,564	1,111	54,560	-
Water Rights	87,171	-	-	87,171	-
Water System	1,118,997	-	-	1,118,997	-
Sewer System	557,751	-	-	557,751	-
Buildings and Improvements	-	27,332	4,771	32,103	12,447
Motor Vehicles	-	-	-	-	62,910
Machinery and Equipment	18,314	938	1,905	21,157	1,374
Furniture and Fixtures	813	-	-	813	-
Construction in Progress	35,184	3,157	-	38,341	-
Less Accumulated Depreciation	(494,748)	(12,226)	(3,443)	(510,417)	(42,514)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>1,367,367</b>	<b>28,765</b>	<b>4,344</b>	<b>1,400,476</b>	<b>34,217</b>
<b>Total Noncurrent Assets</b>	<b>1,545,328</b>	<b>30,632</b>	<b>4,344</b>	<b>1,580,304</b>	<b>34,217</b>
<b>Total Assets</b>	<b>\$ 1,688,085</b>	<b>\$ 37,512</b>	<b>\$ 19,539</b>	<b>\$ 1,745,136</b>	<b>\$ 67,207</b>

(continued on next page)

**Statement of Fund Net Position**

**Proprietary Funds**

June 30, 2013 (in thousands)

<b>LIABILITIES</b>	<b>Water and Sewer Utility</b>	<b>Airport</b>	<b>Solid Waste</b>	<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Current Liabilities</b>					
Accounts Payable	\$ 7,914	\$ 203	\$ 307	\$ 8,424	\$ 1,477
Accrued Payroll and Benefits	715	41	256	1,012	149
Accrued Compensated Absences - Due within one year	851	60	279	1,190	159
Claims Payable - Due within one year	-	-	-	-	5,244
Customer Advances and Deposits	1,082	55	-	1,137	-
Matured Bonds Payable	12,335	-	-	12,335	-
Matured Bond Interest Payable	8,185	-	-	8,185	-
Bonds Payable and Other Payables - Due within one year	13,000	-	-	13,000	-
Total Current Liabilities	<u>44,082</u>	<u>359</u>	<u>842</u>	<u>45,283</u>	<u>7,029</u>
<b>Noncurrent Liabilities</b>					
Accrued Compensated Absences - Due in more than one year	1,332	63	422	1,817	174
Deferred Revenue	1,203	1,867	-	3,070	-
Bonds, Loans, and Other Payables - Due in more than one year	328,596	-	-	328,596	7,638
Pollution Remediation Obligation	23,182	-	-	23,182	-
Total Noncurrent Liabilities	<u>354,313</u>	<u>1,930</u>	<u>422</u>	<u>356,665</u>	<u>7,812</u>
Total Liabilities	<u>398,395</u>	<u>2,289</u>	<u>1,264</u>	<u>401,948</u>	<u>14,841</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,025,771	28,765	4,344	1,058,880	34,217
Restricted for Water and Sewer System Replacement	36,539	-	-	36,539	-
Restricted for Debt Service	5,006	-	-	5,006	-
Unrestricted	222,374	6,458	13,931	242,763	18,149
Total Net Position	<u>\$ 1,289,690</u>	<u>\$ 35,223</u>	<u>\$ 18,275</u>	<u>\$ 1,343,188</u>	<u>\$ 52,366</u>

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

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

**Proprietary Funds**

For the Fiscal Year Ended June 30, 2013 (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	\$ 90,700	\$ -	\$ -	\$ 90,700	\$ -
Sewer Service Fees	35,783	-	-	35,783	-
Proprietary - Non-potable water fees	9,266	-	-	9,266	-
Solid Waste Fees	-	-	20,451	20,451	-
Airport Fees	-	3,415	-	3,415	-
Other Services	-	-	-	-	48,368
Other	1,805	137	7	1,949	1,269
Total Operating Revenues	<u>137,554</u>	<u>3,552</u>	<u>20,458</u>	<u>161,564</u>	<u>49,637</u>
<b>OPERATING EXPENSES</b>					
Costs for Sales and Services					
Water Operations	46,292	-	-	46,292	-
Sewer Operations	21,868	-	-	21,868	-
Solid Waste Operations	-	-	17,246	17,246	-
Airport Operations	-	2,282	-	2,282	-
Other Services	-	-	-	-	47,822
Indirect Costs	5,487	440	1,668	7,595	-
Depreciation	45,556	1,063	210	46,829	4,385
Total Operating Expenses	<u>119,203</u>	<u>3,785</u>	<u>19,124</u>	<u>142,112</u>	<u>52,207</u>
Operating Income (Loss)	<u>18,351</u>	<u>(233)</u>	<u>1,334</u>	<u>19,452</u>	<u>(2,570)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Transaction Privilege Tax	-	144	-	144	-
Property Tax	-	-	-	-	213
Investment Income	670	36	57	763	-
Interest Expense	(14,150)	-	-	(14,150)	-
Gain (Loss) on Sale of Capital Assets	(21)	-	(22)	(43)	249
Net Non-Operating Revenue (Expenses)	<u>(13,501)</u>	<u>180</u>	<u>35</u>	<u>(13,286)</u>	<u>462</u>
Income Before Contributions and Transfers	<u>4,850</u>	<u>(53)</u>	<u>1,369</u>	<u>6,166</u>	<u>(2,108)</u>
Capital Contributions	25,189	449	-	25,638	1,528
Transfers In	25	-	-	25	-
Transfers Out	(7,248)	(5)	(16)	(7,269)	(8)
Change in Net Position	<u>22,816</u>	<u>391</u>	<u>1,353</u>	<u>24,560</u>	<u>(588)</u>
Total Net Position - Beginning	<u>1,266,874</u>	<u>34,832</u>	<u>16,922</u>	<u>1,318,628</u>	<u>52,954</u>
Total Net Position - Ending	<u>\$ 1,289,690</u>	<u>\$ 35,223</u>	<u>\$ 18,275</u>	<u>\$ 1,343,188</u>	<u>\$ 52,366</u>

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, 2013 (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	\$ 136,426	\$ 3,163	\$ 20,395	\$ 159,984	\$ 48,030
Cash Payments to Suppliers for Goods/Services	(54,214)	(1,560)	(12,359)	(68,133)	(41,246)
Cash Payments to Employees for Services	(18,613)	(1,040)	(6,486)	(26,139)	(4,195)
Other Cash Receipts	601	137	7	745	1,269
Net Cash Provided by Operating Activities	64,200	700	1,557	66,457	3,858
<b>Cash Flows from Non-Capital Financing Activities</b>					
Property Tax	-	-	-	-	213
Transaction Privilege Tax	-	144	-	144	-
Transfers In	25	-	-	25	-
Transfers Out	(7,248)	(5)	(16)	(7,269)	(8)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(7,223)	139	(16)	(7,100)	205
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Contributions from:					
Water and Sewer Development Fees	13,180	-	-	13,180	-
Capital Grants	-	341	-	341	-
Acquisition and Construction of Property and Equipment	(52,249)	(678)	(2)	(52,929)	(6,269)
Water and Sewer Development Fee Credit Agreements	(200)	-	-	(200)	-
Principal Payments on Capital Debt and Other Payables	(12,293)	-	-	(12,293)	-
Interest Paid on Capital Debt	(16,679)	-	-	(16,679)	-
Investment in Joint Venture and CIP deposit	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	323
Net Cash Used for Capital and Related Financing Activities	(68,241)	(337)	(2)	(68,580)	(5,946)
<b>Cash Flows from Investing Activities</b>					
Income Received on Investments	467	26	41	534	-
Net Cash Provided by Investing Activities	467	26	41	534	-
Net Increase (Decrease) in Cash and Cash Equivalents	(10,797)	528	1,580	(8,689)	(1,883)
Cash and Cash Equivalents at Beginning of Year	172,629	7,755	11,484	191,868	33,622
Cash and Cash Equivalents at End of Year	\$ 161,832	\$ 8,283	\$ 13,064	\$ 183,179	\$ 31,739

(continued)

## Statement of Cash Flows

### Proprietary Funds

For the Fiscal Year Ended June 30, 2013 (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	\$ 97,482	\$ 6,361	\$ 13,064	\$ 116,907	\$ 31,739
Cash with Fiscal Agent	20,520	-	-	20,520	-
Restricted Cash and Investments	43,830	1,922	-	45,752	-
Total Cash and Cash Equivalents	<u>\$ 161,832</u>	<u>\$ 8,283</u>	<u>\$ 13,064</u>	<u>\$ 183,179</u>	<u>\$ 31,739</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Cash Flows from Operating Activities					
Operating Income (Loss)	\$ 18,351	\$ (233)	\$ 1,334	\$ 19,452	\$ (2,570)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation/Amortization	45,556	1,063	210	46,829	4,385
Change in Equity in Joint Venture	5,183	-	-	5,183	-
Changes in Assets and Liabilities					
Sources (Uses) of Cash					
Accounts Receivable	517	-	(208)	309	(338)
Miscellaneous Receivables	(1,204)	(94)	152	(1,146)	-
Pollution Remediation Recoveries	163	-	-	163	-
Accounts Payable	(4,252)	126	(20)	(4,146)	259
Accrued Payroll and Compensated Absences	(147)	(7)	74	(80)	(17)
Other Post Employment Benefit	36	3	15	54	(31)
Claims Payable	-	-	-	-	2,271
Supplies Inventories	-	-	-	-	(101)
Deferred Revenue	-	(133)	-	(133)	-
Other Liabilities	(3)	(25)	-	(28)	-
Total Adjustments	<u>45,849</u>	<u>933</u>	<u>223</u>	<u>47,005</u>	<u>6,428</u>
Net Cash Provided by Operating Activities	<u>\$ 64,200</u>	<u>\$ 700</u>	<u>\$ 1,557</u>	<u>\$ 66,457</u>	<u>\$ 3,858</u>
<b>Supplemental Disclosure of Non-cash Financing Activities</b>					
Additions to Property, Plant, and Equipment					
Contributions from Developers	\$ 2,546	\$ -	\$ -	\$ 2,546	\$ -
Amortization of deferred charges	(159)	-	-	(159)	-
Loss on Sale/Disposal of Assets	(21)	-	(22)	(43)	-
Change in Equity in Joint Venture	5,183	-	-	5,183	-
Total Non-Cash Financing Activities	<u>\$ 7,549</u>	<u>\$ -</u>	<u>\$ (22)</u>	<u>\$ 7,527</u>	<u>\$ -</u>

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

# Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2013 (in thousands)

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3	\$ 3,210
Total Assets	<u>\$ 3</u>	<u>\$ 3,210</u>
<b>LIABILITIES</b>		
Escrow Payable Vouchers	\$ -	\$ 75
Designated Escrow Payable	-	1,720
State Land Department Rebate	-	1,415
Total Liabilities	<u>-</u>	<u>\$ 3,210</u>
<b>NET POSITION</b>		
Held in Trust for Other Purposes	<u>\$ 3</u>	

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

# Statement of Changes in Fiduciary Net Position

## Fiduciary Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
<hr/>	
Contributions:	
Private Donations	\$ 6
	<hr/>
Total Additions	6
	<hr/>
<b>DEDUCTIONS</b>	
<hr/>	
Scholarships	6
	<hr/>
Total Deductions	6
	<hr/>
Change in Net Position	-
Total Net Position - Beginning	3
	<hr/>
Total Net Position - Ending	<u>\$ 3</u>

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



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Scottsdale, Arizona (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 following is a summary of the more significant policies.

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.

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 Finance and Accounting 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 Finance and Accounting 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 Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251

<b>Component Unit</b>	<b>Description and Criteria for Inclusion</b>	<b>Reporting Method</b>	<b>For Separate Financial Statements</b>
<p>McDowell Mountain Ranch Community Facilities District (CFD)</p>	<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>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>DC Ranch Community Facilities District (CFD)</p>	<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>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>Via Linda Road Community Facilities District (CFD)</p>	<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>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>
<p>Waterfront Commercial Community Facilities District (CFD)</p>	<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>	<p>Blended</p>	<p>City of Scottsdale Finance and Accounting 7447 E. Indian School Rd. Ste. 210 Scottsdale, AZ 85251</p>

**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 of 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 particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

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. Agency funds do not have a measurement focus. 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.

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.

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.

Property taxes, other local taxes, and licenses available within the current fiscal period are all considered to be susceptible to accrual and so 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, committed, or assigned to expenditures for the payment of long-term obligation debt principal, interest, and related costs.

The *Municipal Property Corporation Debt Service Fund* is used to account for the principal and interest requirements of the City’s Municipal Property Corporation (MPC) bonds. Financing is provided primarily by transaction privilege tax.

The *General CIP Construction Capital Projects Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition, construction, and improvements to major capital facilities, 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.

The *Preserve Privilege Tax Capital Projects Fund* is used to account for the resources used to acquire and improve land within the McDowell Sonoran Preserve. Resources are provided by the proceeds from the sale of bonds and the .15 percent 2004-approved Preserve Privilege Tax. 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.

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, Crossroad East Development Agreements, and Retainage Escrow activity.

The *Private-Purpose Trust Funds* are used to account for assets held in a trustee capacity for scholarships and other purposes as designated by the donors or by legal restrictions. Both the principal and earnings of these expendable trust funds can be expended for the trusts’ intended purposes.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's 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, and Net Position or Equity**

**1. Deposits and Investments**

Cash equivalents for purposes of the statements of cash flows are investments (including restricted assets) in mutual funds, demand deposits, repurchase agreements, and U.S. Treasury bills and notes with maturities of three months or less at acquisition date.

GASB Statement No. 31 provides that governmental entities may report all investments at fair value or they may elect to report certain money market investments and participating interest-earning investment contracts at amortized cost. The City has elected to report all investments at fair value. The City's policy is to invest in certificates of deposit, repurchase agreements, commercial paper, highly rated corporate bonds/notes, direct U.S. Treasury debt, securities guaranteed by the United States Government or any of its agencies, and the State of Arizona Local Government Investment Pool (LGIP), which is overseen by the State of Arizona.

**2. Receivables and Payables**

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

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

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. If a taxpayer owes \$100 or less, the tax must be paid in full by November 1. 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. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February.

Property taxes levied for current operation and maintenance expenses on residential property are limited to 1.0 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 2.0 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 and Prepayments**

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.

### **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.

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

### **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) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed or, if such records are not available, at estimated fair market value on the date of receipt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 is removed from the accounts, and any resultant gain or loss is recognized in the government-wide and proprietary fund financial statements.

**6. 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 and remitted 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 56 hour workweek 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. Employees who work a 56 hour workweek 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, 2013. 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, 2013, in the governmental and proprietary funds. The current liability represents compensated absences that have matured but were not paid as of June 30, 2013, 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.

**7. Long-Term Obligations**

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and 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 deferred amounts on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

**8. 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 hooked up 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.

**9. Fund Balance Policies**

In the fund financial statements, governmental funds report 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 amount in 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 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 Mayor and City Council, prior to the end of the reporting period. Mayor and 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 balance for specific purposes.

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

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

## **10. 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, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets 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 any project or other purpose.

## **E. Implementation of New Accounting Principles**

### **1. Governmental Accounting Standards Board Statement No. 60**

The City adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement modifies financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City is engaged in two service concession arrangements in which it is the operator.

**2. Governmental Accounting Standards Board Statement No. 61**

The City adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

**3. Governmental Accounting Standards Board Statement No. 62**

The City adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement directly incorporates the applicable guidance from Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ Committee on Accounting Procedure, issued on or before November 30, 1989, into the state and local government accounting and financial reporting standards, with the provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance.

**4. Governmental Accounting Standards Board Statement No. 63**

The City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, this Statement changes the previous classification of net assets to net position, and consequently the statement of net assets to the statement of net position.

**5. Restatement of Net Position**

For the fiscal year ending June 30, 2013, GASB Statements No. 60 *Accounting and Financial Reporting for Service Concession Arrangements* and No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (“the Statements”) were implemented. The implementation of Statement No. 60 resulted in certain contracts payable that were previously reported at their gross value to be discounted to their present value. Intangible assets relating to the City’s service concession arrangements were also recorded. The implementation of Statement No. 62 resulted in the City capitalizing certain leasing arrangements that were previously expensed. The City’s government-wide net position as of June 30, 2012, has been restated as follows (in thousands of dollars):

	<b>Governmental Activities</b>
Net assets at June 30, 2012, as previously reported	\$ 2,974,850
GASB Statement No. 60 adjustment:	
Service concession arrangement	9,700
GASB Statement No. 62 adjustment:	
Capital lease additions	(391)
Net position at July 1, 2012, as restated	<u>\$ 2,984,159</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, \$218,190,000 differs from net position of governmental activities, \$2,990,555,000 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/ Liabilities <sup>(1)</sup>	Internal Service Funds <sup>(2)</sup>	Reclassifications and Eliminations	Statement of Net Position Total
<b>ASSETS</b>					
Cash and Investments	\$ 205,447	\$ -	\$ 31,739	\$ -	\$ 237,186
Cash with Fiscal Agent	77,414	-	-	-	77,414
Receivables (net of allowance for uncollectible amounts of \$33,594)					
Interest	868	-	-	-	868
Privilege Tax	18,190	-	-	-	18,190
Transient Occupancy Tax	702	-	-	-	702
Property Tax	2,310	-	-	-	2,310
State Shared Sales Tax	1,549	-	-	-	1,549
Franchise Fee	2,025	-	-	-	2,025
Court Receivable	9,562	-	-	-	9,562
Library Receivable	157	-	-	-	157
Highway User Tax	1,126	-	-	-	1,126
Auto Lieu Tax	353	-	-	-	353
Intergovernmental	27,992	-	-	-	27,992
Grants	3,030	-	-	-	3,030
Miscellaneous	7,022	-	428	-	7,450
Due from Other Funds	3	-	-	(3)	-
Supplies Inventory	265	-	823	-	1,088
Capital Assets (net of accumulated depreciation)	-	3,629,255	34,217	-	3,663,472
Deferred charges and other assets	-	38,289	-	-	38,289
Service Concession Arrangements	-	23,550	-	-	23,550
<b>Total Assets</b>	<b>\$ 358,015</b>	<b>\$ 3,691,094</b>	<b>\$ 67,207</b>	<b>\$ (3)</b>	<b>\$ 4,116,313</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 17,399	\$ -	\$ 1,477	\$ -	\$ 18,876
Accrued Payroll and Benefits	7,338	(2)	149	-	7,485
Due to Other Funds	3	-	-	(3)	-
Accrued Compensated Absences - Current	-	2	-	-	2
Accrued Compensated Absences - Due within one year	-	9,811	159	-	9,970
Accrued Compensated Absences - Due in more than one year	-	13,762	174	-	13,936
Claims Payable - Due within one year	-	-	5,244	-	5,244
Matured Bond Interest Payable	19,527	-	-	-	19,527
Matured Bonds Payable	40,814	-	-	-	40,814
Deferred Revenue					
Property Tax	1,535	(1,535)	-	-	-
Court	3,675	(3,675)	-	-	-
Library	157	(157)	-	-	-
Privilege Tax	6,440	(6,440)	-	-	-
Intergovernmental	32,881	(24,106)	-	-	8,775
Other	1,570	(617)	-	-	953
Due to Other Governments	3,914	-	-	-	3,914
Guaranty and Other Deposits	1,779	-	-	-	1,779
Other	2,793	-	-	-	2,793
Bonds, Loans, Capital Leases, and Other Payables	-	984,052	7,638	-	991,690
<b>Total Liabilities</b>	<b>139,825</b>	<b>971,095</b>	<b>14,841</b>	<b>(3)</b>	<b>1,125,758</b>
Fund Balances/Net Position					
Total Fund Balances/Net Position	218,190	2,719,999	52,366	-	2,990,555
<b>Total Liabilities and Fund Balances/Net Position</b>	<b>\$ 358,015</b>	<b>\$ 3,691,094</b>	<b>\$ 67,207</b>	<b>\$ (3)</b>	<b>\$ 4,116,313</b>

**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	\$ 5,370,445
Accumulated depreciation	(1,741,190)
	<u>\$ 3,629,255</u>

Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid (such as bond issuance costs and 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 bond or agreement.

Bond issuance costs at 7/1/13	\$ 4,636
Bond issuance cost for fiscal year 2013	1,915
Refunded issuance cost for fiscal year 2013	(288)
Amortization of bond issuance costs	(408)
	<u>\$ 5,855</u>

Prepayments for fiscal year 2013	\$ 33,001
Amortization of prepayments	(567)
	<u>\$ 32,434</u>

SCAs for fiscal year 2013	\$ 23,781
Amortization of SCAs	(231)
	<u>\$ 23,550</u>

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, 2013, were:

Contract and capital lease payables	\$ (2,753)
Bonds Payable	(947,142)
Service Concession Arrangement	(3,144)
Deferred amount on refunding	13,457
Deferred issuance premium	(44,182)
Accrued vacation and sick leave pay	(23,573)
Post Employment - Explicit Subsidy	(288)
	<u>\$ (1,007,625)</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 deferred revenues in the governmental funds and thus are not included in fund balance. Certain tax and other revenues deferred under modified accrual for governmental fund statements is recognized as revenue under accrual accounting for the government-wide statements.

Deferred library revenue	\$ 157
Deferred court revenue	3,675
Deferred tax revenue	7,975
Deferred intergovernmental revenue	24,106
Deferred other	617
	<u>\$ 36,530</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 certain Internal Service Funds are included in governmental activities in the statement of net position.

\$ 52,366

**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, \$10,427,000 differs from the change in net position for the governmental activities, \$6,396,000 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.

# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2013

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

(in thousands)

REVENUES	Total Governmental Funds	Long-Term Revenue/ Expenses <sup>(3)</sup>	Capital Related Items <sup>(4)</sup>	Internal Service Funds <sup>(5)</sup>	Reclassifications and Eliminations <sup>(6)</sup>	Long-Term Debt Transactions <sup>(7)</sup>	Statement of Activities
Taxes - Local							
Property	64,908	\$ (203)	\$ -	\$ 213	\$ -	\$ -	\$ 64,918
Transaction Privilege	144,909	(982)	-	-	-	-	143,927
Transient Occupancy	13,852	-	-	-	-	-	13,852
Light and Power Franchise	8,424	-	-	-	-	-	8,424
Cable TV Franchise	3,461	-	-	-	-	-	3,461
Salt River Project In-Lieu	260	-	-	-	-	-	260
Other Taxes	838	46	-	-	-	-	884
Taxes - Intergovernmental							
State-Shared Sales	17,793	-	-	-	-	-	17,793
State Revenue Sharing	22,205	-	-	-	-	-	22,205
Auto Lieu Tax	7,273	-	-	-	-	-	7,273
Highway User Tax	11,903	-	-	-	-	-	11,903
Local Transportation Assistance Fund	639	-	-	-	-	-	639
Business and Liquor Licenses	1,763	18	-	-	-	-	1,781
Charges for Current Services							
Building and Related Permits	12,004	10	-	-	(168)	-	11,846
Recreation Fees	5,209	6	-	-	-	-	5,215
WestWorld Equestrian Facility Fees	2,890	-	-	-	-	-	2,890
Fire Fees	767	(29)	-	-	-	-	738
Fines and Forfeitures							
Court	4,241	(338)	-	-	-	-	3,903
Parking	253	(16)	-	-	-	-	237
Photo Radar	2,174	(11)	-	-	-	-	2,163
Court Enhancement	958	-	-	-	-	-	958
Library	338	(30)	-	-	-	-	308
Police Fees	508	-	-	-	-	-	508
Special Assessments	591	(568)	-	-	-	-	23
Property Rental	4,232	16	-	-	-	-	4,248
Interest Earnings	2,624	-	-	-	-	-	2,624
Investment Income	(1,639)	-	-	-	-	-	(1,639)
Intergovernmental							
Federal Grants	15,524	1,124	-	-	-	-	16,648
State Grants	16,305	(2)	-	-	-	-	16,303
Miscellaneous	21,633	449	-	-	-	-	22,082
Developer Contributions	203	-	-	-	-	-	203
Streetlight and Services Districts	551	-	-	-	-	-	551
Contributions and Donations	2,813	18	-	-	-	-	2,831
Reimbursements from Outside Sources	5,934	(49)	-	-	-	-	5,885
Indirect Costs	7,595	-	-	-	-	-	7,595
Other	2,438	-	-	-	(14)	-	2,424
<b>Total Revenues</b>	<b>\$ 406,374</b>	<b>\$ (541)</b>	<b>\$ -</b>	<b>\$ 213</b>	<b>\$ (182)</b>	<b>\$ -</b>	<b>\$ 405,864</b>

(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>(3)</sup>	Capital Related Items <sup>(4)</sup>	Internal Service Funds <sup>(5)</sup>	Reclassifications and Eliminations <sup>(6)</sup>	Long-Term Debt Transactions <sup>(7)</sup>	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>							
Current							
General Government							
Mayor and City Council	\$ 775	\$ (1)	\$ -	\$ 20	\$ (3)	\$ -	\$ 791
City Clerk	893	18	-	12	(2)	-	921
City Attorney	5,662	31	-	99	(14)	-	5,778
City Auditor	665	(27)	-	11	(2)	-	647
City Court	5,422	53	62	98	(14)	-	5,621
City Manager	829	(31)	-	10	(1)	-	807
City Treasurer - Finance and Accounting	5,449	468	404	131	(32)	-	6,420
Public Works	29,658	(129)	7,027	(31)	(120)	-	36,405
Community and Economic Development	70,351	(32,843)	110,080	143	(217)	-	147,514
Public Safety	111,960	(716)	6,502	1,311	(1,024)	-	118,033
Community Services	45,346	272	10,322	557	(115)	-	56,382
Administrative Services	14,141	(137)	2,681	209	(31)	-	16,863
Streetlight and Services Districts	569	-	-	-	-	-	569
Debt Service							
Principal	63,234	-	-	-	-	(63,234)	-
Interest and Fiscal Charges	38,789	-	-	-	-	(400)	38,389
Bond Issuance Costs	1,915	-	-	-	-	(1,915)	-
Capital Improvements	181,189	-	(181,189)	-	-	-	-
Total Expenditures/Expenses	<u>576,847</u>	<u>(33,042)</u>	<u>(44,111)</u>	<u>2,570</u>	<u>(1,575)</u>	<u>(65,549)</u>	<u>435,140</u>
<b>OTHER FINANCING USES/ CHANGES IN NET POSITION</b>							
Net Transfers (to) from Other Funds	\$ 7,252	\$ -	\$ -	\$ (8)	\$ -	\$ -	\$ 7,244
Capital Contributions	-	-	28,044	1,528	(1,393)	-	28,179
Proceeds from Sale of Assets	-	-	-	249	-	-	249
Proceeds of Refunding Bonds	111,250	-	-	-	-	(111,250)	-
Proceeds from Long-Term Capital-Related Debt	140,000	-	-	-	-	(140,000)	-
Premium on Long-Term Debt Issued	22,082	-	-	-	-	(22,082)	-
Payment to Bond Refunding Escrow Agent	(99,684)	-	-	-	-	99,684	-
Total	<u>180,900</u>	<u>-</u>	<u>28,044</u>	<u>1,769</u>	<u>(1,393)</u>	<u>(173,648)</u>	<u>35,672</u>
Net Change for the Year	<u>\$ 10,427</u>	<u>\$ 32,501</u>	<u>\$ 72,155</u>	<u>\$ (588)</u>	<u>\$ -</u>	<u>\$ (108,099)</u>	<u>\$ 6,396</u>

(continued on next page)



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

(in thousands)

**Reconciling Items Description**

(3) 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	\$ (203)
Court revenue	(369)
Library revenue	(30)
Privilege tax revenue	(1,031)
Special Assessment revenue	(568)
Intergovernmental revenue	1,677
Other Receivable revenue	<u>32</u>
	<u>\$ (492)</u>

Reimbursements received for the overpayment of debt have the effect of increasing fund balance because current financial resources have been received. For the government-wide statements, however, these payments increase the liabilities in the statement of net position.

\$ (49)

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.

Long-term prepaid lease	\$ 33,001
Amortization of long-term prepaid leases	(567)
	<u>\$ 32,434</u>

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.

Accrual for long-term compensated absences	\$ 1,233
Accrual for long-term post employment implied subsidy	(394)
Amortization of service concession arrangements (SCAs)	(231)
	<u>\$ 608</u>

(4) 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 decrease by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	\$ 181,189
Miscellaneous net capital expenditures	(27,168)
Depreciation expenses	(109,820)
Loss on disposal of capital assets	(90)
	<u>\$ 44,111</u>

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, these donations are shown as capital contributions.

Capital Contributions	<u>\$ 28,044</u>
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(continued)

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

(in thousands)

- (5) Internal Service funds are used by management to charge the costs of certain activities, such as insurance, computer equipment, and motor pool to the individual funds. The adjustments for internal service funds close those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

Change in net position	\$ (588)
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- (6) 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 - Governmental Funds	\$ (1,575)
Reduction in Expenditures/Expenses - Governmental Funds	1,575
	\$ -

- (7) Bond issuance costs are reported as an expenditure in governmental funds in the year of bond issuance and thus, have the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the bond issuance costs are deferred and amortized (expensed) over the life of the bonds.

Bond issuance costs for fiscal year 2013	\$ 1,915
Amortization of bond issuance costs	(408)
	\$ 1,507

Repayment of bond principal is reported as an expenditure, and payments made to a bond refunding escrow is treated as an other financing use, 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	\$ 63,234
Payment to bond refunding escrow - funded by refunding bonds	99,684
	\$ 162,918

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued and accreted interest was calculated for bonds and notes payable, and additional interest expense was recognized on the amortization of bond discount and premiums which are expended within the fund statements.

Amortization of deferred charges on refundings	\$ (1,321)
Interest accretion and amortization	(812)
Amortization of bond premium and discounts	2,941
	\$ 808

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:

Refunding Bonds	\$ (111,250)
Long-Term Capital-Related Debt	(140,000)
Premium on Bonds	(22,082)
	\$ (273,332)

**III. Stewardship, Compliance, and Accountability**

**A. Budget and Budgetary Accounting**

The City prepared an annual budget that covered fiscal year 2012/13. The fiscal year 2012/13 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 investment income activity, payroll accruals, compensated absences, and bad debt expenditures.

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, Special Revenue Funds (Highway User Fuel Tax, Community Development Block Grant, HOME, Grants, Section 8 Housing, Preserve Privilege Tax, Streetlight Districts, Special Programs and Tourism Development, except for the Community Facilities Districts Special Revenue Funds), and Debt Service Funds (except for the Community Facilities Districts Debt Service Funds and the McDowell Preserve Privilege Bond Debt Service Fund); 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, 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 Housing 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 are established in accordance with the trust/agency agreements.

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 budget's final adoption in order to obtain taxpayer comments.

In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. Additional expenditures may be authorized for expenditures directly necessitated by a natural or man-made disaster as prescribed in the State Constitution, Article 9, Section 20. During fiscal year 2012/13, 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 year.

Upon the recommendation of the City Manager, and with the approval of the City Council: 1) transfers may be made from the appropriations for contingencies to divisions; and 2) unexpended appropriations may be transferred from one division to another.

Management control of budgets is further maintained at a line-item level within the division.

**B. Excess of Expenditures over Appropriations**

The Special Assessment Debt Service Fund and the Tourism Development Special Revenue Fund exceeded their expenditure appropriations \$1,000 and \$55,000, respectively. The additional expenditures incurred were funded by available fund balance or available revenues within the fund.

**C. Deficit Fund Equity**

The Community Development Block Grant Special Revenue Fund and HOME Special Revenue Fund had deficit ending fund balances of \$132,000 and \$1,000, respectively, caused by certain grant reimbursements not being available. Revenue accruals were deferred in the current fiscal year due to the unavailability of the funds. These reimbursements due will be recognized as revenue when actually received.

**D. Fund Balance Classifications**

The table on the following page details the fund balance categories and classifications for Governmental Funds (in thousands).

# Notes to Financial Statements

## For the Fiscal Year Ended June 30, 2013

(In thousands)	<u>General</u>	<u>General Obligation Bond Debt Service</u>	<u>Municipal Property Corporation Debt Service</u>	<u>General CIP Construction Capital Projects</u>	<u>Preserve Privilege Tax Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES</b>							
<b>Nonspendable</b>							
Inventory	\$ 265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265
Total Nonspendable	<u>265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265</u>
<b>Restricted</b>							
Bureau of Reclamation Funds for WestWorld and TPC Improvements	-	-	-	87	-	-	87
Property Tax for Debt Service	-	10,105	-	-	-	-	10,105
Property Tax for Community Facility Districts	-	-	-	-	-	1,349	1,349
Developer Contributions for Community Facility Districts	-	-	-	-	-	110	110
Street Light Districts	-	-	-	-	-	252	252
General Government Special Programs	-	-	-	-	-	1,835	1,835
Public Works Special Programs	-	-	-	-	-	54	54
Public Safety Special Programs	-	-	-	-	-	846	846
Community Services Special Programs	-	-	-	-	-	51	51
Transaction Privilege & Highway User Tax for Transportation Purposes	-	-	-	-	-	10,369	10,369
Transaction Privilege Tax for Preserve Land Purchase and Improvements	-	-	-	-	-	25,063	25,063
Federal Grants for Section 8 Housing	-	-	-	-	-	1,091	1,091
Federal, State and Other Grants	-	-	-	-	-	133	133
Transportation Tax for Transportation Capital Projects	-	-	-	-	-	20,438	20,438
MPC Bond Proceeds for Capital Improvements	-	-	-	9,610	-	-	9,610
GO Bond Proceeds for Capital Improvements	-	-	-	-	-	29,507	29,507
State Tourism Authority Contract for MPC Capital Improvements	-	-	3,776	-	-	-	3,776
Total Restricted	<u>-</u>	<u>10,105</u>	<u>3,776</u>	<u>9,697</u>	<u>-</u>	<u>91,098</u>	<u>114,676</u>
<b>Committed</b>							
General Government Special Programs	-	-	-	-	-	2,077	2,077
Public Works Special Programs	-	-	-	-	-	1,380	1,380
Community and Economic Development Special Programs	-	-	-	-	-	1,825	1,825
Public Safety Special Programs	-	-	-	-	-	384	384
Community Services Special Programs	-	-	-	-	-	1,894	1,894
Transit Occupancy Tax for Tourism Development	-	-	-	-	-	7,204	7,204
Scottsdale Stadium Improvements	-	-	-	694	-	-	694
In Lieu Stormwater Fees for Drainage Improvements	-	-	-	666	-	-	666
In Lieu Parking Fees for Parking Projects	-	-	-	174	-	-	174
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,534</u>	<u>-</u>	<u>14,764</u>	<u>16,298</u>
<b>Assigned</b>							
Capital Projects for Capital Improvements	-	-	-	33,076	-	-	33,076
Sales Tax Rebate for District Debt Service	-	-	-	-	-	321	321
Excise Tax for MPC Debt Service	-	-	6,269	-	-	-	6,269
Total Assigned	<u>-</u>	<u>-</u>	<u>6,269</u>	<u>33,076</u>	<u>-</u>	<u>321</u>	<u>39,666</u>
<b>Unassigned</b>							
	48,679	-	-	-	-	(1,394)	47,285
<b>Total Fund Balances</b>	<u>\$ 48,944</u>	<u>\$ 10,105</u>	<u>\$ 10,045</u>	<u>\$ 44,307</u>	<u>\$ -</u>	<u>\$ 104,789</u>	<u>\$ 218,190</u>

The Mayor and City Council have established a minimum fund balance policy of 10 percent of annual general governmental operating expenditures to be maintained in the General Fund and the Highway User Fuel Tax, Nonmajor Special Revenue 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, 2013:

**Net Position Restrictions (in thousands)**

<b>Water and Sewer</b>	
Restricted for System Replacement	\$ 36,539
Restricted for Debt Service	5,006
	\$ 41,545
	\$ 41,545

**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 Funds, which have investments held separately by a trustee.

City Charter, Ordinance, and Trust Agreements authorize the City to invest in obligations of the U.S. Treasury, U.S. Government agencies, certificates of deposit, bankers’ acceptances, commercial paper (A-1, P-1), highly rated corporate bonds/notes, repurchase agreements, mutual funds consisting of the foregoing, and the State of Arizona Local Government Investment Pool (LGIP).

**Deposits**

At June 30, 2013, the carrying amount of the City’s deposits was \$236,972,236, and the bank balance was \$241,995,454. The \$5,023,218 difference represents outstanding checks, deposits in transit, 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, 2013, in accordance with City policy, \$500,000 of the City’s deposits was covered by federal depository insurance, \$141,840,214 was collateralized by securities held by the City’s agent, and \$99,655,240 was collateralized by 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. 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	\$ 114,684	\$ 75,848	\$ 27,263	\$ 11,573	\$ -
Federal Agency Securities	100,919	38,515 *	37,184	25,220	-
Corporate Notes	46,398	5,006	22,597	13,694	5,101
Municipal Obligations	1,997	-	-	-	1,997
<b>Total Investments</b>	<b>\$ 263,998</b>	<b>\$ 119,369</b>	<b>\$ 87,044</b>	<b>\$ 50,487</b>	<b>\$ 7,098</b>

\* \$4,394 of these bonds are callable between August 28, 2013 and October 25, 2013

## Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by Nationally Recognized Statistical Rating Organizations (NRSROs). It is the City's policy to invest in securities with the highest rating issued by NRSROs. Presented below is the rating as of June 30, 2013, for each investment type:

(in thousands)

Investment Type	Total	A	A+	AA-	AA	AA+	AAA	Exempt from Disclosure
U.S. Government Securities	\$ 114,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,684
Federal Agency Securities	100,919	-	-	-	-	100,919	-	-
Corporate Notes	46,398	8,936	12,976	13,329	2,545	8,612	-	-
Municipal Obligations	1,997	-	-	-	-	-	1,997	-
<b>Total Investments</b>	<b>\$ 263,998</b>	<b>\$ 8,936</b>	<b>\$ 12,976</b>	<b>\$ 13,329</b>	<b>\$ 2,545</b>	<b>\$ 109,531</b>	<b>\$ 1,997</b>	<b>\$ 114,684</b>



## Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

The following is a listing by issuer of the City's investments at June 30, 2013:

(in thousands)

<u>Issuer</u>	<u>Investment Type</u>	<u>Market Value</u>	<u>Percent of Holdings</u>
U.S. Government	U.S. Government Securities	\$ 114,684	43.43%
Federal Home Loan Bank (FHLB)	Federal Agency Securities	34,161	12.93%
Federal National Mortgage Association (FNMA)	Federal Agency Securities	66,758	25.29%
Arizona School Facilities Board	Municipal Obligations	1,997	0.76%
Apple Inc	Corporate Notes	2,325	0.88%
Bank of New York Mellon	Corporate Notes	7,970	3.02%
JP Morgan Chase & Co	Corporate Notes	5,805	2.20%
Berkshire Hathaway Inc	Corporate Notes	1,070	0.41%
Caterpillar Financial	Corporate Notes	2,445	0.93%
Coca-Cola Co	Corporate Notes	5,101	1.93%
Walt Disney Co	Corporate Notes	687	0.26%
General Electric Co	Corporate Notes	6,286	2.38%
IBM Corp	Corporate Notes	5,517	2.09%
Toyota Motor Credit	Corporate Notes	2,711	1.03%
U.S. Bank	Corporate Notes	5,006	1.90%
Wal-Mart Stores Inc	Corporate Notes	1,475	0.56%
	<b>Total Investments</b>	<u><u>\$ 263,998</u></u>	<u><u>100.00%</u></u>

## Investments

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

Cash on Hand	\$ 22
Carrying Amount of City Deposits	236,972
Investments	<u>263,998</u>
<b>Total Cash and Investments</b>	<u><u>\$ 500,992</u></u>

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

Primary Government	
Cash and Investments	\$ 354,093
Cash with Fiscal Agent	97,934
Restricted Cash	45,752
Handicap Scholarship Private Purpose Trust Fund	3
Family Self-Sufficiency Agency Fund	75
Retainage Escrow Agency Fund	1,720
Crossroads East Dev Agreement	<u>1,415</u>
<b>Total Cash and Investments</b>	<u><u>\$ 500,992</u></u>

Investment income comprises the following for the year ended June 30, 2013 (in thousands):

Net Interest and Dividends	\$ 4,488
Net Decrease in the Fair Value of Investments	<u>(2,740)</u>
<b>Total Net Investment Income</b>	<b><u><u>\$ 1,748</u></u></b>

The net decrease in the fair value of investments during fiscal year 2012/13 was \$2,739,727. This amount takes into account all changes in fair value (realized and unrealized) that occurred during the year.

## B. Receivables

Receivables as of June 30, 2013, 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	Municipal Property Corporation Debt Service	General CIP Construction Capital Projects	Preserve Privilege Tax Capital Projects	Nonmajor and Other Funds	Total Governmental and Internal Service Funds
<b>Receivables</b>							
<b>Property Taxes and Penalties</b>							
Property	\$ 914	\$ 1,278	\$ -	\$ -	\$ -	\$ 118	\$ 2,310
Court	42,221	-	-	-	-	-	42,221
Subtotal Property Taxes and Penalties	<u>43,135</u>	<u>1,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>44,531</u>
<b>Other Local Taxes</b>							
Privilege	14,369	-	-	-	-	3,821	18,190
Transient Occupancy	-	-	-	-	-	702	702
State Shared Sales	1,549	-	-	-	-	-	1,549
Franchise Fee	1,977	-	-	-	-	48	2,025
Auto Lieu	353	-	-	-	-	-	353
Highway User	-	-	-	-	-	1,126	1,126
Subtotal Other Local Taxes	<u>18,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,697</u>	<u>23,945</u>
<b>Intergovernmental/Grants</b>	<u>-</u>	<u>-</u>	<u>21,480</u>	<u>255</u>	<u>-</u>	<u>9,287</u>	<u>31,022</u>
<b>Interest and Other</b>							
Interest	565	-	-	82	-	221	868
Library	1,092	-	-	-	-	-	1,092
Miscellaneous	2,289	-	-	2,916	-	2,245	7,450
Subtotal Interest and Other	<u>3,946</u>	<u>-</u>	<u>-</u>	<u>2,998</u>	<u>-</u>	<u>2,466</u>	<u>9,410</u>
Gross Receivable	65,329	1,278	21,480	3,253	-	17,568	108,908
Less: Allowances for Uncollectibles	<u>(33,594)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,594)</u>
<b>Net Total Receivables</b>	<b><u>\$ 31,735</u></b>	<b><u>\$ 1,278</u></b>	<b><u>\$ 21,480</u></b>	<b><u>\$ 3,253</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,568</u></b>	<b><u>\$ 75,314</u></b>

### Business-Type Activities Enterprise Funds

	Water and Sewer Utility	Airport	Solid Waste	Total Enterprise Fund
<b>Receivables</b>				
Privilege Tax	\$ -	\$ 12	\$ -	\$ 12
Charges for Services	16,631	-	2,058	18,689
Intergovernmental	-	118	-	118
Interest	407	16	28	451
Miscellaneous	2,144	318	52	2,514
Gross Receivable	19,182	464	2,138	21,784
Less: Allowances for Uncollectibles	<u>(44)</u>	<u>-</u>	<u>(7)</u>	<u>(51)</u>
<b>Net Total Receivables</b>	<b><u>\$ 19,138</u></b>	<b><u>\$ 464</u></b>	<b><u>\$ 2,131</u></b>	<b><u>\$ 21,733</u></b>

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

	Unavailable	Unearned
Property Tax	\$ 1,535	\$ -
Court	3,675	-
Library	157	-
Privilege Tax	6,440	-
Intergovernmental	24,106	8,775
Other	617	953
<b>Total</b>	<b>\$ 36,530</b>	<b>\$ 9,728</b>

### C. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows (in thousands):

<u>Governmental Activities</u>	<u>*Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets, not being depreciated</b>				
Land	\$ 1,693,561	\$ 115,655	\$ -	\$ 1,809,216
Construction in Progress	151,801	69,240	(115,657)	105,384
Total Capital Assets, not being depreciated	<u>1,845,362</u>	<u>184,895</u>	<u>(115,657)</u>	<u>1,914,600</u>
<b>Capital Assets, being depreciated</b>				
Buildings and Land Improvements	591,649	59,888	(48)	651,489
Streets and Storm Drains	2,683,425	44,545	(36)	2,727,934
Vehicles	56,230	7,158	(3,562)	59,826
Maintenance by Fleet	3,151	-	(67)	3,084
Machinery and Equipment	84,720	9,033	(3,510)	90,243
Total Capital Assets, being depreciated	<u>3,419,175</u>	<u>120,624</u>	<u>(7,223)</u>	<u>3,532,576</u>
<b>Less Accumulated depreciation for</b>				
Buildings and Land Improvements	236,905	19,795	(36)	256,664
Streets and Storm Drains	1,340,475	85,103	(6)	1,425,572
Vehicles	36,533	4,028	(3,494)	37,067
Maintenance by Fleet	2,903	32	(65)	2,870
Machinery and Equipment	59,741	5,247	(3,457)	61,531
Total Accumulated depreciation	<u>1,676,557</u>	<u>114,205</u>	<u>(7,058)</u>	<u>1,783,704</u>
Total Capital Assets, being depreciated, net:	<u>1,742,618</u>	<u>6,419</u>	<u>(165)</u>	<u>1,748,872</u>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 3,587,980</b>	<b>\$ 191,314</b>	<b>\$ (115,822)</b>	<b>\$ 3,663,472</b>

\*The Buildings and Land Improvements, Streets & Storm Drains, and Machinery & Equipment balances were restated due to the implementation of GASB Statement No. 60 and the reclassification of certain improvements to service concession arrangements.

<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	\$ 40,699	\$ 13,861	\$ -	\$ 54,560
Water Rights	87,171	-	-	87,171
Construction in Progress	18,130	22,262	(2,051)	38,341
Total Capital Assets, not being depreciated	<u>146,000</u>	<u>36,123</u>	<u>(2,051)</u>	<u>180,072</u>
<b>Capital Assets, being depreciated</b>				
Water System	1,108,799	10,221	(23)	1,118,997
Sewer System	548,222	9,549	(20)	557,751
Buildings and Land Improvements	30,516	1,655	(68)	32,103
Machinery and Equipment	20,939	222	(4)	21,157
Furniture, Fixtures, and Office Equipment	813	-	-	813
Total Capital Assets, being depreciated	<u>1,709,289</u>	<u>21,647</u>	<u>(115)</u>	<u>1,730,821</u>
<b>Less Accumulated depreciation for</b>				
Water System	302,969	29,969	(5)	332,933
Sewer System	140,481	14,654	(2)	155,133
Buildings and Land Improvements	12,597	1,114	(47)	13,664
Machinery and Equipment	6,946	1,057	-	8,003
Furniture, Fixtures, and Office Equipment	649	35	-	684
Total Accumulated depreciation	<u>463,642</u>	<u>46,829</u>	<u>(54)</u>	<u>510,417</u>
Total Capital Assets, being depreciated, net:	<u>1,245,647</u>	<u>(25,182)</u>	<u>(61)</u>	<u>1,220,404</u>
<b>Business-Type Activities Capital Assets, net</b>	<u>\$ 1,391,647</u>	<u>\$ 10,941</u>	<u>\$ (2,112)</u>	<u>\$ 1,400,476</u>

During fiscal year 2012/13, the Water and Sewer Utility Enterprise Fund capitalized net interest costs of \$1,658,255. Total interest expense in this fund before capitalization was \$15,808,511.

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

<u>Governmental Activities</u>	
City Court	\$ 62
Public Works	6,198
Community and Economic Development	87,451
Public Safety	4,694
City Treasurer - Finance and Accounting	94
Community Services	8,429
Administrative Services	2,892
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets	<u>4,385</u>
Total Depreciation Expense - Government Activities	<u>\$ 114,205</u>

<u>Business-Type Activities</u>	
Water and Sewer System	\$ 45,556
Airport	1,063
Solid Waste	<u>210</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 46,829</u>

## Construction Commitments

The City has active construction projects as of June 30, 2013. At year-end the government's commitments with contractors for specific projects are as follows (in thousands):

<u>Construction Commitments</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aviation	\$ 1,234	\$ 967
Drainage and Flood Control	3,802	6,686
Fire Protection	-	16
Municipal Facilities	330	30
Neighborhood and Community	7,654	13,900
Parks	-	243
Police	275	152
Preservation	4,021	691
Streets	22,018	10,663
Technology	13,284	1,071
Traffic	265	292
Transit	4,838	1,863
Wastewater	15,432	1,764
Water	19,582	5,222
Total Construction Commitments	<u>\$ 92,735</u>	<u>\$ 43,560</u>

The traffic commitments are being financed by the 0.2 percent transportation sales tax, which is reported in the special revenue fund financial statements. All water and sewer system improvement projects are being financed through the use of water or sewer development fees and water or sewer rates.

### D. 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, 2013, is as follows:

<u>Receivable Fund (in thousands)</u>	<u>Amount</u>	<u>Payable Fund (in thousands)</u>	<u>Amount</u>
General Fund	<u>\$ 3</u>	Nonmajor Governmental Funds	<u>\$ 3</u>

The HOME Special Revenue Fund had a deficit cash balance of \$2,670 due to grants being received on a reimbursement basis.

**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 of dollars)**

	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Governmental Funds</b>		
General	\$ 19,819	\$ 9,221
Debt Service - General Obligation Bond	-	21,079
Municipal Property Corporation	-	9,170
Capital Projects - General CIP Construction	1,423	10,757
Capital Projects - Preserve Privilege Tax	-	5,818
Nonmajor Governmental Funds	49,677	22,126
Total Governmental Funds	<u>70,919</u>	<u>78,171</u>
<b>Enterprise Funds</b>		
Water and Sewer Utility	7,248	25
Airport	5	-
Solid Waste	16	-
Total Enterprise Funds	<u>7,269</u>	<u>25</u>
<b>Internal Service Funds</b>		
	<u>8</u>	<u>-</u>
<b>Total Transfers</b>	<u>\$ 78,196</u>	<u>\$ 78,196</u>

**E. Leases**

**Operating Leases**

*City as Lessee*

The City, as a lessee, has entered into lease agreements involving retail/parking facilities, office space, park equipment, vehicles, and a distributed antenna system. Payments relating to these leases totaled \$1,951,820, of which \$454,609 was minimum and \$1,497,211 was contingent. Of the contingent payments, \$233,841 were a percentage of the net revenues generated by the park equipment, and \$1,263,370 was a portion of the sales tax revenues received from the retail/parking facilities.

In July 2013, the City exercised its option to renew the office space lease through July 2016. Per the escalation clause in the lease agreement, the monthly payment increased by the change in the United States Consumer Price Index for All Urban Consumers, U.S. City Average, All Items.

The distributed antenna system's lease increases annually by three 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 future lease payments under non-cancellable operating lease agreements are as follows (in thousands):

<u>Fiscal Year Ending June 30,</u>		
2014	\$	69
2015		69
2016		69
2017		6
2018		6
2019-2020		9
Total	<u>\$</u>	<u>228</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 noncancelable operating leases at June 30, 2013, are as follows (in thousands):

<u>Fiscal Year Ending June 30,</u>		
2014	\$	2,610
2015		2,579
2016		2,508
2017		2,525
2018		2,390
Thereafter		84,045
Total	<u>\$</u>	<u>96,657</u>

The above amounts do not include contingent rentals, which totaled \$1,669,531 for the fiscal year ended June 30, 2013. A summary of the assets leased to third parties under the City's operating lease agreements at June 30, 2013, is as follows (in thousands):

Cost	\$	78,424
Less: Accumulated Depreciation		<u>(3,511)</u>
Carrying Value	<u>\$</u>	<u>74,913</u>

*Capital Leases*

The City has entered into a lease agreement as lessee for financing the acquisition of field maintenance equipment for its community services operations. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, is included in the City's governmental capital assets. The equipment acquired through this lease agreement is recorded at a cost of \$63,643, less accumulated amortization of \$7,072. Current year amortization expense was \$7,072.



The City has entered into two lease agreements as lessee for financing the acquisition of printing and imaging equipment for its administrative operations. The lease agreements qualify as capital leases for accounting purposes and, therefore, are included in the City’s governmental capital assets. The equipment acquired through these lease agreements is recorded at a cost of \$152,724, less accumulated amortization of \$86,039. Current year amortization expense was \$86,039.

The City has entered into a lease agreement as lessee for financing the acquisition of street sweeping equipment for its public works operations. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, is included in the City’s governmental capital assets. The equipment acquired through this lease agreement is recorded at a cost of \$53,347, less accumulated amortization of \$11,114. Current year amortization expense was \$11,114.

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

<b>Fiscal Year Ending June 30,</b>		
2014	\$	133
2015		41
2016		15
Less: Imputed Interest		<u>(6)</u>
Total	\$	<u>183</u>

**F. Service Concession Arrangements**

During fiscal year 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, 2013, is \$1,519,246. The City also provided consideration in the form of land improvements with a book value of \$10,501,827 that was reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$11,871,473 at year-end pursuant to the service concession arrangement.

During fiscal year 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, 2013, is \$1,625,316. The City also provided consideration in the form of land improvements with a book value of \$10,126,752 that was reclassified from capital assets to an intangible asset. The City has recognized an intangible asset (net of accumulated amortization) in the amount of \$11,678,236 at year-end pursuant to the service concession arrangement.

## G. Bonds, Loans, and Other Payables

The following are brief descriptions of bonds outstanding at June 30, 2013. The totals shown are the principal amount outstanding, net of the current portion due July 1, 2013.

### 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. At June 30, 2013, the City had \$6,400,000 of unissued various purpose GO bonds, which were authorized in September 2000. 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. At June 30, 2013, the City had \$312,475,000 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 nonprofit 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. Most of these bonds are recorded as governmental activities long-term debt. The 2004 MPC bonds, the 2005E MPC bonds, a portion of the 2006 MPC Refunding bonds, the 2008A MPC bonds, and the 2010 MPC bonds are recorded in and paid out of the revenues of the Water and Sewer Enterprise Fund.

The City has pledged to repay \$724,900,322 in MPC bonds issued in 2004 through 2013. The bonds are payable through 2036. The coverage ratio (revenues to debt service) for 2013 is 5.44. The total principal and interest remaining to be paid on the bonds is \$764,293,458. Principal and interest paid for the current year and total excise tax were \$33,834,505 and \$184,079,000, respectively.

### Scottsdale Preserve Authority Bonds

The Scottsdale Preserve Authority (SPA) is a nonprofit 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 \$67,795,000 in SPA bonds issued in 2004 through 2011. The bonds are payable through 2024. The coverage ratio (revenues to debt service) for 2013 is 4.69. The total principal and interest remaining to be paid on the bonds is \$69,115,263. Principal and interest paid for the current year and total sales tax were \$6,479,612 and \$30,376,000, respectively.

## **Water and Sewer Revenue Bonds**

Water and sewer revenue bonds are issued as 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, 2013, the funds restricted for this purpose were \$36,538,630.

The City has pledged to repay \$54,170,000 in water and sewer revenue bonds issued in 2004 and 2008. The bonds are payable through 2016 and 2023. The coverage ratio (revenues to debt service) for 2013 is 17.42. The total principal and interest remaining to be paid on the bonds is \$46,094,325. Principal and interest for the current year and total customer net revenues were \$5,005,663 and \$87,217,000, respectively.

## **Special Assessment Bonds**

Special assessment bonds are issued by the City on behalf of improvement districts created by property owners for a specific purpose, such as to finance local street, water or sewer improvements, or to acquire an existing water or sewer operation.

## **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.

Bonds payable at June 30, 2013, are comprised of the following:

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

<b>General Obligation Bonds</b>	<b>Bonds Outstanding (in thousands)</b>
1997 Refunding Bonds (issued September 3, 1997) due in annual installments of \$50,000 to \$3,510,000 through July 1, 2014, interest at 4.45 percent to 5.5 percent. Original issue amount \$19,900,000.	\$ 1,350
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 were defeased. Original issue amount \$72,000,000.	20,390
2004 Various Purpose Bonds (issued May 13, 2004) due in annual installments of \$1,600,000 to \$30,300,000 through July 1, 2025; interest at 3 percent to 5 percent. On July 11, 2012, \$83,025,000 due 2016 through 2025 were defeased. Original issue amount \$113,400,000.	11,575
2005 Refunding Bonds (issued March 29, 2005) due in annual installments of \$2,715,000 to \$11,075,000 through July 1, 2024; interest at 3.85 percent to 5 percent. Original issue amount \$74,630,000.	67,615
2005A Various Purpose Bonds (issued December 1, 2005) due in annual installments of \$2,500,000 to \$10,750,000 through July 1, 2024; interest at 3.5 percent to 5 percent. Original issue amount \$125,000,000.	99,750
2005B Preservation Bonds (issued December 1, 2005) due in annual installments of \$775,000 to \$1,575,000 through July 1, 2024; interest at 3.5 percent to 5 percent. Original issue amount \$20,000,000.	13,900
2008A Various Purpose Bonds (issued May 13, 2008) due in annual installments of \$3,075,000 to \$9,800,000 through July 1, 2028; interest at 3.25 percent to 5 percent. Original issue amount \$100,000,000.	96,925
2008B Preservation Bonds (issued May 13, 2008) due in annual installments of \$325,000 to \$1,250,000 through July 1, 2034; interest at 3 percent to 5 percent. Original issue amount \$20,000,000.	17,625
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. Original issue amount \$50,800,000.	47,650
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. Original issue amount \$22,525,000.	21,030
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.	33,505
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.	50,000
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 4 percent. Original issue amount \$83,025,000.	82,820
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.	75,000
	\$ 639,135
Total General Obligation Bonds Outstanding	\$ 639,135

All or portions of the 2002 Refunding Bonds, 2004 Various Purpose Bonds, 2005 Refunding Bonds, 2005B Preservation Bonds, 2008B Preservation Bonds, 2011 Preservation Bonds, 2011 Refunding Bonds, 2012 Preservation Bonds, 2012 Refunding Bonds, and 2013 Preservation Bonds of \$8,100,000, \$48,700,000, \$66,090,000, \$14,875,000, \$18,150,000, \$21,785,000, \$32,705,000, \$50,000,000, \$44,500,000, and \$75,000,000, respectively, are paid from the .2 percent and .15 percent Preservation Sales Taxes.

**Bonds  
Outstanding  
(in thousands)**

**Municipal Property Corporation Bonds**

2004A Municipal Property Corporation Excise Tax Revenue Bonds (issued September 15, 2004) due in annual installments of \$920,000 to \$2,715,000 through July 1, 2034; interest at 3.25 percent to 5.25 percent. On November 29, 2006, \$30,975,000 due 2017 and 2020 through 2034 were refunded. Original issue amount \$40,760,000.	\$ 5,925
2005 Municipal Property Corporation Excise Tax Revenue Bonds (issued June 15, 2005) due in annual installments of \$35,026 to \$4,925,019 through July 1, 2021; interest at 3.22 percent to 5 percent. Original issue amount \$19,945,322.	23,689
2005D Municipal Property Corporation Excise Tax Revenue Bonds (issued December 1, 2005) due in annual installments of \$200,000 to \$3,625,000 through July 1, 2035; interest at 3.25 percent to 5 percent. On November 29, 2006, \$25,925,000 due 2017 through 2030 were refunded. Original issue amount \$46,500,000.	19,025
2006 Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued November 29, 2006) due in annual installments of \$1,105,000 to \$2,730,000 through July 1, 2034; interest at 5 percent. Original issue amount \$55,450,000.	55,450
2006A Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$240,000 to \$625,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount \$10,000,000.	8,015
2006B Municipal Property Corporation Excise Tax Revenue Bonds (issued November 29, 2006) due in annual installments of \$950,000 to \$2,475,000 through July 1, 2031; interest at 4 percent to 5 percent. Original issue amount \$32,500,000.	30,550
2013A Municipal Property Corporation Excise Tax Revenue Bonds (issued February 13, 2013) due in annual installments of \$830,000 to \$1,995,000 through July 1, 2028; interest at 3 percent to 5 percent. Original issue amount \$26,295,000.	26,295
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.	1,440
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.	37,265
Total Municipal Property Corporation Bonds Outstanding	<u>\$ 207,654</u>

	<u>Bonds Outstanding (in thousands)</u>
<b>Scottsdale Preserve Authority Bonds</b>	
2004 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued March 30, 2004, due in annual installments of \$75,000 to \$3,315,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$22,925,000.	\$ 9,455
2010 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued October 10, 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. Original issue amount \$32,855,000.	32,855
2011 Scottsdale Preserve Authority Excise Tax Revenue Refunding Bonds issued on April 6, 2011, due in annual installments of \$920,000 to \$1,350,000 through July 1, 2022; interest at 2 percent to 5 percent. Original issue amount \$12,015,000.	<u>10,155</u>
Total Scottsdale Preserve Authority Bonds	<u>52,465</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>16,003</u>
<b>Community Facilities Districts General Obligation Bonds</b>	
2002 Scottsdale Mountain Community Facilities District General Obligation Refunding Bonds (issued May 15, 2002) due in annual installments of \$160,000 to \$455,000 beginning July 15, 2003 through July 15, 2018; interest at 3.0 percent to 4.7 percent. Original issue amount \$5,375,000.	1,880
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.	3,545
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds 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.	14,115
2012 McDowell Mountain Ranch Community Facilities District General Obligation Refunding Bonds 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.	10,480
2012 Via Linda Community Facilities District General Obligation Refunding Bonds 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.	<u>1,865</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	31,885
<b>Total Bonds Payable Recorded in Governmental Activities</b>	<u><u>\$ 947,142</u></u>



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

	<u>Bonds Outstanding (in thousands)</u>
<b>Water and Sewer Revenue Bonds</b>	
2004 Water and Sewer Revenue Refunding Bonds (Series 2004 issued March 30, 2004) due in annual installments of \$80,000 to \$3,175,000 through July 1, 2016; interest at 2 percent to 5 percent. Original issue amount \$18,880,000.	\$ 2,870
2008 Water and Sewer Revenue Refunding Bonds (Series 2008 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>32,645</u>
Total Water and Sewer Revenue Bonds Outstanding	<u>35,515</u>
<b>Municipal Property Corporation Bonds</b>	
2004 Municipal Property Corporation Excise Tax Revenue Bonds (Series 2004 issued May 13, 2004) due in annual installments of \$2,190,000 to \$5,435,000 through July 1, 2024; interest at 3.25 percent to 5.25 percent. On November 29, 2006, \$44,835,000 due 2015 through 2024 were refunded. Original issue amount \$75,000,000.	3,545
2005E Municipal Property Corporation Excise Tax Revenue Bonds (issued December 1, 2005) due in annual installments of \$2,275,000 to \$6,305,000 through July 1, 2030; interest at 5 percent. On November 29, 2006, \$67,455,000 due 2017 through 2030 were refunded. Original issue amount \$88,360,000.	8,830
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.	110,510
2008A Municipal Property Corporation Excise Tax Revenue Bonds (issued May 13, 2008) due in annual installments of \$1,800,000 to \$7,250,000 through July 1, 2032; interest at 4 percent to 5 percent. Original issue amount \$105,875,000.	93,150
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. Original issue amount \$75,000,000.	<u>74,520</u>
Total Municipal Property Corporation Bonds Outstanding	<u>290,555</u>
Total Bonds Payable Recorded in Business-Type Activities	<u>326,070</u>
<b>Total Long-Term Bonds Payable</b>	<u><u>\$ 1,273,212</u></u>



## Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt issued for water, sewer, light, parks, open space purposes, public safety, and transportation facilities may not exceed 20 percent of a city's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a city's net secondary assessed valuation. Accretion on capital appreciation bonds, which is included for GAAP purposes as outstanding debt, is excluded for this calculation. General obligation bonds of community facilities districts also are not subject to or included in this calculation. The following summarizes the City of Scottsdale, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2013:

<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	\$ 1,015,998,926	6% Constitutional Limit	\$ 304,799,678
Less General Obligation 20% Bonds Outstanding	<u>(561,125,584)</u>	Less General Obligation 6% Bonds Outstanding	<u>(78,009,416)</u>
<b>Available 20% Limitation Borrowing Capacity</b>	<b><u>\$ 454,873,342</u></b>	<b>Available 6% Limitation Borrowing Capacity</b>	<b><u>\$ 226,790,262</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, 2013.

## 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.

The City issued \$83,025,000 of General Obligation Refunding Bonds, Series 2012, (advanced refunding) dated July 11, 2012, with an average interest rate of 3.67% to refund \$83,025,000 of Series 2004 Bonds with an average interest rate of 4.63%. The City will reduce its total debt service payments over the next 13 years by approximately \$8,313,700 and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$7,046,223 million.

The Via Linda Road Community Facilities District issued \$2,000,000 of District General Obligation Refunding Bonds, Series 2012, (current refunding) dated September 18, 2012, with an average interest rate of 2.6%, to refund \$2,180,000 of Series 1999 District Bonds with an average interest rate of 5.7%. The District will reduce its total debt service payments over the next 11 years by approximately \$401,814, and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$299,739.

The DC Ranch Community Facilities District issued \$14,670,000 of District General Obligation Refunding Bonds, Series 2012, (current and advance refunding) dated September 18, 2012, with an average interest rate of 3.4%, to refund \$14,670,000 of Series 1998, Series 1999, and Series 2002 District Bonds with an average interest rate of 5.2%. The District will reduce its total debt service payments over the next 15 years by approximately \$2,639,002, and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,130,037.

The McDowell Mountain Ranch Community Facilities District issued \$11,555,000 of District General Obligation Refunding Bonds, Series 2012, (current refunding) dated September 18, 2012, with an average interest rate of 2.8%, to refund \$11,555,000 of Series 1999 District Bonds with an average interest rate of 4.9%. The District will reduce its total debt service payments over the next 10 years by approximately \$1,548,118, and obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,368,494.

The following table reflects refunded debt outstanding at June 30, 2013, net of any amounts to be paid or retired by the trustee on July 1, 2013.

<b>Refunded in Prior Years</b>	
<b>(in thousands)</b>	
2004 MPC Excise Tax Revenue Bonds	\$ 44,835
2004A MPC Excise Tax Revenue Bonds	30,975
2005D MPC Excise Tax Revenue Bonds	25,925
2005E MPC Excise Tax Revenue Bonds	67,455
2004 Various Purpose GO Bonds	83,025
	\$ 252,215
	\$ 252,215

**Contracts Payable**

The City has entered into various purchase contracts related to economic development and acquisition of recreational facilities. The following is a summary of debt service to maturity for all long-term contracts at June 30, 2013.

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

	<b>Contracts Payable</b>
	<b>(in thousands)</b>
Contract payable to the U.S. Army Corps of Engineers for the construction of flood control and recreation facilities; due in annual installments through 2032; interest at 5.1 percent.	\$ 2,570

## 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 year ended June 30, 2013 (in thousands):

Governmental Activities	*Beginning/ Restated Balance	Additional Obligations, Interest Accretion, and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 594,425	\$ 158,025	\$ (113,315)	\$ 639,135	\$ 34,070
Municipal Property Corporation Bonds	144,977	65,812	(3,135)	207,654	5,830
Scottsdale Preserve Authority Bonds	56,265	-	(3,800)	52,465	3,960
Special Assessments Bonds	750	-	(750)	-	-
Certificates of Participation	18,031	-	(2,028)	16,003	2,089
Communities Facilities Districts General Obligation Bonds	34,640	28,225	(30,980)	31,885	2,490
Add Deferred Issuance Premiums	25,610	22,082	(3,510)	44,182	-
Less Deferred Amounts on Refunding	(7,519)	(7,259)	1,321	(13,457)	-
Total Bonds Payable	867,179	266,885	(156,197)	977,867	48,439
Contracts Payable	3,529	-	(959)	2,570	2,570
Capital Lease	391	-	(208)	183	129
Service Concession Arrangements	3,298	-	(154)	3,144	154
Risk Management Claims	10,611	31,786	(29,515)	12,882	5,244
Compensated Absences	25,172	9,138	(10,404)	23,906	9,970
Net Other Postemployment Benefit	-	288	-	288	-
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 910,180</b>	<b>\$ 308,097</b>	<b>\$ (197,437)</b>	<b>\$ 1,020,840</b>	<b>\$ 66,506</b>

\*Beginning balances for the Contracts Payables for the Bureau of Reclamation, Capital Leases, and Service Concession Arrangements were restated due to the implementation of GASB Statements No. 60 and 62.

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities. For the year ended June 30, 2013, \$332,832 of accrued compensated absences is included in the above amount. For the governmental activities, the General Fund, Special Revenue Funds, and Capital Projects Funds generally liquidate accrued compensated absences. The compensated absences presented in this note are net of the current liability of \$2,245 in the governmental funds and \$0 in the Internal Service funds.

Business-Type Activities	Beginning Balance	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Water and Sewer Revenue Bonds	\$ 38,630	\$ -	\$ (3,115)	\$ 35,515	\$ 3,240
Municipal Property Corporation Bonds	299,775	-	(9,220)	290,555	9,760
Add Deferred Issuance Premiums	20,752	-	(1,330)	19,422	-
Less Deferred Amounts on Refunding	(4,495)	-	599	(3,896)	-
Total Bonds Payable	354,662	-	(13,066)	341,596	13,000
Compensated Absences	3,039	1,371	(1,403)	3,007	1,190
<b>Business-Type Activity Long-Term Liabilities</b>	<b>\$ 357,701</b>	<b>\$ 1,371</b>	<b>\$ (14,469)</b>	<b>\$ 344,603</b>	<b>\$ 14,190</b>

## Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for long-term liabilities at June 30, 2013. Deferred issuance costs and deferred amounts on refunding are not included.

### 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
2014	\$ 22,707	\$ 22,506	\$ 45,213	\$ 11,363	\$ 3,337	\$ 14,700	\$ 34,070	\$ 25,843	\$ 59,913
2015	19,768	21,517	41,285	13,552	2,797	16,349	33,320	24,314	57,634
2016	17,950	20,651	38,601	16,275	2,207	18,482	34,225	22,858	57,083
2017	24,735	19,828	44,563	11,170	1,522	12,692	35,905	21,350	57,255
2018	27,605	18,756	46,361	11,400	1,001	12,401	39,005	19,757	58,762
2019-2023	182,865	74,133	256,998	14,250	709	14,959	197,115	74,842	271,957
2024-2028	173,935	34,302	208,237	-	-	-	173,935	34,302	208,237
2029-2033	77,340	10,201	87,541	-	-	-	77,340	10,201	87,541
2034-2038	14,220	529	14,749	-	-	-	14,220	529	14,749
<b>Total</b>	<b>\$ 561,125</b>	<b>\$ 222,423</b>	<b>\$ 783,548</b>	<b>\$ 78,010</b>	<b>\$ 11,573</b>	<b>\$ 89,583</b>	<b>\$ 639,135</b>	<b>\$ 233,996</b>	<b>\$ 873,131</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
2014	\$ 5,830	\$ 9,427	\$ 15,257	\$ 3,960	\$ 2,508	\$ 6,468	\$ 129	\$ 4	\$ 133
2015	5,920	9,199	15,119	4,140	2,330	6,470	39	2	41
2016	7,630	8,928	16,558	4,340	2,143	6,483	15	-	15
2017	9,016	8,641	17,657	4,175	1,936	6,111	-	-	-
2018	9,359	9,165	18,524	4,365	1,760	6,125	-	-	-
2019-2023	51,429	36,832	88,261	25,395	5,654	31,049	-	-	-
2024-2028	55,360	20,138	75,498	6,090	319	6,409	-	-	-
2029-2033	47,995	8,173	56,168	-	-	-	-	-	-
2034-2038	9,495	603	10,098	-	-	-	-	-	-
Capital Appreciation **	5,620	(5,620)	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 207,654</b>	<b>\$ 105,486</b>	<b>\$ 313,140</b>	<b>\$ 52,465</b>	<b>\$ 16,650</b>	<b>\$ 69,115</b>	<b>\$ 183</b>	<b>\$ 6</b>	<b>\$ 189</b>

\*\*For GAAP financial statement reporting, accretion of capital appreciation bonds is added to the principal balance outstanding.

Fiscal Year	Certificates of Participation			Community Facilities Districts General Obligation Bonds			Contracts Payable		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 2,089	\$ 460	\$ 2,549	\$ 2,490	\$ 1,121	\$ 3,611	\$ 98	\$ -	\$ 98
2015	2,152	397	2,549	2,590	1,037	3,627	103	-	103
2016	2,216	333	2,549	2,680	949	3,629	109	-	109
2017	2,282	267	2,549	2,770	859	3,629	114	-	114
2018	2,350	198	2,548	2,555	764	3,319	120	-	120
2019-2023	4,914	183	5,097	11,900	2,577	14,477	700	-	700
2024-2028	-	-	-	5,800	943	6,743	899	-	899
2029-2033	-	-	-	1,100	172	1,272	427	-	427
2034-2038	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 16,003</b>	<b>\$ 1,838</b>	<b>\$ 17,841</b>	<b>\$ 31,885</b>	<b>\$ 8,422</b>	<b>\$ 40,307</b>	<b>\$ 2,570</b>	<b>\$ -</b>	<b>\$ 2,570</b>

(continued)

**Governmental Activities (continued)  
(in thousands)**

<b>Fiscal Year</b>	<b>Service Concession Arrangements</b>			<b>Total</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 154	\$ 114	\$ 268	\$ 48,820	\$ 39,477	\$ 88,297
2015	154	128	282	48,418	37,407	85,825
2016	154	142	296	51,369	35,353	86,722
2017	154	156	310	54,416	33,209	87,625
2018	154	172	326	57,908	31,816	89,724
2019-2023	769	1,121	1,890	292,222	121,209	413,431
2024-2028	769	1,643	2,412	242,853	57,345	300,198
2029-2033	689	2,051	2,740	127,551	20,597	148,148
2034-2038	147	581	728	23,862	1,713	25,575
Capital Appreciation	-	-	-	5,620	(5,620)	-
<b>Total</b>	<b>\$ 3,144</b>	<b>\$ 6,108</b>	<b>\$ 9,252</b>	<b>\$ 953,039</b>	<b>\$ 372,506</b>	<b>\$ 1,325,545</b>

**Business-Type Activities  
(in thousands)**

<b>Fiscal Year</b>	<b>Water and Sewer Revenue Bonds</b>			<b>Municipal Property Corporation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 3,240	\$ 1,738	\$ 4,978	\$ 9,760	\$ 14,024	\$ 23,784
2015	2,940	1,599	4,539	10,240	13,540	23,780
2016	3,055	1,487	4,542	11,115	13,034	24,149
2017	3,195	1,354	4,549	11,970	12,485	24,455
2018	3,370	1,195	4,565	12,670	11,896	24,566
2019-2023	19,715	3,206	22,921	74,935	49,438	124,373
2024-2028	-	-	-	74,290	30,781	105,071
2029-2033	-	-	-	64,305	13,207	77,512
2034-2038	-	-	-	21,270	2,194	23,464
<b>Total</b>	<b>\$ 35,515</b>	<b>\$ 10,579</b>	<b>\$ 46,094</b>	<b>\$ 290,555</b>	<b>\$ 160,599</b>	<b>\$ 451,154</b>

<b>Fiscal Year</b>	<b>Total</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 13,000	\$ 15,762	\$ 28,762
2015	13,180	15,139	28,319
2016	14,170	14,521	28,691
2017	15,165	13,839	29,004
2018	16,040	13,091	29,131
2019-2023	94,650	52,644	147,294
2024-2028	74,290	30,781	105,071
2029-2033	64,305	13,207	77,512
2034-2038	21,270	2,194	23,464
<b>Total</b>	<b>\$ 326,070</b>	<b>\$ 171,178</b>	<b>\$ 497,248</b>

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to public, property, and aviation premises liability; self-insured benefits; and workers compensation. Public liability includes public officials' errors and omissions, 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 \$850,000 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 its 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, 2013, the general liability claims payable totaled \$11,057,180 and the self-insured benefits claims payable totaled \$1,825,000. The City began to administer all self-insured health and dental plans in January of 2004.

	<b>Years Ended June 30</b>	
(in thousands)	<u>2013</u>	<u>2012</u>
Claims Payable, July 1	\$ 10,611	\$ 11,140
Current Year Claims Incurred	31,786	28,959
Current Year Claim Payments	<u>(29,515)</u>	<u>(29,488)</u>
<b>Claims Payable, June 30</b>	<u><u>\$ 12,882</u></u>	<u><u>\$ 10,611</u></u>

**B. Contingent Liabilities**

The City is a party to several lawsuits incidental to its normal operations. Of those lawsuits, management, with the concurrence of the City Attorney, is of the opinion that, collectively, estimated potential losses ranging from \$15,000 up to \$12,000,000 are probable, and \$15,000 up to \$450,000 are reasonably possible. Reasonably possible is defined that the chance of the loss occurring is more than remote, but less than probable. 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, please see the Note V.A. above.

In January 2013, the City entered into a settlement agreement with Scottsdale Fashion Square LLC (SFS) 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 impact 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, 2013, no building permits have been issued for the property.

On November 19, 2002, the City Council approved a development agreement with John Lund relating to a new automotive complex at the southeast corner of Scottsdale Road and Loop 101 Freeway. The terms of this agreement require the City to reimburse Lund for up to \$5.5 million in public benefits relating to the project including the acquisition of public lands, reimbursement of the City’s water and sewer development fees, and reimbursement of the City’s stormwater retention payment in lieu. The actual amount will be dependent on actual costs; however, the reimbursement amount may not exceed \$5.5 million even if actual costs are higher. The City has also agreed to pay interest costs on Lund’s cost of borrowing on the unpaid balance beginning at 8.5 percent in the first year and dropping by 0.5 percent per year. The reimbursement of the costs listed above will be accomplished by paying Lund quarterly payments equal to 67 percent of the City’s General Fund sales tax receipts received from the new dealership in that quarter, for a maximum of 10 years. The first payment is not due until the calendar quarter after the calendar quarter in which the first certificate of occupancy is issued. As of June 30, 2013, a commercial building permit has not been issued.

The City has entered into several agreements whereby it will reimburse developers a portion of the sales tax collected on their site for a time period 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 agreement. The City does not become liable under the agreements until the developer has collected and remitted the tax to the City. The City’s estimated contingent liability at June 30, 2013, is \$13,904,163. This is a significant decrease over the prior year due to the settlement with SFS mentioned above, that was approved by the City Council in January 2013, and satisfied any future obligation to reimburse sales tax under a lease agreement.

**C. Subsequent Events**

In July 2013, the City prepaid the full balance due on its February 13, 1976 contract with the U.S. Army Corps of Engineers. The cost-sharing contract was for recreation development at the Indian Bend Wash Flood Control Project. The early pay off, which totaled \$2.8 million, will result in interest savings to the citizens of Scottsdale of more than \$1.3 million.



**D. Joint Venture**

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, and 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 year ended June 30, 2012, (the latest audited information available from SROG), the City's net investment in SROG was \$116,127,000. SROG's net cash operating expenses for the year ended June 30, 2012, were \$38,774,083, of which the City's share was \$3,783,816, or 9.7 percent. For the year ended June 30, 2013, the City paid \$0 for SROG capital contributions and \$1,995,392 for SROG operating expenses, including adjustments to the operating and replacement reserves.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012, 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.

**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 City wells. The City immediately shut down the affected wells. Following an investigation by the Environmental Protection Agency (EPA), the Indian Bend Wash Site 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 directs the cleanup of the North Indian Bend Wash (NIBW) Site that encompasses groundwater contamination plumes in Scottsdale.

Following its investigation, the EPA identified three companies, Motorola, Inc., Siemens Corporation, and SmithKline Beecham 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, 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 groundwater. 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.

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 liability, six projected cash flows, based on the prior six years of historical costs and weighted equally, were used to calculate an average annual cost. This average cost was then projected over the remaining remediation period of 38 years; remediation began in 2001 and is estimated to be required for approximately 50 years.

Improvements in technology and changes in laws or regulations did not impact the average annual cost. The liability is revalued annually. Fiscal year 2012/13 outlays for operating and monitoring the CGTF were \$543,073. 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 nonprofit corporation established by the City in 1984 to promote the retention, expansion, and attraction of businesses and commercial enterprises in Scottsdale. The Board of Directors of the IDA is appointed by the City Council and City Council is also involved in granting or denying IDA bond applications.

**G. Effect of Implementation of Future Accounting Standard**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68), which revises existing, and establishes new, financial reporting requirements for most governments that provide their employees with pension benefits. The City provides its police officers and firefighters with pension benefits through an agent multiple employer defined benefit pension plan administered by the Public Safety Personnel Retirement System (PSPRS). All other employees are provided pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by either the Arizona State Retirement System (ASRS) for non-elected officials or the Elected Officials’ Retirement Plan (EORP) for elected officials.

Statement No. 68 requires an agent employer participating in the PSPRS plan, or a cost-sharing employer participating in the ASRS or EORP plans, to record their proportionate share, as defined in Statement No. 68, of the plans’ unfunded pension liabilities. The City has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PSPRS, ASRS, or EORP (“the plans”). The requirement of Statement No. 68 to record a portion of the plans’ unfunded liability will negatively impact the City’s future unrestricted net position. Statement No. 68 is effective for fiscal year ending June 30, 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding the plans’ current funding status can be found in their respective Comprehensive Annual Financial Reports.

**H. Retirement and Pension Plans**

All benefitted employees of the City, the Mayor, and the City Council are covered by one of three 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 pension plan. All public safety personnel participate in the Public Safety Personnel Retirement System, which is an agent multiple-employer pension plan. The Mayor and Council participate in the Elected Officials’ Retirement Plan, a cost-sharing multiple-employer pension plan. All three pension plans are administered by the State of Arizona.

## **Arizona State Retirement System**

### **Plan Description**

All benefitted City employees, except public safety personnel and the Mayor and City Council, participate in the Arizona State Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan. The System was established by the State of Arizona to provide pension benefits for employees of both the state and participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, Article 2 of the Arizona Revised Statutes. The System provides for retirement, disability, health insurance premium benefits, and death and survivor benefits. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, P. O. Box 33910, Phoenix, AZ 85067-3910, or by calling 1-800-621-3778.

### **Funding Policy**

The Arizona Revised Statutes (ARS) provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is authorized to legislate a contribution rate other than the actuarially determined rate. The contribution rate for the years ended June 30, 2013, 2012, and 2011, were 11.14 percent (10.90 percent retirement and .24 percent long-term disability), 10.74 percent (10.50 percent retirement and .24 percent long-term disability), and 9.85 percent (9.60 percent retirement and .25 percent long-term disability), respectively, for both employers and employees. The City's actual contributions to the System for the years ending June 30, 2013, 2012, and 2011, were \$10,757,059, \$10,349,764, and \$9,824,677, respectively, equal to the required contributions for each year.

## **Public Safety Personnel Retirement System**

### **Plan Description**

All of the City's public safety personnel (police officers and firefighters) participate in the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan. PSPRS was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes to provide pension benefits for public safety employees of certain state and local governments. The PSPRS acts as a common investment and administrative agent that is jointly administered by the Board of Trustees and 237 local boards. PSPRS provides retirement benefits, as well as death and disability benefits. The Public Safety Personnel Retirement System of the State of Arizona issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

## Funding Policy

The System for both police and fire is funded through a member contribution of 9.55 percent of gross payroll, an employer contribution set by an actuarial valuation and required by state statute expressed as a percent of gross payroll, and a distribution of the net earnings of the Fund. The City's contribution rate for police for the fiscal year ended June 30, 2013, was 23.90 percent of annual covered payroll. Contribution rates for police were 20.50 percent and 18.96 percent in 2012 and 2011, respectively. The City's contribution rate for fire for the fiscal year ended June 30, 2013, was 12.45 percent of annual covered payroll. The City's contribution rate for fire was 10.40 percent and 10.05 percent in 2012 and 2011, respectively.

## Annual Pension Cost

For fiscal year ended June 30, 2013, the City's annual pension costs of \$7,301,757 for police and \$2,202,061 for fire were equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012, actuarial valuation using the entry age normal method.

**Three-Year Trend Information for PSPRS (Police)**  
(dollars in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 6,295	100%	\$ -
2011	5,938	100%	-
2012	6,328	100%	-

**Three-Year Trend Information for PSPRS (Fire)**  
(dollars in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 1,528	100%	\$ -
2011	1,726	100%	-
2012	1,806	100%	-

## Actuarial Methods and Assumptions

The actuarial assumptions for both police and fire include a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, projected salary increases from 5.0 to 9.0 percent per year compounded annually, with 5.0 percent attributable to inflation, and other across-the-board factors and increases ranging from 0 percent to 4.0 percent per year attributable to seniority/merit. The maximum annual increase in post retirement benefits is 4.0 percent. The actuarial value of PSPRS assets was determined using the 7-year smoothed market value, 80%/120% market method. PSPRS' unfunded accrued liability is being amortized as a level percent of projected payroll over a closed period of 30 years, 24 years remaining as of June 30, 2012.

**Funded Status**

The funded status of each plan (Police and Fire) as of June 30, 2012, the most recent actuarial valuation dates, is as follows:

**Public Safety Personnel Retirement System (Police)  
Funded Status for Pension and Health Insurance**

(dollars in thousands)

	June 30, 2012
Actuarial Accrued Liability (AAL)	
Retired members and beneficiaries	\$ 97,448
Former members with vested benefits	516
Active members	90,920
DROP members	25,990
<b>Total</b>	214,874
Valuation Assets	139,915
Unfunded Actuarial Accrued Liability	74,959
Stabilization Reserve	-
Net Unfunded Actuarial Liability	\$ 74,959
Percent Funded	65.1%
Annual Covered Payroll	\$ 32,276
Unfunded AAL as a Percentage of Covered Payroll	232.2%

**Public Safety Personnel Retirement System (Fire)  
Funded Status Pension and Health Insurance**

(dollars in thousands)

	June 30, 2012
Actuarial Accrued Liability (AAL)	
Retired members and beneficiaries	\$ 2,546
Former members with vested benefits	-
Active members	34,445
DROP members	1,738
<b>Total</b>	38,729
Valuation Assets	44,721
Unfunded Actuarial Accrued Liability	(5,992)
Stabilization Reserve	4,811
Net Unfunded Actuarial Liability	\$ (1,181)
Percent Funded	115.5%
Annual Covered Payroll	\$ 18,203
Unfunded AAL as a Percentage of Covered Payroll	0.00%

## Elected Officials' Retirement Plan

### Plan Description

The City's Mayor and Council participate in the Elected Officials' Retirement Plan (EORP), a cost-sharing multiple-employer defined benefit pension plan. The EORP was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits to elected officials and judges of certain state, county, and local governments. The Board of Trustees of the PSPRS is also the administrator for the EORP. EORP provides retirement benefits, as well as death and disability benefits. The Elected Officials' Retirement Plan issues a publicly available financial report that includes financial statements and required supplementary information for EORP. The report may be obtained by writing to Elected Officials' Retirement Plan, 3010 E. Camelback Road, Suite 200, Phoenix, Arizona 85016 or by calling (602) 255-5575.

### Funding Policy

Covered elected officials are required by state statute to contribute an amount equal to 11.5 percent of covered salary to ensure proper funding for the Plan. EORP employers are required to contribute a level percent of salary as determined by actuarial valuation to ensure proper funding for the Plan. The City's rates for fiscal years ended June 30, 2013, 2012, and 2011, were 36.44 percent, 32.99 percent, and 29.79 percent, respectively. The City's contributions to EORP for the years ending June 30, 2013, 2012, and 2011, were \$52,788, \$47,505, and \$43,310, respectively, equal to the required contributions for each year.

#### I. Other Postemployment Benefits

In addition to the pension benefits described in the previous section (H), the City provides an option of post-retirement health care benefits, in accordance with Chapter 14 of the City Code. At retirement, employees with medical leave accumulated prior to September 6, 1976, are eligible for payment of medical leave at 100 percent cash value at current rate of pay. 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.

The projected liability for active employees, as of June 30, 2013, was \$13,501,510. The projected liability was considered payable within one year or greater and was therefore considered non-current and included in the proprietary and government-wide financial statements. Significant actuarial assumptions of the January 1, 2013, actuarial valuation include a) mortality rates based on the RP 2000 combined mortality table projected to 2015 using Projection Scale AA, b) interest compounded 4.0 percent annually, c) salary increases at a rate of 2 percent to 4 percent based on years of service, d) traditional unit credit cost method based on participant data as of January 1, 2013.



**J. Postemployment Benefits Other Than Pensions**

The cost of postemployment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the costs occur, rather than in the future years when they will be paid. In early implementing the requirements of GASB Statement No. 45 during the fiscal year ended June 30, 2007, the City recognized the cost of postemployment healthcare in the year the employee services were received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City’s future cash flows. Recognition of the liability accumulated from prior years is being amortized over 30 years; the first period began with the fiscal year ending June 30, 2007.

**Plan Description**

The City provides postemployment medical care (OPEB) for eligible retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City’s group health insurance plans. The benefits, benefit levels, and contribution rates are determined annually by the City’s Employee Benefit Coordination Team and approved by the Scottsdale City Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

**Benefits Provided**

The City offers postemployment medical benefits to its eligible retirees. 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. All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree reaching 65 years of age, the retiree and related dependents are no longer eligible for City coverage.

As of June 30, 2013, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	31
Terminated Employees Eligible for Benefits, But Not Yet Enrolled	-
Active Employees	<u>638</u>
 Total	 <u><u>669</u></u>
 Participating Employers	 <u><u>1</u></u>

**Funding Policy**

The plan premium rates are determined annually in collaboration with an outside employee benefits consulting firm and approved by the Scottsdale City Council. City code requires the City Council to authorize the contribution rates for benefits. For fiscal year ending June 30, 2013, the eligible retirees paid 100 percent of the approved rate. By continuing to provide eligible retirees with access to the City’s healthcare plans based on the same rates it charges to active employees, the City is providing a subsidy to eligible retirees. This explicit subsidy exists because on average retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. For fiscal year ending June 30, 2013, retirees contributed \$193,049 and the City contributed \$185,732 (explicit subsidy).



## Annual OPEB costs and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information for each plan are as follows at June 30, 2013 (dollar amounts in thousands):

Annual Required Contribution	\$ 635
Interest on Net OPEB Obligation (Asset)	(7)
Adjustment to Annual Required Contribution	8
Annual OPEB Cost	<u>636</u>
Contributions Made	<u>(186)</u>
Change in Net OPEB Obligation (Asset)	450
Net OPEB Obligation (Asset) - Beginning of year	<u>(162)</u>
Net OPEB Obligation (Asset) - End of year	<u><u>\$ 288</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
2011	\$ 29	\$ 901	3106.9%	\$ 423
2012	285	870	305.3%	(162)
2013	636	186	29.2%	288

## Funded Status

The funded status of the plan as of June 30, 2013, was as follows (dollar amounts in thousands):

Actuarial Accrued Liability	\$ 5,754
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u><u>\$ 5,754</u></u>
Funded Ratio	0%
Covered Payroll	\$ 42,805
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	13.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Multi-year trend information regarding the actuarial value of plan assets increasing or decreasing over time relative to the actuarial accrued liability is available in the Required Supplementary Information section on page 103.

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	24 years, Closed
Asset Valuation Method	N/A
 Actuarial Assumptions	
Investment Rate of Return	4%*
Inflation Rate	3%
Projected Salary Increases	2.8%
Healthcare Inflation Rate	9% initial rate, 5% ultimate rate

\*Investment rate of return based on City's own investments

**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 employees. Any current and future year subsidies are recorded as revenue in the year received and is not recognized as a reduction to the actuarial accrued liability.

## Funding Progress

The following schedules of funding progress, presented as required supplementary information (RSI), present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

### Public Safety Personnel Retirement System (Police) Schedule of Funding Progress Pension

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)*	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2010	\$ 124,093	\$ 168,084	73.8%	\$ 43,991	\$ 31,984	137.5%
2011	131,468	187,471	70.1%	56,003	30,945	181.0%
2012	139,915	209,389	66.8%	69,474	32,276	215.2%

### Public Safety Personnel Retirement System (Police) Schedule of Funding Progress Health Insurance

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)*	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2010	\$ -	\$ 4,888	0.0%	\$ 4,888	\$ 31,984	15.3%
2011	-	5,725	0.0%	5,725	30,945	18.5%
2012	-	5,485	0.0%	5,485	32,276	17.0%

\* Projected Unit Credit method used for June 30, 2010 valuation. Entry Age Normal method used for June 30, 2011 and 2012 valuations.

Public Safety Personnel Retirement System (Fire)  
Schedule of Funding Progress Pension

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)*	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6)
						Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2010	\$ 25,668	\$ 19,990	128.4%	\$ (5,678)	\$ 17,607	0.0%
2011	32,871	28,467	115.5%	(4,404)	17,025	0.0%
2012	44,721	37,670	118.7%	(7,051)	18,203	0.0%

Public Safety Personnel Retirement System (Fire)  
Schedule of Funding Progress Health Insurance

(dollars in thousands)

Actuarial Valuation June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)*	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6)
						Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
2010	\$ -	\$ 460	0.0%	\$ 460	\$ 17,607	2.6%
2011	-	886	0.0%	886	17,025	5.2%
2012	-	1,059	0.0%	1,059	18,203	5.8%

\* Projected Unit Credit method used for June 30, 2010 valuation. Entry Age Normal method used for June 30, 2011 and 2012 valuations.

**Other Post-Employment Benefit Plan  
Schedule of Funding Progress**

(dollars in thousands)

Actuarial Valuation July 1	(1) Actuarial Value of Assets	(2) Projected Unit Credit Cost		(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
		Accrued Liability (AAL)					
2010	\$ -	\$ 746		0.0%	\$ 746	\$ 136,414	0.5%
2011	-	3,834		0.0%	3,834	131,342	2.9%
2012	-	5,754		0.0%	5,754	42,805	13.4%

**Other Post-Employment Benefit Plan  
Schedule of Employer Contribution**

(dollars in thousands)

Actuarial Valuation July 1	(1) Employer Contributions	(2) Annual Required Contribution (ARC)		(3) Percent Contributed (1)/(2)
2010	\$ 901	\$ 34		2650.0%
2011	870	287		303.1%
2012	186	635		29.3%

### **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.

#### **Highway User Fuel Tax Fund**

This fund receives and expends the City's allocation of the Arizona Highway User Revenue tax and other transportation related revenue. The amount available to each city is allocated on a population basis, which is determined by the latest federal census. These monies 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 nonprofit 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 application 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 Housing 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 (.2 percent) and 2004 (.15 percent). Revenues are transferred to Capital Projects Funds for land purchases and improvements in the McDowell Sonoran Preserve or are used for related debt service payments.

#### **Community Facilities Districts Fund**

Scottsdale Mountain Community Facilities District  
McDowell Mountain Ranch Community Facilities District  
DC Ranch Community Facilities District  
Via Linda Road Community Facilities District  
Waterfront Commercial Community Facilities District

These funds account for the non-debt related expenditures incurred by community facilities districts.

#### **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 rentals. The use of these funds has been committed by the City Council for tourism-related purposes.

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## **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.

### **Special Assessments Fund**

This fund accounts for the principal and interest requirements of special assessment bonds. Financing is provided by special assessment levies against the benefited property holders.

### **Community Facilities Districts Funds**

Scottsdale Mountain Community Facilities District  
McDowell Mountain Ranch Community Facilities District  
DC Ranch Community Facilities District  
Via Linda Road Community Facilities District  
Waterfront Commercial Community Facilities District

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 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 (.2 percent) and 2004 (.15 percent).

### **McDowell Preserve Privilege Tax Fund**

This fund accounts for the principal and interest requirements of a Preserve contract payable. Financing is provided by a 0.2 percent Preservation Privilege (Sales) Tax.

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## **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 Bond Fund**

Accounts for proceeds of the sale of Bond 2000 voter-approved general obligation bonds that are used for authorized capital improvements.

### **Transportation Privilege Tax 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.

### **Community Facilities Districts Funds**

McDowell Mountain Ranch Community Facilities District  
DC Ranch Community Facilities District

These funds account for the proceeds issued by community facilities districts to acquire and improve public infrastructure in specified areas.



## Combining Balance Sheet

### Nonmajor Governmental Funds

June 30, 2013 (in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 53,558	\$ 321	\$ 53,678	\$ 107,557
Cash with Fiscal Agent	109	9,507	110	9,726
Receivables (net of allowance for uncollectibles)				
Interest	93	-	128	221
Privilege Tax	3,821	-	-	3,821
Transient Occupancy Tax	702	-	-	702
Franchise Fee	48	-	-	48
Property Tax	-	118	-	118
Highway User Tax	1,126	-	-	1,126
Intergovernmental	6,512	-	-	6,512
Grants	393	-	2,382	2,775
Miscellaneous	328	-	1,489	1,817
Total Assets	<u>\$ 66,690</u>	<u>\$ 9,946</u>	<u>\$ 57,787</u>	<u>\$ 134,423</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 2,216	\$ -	\$ 5,330	\$ 7,546
Accrued Payroll and Benefits	378	-	20	398
Due to Other Funds	3	-	-	3
Matured Bond Interest Payable	-	1,945	-	1,945
Matured Bonds Payable	-	6,375	-	6,375
Deferred Revenue				
Property Tax	-	65	-	65
Intergovernmental	10,330	-	2,382	12,712
Other	590	-	-	590
Total Liabilities	<u>13,517</u>	<u>8,385</u>	<u>7,732</u>	<u>29,634</u>
Fund Balances				
Restricted	39,803	1,240	50,055	91,098
Committed	14,764	-	-	14,764
Assigned	-	321	-	321
Unassigned	(1,394)	-	-	(1,394)
Total Fund Balances	<u>53,173</u>	<u>1,561</u>	<u>50,055</u>	<u>104,789</u>
Total Liabilities and Fund Balances	<u>\$ 66,690</u>	<u>\$ 9,946</u>	<u>\$ 57,787</u>	<u>\$ 134,423</u>

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

REVENUES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Taxes - Local				
Property	\$ 29	\$ 3,815	\$ -	\$ 3,844
Transaction Privilege	47,228	-	-	47,228
Transient Occupancy	13,852	-	-	13,852
Light and Power Franchise	253	-	-	253
Taxes - Intergovernmental				
Highway User Tax	11,903	-	-	11,903
Local Transportation Assistance Fund	639	-	-	639
Business and Liquor Licenses	24	-	-	24
Charges for Current Services				
Building and Related Permits	-	-	350	350
Recreation Fees	1,588	-	-	1,588
Fire Fees	43	-	-	43
Fines, Fees, and Forfeitures				
Court	157	-	-	157
Court Enhancement	958	-	-	958
Police Fees	508	-	-	508
Special Assessments	-	591	-	591
Property Rental	1,813	-	-	1,813
Interest Earnings	210	8	574	792
Investment Income	(242)	-	(252)	(494)
Intergovernmental				
Federal Grants	9,248	-	6,253	15,501
State Grants	299	-	-	299
Miscellaneous	4,679	-	8,158	12,837
Developer Contributions	-	-	203	203
Streetlight and Services Districts	551	-	-	551
Contributions and Donations	2,439	-	-	2,439
Reimbursements from Outside Sources	966	-	794	1,760
Indirect Costs	558	-	-	558
Other	278	-	443	721
Total Revenues	<u>\$ 97,981</u>	<u>\$ 4,414</u>	<u>\$ 16,523</u>	<u>\$ 118,918</u>

(continued on next page)

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

### Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

EXPENDITURES	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Current				
General Government				
City Court	\$ 1,812	\$ -	\$ -	\$ 1,812
City Treasurer - Finance and Accounting	114			114
Public Works	11,871	-	-	11,871
Community and Economic Development	17,198	-	-	17,198
Public Safety	2,655	-	-	2,655
Community Services	11,961	-	-	11,961
Streetlight and Services Districts	569	-	-	569
Debt Service				
Principal	-	27,325	-	27,325
Interest and Fiscal Charges	-	4,077	-	4,077
Bond Issuance Costs	-	178	-	178
Capital Improvements	-	-	33,468	33,468
Total Expenditures	46,180	31,580	33,468	111,228
Excess (Deficiency) of Revenues over Expenditures	51,801	(27,166)	(16,945)	7,690
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	5,658	7,442	9,026	22,126
Transfers Out	(46,758)	(248)	(2,671)	(49,677)
Proceeds of Refunding Bonds	-	28,225	-	28,225
Premium on Long-Term Debt Issued	-	799	-	799
Payment to Bond Refunding Escrow Agent	-	(9,549)	-	(9,549)
Total Other Financing Sources and (Uses)	(41,100)	26,669	6,355	(8,076)
Net Change in Fund Balances	10,701	(497)	(10,590)	(386)
Fund Balances - Beginning	42,472	2,058	60,645	105,175
Fund Balances - Ending	\$ 53,173	\$ 1,561	\$ 50,055	\$ 104,789

## Combining Balance Sheet

### Nonmajor Special Revenue Governmental Funds

June 30, 2013 (in thousands)

	Highway User Fuel Tax	Community Development Block Grant	HOME	Grants	Section 8 Housing	Preserve Privilege Tax	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD
<b>ASSETS</b>								
Cash and Investments	\$ 9,579	\$ 714	\$ -	\$ 767	\$ 1,121	\$ 22,506	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)								
Interest	-	-	-	-	-	91	-	-
Privilege Tax	1,355	-	-	-	-	2,466	-	-
Transient Occupancy Tax	-	-	-	-	-	-	-	-
Franchise Fee	-	-	-	-	-	-	-	-
Highway User Tax	1,126	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Grants	55	179	3	156	-	-	-	-
Miscellaneous	40	25	-	4	-	-	-	-
Total Assets	<u>\$ 12,155</u>	<u>\$ 918</u>	<u>\$ 3</u>	<u>\$ 927</u>	<u>\$ 1,121</u>	<u>\$ 25,063</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts Payable	\$ 1,473	\$ 68	\$ -	\$ 45	\$ 8	\$ -	\$ -	\$ -
Accrued Payroll and Benefits	258	12	-	8	22	-	-	-
Due to Other Funds	-	-	3	-	-	-	-	-
Deferred Revenue								
Intergovernmental	55	945	1	218	-	-	-	-
Other	-	25	-	523	-	-	-	-
Total Liabilities	<u>1,786</u>	<u>1,050</u>	<u>4</u>	<u>794</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>								
Restricted	10,369	-	-	133	1,091	25,063	-	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(132)	(1)	-	-	-	-	-
Total Fund Balances	<u>10,369</u>	<u>(132)</u>	<u>(1)</u>	<u>133</u>	<u>1,091</u>	<u>25,063</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 12,155</u>	<u>\$ 918</u>	<u>\$ 3</u>	<u>\$ 927</u>	<u>\$ 1,121</u>	<u>\$ 25,063</u>	<u>\$ -</u>	<u>\$ -</u>

(continued on next page)

## Combining Balance Sheet

## Nonmajor Special Revenue Governmental Funds

June 30, 2013 (in thousands)

(continued from previous page)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Total
<b>ASSETS</b>							
Cash and Investments	\$ -	\$ -	\$ -	\$ 246	\$ 11,821	\$ 6,804	\$ 53,558
Cash with Fiscal Agent	75	-	34	-	-	-	109
Receivables (net of allowance for uncollectibles)							
Interest	-	-	-	-	2	-	93
Privilege Tax	-	-	-	-	-	-	3,821
Transient Occupancy Tax	-	-	-	-	-	702	702
Franchise Fee	-	-	-	-	48	-	48
Highway User Tax	-	-	-	-	-	-	1,126
Intergovernmental	-	-	-	-	6,512	-	6,512
Grants	-	-	-	-	-	-	393
Miscellaneous	-	-	-	6	128	125	328
Total Assets	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 252</u>	<u>\$ 18,511</u>	<u>\$ 7,631</u>	<u>\$ 66,690</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 201	\$ 421	\$ 2,216
Accrued Payroll and Benefits	-	-	-	-	72	6	378
Due to Other Funds	-	-	-	-	-	-	3
Deferred Revenue							
Intergovernmental	-	-	-	-	9,111	-	10,330
Other	-	-	-	-	42	-	590
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,426</u>	<u>427</u>	<u>13,517</u>
<b>Fund Balances</b>							
Restricted	75	-	34	252	2,786	-	39,803
Committed	-	-	-	-	7,560	7,204	14,764
Unassigned	-	-	-	-	(1,261)	-	(1,394)
Total Fund Balances	<u>75</u>	<u>-</u>	<u>34</u>	<u>252</u>	<u>9,085</u>	<u>7,204</u>	<u>53,173</u>
Total Liabilities and Fund Balances	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 252</u>	<u>\$ 18,511</u>	<u>\$ 7,631</u>	<u>\$ 66,690</u>

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

**Nonmajor Special Revenue Governmental Funds**

For the Fiscal Year Ended June 30, 2013 (in thousands)

<b>REVENUES</b>	<b>Highway User Fuel Tax</b>	<b>Community Development Block Grant</b>	<b>HOME</b>	<b>Grants</b>	<b>Section 8 Housing</b>	<b>Preserve Privilege Tax</b>	<b>Scottsdale Mountain CFD</b>	<b>McDowell Mountain Ranch CFD</b>
Taxes - Local								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ 10
Transaction Privilege	16,852	-	-	-	-	30,376	-	-
Transient Occupancy	-	-	-	-	-	-	-	-
Light and Power Franchise	-	-	-	-	-	-	-	-
Taxes - Intergovernmental								
Highway User Tax	11,903	-	-	-	-	-	-	-
Local Transportation Assistance Fund	639	-	-	-	-	-	-	-
Business and Liquor Licenses	-	-	-	-	-	-	-	-
Charges for Current Services								
Recreation Fees	-	-	-	-	-	-	-	-
Fire Fees	-	-	-	-	-	-	-	-
Fines, Fees, and Forfeitures								
Court	-	-	-	-	-	-	-	-
Court Enhancement	-	-	-	-	-	-	-	-
Police Fees	-	-	-	-	-	-	-	-
Property Rental	-	-	-	-	-	-	-	-
Interest Earnings	-	-	-	-	1	170	-	-
Investment Income	-	-	-	-	-	(224)	-	-
Intergovernmental								
Federal Grants	826	1,303	387	962	5,770	-	-	-
State Grants	-	-	-	299	-	-	-	-
Miscellaneous	1,298	-	-	66	-	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
Contributions and Donations	-	-	-	1,199	-	-	-	-
Reimbursements from Outside Sources	206	-	-	-	1	-	-	-
Indirect Costs	558	-	-	-	-	-	-	-
Other	32	-	-	-	11	140	-	-
<b>Total Revenues</b>	<b>32,314</b>	<b>1,303</b>	<b>387</b>	<b>2,526</b>	<b>5,783</b>	<b>30,462</b>	<b>9</b>	<b>10</b>
<b>EXPENDITURES</b>								
Current								
General Government								
City Court	-	-	-	18	-	-	-	-
City Treasurer - Finance and Accounting	-	-	-	-	-	4	9	10
Public Works	11,620	-	-	-	-	-	-	-
Community and Economic Development	8,198	-	-	-	-	-	-	-
Public Safety	-	-	-	672	-	-	-	-
Community Services	1,048	1,295	339	1,414	5,744	-	-	-
Streetlight and Services Districts	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>20,866</b>	<b>1,295</b>	<b>339</b>	<b>2,104</b>	<b>5,744</b>	<b>4</b>	<b>9</b>	<b>10</b>
Excess (Deficiency) of Revenues over Expenditures	11,448	8	48	422	39	30,458	-	-
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	(8,481)	-	-	(31)	(1)	(31,539)	-	-
<b>Total Other Financing Sources and (Uses)</b>	<b>(8,481)</b>	<b>-</b>	<b>-</b>	<b>(31)</b>	<b>(1)</b>	<b>(31,539)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	2,967	8	48	391	38	(1,081)	-	-
Fund Balances - Beginning	7,402	(140)	(49)	(258)	1,053	26,144	-	-
<b>Fund Balances - Ending</b>	<b>\$ 10,369</b>	<b>\$ (132)</b>	<b>\$ (1)</b>	<b>\$ 133</b>	<b>\$ 1,091</b>	<b>\$ 25,063</b>	<b>\$ -</b>	<b>\$ -</b>

(continued on next page)

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

## Nonmajor Special Revenue Governmental Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

(continued from previous page)

	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Streetlight Districts	Special Programs	Tourism Development	Total
<b>REVENUES</b>							
Taxes - Local							
Property	\$ -	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 29
Transaction Privilege	-	-	-	-	-	-	47,228
Transient Occupancy	-	-	-	-	-	13,852	13,852
Light and Power Franchise	-	-	-	-	253	-	253
Taxes - Intergovernmental							
Highway User Tax	-	-	-	-	-	-	11,903
Local Transportation Assistance Fund	-	-	-	-	-	-	639
Business and Liquor Licenses	-	-	-	-	24	-	24
Charges for Current Services							
Recreation Fees	-	-	-	-	1,588	-	1,588
Fire Fees	-	-	-	-	43	-	43
Fines, Fees, and Forfeitures							
Court	-	-	-	-	157	-	157
Court Enhancement	-	-	-	-	958	-	958
Police Fees	-	-	-	-	508	-	508
Property Rental	-	-	-	-	374	1,439	1,813
Interest Earnings	-	-	-	-	39	-	210
Investment Income	-	-	-	-	(18)	-	(242)
Intergovernmental							
Federal Grants	-	-	-	-	-	-	9,248
State Grants	-	-	-	-	-	-	299
Miscellaneous	-	-	-	-	3,315	-	4,679
Streetlight and Services Districts	-	-	-	551	-	-	551
Contributions and Donations	-	-	-	-	1,240	-	2,439
Reimbursements from Outside Sources	-	-	-	-	678	81	966
Indirect Costs	-	-	-	-	-	-	558
Other	-	-	-	-	95	-	278
Total Revenues	-	10	-	551	9,254	15,372	97,981
<b>EXPENDITURES</b>							
Current							
General Government							
City Court	-	-	-	-	1,794	-	1,812
City Treasurer - Finance and Accounting	71	10	10	-	-	-	114
Public Works	-	-	-	-	251	-	11,871
Community and Economic Development	-	-	-	-	503	8,497	17,198
Public Safety	-	-	-	-	1,983	-	2,655
Community Services	-	-	-	-	2,121	-	11,961
Streetlight and Services Districts	-	-	-	569	-	-	569
Total Expenditures	71	10	10	569	6,652	8,497	46,180
Excess (Deficiency) of Revenues over Expenditures	(71)	-	(10)	(18)	2,602	6,875	51,801
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	146	-	44	270	2,180	3,018	5,658
Transfers Out	-	-	-	-	(4,017)	(2,689)	(46,758)
Total Other Financing Sources and (Uses)	146	-	44	270	(1,837)	329	(41,100)
Net Change in Fund Balances	75	-	34	252	765	7,204	10,701
Fund Balances - Beginning	-	-	-	-	8,320	-	42,472
Fund Balances - Ending	\$ 75	\$ -	\$ 34	\$ 252	\$ 9,085	\$ 7,204	\$ 53,173



## Highway User Fuel Tax – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2013 (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	\$ 16,788	\$ 16,788	\$ 16,852	\$ -	\$ 16,852	\$ 64
Taxes - Intergovernmental						
Highway User Tax	12,234	12,234	11,903	-	11,903	(331)
Local Transportation Assistance Fund	-	-	639	-	639	639
Intergovernmental						
Federal Grants	700	700	826	-	826	126
State Grants	610	610	-	-	-	(610)
Miscellaneous	500	500	1,298	-	1,298	798
Reimbursements from Outside Sources	-	-	206	-	206	206
Indirect Costs	-	558	558	-	558	-
Other	50	50	32	-	32	(18)
Total Revenues	<u>30,882</u>	<u>31,440</u>	<u>32,314</u>	<u>-</u>	<u>32,314</u>	<u>874</u>
<b>EXPENDITURES</b>						
Current						
Public Works	12,509	12,547	11,608	12	11,620	939
Community and Economic Development	9,250	9,350	8,197	1	8,198	1,153
Community Services	1,052	1,052	1,048	-	1,048	4
Administrative Services	22	-	-	-	-	-
Total Expenditures	<u>22,833</u>	<u>22,949</u>	<u>20,853</u>	<u>13</u>	<u>20,866</u>	<u>2,096</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,049</u>	<u>8,491</u>	<u>11,461</u>	<u>(13)</u>	<u>11,448</u>	<u>2,970</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	558	-	-	-	-	-
Transfers Out	(8,412)	(8,412)	(8,481)	-	(8,481)	(69)
Total Other Financing Sources and (Uses)	<u>(7,854)</u>	<u>(8,412)</u>	<u>(8,481)</u>	<u>-</u>	<u>(8,481)</u>	<u>(69)</u>
Net Change in Fund Balances	195	79	2,980	(13)	2,967	2,901
Fund Balances - Beginning	4,332	7,452	7,452	(50)	7,402	-
Fund Balances - Ending	<u>\$ 4,527</u>	<u>\$ 7,531</u>	<u>\$ 10,432</u>	<u>\$ (63)</u>	<u>\$ 10,369</u>	<u>\$ 2,901</u>

#### Explanation of Differences:

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

    Payroll Accruals \$ 13

## 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, 2013 (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	\$ 4,258	\$ 4,262	\$ 1,303	\$ -	\$ 1,303	\$ (2,959)
Total Revenues	<u>4,258</u>	<u>4,262</u>	<u>1,303</u>	<u>-</u>	<u>1,303</u>	<u>(2,959)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	4,258	3,886	1,294	1	1,295	2,592
Total Expenditures	<u>4,258</u>	<u>3,886</u>	<u>1,294</u>	<u>1</u>	<u>1,295</u>	<u>2,592</u>
Excess (Deficiency) of Revenues over Expenditures	-	376	9	(1)	8	(367)
Fund Balances - Beginning	-	(130)	(130)	(10)	(140)	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 246</u>	<u>\$ (121)</u>	<u>\$ (11)</u>	<u>\$ (132)</u>	<u>\$ (367)</u>

#### Explanation of Differences:

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

Payroll Accruals	<u>\$ 1</u>
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**HOME – Special Revenue Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**

For the Fiscal Year Ended June 30, 2013 (in thousands)

	<u>Budgeted Amounts</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>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Intergovernmental						
Federal Grants	\$ 1,533	\$ 1,533	\$ 387	\$ -	\$ 387	\$ (1,146)
Total Revenues	<u>1,533</u>	<u>1,533</u>	<u>387</u>	<u>-</u>	<u>387</u>	<u>(1,146)</u>
<b>EXPENDITURES</b>						
Current						
Community Services	1,533	1,533	339	-	339	1,194
Total Expenditures	<u>1,533</u>	<u>1,533</u>	<u>339</u>	<u>-</u>	<u>339</u>	<u>1,194</u>
Excess of Revenues over Expenditures	-	-	48	-	48	48
Fund Balances - Beginning	-	(49)	(49)	-	(49)	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ (49)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 48</u>

## Grants – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2013 (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	\$ 6,064	\$ 7,253	\$ 962	\$ -	\$ 962	\$ (6,291)
State Grants	213	251	299	-	299	48
Miscellaneous	138	138	66	-	66	(72)
Contributions and Donations	2,615	1,400	1,199	-	1,199	(201)
Total Revenues	<u>9,030</u>	<u>9,042</u>	<u>2,526</u>	<u>-</u>	<u>2,526</u>	<u>(6,516)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Court	-	-	18	-	18	(18)
Community and Economic Development	207	213	-	-	-	213
Public Safety	4,763	1,334	675	(3)	672	659
Community Services	4,060	1,985	1,413	1	1,414	572
Total Expenditures	<u>9,030</u>	<u>3,532</u>	<u>2,106</u>	<u>(2)</u>	<u>2,104</u>	<u>1,426</u>
Excess (Deficiency) of Revenues over Expenditures	-	5,510	420	2	422	(5,090)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	-	-	(31)	-	(31)	(31)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(31)</u>	<u>-</u>	<u>(31)</u>	<u>(31)</u>
Net Change in Fund Balances	-	5,510	389	2	391	(5,121)
Fund Balances - Beginning	-	(257)	(257)	(1)	(258)	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 5,253</u>	<u>\$ 132</u>	<u>\$ 1</u>	<u>\$ 133</u>	<u>\$ (5,121)</u>

#### Explanation of Difference:

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

    Payroll Accruals \$ (2)



## Preserve Privilege Tax – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2013 (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	\$ 30,186	\$ 30,186	\$ 30,376	\$ -	\$ 30,376	\$ 190
Interest Earnings	250	250	170	-	170	(80)
Investment Income	-	-	-	(224)	(224)	-
Other	-	-	140	-	140	140
Total Revenues	<u>30,436</u>	<u>30,436</u>	<u>30,686</u>	<u>(224)</u>	<u>30,462</u>	<u>250</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Treasurer - Finance and Accounting	2	2	4	-	4	(2)
Community Services	956	956	-	-	-	956
Total Expenditures	<u>958</u>	<u>958</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>954</u>
Excess (Deficiency) of Revenues over Expenditures	<u>29,478</u>	<u>29,478</u>	<u>30,682</u>	<u>(224)</u>	<u>30,458</u>	<u>1,204</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(32,276)	(32,276)	(31,539)	-	(31,539)	737
Total Other Financing Sources and (Uses)	<u>(32,276)</u>	<u>(32,276)</u>	<u>(31,539)</u>	<u>-</u>	<u>(31,539)</u>	<u>737</u>
Net Change in Fund Balances	(2,798)	(2,798)	(857)	(224)	(1,081)	1,941
Fund Balances - Beginning	20,206	26,289	26,289	(145)	26,144	-
Fund Balances - Ending	<u>\$ 17,408</u>	<u>\$ 23,491</u>	<u>\$ 25,432</u>	<u>\$ (369)</u>	<u>\$ 25,063</u>	<u>\$ 1,941</u>
<b>Explanation of Difference:</b>						
Items recorded as revenues for GAAP purposes that are not recorded for budget purposes:						
Investment Income	<u>\$ (224)</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, 2013 (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	\$ 647	\$ 647	\$ 551	\$ -	\$ 551	\$ (96)
Total Revenues	647	647	551	-	551	(96)
<b>EXPENDITURES</b>						
Current						
Streetlight and Services Districts	647	647	569	-	569	78
Total Expenditures	647	647	569	-	569	78
Excess (Deficiency) of Revenues over Expenditures	-	-	(18)	-	(18)	(18)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	270	-	270	270
Total Other Financing Sources	-	-	270	-	270	270
Net Change in Fund Balances	-	-	252	-	252	252
Fund Balances - Beginning	-	-	-	-	-	-
Fund Balances - Ending	\$ -	\$ -	\$ 252	\$ -	\$ 252	\$ 252



## Special Programs – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2013 (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	\$ -	\$ 250	\$ 253	\$ -	\$ 253	\$ 3
Taxes - Intergovernmental						
Business and Liquor Licenses	70	70	24	-	24	(46)
Charges for Current Services						
Recreation Fees	1,587	1,587	1,588	-	1,588	1
Fire Fees	-	-	43	-	43	43
Fines, Fees, and Forfeitures						
Court	85	85	157	-	157	72
Court Enhancement	1,012	1,012	958	-	958	(54)
Police Fees	470	470	508	-	508	38
Property Rental	692	692	374	-	374	(318)
Interest Earnings	5	5	39	-	39	34
Investment Income	-	-	-	(18)	(18)	-
Intergovernmental						
Miscellaneous	5,498	5,498	3,315	-	3,315	(2,183)
Contributions and Donations	1,313	1,313	1,240	-	1,240	(73)
Reimbursements from Outside Sources	611	611	678	-	678	67
Other	-	-	95	-	95	95
Total Revenues	<u>11,343</u>	<u>11,593</u>	<u>9,272</u>	<u>(18)</u>	<u>9,254</u>	<u>(2,321)</u>
<b>EXPENDITURES</b>						
Current						
General Government						
City Court	1,921	1,938	1,794	-	1,794	144
Public Works	1,380	1,630	251	-	251	1,379
Community and Economic Development	7,912	1,294	503	-	503	791
Public Safety	1,832	2,456	1,985	(2)	1,983	471
Community Services	2,659	2,668	2,119	2	2,121	549
Administrative Services	46	-	-	-	-	-
Total Expenditures	<u>15,750</u>	<u>9,986</u>	<u>6,652</u>	<u>-</u>	<u>6,652</u>	<u>3,334</u>
Excess (Deficiency) of Revenues over Expenditures	(4,407)	1,607	2,620	(18)	2,602	1,013
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	8,562	1,869	2,180	-	2,180	311
Transfers Out	(3,359)	(3,359)	(4,017)	-	(4,017)	(658)
Total Other Financing Sources and (Uses)	<u>5,203</u>	<u>(1,490)</u>	<u>(1,837)</u>	<u>-</u>	<u>(1,837)</u>	<u>(347)</u>
Net Change in Fund Balances	796	117	783	(18)	765	666
Fund Balances - Beginning	8,785	8,323	8,323	(3)	8,320	-
Fund Balances - Ending	<u>\$ 9,581</u>	<u>\$ 8,440</u>	<u>\$ 9,106</u>	<u>\$ (21)</u>	<u>\$ 9,085</u>	<u>\$ 666</u>

## Explanation of Difference:

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

Investment Income \$ (18)

## Tourism Development – Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2013 (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	\$ -	\$ 13,385	\$ 13,852	\$ -	\$ 13,852	\$ 467
Property Rental	-	1,503	1,439	-	1,439	(64)
Reimbursements from Outside Sources	-	90	81	-	81	(9)
Total Revenues	-	14,978	15,372	-	15,372	394
<b>EXPENDITURES</b>						
Current						
Community and Economic Development	-	8,436	8,491	6	8,497	(55)
Total Expenditures	-	8,436	8,491	6	8,497	(55)
Excess (Deficiency) of Revenues over Expenditures	-	6,542	6,881	(6)	6,875	339
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	3,018	3,018	-	3,018	-
Transfers Out	-	(5,578)	(2,689)	-	(2,689)	2,889
Total Other Financing Sources and (Uses)	-	(2,560)	329	-	329	2,889
Net Change in Fund Balances	-	3,982	7,210	(6)	7,204	3,228
Fund Balances - Beginning	-	-	-	-	-	-
Fund Balances - Ending	\$ -	\$ 3,982	\$ 7,210	\$ (6)	\$ 7,204	\$ 3,228

#### Explanation of Difference:

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

    Payroll Accruals

\$ 6

## Combining Balance Sheet

## Nonmajor Debt Service Governmental Funds

June 30, 2013 (in thousands)

	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	McDowell Preserve Privilege Tax	Total
<b>ASSETS</b>									
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321	\$ -	\$ -	\$ 321
Cash with Fiscal Agents	-	532	1,528	1,407	344	556	5,140	-	9,507
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	-
Property Tax	-	13	30	60	9	6	-	-	118
Total Assets	<u>\$ -</u>	<u>\$ 545</u>	<u>\$ 1,558</u>	<u>\$ 1,467</u>	<u>\$ 353</u>	<u>\$ 883</u>	<u>\$ 5,140</u>	<u>\$ -</u>	<u>\$ 9,946</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Matured Bond Interest Payable	\$ -	\$ 51	\$ 164	\$ 257	\$ 26	\$ 107	\$ 1,340	\$ -	\$ 1,945
Matured Bonds Payable	-	390	1,075	890	135	85	3,800	-	6,375
Deferred Revenue	-	-	-	-	-	-	-	-	-
Property Tax	-	4	17	34	6	4	-	-	65
Total Liabilities	<u>-</u>	<u>445</u>	<u>1,256</u>	<u>1,181</u>	<u>167</u>	<u>196</u>	<u>5,140</u>	<u>-</u>	<u>8,385</u>
Fund Balances									
Restricted	-	100	302	286	186	366	-	-	1,240
Assigned	-	-	-	-	-	321	-	-	321
Total Fund Balances	<u>-</u>	<u>100</u>	<u>302</u>	<u>286</u>	<u>186</u>	<u>687</u>	<u>-</u>	<u>-</u>	<u>1,561</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 545</u>	<u>\$ 1,558</u>	<u>\$ 1,467</u>	<u>\$ 353</u>	<u>\$ 883</u>	<u>\$ 5,140</u>	<u>\$ -</u>	<u>\$ 9,946</u>

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

### Nonmajor Debt Service Governmental Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

	Special Assessments	Scottsdale Mountain CFD	McDowell Mountain Ranch CFD	DC Ranch CFD	Via Linda Road CFD	Waterfront Commercial CFD	Scottsdale Preserve Authority	McDowell Preserve Privilege Tax	Total
<b>REVENUES</b>									
Taxes - Local									
Property	\$ -	\$ 446	\$ 1,440	\$ 1,399	\$ 234	\$ 296	\$ -	\$ -	\$ 3,815
Special Assessments	591	-	-	-	-	-	-	-	591
Property Rental	-	-	-	-	-	-	-	-	-
Interest Earnings	-	-	-	-	8	-	-	-	8
Intergovernmental									
Miscellaneous	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Revenues	591	446	1,440	1,399	242	296	-	-	4,414
<b>EXPENDITURES</b>									
Current									
Debt Service									
Principal	755	390	12,630	6,440	2,315	85	3,800	910	27,325
Interest and Fiscal Charges	17	104	419	513	76	216	2,686	46	4,077
Bond Issuance Costs	-	-	58	62	58	-	-	-	178
Total Expenditures	772	494	13,107	7,015	2,449	301	6,486	956	31,580
(Deficiency) of Revenues over Expenditures	(181)	(48)	(11,667)	(5,616)	(2,207)	(5)	(6,486)	(956)	(27,166)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	-	-	-	-	-	-	6,486	956	7,442
Transfers Out	(248)	-	-	-	-	-	-	-	(248)
Proceeds of Refunding Bonds	-	-	11,555	14,670	2,000	-	-	-	28,225
Premium on Long-Term Debt Issued	-	-	217	582	-	-	-	-	799
Payment to Bond Refunding Escrow Agent	-	-	-	(9,549)	-	-	-	-	(9,549)
Total Other Financing Sources and (Uses)	(248)	-	11,772	5,703	2,000	-	6,486	956	26,669
Net Change in Fund Balances	(429)	(48)	105	87	(207)	(5)	-	-	(497)
Fund Balances - Beginning	429	148	197	199	393	692	-	-	2,058
Fund Balances - Ending	\$ -	\$ 100	\$ 302	\$ 286	\$ 186	\$ 687	\$ -	\$ -	\$ 1,561

## 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, 2013 (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	\$ 36,702	\$ 36,702	\$ 36,164	\$ -	\$ 36,164	\$ (538)
Total Revenues	<u>36,702</u>	<u>36,702</u>	<u>36,164</u>	<u>-</u>	<u>36,164</u>	<u>(538)</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	30,738	30,738	30,290	-	30,290	448
Interest and Fiscal Charges	28,112	28,112	25,598	-	25,598	2,514
Bond Issuance Costs	-	-	1,089	-	1,089	(1,089)
Total Expenditures	<u>58,850</u>	<u>58,850</u>	<u>56,977</u>	<u>-</u>	<u>56,977</u>	<u>1,873</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(22,148)</u>	<u>(22,148)</u>	<u>(20,813)</u>	<u>-</u>	<u>(20,813)</u>	<u>1,335</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	22,140	22,140	21,079	-	21,079	(1,061)
Proceeds of Refunding Bonds	-	-	83,025	-	83,025	83,025
Proceeds from Long-Term Capital-Related Debt	-	-	92	-	92	92
Premium on Long-Term Debt Issued	-	-	11,068	-	11,068	11,068
Payment to Bond Refunding Escrow Agent	-	-	(90,135)	-	(90,135)	(90,135)
Total Other Financing Sources and (Uses)	<u>22,140</u>	<u>22,140</u>	<u>25,129</u>	<u>-</u>	<u>25,129</u>	<u>2,989</u>
Net Change in Fund Balances	(8)	(8)	4,316	-	4,316	4,324
Fund Balances - Beginning	6,787	5,789	5,789	-	5,789	-
Fund Balances - Ending	<u>\$ 6,779</u>	<u>\$ 5,781</u>	<u>\$ 10,105</u>	<u>\$ -</u>	<u>\$ 10,105</u>	<u>\$ 4,324</u>

## Municipal Property Corporation Bond Debt Service Fund

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

For the Fiscal Year Ended June 30, 2013 (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	\$ 160	\$ -	\$ 160	\$ 15
Intergovernmental	678	678	1,763	-	1,763	1,085
Other	-	-	3	-	3	3
Total Revenues	<u>823</u>	<u>823</u>	<u>1,926</u>	<u>-</u>	<u>1,926</u>	<u>1,103</u>
<b>EXPENDITURES</b>						
Debt Service						
Principal	4,846	4,846	3,135	-	3,135	1,711
Interest and Fiscal Charges	7,767	7,767	7,011	-	7,011	756
Bond Issuance Costs	-	-	648	-	648	(648)
Total Expenditures	<u>12,613</u>	<u>12,613</u>	<u>10,794</u>	<u>-</u>	<u>10,794</u>	<u>1,819</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,790)</u>	<u>(11,790)</u>	<u>(8,868)</u>	<u>-</u>	<u>(8,868)</u>	<u>2,922</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	11,751	11,751	9,170	-	9,170	(2,581)
Premium on Long-Term Debt Issued	-	-	655	-	655	655
Total Other Financing Sources and (Uses)	<u>11,751</u>	<u>11,751</u>	<u>9,825</u>	<u>-</u>	<u>9,825</u>	<u>(1,926)</u>
Net Change in Fund Balances	(39)	(39)	957	-	957	996
Fund Balances - Beginning	8,373	9,088	9,088	-	9,088	-
Fund Balances - Ending	<u>\$ 8,334</u>	<u>\$ 9,049</u>	<u>\$ 10,045</u>	<u>\$ -</u>	<u>\$ 10,045</u>	<u>\$ 996</u>

## Special Assessments Bond Debt Service Fund

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

For the Fiscal Year Ended June 30, 2013 (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>						
Special Assessments	\$ 771	\$ 771	\$ 591	\$ -	\$ 591	\$ (180)
Total Revenues	771	771	591	-	591	(180)
<b>EXPENDITURES</b>						
Debt Service						
Principal	754	754	755	-	755	(1)
Interest and Fiscal Charges	17	17	17	-	17	-
Total Expenditures	771	771	772	-	772	(1)
(Deficiency) of Revenues over Expenditures	-	-	(181)	-	(181)	(181)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	-	-	(248)	-	(248)	(248)
Total Other Financing (Uses)	-	-	(248)	-	(248)	(248)
Net Change in Fund Balances	-	-	(429)	-	(429)	(429)
Fund Balances - Beginning	516	429	429	-	429	-
Fund Balances - Ending	\$ 516	\$ 429	\$ -	\$ -	\$ -	\$ (429)

## Scottsdale Preserve Authority Bond Debt Service Fund

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

For the Fiscal Year Ended June 30, 2013 (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	3,800	3,800	3,800	-	3,800	-
Interest and Fiscal Charges	2,686	2,686	2,686	-	2,686	-
Total Expenditures	6,486	6,486	6,486	-	6,486	-
Excess (Deficiency) of Revenues over Expenditures	(6,486)	(6,486)	(6,486)	-	(6,486)	-
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	6,486	6,486	6,486	-	6,486	-
Total Other Financing Sources and (Uses)	6,486	6,486	6,486	-	6,486	-
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances - Beginning	37	-	-	-	-	-
Fund Balances - Ending	\$ 37	\$ -	\$ -	\$ -	\$ -	\$ -



## Combining Balance Sheet

### Nonmajor Capital Projects Governmental Funds

June 30, 2013 (in thousands)

	General Obligation Bonds	Transportation Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Total
<b>ASSETS</b>					
Cash and Investments	\$ 29,426	\$ 24,252	\$ -	\$ -	\$ 53,678
Cash with Fiscal Agents	-	-	110	-	110
Receivables (net of allowance for uncollectibles)					
Interest	81	47	-	-	128
Grants	-	2,382	-	-	2,382
Miscellaneous	-	1,489	-	-	1,489
Total Assets	<u>\$ 29,507</u>	<u>\$ 28,170</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 57,787</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ -	\$ 5,330	\$ -	\$ -	\$ 5,330
Accrued Payroll and Benefits	-	20	-	-	20
Deferred Revenue					
Intergovernmental	-	2,382	-	-	2,382
Total Liabilities	<u>-</u>	<u>7,732</u>	<u>-</u>	<u>-</u>	<u>7,732</u>
Fund Balances					
Restricted	<u>29,507</u>	<u>20,438</u>	<u>110</u>	<u>-</u>	<u>50,055</u>
Total Fund Balances	<u>29,507</u>	<u>20,438</u>	<u>110</u>	<u>-</u>	<u>50,055</u>
Total Liabilities and Fund Balances	<u>\$ 29,507</u>	<u>\$ 28,170</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 57,787</u>

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

### Nonmajor Capital Projects Governmental Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

	General Obligation Bond	Transportation Privilege Tax	McDowell Mountain CFD	DC Ranch CFD	Total
<b>REVENUES</b>					
Charges for Current Services					
Building and Related Permits	\$ -	\$ 350	\$ -	\$ -	\$ 350
Interest Earnings	321	253	-	-	574
Investment Income	(166)	(86)	-	-	(252)
Intergovernmental					
Federal Grants	-	6,253	-	-	6,253
Miscellaneous	-	8,158	-	-	8,158
Developer Contributions	-	203	-	-	203
Reimbursements from Outside Sources	-	794	-	-	794
Other	186	257	-	-	443
Total Revenues	<u>341</u>	<u>16,182</u>	<u>-</u>	<u>-</u>	<u>16,523</u>
<b>EXPENDITURES</b>					
Current					
Capital Improvements	-	33,468	-	-	33,468
Total Expenditures	<u>-</u>	<u>33,468</u>	<u>-</u>	<u>-</u>	<u>33,468</u>
Excess (Deficiency) of Revenues over Expenditures	<u>341</u>	<u>(17,286)</u>	<u>-</u>	<u>-</u>	<u>(16,945)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	9,026	-	-	9,026
Transfers Out	(2,501)	(83)	-	(87)	(2,671)
Total Other Financing Sources and (Uses)	<u>(2,501)</u>	<u>8,943</u>	<u>-</u>	<u>(87)</u>	<u>6,355</u>
Net Change in Fund Balances	(2,160)	(8,343)	-	(87)	(10,590)
Fund Balances - Beginning	31,667	28,781	110	87	60,645
Fund Balances - Ending	<u>\$ 29,507</u>	<u>\$ 20,438</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 50,055</u>

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## INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the City. This allows for the internal users of services to be charged for those services based on their use.

### **Fleet Management Fund**

This fund is used to account for the expenses associated with purchasing and maintaining the City's vehicles.

### **Self-Insurance Fund**

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

### **Computer Replacement Fund**

This fund is used to account for the expenses associated with purchasing the City's computers, monitors, and printers.

## Combining Statement of Fund Net Position

### Internal Service Funds

June 30, 2013 (in thousands)

ASSETS	Fleet Management	Self-Insurance	Computer Replacement	Total
Current Assets				
Cash and Investments	\$ 10,444	\$ 20,688	\$ 607	\$ 31,739
Receivables (net of allowance for uncollectibles)				
Miscellaneous	-	428	-	428
Supplies Inventory	823	-	-	823
Total Current Assets	11,267	21,116	607	32,990
Noncurrent Assets				
Capital Assets				
Buildings and Improvements	12,447	-	-	12,447
Motor Vehicles	62,910	-	-	62,910
Machinery and Equipment	1,374	-	-	1,374
Less Accumulated Depreciation	(42,514)	-	-	(42,514)
Total Noncurrent Assets	34,217	-	-	34,217
Total Assets	45,484	21,116	607	67,207
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	721	756	-	1,477
Accrued Payroll and Benefits	126	23	-	149
Accrued Compensated Absences - Due within one year	135	24	-	159
Claims Payable - Due within one year	-	5,244	-	5,244
Total Current Liabilities	982	6,047	-	7,029
Noncurrent Liabilities				
Accrued Compensated Absences - Due in more than one year	139	35	-	174
Other Payables - Due in more than one year	-	7,638	-	7,638
Total Noncurrent Liabilities	139	7,673	-	7,812
Total Liabilities	1,121	13,720	-	14,841
<b>NET POSITION</b>				
Net Investment in Capital Assets	34,217	-	-	34,217
Unrestricted	10,146	7,396	607	18,149
Total Net Position	\$ 44,363	\$ 7,396	\$ 607	\$ 52,366

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

### Internal Service Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>OPERATING REVENUES</b>				
Charges for Sales and Services				
Billings to User Programs	\$ 17,609	\$ 22,630	\$ 835	\$ 41,074
Self Insurance Contributions - Employee	-	6,223	-	6,223
Self Insurance Contributions - Retiree	-	652	-	652
State Contributions	-	419	-	419
Other	45	1,224	-	1,269
Total Operating Revenues	17,654	31,148	835	49,637
<b>OPERATING EXPENSES</b>				
Costs of Sales and Services				
Fleet Management Operations	11,573	-	-	11,573
Self-Insurance Administration	-	2,938	-	2,938
Self-Insurance Claims	-	9,132	-	9,132
Self-Insurance Benefits	-	22,654	-	22,654
Insurance and Bond Premiums	-	542	-	542
Depreciation	4,385	-	-	4,385
Computer Replacement	-	-	983	983
Total Operating Expenses	15,958	35,266	983	52,207
Operating Income (Loss)	1,696	(4,118)	(148)	(2,570)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Property Tax	-	213	-	213
Gain on Sale of Capital Assets	249	-	-	249
Total Non-Operating Revenues	249	213	-	462
Income (Loss) Before Contributions and Transfers	1,945	(3,905)	(148)	(2,108)
Capital Contribution	-	-	-	-
Capital Contribution	1,528	-	-	1,528
Transfers Out	(7)	(1)	-	(8)
Change in Net Position	3,466	(3,906)	(148)	(588)
Total Net Position - Beginning	40,897	11,302	755	52,954
Total Net Position - Ending	\$ 44,363	\$ 7,396	\$ 607	\$ 52,366

## Combining Statement of Cash Flows

### Internal Service Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

	Fleet Management	Self-Insurance	Computer Replacement	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 17,609	\$ 29,586	\$ 835	\$ 48,030
Cash Payments to Employees for Services	(3,167)	(1,028)	-	(4,195)
Cash Payments to Suppliers for Goods/Services	(8,738)	(31,506)	(1,002)	(41,246)
Other Cash Receipts	45	1,224	-	1,269
Net Cash Provided by (Used for) Operating Activities	<u>5,749</u>	<u>(1,724)</u>	<u>(167)</u>	<u>3,858</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Property Tax	-	213	-	213
Transfers Out	(7)	(1)	-	(8)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(7)</u>	<u>212</u>	<u>-</u>	<u>205</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(6,269)	-	-	(6,269)
Sale of Capital Assets	323	-	-	323
Net Cash Used for Capital and Related Financing Activities	<u>(5,946)</u>	<u>-</u>	<u>-</u>	<u>(5,946)</u>
Net Decrease in Cash and Cash Equivalents	(204)	(1,512)	(167)	(1,883)
Cash and Cash Equivalents at Beginning of Year	<u>10,648</u>	<u>22,200</u>	<u>774</u>	<u>33,622</u>
Cash and Cash Equivalents at End of Year	<u>\$ 10,444</u>	<u>\$ 20,688</u>	<u>\$ 607</u>	<u>\$ 31,739</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 1,696	\$ (4,118)	\$ (148)	\$ (2,570)
Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Depreciation	4,385	-	-	4,385
Accounts Receivable	-	(338)	-	(338)
Inventories	(101)	-	-	(101)
Accounts Payable	(194)	472	(19)	259
Accrued Payroll	(5)	(12)	-	(17)
Compensated Absences Payable	(33)	-	-	(33)
Claims Payable	-	2,271	-	2,271
Net Other Post Employment Benefit	1	1	-	2
Total Adjustments	<u>4,053</u>	<u>2,394</u>	<u>(19)</u>	<u>6,428</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 5,749</u>	<u>\$ (1,724)</u>	<u>\$ (167)</u>	<u>\$ 3,858</u>

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## FIDUCIARY FUNDS

Private Purpose Trust Funds and 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 responsibilities placed on the governmental unit by virtue of law or other similar authority.

### **Handicap Scholarship Private Purpose Trust Fund**

This fund accounts for monies received and expended for college scholarships for individuals with disabilities.

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

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

### **Retainage Escrow Agency Fund**

This fund accounts for monies held in escrow for construction contract retainage payable.

### **Crossroads East Development Agreement**

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

## Combining Statement of Fiduciary Net Position

### Fiduciary Funds

June 30, 2013 (in thousands)

	Private Purpose Trust Funds		Agency Funds			
	Handicap Scholarship Private Purpose Trust Fund	Total	Family Self- Sufficiency Agency Fund	Retainage Escrow Agency Fund	Crossroads East Dev Agreement Agency Fund	Total
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 3	\$ 3	\$ 75	\$ 1,720	\$ 1,415	\$ 3,210
Total Assets	3	3	75	1,720	1,415	3,210
<b>LIABILITIES</b>						
Escrow Payable Vouchers	-	-	75	-	-	75
Designated Escrow Payable	-	-	-	1,720	-	1,720
State Land Department Rebate	-	-	-	-	1,415	1,415
Total Liabilities	-	-	\$ 75	\$ 1,720	\$ 1,415	\$ 3,210
<b>NET POSITION</b>						
Held in Trust for Other Purposes	\$ 3	\$ 3				



## Combining Statement of Changes in Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2013 (in thousands)

	Family Self-Sufficiency			Retainage Escrow				Crossroads East Dev Agreement				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ 75	\$ 50	\$ 50	\$ 75	\$ 1,720	\$ 1,720	\$ 1,720	\$ 1,720	\$ 1,415	\$ -	\$ -	\$ 1,415
Total Assets	<u>\$ 75</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 75</u>	<u>\$ 1,720</u>	<u>\$ 1,720</u>	<u>\$ 1,720</u>	<u>\$ 1,720</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415</u>
<b>LIABILITIES</b>												
Escrow Payable Vouchers	\$ 75	\$ 50	\$ 50	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Designated Escrow Payable	-	-	-	-	1,720	1,720	1,720	1,720	-	-	-	-
State Land Department Rebate	-	-	-	-	-	-	-	-	1,415	-	-	1,415
Total Liabilities	<u>\$ 75</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 75</u>	<u>\$ 1,720</u>	<u>\$ 1,720</u>	<u>\$ 1,720</u>	<u>\$ 1,720</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415</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 debt 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 Year Ended June 30, 2013 (in thousands of dollars)

	**Restated July 1, 2012	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2013	Governmental Activities	Business-type Activities	Final Payment Date
<b>GENERAL OBLIGATION BONDS</b>										
Governmental Fund Type:										
1997 GO Refunding	\$ 2,605	\$ -	\$ 1,255	\$ -	\$ -	\$ -	\$ 1,350	\$ 1,350	\$ -	07/01/14
2002 GO Refunding Various Purpose	17,720	-	5,430	-	-	-	12,290	12,290	-	07/01/19
2002 GO Refunding Preservation	8,100	-	-	-	-	-	8,100	8,100	-	07/01/19
2003 GO Refunding Various Purpose	1,375	-	1,375	-	-	-	-	-	-	07/01/13
2004 GO Various Purpose	48,000	-	-	-	38,525	-	9,475	9,475	-	07/01/25
2004 GO Preservation	48,700	-	2,100	-	44,500	-	2,100	2,100	-	07/01/25
2005 GO Refunding Various Purpose	5,825	-	4,300	-	-	-	1,525	1,525	-	07/01/24
2005 GO Refunding Preservation	66,090	-	-	-	-	-	66,090	66,090	-	07/01/24
2005A GO Various Purpose	105,250	-	5,500	-	-	-	99,750	99,750	-	07/01/24
2005B GO Preservation	14,875	-	975	-	-	-	13,900	13,900	-	07/01/24
2008A GO Various Purpose	100,000	-	3,075	-	-	-	96,925	96,925	-	07/01/28
2008B GO Preservation	18,150	-	525	-	-	-	17,625	17,625	-	07/01/34
2010 GO Various Purpose Bonds	48,800	-	1,150	-	-	-	47,650	47,650	-	07/01/30
2011 GO Preserve	21,785	-	755	-	-	-	21,030	21,030	-	07/01/34
2011 GO Refunding Various Purpose	4,445	-	-	-	-	-	4,445	4,445	-	07/01/18
2011 GO Refunding Preservation	32,705	-	3,645	-	-	-	29,060	29,060	-	07/01/24
2012 GO Preservation	50,000	-	-	-	-	-	50,000	50,000	-	07/01/34
2012 GO Refunding Various Purpose	-	-	91	38,525	-	-	38,434	38,434	-	07/01/25
2012 GO Refunding Preservation	-	-	114	44,500	-	-	44,386	44,386	-	07/01/25
2013 GO Preserve	-	75,000	-	-	-	-	75,000	75,000	-	07/01/34
2004 GO Series Deferred Issuance Premium	618	-	-	-	530	(30)	58	58	-	-
2005 GO Series Deferred Amount on Refunding	(1,996)	-	-	-	-	277	(1,719)	(1,719)	-	-
2005 GO Refunding Series Deferred Issuance Premium	1,534	-	-	-	-	(216)	1,318	1,318	-	-
2005A GO Series Deferred Issuance Premium	1,548	-	-	-	-	(134)	1,414	1,414	-	-
2005B GO Series Deferred Issuance Premium	246	-	-	-	-	(20)	226	226	-	-
2008A GO Series Deferred Issuance Premium	1,771	-	-	-	-	(111)	1,660	1,660	-	-
2008B GO Series Deferred Issuance Premium	119	-	-	-	-	(6)	113	113	-	-
2010 GO Bonds Deferred Issuance Premium	748	-	-	-	-	(42)	706	706	-	-
2011 GO Preserve Series Deferred Issuance Premium	247	-	-	-	-	(12)	235	235	-	-
2011 GO Series Deferred Amount on Refunding	(1,697)	-	-	-	-	74	(1,623)	(1,623)	-	-
2011 GO Refunding Series Deferred Issuance Premium	3,461	-	-	-	-	(294)	3,167	3,167	-	-
2012 GO Preserve Deferred Issuance Premium	2,402	-	-	-	-	(112)	2,290	2,290	-	-
2012 GO Refunding Series Deferred Issuance Premium	-	-	-	7,968	-	(613)	7,355	7,355	-	-
2012 GO Series Deferred Amount on Refunding	-	-	-	(6,668)	-	513	(6,155)	(6,155)	-	-
2013 GO Preserve Deferred Issuance Premium	-	3,100	-	-	-	(56)	3,044	3,044	-	-
Total General Obligation Bonds	\$ 603,426	\$ 78,100	\$ 30,290	\$ 84,325	\$ 83,555	\$ (782)	\$ 651,224	\$ 651,224	\$ -	-
<b>REVENUE BONDS</b>										
Business Type - Revenue Bonds										
2004 Utility Revenue Series Refunding	\$ 5,770	\$ -	\$ 2,900	\$ -	\$ -	\$ -	\$ 2,870	\$ -	\$ 2,870	07/01/16
2008 Utility Revenue Series Refunding	32,860	-	215	-	-	-	32,645	-	32,645	07/01/23
2008 Revenue Series Deferred Amount on Refunding	(523)	-	-	-	-	49	(474)	-	(474)	-
2008 Refunding Series Deferred Issuance Premium	3,050	-	-	-	-	(288)	2,762	-	2,762	-
Total Revenue Bonds	\$ 41,157	\$ -	\$ 3,115	\$ -	\$ -	\$ (239)	\$ 37,803	\$ -	\$ 37,803	-

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

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

For the Year Ended June 30, 2013 (in thousands of dollars)

(continued here and on following page)

	**Restated July 1, 2012	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2013	Governmental Activities	Business-type Activities	Final Payment Date
<b>MUNICIPAL PROPERTY CORPORATION BONDS</b>										
Governmental Fund Type:										
2004A MPC	\$ 6,935	\$ -	\$ 1,010	\$ -	\$ -	\$ -	5,925	\$ 5,925	\$ -	07/01/19
2005 MPC	23,487	-	610	-	-	812	23,689	23,689	-	07/01/21
2005D MPC	19,250	-	225	-	-	-	19,025	19,025	-	07/01/35
2006 MPC Refunding	55,450	-	-	-	-	-	55,450	55,450	-	07/01/34
2006A MPC	8,305	-	290	-	-	-	8,015	8,015	-	07/01/31
2006B MPC	31,550	-	1,000	-	-	-	30,550	30,550	-	07/01/31
2013A MPC	-	26,295	-	-	-	-	26,295	26,295	-	07/01/28
2013B MPC	-	1,440	-	-	-	-	1,440	1,440	-	07/01/33
2013C MPC	-	37,265	-	-	-	-	37,265	37,265	-	07/01/33
2004A Series Deferred Issuance Premium	122	-	-	-	-	(18)	104	104	-	-
2005 Series Deferred Issuance Premium	215	-	-	-	-	(24)	191	191	-	-
2005D Series Deferred Issuance Premium	874	-	-	-	-	(38)	836	836	-	-
2006 Series Deferred Amount on Refunding	(1,898)	-	-	-	-	89	(1,809)	(1,809)	-	-
2006 Refunding Series Deferred Issuance Premium	5,436	-	-	-	-	(247)	5,189	5,189	-	-
2006A Series Deferred Issuance Premium	91	-	-	-	-	(3)	88	88	-	-
2006B Series Deferred Issuance Premium	166	-	-	-	-	(8)	158	158	-	-
2013A MPC Series Deferred Issuance Premium	-	4,971	-	-	-	(124)	4,847	4,847	-	-
2013B MPC Series Deferred Issuance Premium	-	200	-	-	-	(4)	196	196	-	-
2013C MPC Series Deferred Issuance Premium	-	5,044	-	-	-	(95)	4,949	4,949	-	-
Subtotal	149,983	75,215	3,135	-	-	340	222,403	222,403	-	-
Business Type - Municipal Property Corporation Bonds										
2004 Water/Sewer	6,965	-	3,420	-	-	-	3,545	-	3,545	07/01/14
2005E Water/Sewer	11,430	-	2,600	-	-	-	8,830	-	8,830	07/01/16
2006 MPC Refunding	110,510	-	-	-	-	-	110,510	-	110,510	07/01/30
2008A Water/Sewer	96,050	-	2,900	-	-	-	93,150	-	93,150	07/01/32
2010 MPC Bonds Water/Sewer	74,820	-	300	-	-	-	74,520	-	74,520	07/01/36
2004 Water/Sewer Deferred Issuance Premium	356	-	-	-	-	(180)	176	-	176	-
2005E Water Deferred Issuance Premium	317	-	-	-	-	(79)	238	-	238	-
2006 Refunding Series Deferred Issuance Premium	9,917	-	-	-	-	(451)	9,466	-	9,466	-
2006 Series Deferred Amount on Refunding	(3,972)	-	-	-	-	550	(3,422)	-	(3,422)	-
2008A Series Deferred Issuance Premium	3,886	-	-	-	-	(196)	3,690	-	3,690	-
2010 Water/Sewer Deferred Issuance Premium	3,226	-	-	-	-	(136)	3,090	-	3,090	-
Subtotal	313,505	-	9,220	-	-	(492)	303,793	-	303,793	-
Total Municipal Property Corporation Bonds	\$ 463,488	\$ 75,215	\$ 12,355	\$ -	\$ -	\$ (152)	\$ 526,196	\$ 222,403	\$ 303,793	-
<b>SCOTTSDALE PRESERVE AUTHORITY BONDS</b>										
Governmental Fund Type:										
2004 Excise Tax Refunding	\$ 12,315	\$ -	\$ 2,860	\$ -	\$ -	\$ -	9,455	\$ 9,455	\$ -	07/01/16
2010 Excise Tax Refunding	32,855	-	-	-	-	-	32,855	32,855	-	07/01/24
2011 Excise Tax Refunding	11,095	-	940	-	-	-	10,155	10,155	-	07/01/22
2004 Excise Tax Revenue Deferred Issuance Premium	713	-	-	-	-	(239)	474	474	-	-
2004 Excise Tax Revenue Deferred Amount on Refunding	(674)	-	-	-	-	227	(447)	(447)	-	-
2010 Excise Tax Revenue Deferred Issuance Premium	4,263	-	-	-	-	(346)	3,917	3,917	-	-
2010 Excise Tax Revenue Deferred Amount on Refunding	(588)	-	-	-	-	48	(540)	(540)	-	-
2011 Excise Tax Revenue Deferred Issuance Premium	991	-	-	-	-	(102)	889	889	-	-
2011 Excise Tax Revenue Deferred Amount on Refunding	(666)	-	-	-	-	62	(604)	(604)	-	-
Total Scottsdale Preserve Authority Bonds	\$ 60,304	\$ -	\$ 3,800	\$ -	\$ -	\$ (350)	\$ 56,154	\$ 56,154	\$ -	-
<b>SPECIAL ASSESSMENT BONDS</b>										
Governmental Fund Type:										
Bell Road II Series 106	\$ 750	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

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

Schedule of Changes in Long-Term Debt\*

(continued)

For the Year Ended June 30, 2013 (in thousands of dollars)

	**Restated July 1, 2012	Issued	Retired	Refunding Bonds Issued	Bonds Defeased	Accretions, Amortizations & Contract Adjustments	June 30, 2013	Governmental Activities	Business-type Activities	Final Payment Date
<b>CERTIFICATES OF PARTICIPATION</b>										
Governmental Fund Type:										
Series 2010-Public Safety Communications Project	\$ 18,031	\$ -	\$ 2,028	\$ -	\$ -	\$ -	16,003	\$ 16,003	\$ -	07/01/20
<b>COMMUNITY FACILITIES DISTRICT BONDS</b>										
Governmental Fund Type:										
McDowell Mtn Ranch Refunding Series 1999	\$ 11,555	\$ -	\$ 11,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	07/15/22
DC Ranch Series 1998	3,290	-	3,290	-	-	-	-	-	-	07/15/23
Via Linda Road Series 1999	2,180	-	2,180	-	-	-	-	-	-	07/15/23
DC Ranch Series 1999	2,260	-	2,260	-	-	-	-	-	-	07/15/24
Scottsdale Mountain Refunding Series 2002	2,270	-	390	-	-	-	1,880	1,880	-	07/15/18
DC Ranch Series 2002	9,455	-	335	-	9,120	-	-	-	-	07/15/27
Waterfront Commercial Series 2007	3,630	-	85	-	-	-	3,545	3,545	-	07/15/32
DC Ranch Refunding Series 2012	-	-	555	14,670	-	-	14,115	14,115	-	07/15/27
McDowell Mtn Ranch Refunding Series 2012	-	-	1,075	11,555	-	-	10,480	10,480	-	07/15/22
Via Linda Road Refunding Series 2012	-	-	135	2,000	-	-	1,865	1,865	-	07/15/23
Scottsdale Mountain 2002 Deferred Issuance Premium	6	-	-	-	-	-	6	6	-	-
DC Ranch 2002 Deferred Issuance Premium	39	-	-	-	39	-	-	-	-	-
DC Ranch 2012 Deferred Issuance Premium	-	-	-	582	-	(31)	551	551	-	-
DC Ranch 2012 Deferred Amount on Refunding	-	-	-	(591)	-	31	(560)	(560)	-	-
McDowell Mnt Ranch 2012 Deferred Issuance Premium	-	-	-	217	-	(16)	201	201	-	-
Total Community Facilities District Bonds	34,685	-	21,860	28,433	9,159	(16)	32,083	32,083	-	-
Total Bonds	\$ 1,221,841	\$ 153,315	\$ 74,198	\$ 112,758	\$ 92,714	\$ (1,539)	\$ 1,319,463	\$ 977,867	\$ 341,596	-
<b>CONTRACTS PAYABLE**</b>										
Governmental Fund Type:										
US Corps of Engineers	\$ 2,614	\$ -	\$ 44	\$ -	\$ -	\$ -	2,570	2,570	\$ -	2032
McDowell Sonoran Preserve	910	-	910	-	-	-	-	-	-	2013
Bureau of Reclamation\Westworld	-	-	-	-	-	-	-	-	-	2032
Bureau of Reclamation\TPC	-	-	-	-	-	-	-	-	-	2035
Underground Improvement District Series 104	5	-	5	-	-	-	-	-	-	2013
Total Contracts	\$ 3,529	\$ -	\$ 959	\$ -	\$ -	\$ -	2,570	2,570	\$ -	-
<b>CAPITAL LEASES**</b>										
Governmental Fund Type:										
Field Maintenance Equipment - Community Services	\$ 79	\$ -	\$ 20	\$ -	\$ -	\$ -	59	59	\$ -	2016
Copier Equipment - Administrative Services	136	-	95	-	-	-	41	41	-	2014
Copier Equipment - Administrative Services	107	-	67	-	-	-	40	40	-	2014
Street Maintenance Equipment - Public Works	69	-	26	-	-	-	43	43	-	2015
Total Capital Leases	\$ 391	\$ -	\$ 208	\$ -	\$ -	\$ -	183	183	\$ -	-
<b>SERVICE CONCESSION ARRANGEMENTS</b>										
Governmental Fund Type:										
Bureau of Reclamation\Westworld	\$ 1,599	\$ -	\$ 80	\$ -	\$ -	\$ -	1,519	1,519	\$ -	2032
Bureau of Reclamation\TPC	1,699	-	74	-	-	-	1,625	1,625	-	2035
Total Service Concession Arrangements	\$ 3,298	\$ -	\$ 154	\$ -	\$ -	\$ -	3,144	3,144	\$ -	-
TOTAL BONDS, CONTRACTS, CAPITAL LEASES, AND SERVICE CONCESSION ARRANGEMENTS	\$ 1,229,059	\$ 153,315	\$ 75,519	\$ 112,758	\$ 92,714	\$ (1,539)	\$ 1,325,360	\$ 983,764	\$ 341,596	-
Compensated Absences								23,906	3,007	
Other Post-Employment Benefit - Explicit Subsidy								288	-	
Risk Management Claims								12,882	-	
Total Long-Term Debt								\$ 1,020,840	\$ 344,603	

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

\*\*Beginning balances for the Contracts Payables for the Bureau of Reclamation, Capital Leases, and Service Concession Arrangements were restated as a result of the implementation of GASB Statements No. 60 and 62.

## Statistical Section

### Contents

### Page

#### Financial Trends

144

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### Revenue Capacity

153

These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sale and use taxes.

#### Debt Capacity

160

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### Demographic and Economic Information

166

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

#### Operating Information

168

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 1,548,486	\$ 1,877,955	\$ 2,029,375	\$ 2,198,130	\$ 2,353,573	\$ 2,586,731	\$ 2,729,334	\$ 2,704,433	\$ 2,800,451	\$ 2,756,186
Restricted	199,767	78,794	102,293 <sup>(1)</sup>	108,686	189,540	131,732	97,950	91,862	100,275	100,472
Unrestricted	127,017	195,887	172,530 <sup>(1)</sup>	206,386	90,632	83,884	87,698	108,799	74,124	133,897
Total Governmental Activities Net Position	<u>\$ 1,875,270</u>	<u>\$ 2,152,636</u>	<u>\$ 2,304,198</u>	<u>\$ 2,513,202</u>	<u>\$ 2,633,745</u>	<u>\$ 2,802,347</u>	<u>\$ 2,914,982</u>	<u>\$ 2,905,094</u>	<u>\$ 2,974,850</u>	<u>\$ 2,990,555 <sup>(2)</sup></u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 653,351	\$ 756,433	\$ 806,749	\$ 895,636	\$ 909,632	\$ 991,390	\$ 941,884	\$ 1,009,973	\$ 1,036,985	\$ 1,058,880
Restricted	20,842	23,472	27,000	33,649	26,147	26,568	32,244	36,287	38,576	41,545
Unrestricted	272,431	212,957	239,535	224,607	293,090	239,103	307,279	258,395	243,067	242,763
Total Business-Type Activities Net Position	<u>\$ 946,624</u>	<u>\$ 992,862</u>	<u>\$ 1,073,284</u>	<u>\$ 1,153,892</u>	<u>\$ 1,228,869</u>	<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>
Primary Government										
Net Investment in Capital Assets	\$ 2,201,837	\$ 2,634,388	\$ 2,836,124	\$ 3,093,766	\$ 3,263,205	\$ 3,578,121	\$ 3,671,218	\$ 3,714,406	\$ 3,837,436	\$ 3,815,066
Restricted	220,609	102,266	129,293	142,335	215,687	158,300	130,194	128,149	138,851	142,017
Unrestricted	399,448	408,844	412,065	430,993	383,722	322,987	394,977	367,194	317,191	376,660
Total Primary Government Net Position	<u>\$ 2,821,894</u>	<u>\$ 3,145,498</u>	<u>\$ 3,377,482</u>	<u>\$ 3,667,094</u>	<u>\$ 3,862,614</u>	<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>

<sup>(1)</sup>Restated restricted and unrestricted net position related to the classification of unspent bond proceeds.

<sup>(2)</sup>In FY2013, beginning net position was restated due to the implementation of GASB Statements 60 and 62.

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

Table IIa

	Fiscal Year									
	2004	2005 <sup>(1)</sup>	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011 <sup>(3)</sup>	2012 <sup>(4)</sup>	2013
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 23,839	\$ 30,943	\$ 42,729	\$ 45,682	\$ 40,698	\$ 20,646	\$ 24,351	\$ 21,495	\$ 18,964	\$ 20,985
Public Works	-	-	-	-	-	-	37,143	35,605	34,416	36,405
Community and Economic Development	-	-	-	-	-	-	-	134,221	126,622	147,514
Public Safety	-	-	-	-	-	-	116,155	111,227	115,740	118,033
Human Resources	3,462	3,333	3,615	3,800	4,790	3,545	3,717	3,047	-	-
Community Services	55,087	57,519	57,931	70,527	78,285	78,523	53,596	51,974	54,442	56,382
Information Technology	-	-	-	-	-	-	14,876	13,491	-	-
Administrative Services	-	-	-	-	-	-	1,917	2,905	17,318	16,863
Citizen and Neighborhood Resources	2,812	3,496	3,419	3,727	3,663	3,802	-	-	-	-
Economic Vitality	6,130	8,026	7,549	9,475	9,711	8,553	20,676	-	-	-
Finance and Accounting	-	-	-	-	-	-	5,848	-	-	-
Financial Services	7,655	8,315	8,343	9,843	10,930	9,913	-	-	-	-
Fire	19,570	28,620	26,943	28,054	31,943	31,174	-	-	-	-
Information Services	11,135	7,941	14,589	13,329	13,704	13,723	-	-	-	-
Municipal Services	13,024	16,520	14,746	17,698	20,153	22,887	-	-	-	-
Planning and Development	11,697	12,522	12,883	15,133	31,933	29,029	-	-	-	-
Planning, Neighborhood and Transportation	-	-	-	-	-	-	114,530	-	-	-
Police	60,027	63,076	74,408	81,375	91,102	92,530	-	-	-	-
The Downtown Group	-	-	-	-	-	4,595	-	-	-	-
Transportation	78,373	85,835	82,047	95,214	90,039	87,552	-	-	-	-
WestWorld	-	-	-	-	-	595	-	-	-	-
Streetlight and Service Districts	1,024	1,094	617	597	712	631	538	578	572	569
Interest on Long-Term Debt	28,028	32,466	37,192	38,981	39,457	42,242	39,405	40,358	40,647	38,389
Total Governmental Activities Expenses	<u>321,863</u>	<u>359,706</u>	<u>387,011</u>	<u>433,435</u>	<u>467,120</u>	<u>449,940</u>	<u>432,752</u>	<u>414,901</u>	<u>408,721</u>	<u>435,140</u>
Business-Type Activities:										
Water Utility	51,095	59,723	53,961	64,915	71,140	81,391	76,178	83,888	90,829	90,205
Sewer Utility	24,678	28,324	27,854	26,089	26,947	33,509	33,274	34,533	41,218	43,169
Airport	2,622	3,346	2,922	2,958	3,343	3,482	3,120	3,680	3,681	3,785
Solid Waste	15,153	15,508	16,412	17,895	18,772	19,650	18,889	18,853	17,671	19,146
Total Business-Type Activities Expenses	<u>93,548</u>	<u>106,901</u>	<u>101,149</u>	<u>111,857</u>	<u>120,202</u>	<u>138,032</u>	<u>131,461</u>	<u>140,954</u>	<u>153,399</u>	<u>156,305</u>
<b>Total Primary Government Expenses</b>	<u>\$ 415,411</u>	<u>\$ 466,607</u>	<u>\$ 488,160</u>	<u>\$ 545,292</u>	<u>\$ 587,322</u>	<u>\$ 587,972</u>	<u>\$ 564,213</u>	<u>\$ 555,855</u>	<u>\$ 562,120</u>	<u>\$ 591,445</u>

<sup>(1)</sup>Increase from prior year was caused by the purchase of equipment, furnishing and clothing needed to start the City's Fire Department on July 1, 2005.

<sup>(2)</sup>In FY2010, the City's Governmental Activities were restructured from Departments to Divisions, which resulted in the shift of reporting associated expenses.

<sup>(3)</sup>In FY2011, 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>(4)</sup>In FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.



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

Table IIB

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Program Revenue</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 12,742	\$ 12,106	\$ 13,783	\$ 14,102	\$ 15,581	\$ 14,670	\$ 13,982	\$ 4,777	\$ 3,965	\$ 4,340
Public Works	-	-	-	-	-	-	-	4,666	3,543	1,498
Community and Economic Development	-	-	-	-	-	-	-	9,604 <sup>(4)</sup>	10,958	14,736
Public Safety	-	-	-	-	-	-	12,655	9,917	10,102	9,139
Human Resources	-	-	-	-	-	-	-	973	-	-
Community Services	3,759	3,914	4,028	4,388	4,637	4,619	5,773	4,617	5,573	5,523
Information Technology	-	-	-	-	-	-	-	2,485	-	-
Administrative Services	-	-	-	-	-	-	-	635	2,549	3,155
Planning, Neighborhood, and Transportation	-	-	-	-	-	-	6,837	-	-	-
Citizen and Neighborhood Resources	-	-	163	228	21	-	-	-	-	-
Economic Vitality	-	-	-	-	-	-	2,552	-	-	-
Fire	-	-	1,010 <sup>(1)</sup>	1,155	1,095	2,275	-	-	-	-
Planning and Development	17,314	18,188	20,515	16,128	12,800	6,393	-	-	-	-
Police	6,760	11,514	9,938	15,071	16,664	5,703	-	-	-	-
Transportation	-	-	277	326	-	-	-	-	-	-
WestWorld	-	-	-	-	-	2,682	-	-	-	-
Streetlight and Service Districts	1,000	998	511	546	595	599	289	478	551	551
Operating Grants and Contributions	24,508	26,865	26,355	29,293	28,409	26,272	29,319	32,205	28,144	31,255
Capital Grants and Contributions	105,794	73,092	136,745 <sup>(2)</sup>	211,707 <sup>(3)</sup>	157,808	240,289	190,279	41,072	112,163	66,917
Total Governmental Activities Program Revenues	<u>171,877</u>	<u>146,677</u>	<u>213,325</u>	<u>292,944</u>	<u>237,610</u>	<u>303,502</u>	<u>261,686</u>	<u>111,429</u>	<u>177,548</u>	<u>137,114</u>
Business-Type Activities:										
Charges for Services:										
Water Utility	70,613	72,612	81,517	84,381	90,741	91,546	94,199	94,056	97,944	100,615
Sewer Utility	25,587	27,503	27,119	32,250	33,930	34,198	35,027	34,533	36,032	36,939
Airport	2,936	3,162	3,342	3,451	3,380	2,813	2,879	2,816	3,248	3,552
Solid Waste	16,488	16,984	17,163	18,490	19,824	20,049	20,269	20,940	20,744	20,458
Capital Grants and Contributions	71,709	38,313	55,580	55,111	50,679	22,067	9,268	17,889	8,607	25,638
Total Business-Type Activities Revenues	<u>187,333</u>	<u>158,574</u>	<u>184,721</u>	<u>193,683</u>	<u>198,554</u>	<u>170,673</u>	<u>161,642</u>	<u>170,234</u>	<u>166,575</u>	<u>187,202</u>
Total Primary Government Revenues	<u>\$ 359,210</u>	<u>\$ 305,251</u>	<u>\$ 398,046</u>	<u>\$ 486,627</u>	<u>\$ 436,164</u>	<u>\$ 474,175</u>	<u>\$ 423,328</u>	<u>\$ 281,663</u>	<u>\$ 344,123</u>	<u>\$ 324,316</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (149,986)	\$ (213,029)	\$ (173,686)	\$ (140,491)	\$ (229,510)	\$ (146,438)	\$ (171,066)	\$ (303,472)	\$ (231,173)	\$ (298,026)
Business-Type Activities	93,785	51,673	83,572	81,826	78,352	32,641	30,181	29,280	13,176	30,897
Total Primary Government Net Expense	<u>\$ (56,201)</u>	<u>\$ (161,356)</u>	<u>\$ (90,114)</u>	<u>\$ (58,665)</u>	<u>\$ (151,158)</u>	<u>\$ (113,797)</u>	<u>\$ (140,885)</u>	<u>\$ (274,192)</u>	<u>\$ (217,997)</u>	<u>\$ (267,129)</u>

<sup>(1)</sup> The City's Fire Department was formed on July 1, 2005. Prior to this time the City contracted with an external fire service provider.

<sup>(2)</sup> Developer contributions increased significantly due to the increase in the assets donated and their valuation (increase in construction costs and land values).

<sup>(3)</sup> Developer contributions increased significantly due to the increase in the assets donated and their valuation (increase in construction costs).

<sup>(4)</sup> In FY2011, Economic Vitality was merged with Planning, Neighborhood and Transportation, to become the Community and Economic Development Division.

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

Table IIc

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes	\$ 183,039	\$ 217,325 <sup>(1)</sup>	\$ 240,731	\$ 249,411	\$ 246,330	\$ 221,272	\$ 208,083	\$ 222,118	\$ 227,963	\$ 234,582
Intergovernmental	45,163	48,346	54,481	60,520	65,933	64,145	56,830	49,190	44,035	49,054
Interest and Investment Income	2,655	6,765	13,714	23,013	19,187	14,653	1,368	248	1,063	985
Miscellaneous and Special Items	2,777	4,100	5,786	5,377	7,606	5,038	6,730	11,849	20,502	12,557
Transfers	11,037	9,567	10,536	11,174	10,997	9,932	10,690	10,179	7,366	7,244
Total Governmental Activities	<u>244,671</u>	<u>286,103</u>	<u>325,248</u>	<u>349,495</u>	<u>350,053</u>	<u>315,040</u>	<u>283,701</u>	<u>293,584</u>	<u>300,929</u>	<u>304,422</u>
Business-Type Activities:										
Taxes	-	-	119	195	195	117	130	134	132	144
Interest and Investment Income	973	4,288	6,581	9,265	6,910	4,958	4,295	2,658	421	763
Miscellaneous	905	(156)	686	496	517	408	430	1,355	7,610	-
Transfers	(11,037)	(9,567)	(10,536)	(11,174)	(10,997)	(9,932)	(10,690)	(10,179)	(7,366)	(7,244)
Total Business-Type Activities:	<u>(9,159)</u>	<u>(5,435)</u>	<u>(3,150)</u>	<u>(1,218)</u>	<u>(3,375)</u>	<u>(4,449)</u>	<u>(5,835)</u>	<u>(6,032)</u>	<u>797</u>	<u>(6,337)</u>
Total Primary Government	<u>\$ 235,512</u>	<u>\$ 280,668</u>	<u>\$ 322,098</u>	<u>\$ 348,277</u>	<u>\$ 346,678</u>	<u>\$ 310,591</u>	<u>\$ 277,866</u>	<u>\$ 287,552</u>	<u>\$ 301,726</u>	<u>\$ 298,085</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 94,685	\$ 73,074	\$ 151,562	\$ 209,004	\$ 120,543	\$ 168,602	\$ 112,635	\$ (9,888)	\$ 69,756	\$ 6,396
Business-Type Activities	84,626	46,238	80,422	80,608	74,977	28,192	24,346	23,248	13,973	24,560
Total Primary Government	<u>\$ 179,311</u>	<u>\$ 119,312</u>	<u>\$ 231,984</u>	<u>\$ 289,612</u>	<u>\$ 195,520</u>	<u>\$ 196,794</u>	<u>\$ 136,981</u>	<u>\$ 13,360</u>	<u>\$ 83,729</u>	<u>\$ 30,956</u>

<sup>(1)</sup>In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

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

Table III

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013
General Fund										
Nonspendable								\$ 247	\$ 264	\$ 265
Restricted								281	260	-
Committed								-	-	-
Assigned								-	-	-
Unassigned								53,199	52,105	48,679
Reserved	\$ 2,153	\$ 872	\$ 805	\$ 754	\$ 924	\$ 835	\$ 586	-	-	-
Unreserved	59,707	72,772	93,243	89,534	61,379	59,587	51,518	-	-	-
Total General Fund	<u>\$ 61,860</u>	<u>\$ 73,644</u>	<u>\$ 94,048</u>	<u>\$ 90,288</u>	<u>\$ 62,303</u>	<u>\$ 60,422</u>	<u>\$ 52,104</u>	<u>\$ 53,727</u>	<u>\$ 52,629</u>	<u>\$ 48,944</u>
All Other Governmental Funds										
Nonspendable								\$ 3,000	\$ 2,980	\$ -
Restricted								104,284	108,073	114,676
Committed								6,221	7,345	16,298
Assigned								36,609	37,183	39,666
Unassigned, Reported in:										
Special Revenue Funds								(640)	(447)	(1,394)
Reserved	\$ 9,122	\$ 10,613	\$ 23,142	\$ 21,249	\$ 25,600	\$ 27,236	\$ 20,193	-	-	-
Unreserved, Reported in:										
Special Revenue Funds	22,122	31,873	40,952	52,484	35,179	30,710	30,963	-	-	-
Capital Project Funds	224,422	148,626	189,905	179,477	212,676	102,898	102,490	-	-	-
Total All Other Governmental Funds	<u>\$ 255,666</u>	<u>\$ 191,112</u>	<u>\$ 253,999</u>	<u>\$ 253,210</u>	<u>\$ 273,455</u>	<u>\$ 160,844</u>	<u>\$ 153,646</u>	<u>\$ 149,474</u>	<u>\$ 155,134</u>	<u>\$ 169,246</u>

<sup>(1)</sup>In FY2011, fund balances were stated in classifications required by GASB54.

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

Table IVa

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes - Local	\$ 182,362	\$ 218,189	\$ 239,478	\$ 251,017	\$ 246,175	\$ 219,846	\$ 204,040	\$ 221,236	\$ 228,823	\$ 236,652
Taxes - Intergovernmental	58,716	61,948	69,413	76,545	81,246	77,408	69,336	61,754	53,834	59,813
Business and Liquor Licenses	1,813	1,633	1,572	1,626	1,761	1,733	1,787	1,745	1,805	1,763
Charges for Current Services	22,401	23,300	27,260	23,291	20,376	15,719	15,322	15,119	16,985	20,870
Fines, Fees, and Forfeitures	6,921	9,649	10,260	14,779	15,210	11,459	11,637	8,579	9,133	8,472
Special Assessments	2,558	2,029	1,106	1,825	895	821	765	733	719	591
Property Rental	3,212	3,617	4,173	3,868	3,733	3,527	3,353	4,204	4,630	4,232
Interest Earnings	2,385	6,053	12,518	21,083	17,298	13,491	5,014	2,705	2,837	2,624
Investment Income	-	-	-	-	-	-	(4,696)	(3,397)	(1,403)	(1,639)
Intergovernmental	11,810	11,771	13,129	15,763	15,552	31,813	17,756	52,300	67,725	53,462
Developer Contributions	762	4,708	392	2,024	7,775	9,425	2,518	254	101	203
Streetlight and Services Districts	1,000	998	511	546	595	599	289	478	551	551
Contributions and Donations	647	917	835	1,878	1,673	1,519	1,275	1,157	2,521	2,813
Reimbursements from Outside Sources	1,659	461	969	568	1,824	1,210	2,852	4,673	12,642	5,934
Indirect Costs	8,729	8,635	9,898	10,208	11,577	14,917	14,159	14,800	9,096	7,595
Other	2,110	9,079	644	700	934	991	644	1,892	3,265	2,438
<b>Total Revenues</b>	<b>\$ 307,085</b>	<b>\$ 362,987</b>	<b>\$ 392,158</b>	<b>\$ 425,721</b>	<b>\$ 426,624</b>	<b>\$ 404,478</b>	<b>\$ 346,051</b>	<b>\$ 388,232</b>	<b>\$ 413,264</b>	<b>\$ 406,374</b>

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

Table IVb

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011 <sup>(3)</sup>	2012 <sup>(4)</sup>	2013
<b>Expenditures</b>										
General Government	\$ 16,121	\$ 21,793	\$ 23,516	\$ 24,938	\$ 26,633	\$ 19,216	\$ 17,030	\$ 19,783	\$ 18,523	\$ 19,695
Public Works	-	-	-	-	-	-	31,391	31,463	27,307	29,658
Community and Economic Development	-	-	-	-	-	-	-	42,357	38,369	70,351
Public Safety	-	-	-	-	-	-	111,459	108,003	107,934	111,960
Human Resources	3,290	3,261	3,507	3,855	3,854	3,465	3,657	3,013	-	-
Community Services	50,494	49,941	53,535	61,778	69,200	70,807	45,655	43,967	44,762	45,346
Information Technology	-	-	-	-	-	-	9,469	9,357	-	-
Administrative Services	-	-	-	-	-	-	1,859	3,031	14,450	14,141
Finance and Accounting	-	-	-	-	-	-	6,059	-	-	-
Economic Vitality	6,199	6,506	7,510	9,016	9,373	8,246	17,110	-	-	-
Planning, Neighborhood, and Transportation	-	-	-	-	-	-	27,447	-	-	-
Planning and Development	11,218	12,111	12,436	14,331	15,012	16,671	-	-	-	-
WestWorld	-	-	-	-	-	3,704	-	-	-	-
Information Systems	7,328	7,674	8,253	8,931	10,149	9,904	-	-	-	-
The Downtown Group	-	-	-	-	-	4,627	-	-	-	-
Fire	19,265	21,320	24,296	26,614	29,785	30,767	-	-	-	-
Police	55,510	59,874	66,278	78,261	89,725	89,802	-	-	-	-
Financial Services	7,222	7,631	7,769	9,080	9,433	9,701	-	-	-	-
Transportation	9,399	8,760	10,099	13,439	14,301	15,580	-	-	-	-
Municipal Services	8,774	11,813	8,850	9,692	19,140	18,800	-	-	-	-
Citizen and Neighborhood Resources	2,754	2,831	3,070	3,254	3,621	3,732	-	-	-	-
Streetlight and Services Districts	1,024	1,094	617	597	712	632	538	578	572	569
Debt Service:										
Principal	31,905	33,173	27,632	34,252	33,043	31,308	33,701	37,677	44,700	63,234
Interest and Fiscal Charges	25,452	31,948	36,382	38,279	38,651	41,612	38,782	40,091	40,487	38,789
Bond Issuance Costs	586	878	351	735	1,028	-	497	1,057	774	1,915
Capital Improvements	81,149	213,585 <sup>(1)</sup>	218,897	147,367	196,976	155,358	77,929	107,448	129,025	181,189
<b>Total Expenditures</b>	<b>\$ 337,690</b>	<b>\$ 494,193</b>	<b>\$ 512,998</b>	<b>\$ 484,419</b>	<b>\$ 570,636</b>	<b>\$ 533,932</b>	<b>\$ 422,583</b>	<b>\$ 447,825</b>	<b>\$ 466,903</b>	<b>\$ 576,847</b>
Excess of Revenues over (under) Expenditures	\$ (30,605)	\$ (131,206)	\$ (120,840)	\$ (58,698)	\$ (144,012)	\$ (129,454)	\$ (76,532)	\$ (59,593)	\$ (53,639)	\$ (170,473)

<sup>(1)</sup>The increase from prior period was caused by land purchases related to capital improvement projects.

<sup>(2)</sup>In FY2010, the City's Governmental Activities were restructured from Departments to Divisions which resulted in the shift of reporting associated expenditures.

<sup>(3)</sup>In FY2011, 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>(4)</sup>In FY2012, 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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 137,043	\$ 141,783	\$ 147,643	\$ 162,965	\$ 195,170	\$ 160,319	\$ 108,066	\$ 79,592	\$ 81,579	\$ 78,171
Transfers Out	(126,269)	(133,284)	(140,513)	(155,295)	(185,082)	(145,357)	(98,693)	(69,378)	(75,826)	(70,919)
Refunding Bonds Issued	39,190	74,630	-	55,450	-	-	-	87,985	-	111,250
Long-Term Capital-Related Debt Issued	113,400	68,355	191,500	42,500	123,805	-	-	42,525	-	-
Premium on Long-Term Debt	4,429	4,536	5,501	7,199	2,379	-	843	10,047	2,448	22,082
Payment to Bond Refunding Escrow Agent	(90,534)	(77,584)	-	(61,845)	-	-	-	(94,818)	-	(99,684)
Proceeds from Capital Lease	-	-	-	175	-	-	-	-	-	-
Proceeds of Long-Term Debt	-	-	-	-	-	-	50,800	-	50,000	140,000
Proceeds from Notes Payable	-	-	-	3,000	-	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	-	-	-	1,091	-	-
<b>Total Other Financing Sources and (Uses)</b>	<u>77,259</u>	<u>78,436</u>	<u>204,131</u>	<u>54,149</u>	<u>136,272</u>	<u>14,962</u>	<u>61,016</u>	<u>57,044</u>	<u>58,201</u>	<u>180,900</u>
<b>Net Change in Fund Balances</b>	<u>\$ 46,654</u>	<u>\$ (52,770)<sup>(1)</sup></u>	<u>\$ 83,291</u>	<u>\$ (4,549)</u>	<u>\$ (7,740)</u>	<u>\$ (114,492)</u>	<u>\$ (15,516)</u>	<u>\$ (2,549)</u>	<u>\$ 4,562</u>	<u>\$ 10,427</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	22.4%	23.2%	21.8%	21.5%	19.2%	19.3%	21.0%	22.8%	25.2%	25.8%

<sup>(1)</sup>The change from the prior period was caused by the increase in spending for capital improvement projects.

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

Table V

Fiscal Year	Sales and Use Taxes					
	Property	Privilege and Use - General	Privilege and Use - McDowell Mtn <sup>(1)</sup>	Privilege and Use - Transportation	Privilege and Use - Public Safety <sup>(1)</sup>	Transient Occupancy
2004	\$ 46,088	\$ 86,547	\$ 16,981	\$ 16,628	\$ -	\$ 7,227
2005	48,249	94,302	31,301	18,115	8,491	7,939
2006	49,651	104,949	35,483	20,020	9,978	8,970
2007	50,732	110,225	37,281	20,910	10,578	9,723
2008	53,778	104,673	35,604	19,823	10,145	9,621
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>(2)</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

Fiscal Year	Franchise Taxes		Intergovernmental		
	Cable TV Franchise	Light and Power Franchise	State Shared Sales	State Revenue Sharing	Other
2004	\$ 2,740	\$ 5,488	\$ 17,054	\$ 18,278	\$ 663
2005	2,859	5,596	18,779	18,634	1,337
2006	3,157	6,308	21,664	21,223	962
2007	3,355	7,284	22,312	26,653	929
2008	3,544	8,030	21,575	33,037	957
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

<sup>(1)</sup>In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.

<sup>(2)</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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Automotive	\$ 1,525,050	\$ 1,557,909	\$ 1,662,604	\$ 1,622,601	\$ 1,370,365	\$ 918,219	\$ 818,517	\$ 862,091	\$ 950,450	\$ 1,074,591
Construction	1,432,006	1,703,826	2,046,791	2,208,957	1,932,043	1,251,432	754,583	718,652	786,402	861,934
Food Stores	550,704	562,877	584,706	626,083	652,226	624,917	611,083	611,825	626,883	639,362
Hotel/Motel	400,836	432,006	497,804	533,055	529,862	416,216	395,229	401,413	420,494	440,522
Major Department Stores	871,244	959,361	1,012,906	1,011,240	974,330	864,676	865,614	882,376	897,617	907,857
Miscellaneous Retail Stores	1,138,028	1,248,228	1,413,445	1,478,112	1,364,347	1,078,674	1,107,272	1,194,790	1,299,083	1,321,572
Other Taxable Activity	416,514	457,819	513,553	551,095	532,751	556,842	449,455	502,739	525,480	626,171
Rentals	977,379	1,054,666	1,102,152	1,211,551	1,308,247	1,217,688	1,144,939	1,113,821	1,134,785	1,189,304
Restaurants	604,652	661,542	726,122	774,598	754,103	684,188	670,311	713,420	799,231	794,034
Utilities	368,442	380,043	398,204	418,460	435,415	432,570	436,010	429,035	430,169	432,356
<b>Total</b>	<b>\$ 8,284,855</b>	<b>\$ 9,018,277</b>	<b>\$ 9,958,287</b>	<b>\$ 10,435,752</b>	<b>\$ 9,853,689</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>
City District Sales Tax	1.40%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%

**Note:** In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Tax and a .10% Public Safety Tax. These taxes were effective July 1, 2004.



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
2004	1.40%	0.70%	5.60%	2004	1.20%	0.00%	5.60%
2005	1.65%	0.70%	5.60%	2005	1.45%	0.00%	5.60%
2006	1.65%	0.70%	5.60%	2006	1.45%	0.00%	5.60%
2007	1.65%	0.70%	5.60%	2007	1.45%	0.00%	5.60%
2008	1.65%	0.70%	5.60%	2008	1.45%	0.00%	5.60%
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>

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
2004	3.00%	1.77%	5.50%	2004	1.80%	0.46%	2.90%
2005	3.00%	1.77%	5.50%	2005	1.80%	0.46%	2.90%
2006	3.00%	1.77%	5.50%	2006	1.80%	0.46%	2.90%
2007	3.00%	1.77%	5.50%	2007	1.80%	0.46%	2.90%
2008	3.00%	1.77%	5.50%	2008	1.80%	0.46%	2.90%
2009	3.00%	1.77%	5.50%	2009	1.80%	0.46%	2.90%
2010	3.00%	1.77%	6.50% <sup>(1)</sup>	2010	1.80%	0.46%	2.90%
2011	5.00%	1.77%	6.50% <sup>(2)</sup>	2011	1.80%	0.46%	2.90%
2012	5.00%	1.77%	6.50%	2012	1.80%	0.46%	2.90%
2013	5.00%	1.77%	5.50% <sup>(3)</sup>	2013	1.80%	0.46%	2.90%

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, except for jet fuel, on 6/1/2010 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, except for jet fuel, on 6/1/2013 due to approval from the voters in the May 2010 election.

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

Table VIII

	Fiscal Year 2013				Fiscal Year 2004			
	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total	Number of Filers	Percentage of Total	Tax Revenue	Percentage of Total
Automotive	524	2.35%	\$ 18,179	12.55%	702	3.00%	\$ 20,819	17.33%
Construction	7,377	33.08%	14,871	10.26%	7,491	31.97%	21,739	18.08%
Food Stores	191	0.86%	10,675	7.37%	207	0.88%	8,069	6.71%
Hotel/Motel	86	0.39%	7,447	5.14%	67	0.29%	5,775	4.80%
Major Department Stores	27	0.12%	15,109	10.43%	27	0.12%	9,761	8.12%
Miscellaneous Retail Stores	4,838	21.71%	23,647	16.31%	7,156	30.54%	17,733	14.75%
Other Taxable Activity	3,846	17.26%	13,764	9.50%	3,251	13.87%	8,929	7.43%
Rentals	4,205	18.87%	20,710	14.29%	3,303	14.10%	13,696	11.39%
Restaurants	916	4.11%	13,279	9.16%	960	4.10%	8,377	6.97%
Utilities	278	1.25%	7,228	4.99%	265	1.13%	5,317	4.42%
<b>Total</b>	<b>22,288</b>	<b>100.00%</b>	<b>\$ 144,909</b>	<b>100.00%</b>	<b>23,429</b>	<b>100.00%</b>	<b>\$ 120,215</b>	<b>100.00%</b>

**Note:** Due to confidentiality issues, the names of the ten largest revenue payers are not available. 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.

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

Table IX

City Direct Rate				Overlapping Rates							
Fiscal Year	Operating	Debt Service	Total City	Scottsdale Unified School District				Total County	Total Direct and Overlapping		
				Operating	Debt Service	EVIT	Total School				
2004	\$ 0.48	\$ 0.64	\$ 1.12	\$ 3.89	\$ 1.30	\$ 0.10	\$ 5.29	\$ 3.22	\$ 9.63		
2005	0.45	0.62	1.07	3.77	1.26	0.10	5.13	3.10	9.30		
2006	0.44	0.60	1.04	3.46	1.22	0.06	4.74	3.18	8.96		
2007	0.42	0.55	0.97	3.45	1.26	0.05	4.76	2.74	8.47		
2008	0.38	0.41	0.79	3.42	1.26	0.05	4.73	2.47	7.99		
2009	0.35	0.43	0.78	2.82	1.07	0.05	3.94	2.35	7.07		
2010	0.36	0.38	0.74	2.44	1.34	0.05	3.83	2.58	7.15		
2011	0.38	0.51	0.89	2.40	1.35	0.05	3.80	2.79	7.48		
2012	0.44	0.65	1.09	2.75	1.25	0.05	4.05	3.37	8.51		
2013	0.50	0.72	1.22	3.09	1.34	0.05	4.48	3.60	9.30		

Overlapping Rates											
County-Wide Jurisdictions											
Fiscal Year	County Operating	County Debt Service	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
2004	\$ 1.21	\$ 0.07	\$ 1.08	\$ 0.21	\$ 0.47	\$ 0.01	\$ 0.12	\$ 0.05	\$ -	\$ 3.22	\$ 9.63
2005	1.21	-	1.04	0.21	0.46	0.01	0.12	0.05	-	3.10	9.30
2006	1.20	-	1.03	0.21	0.44	0.01	0.12	0.05	0.12	3.18	8.96
2007	1.18	-	1.06	0.20	-	0.01	0.12	0.05	0.12	2.74	8.47
2008	1.10	-	0.98	0.15	-	0.01	0.10	0.04	0.09	2.47	7.99
2009	1.03	-	0.94	0.14	-	0.01	0.10	0.04	0.09	2.35	7.07
2010	0.99	-	0.88	0.14	0.33	0.01	0.10	0.04	0.09	2.58	7.15
2011	1.05	-	0.97	0.15	0.36	0.01	0.10	0.04	0.11	2.79	7.48
2012	1.24	-	1.21	0.18	0.43	0.01	0.10	0.05	0.15	3.37	8.51
2013	1.24	-	1.38	0.18	0.47	0.01	0.10	0.05	0.17	3.60	9.30

Source: Maricopa County Department of Finance Publications On-Line "Tax Rate 2012"

Note: The City has Community Facilities Districts (CFD) that levy property taxes independent of the City to property owners within a designated area. For FY 2012/13 the rates were as follows: Scottsdale Mountain CFD - \$1.4714, McDowell Mountain CFD - \$.9698, DC Ranch CFD - \$0.6081, Via Linda Road CFD - \$1.5754 and the Waterfront Commercial CFD - \$4.1573.

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

Table X

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Arizona Public Service Company	\$ 60,589	1	1.193%	\$ 48,641	1	1.22%
Scottsdale Fashion Square LLC	45,007	2	0.886%	44,415	2	1.12%
Scottsdale Princess Partnership (SHR Scottsdale)	20,368	3	0.401%	-	-	-
Qwest Corporation*	18,994	4	0.374%	37,363	3	0.94%
Excel Promenade LLC	15,625	5	0.308%	-	-	-
SDQ FEE LLC	15,219	6	0.300%	-	-	-
WJ Small Grandchildrens Trust	13,679	7	0.269%	-	-	-
Gainey Drive Associates	13,594	8	0.268%	18,572	6	0.47%
Portales Corporate Center LLC/Etal	13,552	9	0.267%	-	-	-
Scottsdale Fiesta Retail Center	11,534	10	0.227%	-	-	-
General Dynamics Decision Systems, Inc.	-	-	-	13,289	7	0.33%
First American	-	-	-	24,345	4	0.61%
DC Ranch, LLC	-	-	-	22,805	5	0.57%
Southwest Gas Corporation	-	-	-	13,125	8	0.33%
CMD Properties	-	-	-	12,201	10	0.31%
Desert Mountain Properties, LP	-	-	-	12,697	9	0.32%
<b>Total</b>	<b>\$ 228,161</b>		<b>4.493%</b>	<b>\$ 247,453</b>		<b>6.22%</b>

**Source:** The Maricopa County Assessor's Office.

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 2011/12 secondary assessed valuation of the SRP within the City is \$20,757,418 as provided by SRP.

\*Qwest Corporation was operating under the name Qwest Communications, Inc. in 2002.

**City of Scottsdale, Arizona**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
(dollars in thousands)

Table XI

Fiscal Year Ended June 30th	Real Property				Personal Property	Less Tax	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Vacant Land	Historic and Special Use	Assessed Value	Exempt Property		
2004 P	\$ 2,148,272	\$ 968,183	\$ 473,966	\$ 1,100	\$ 277,334	\$ (269,136)	\$ 3,599,719	\$ 0.48
2004 S	2,373,446	1,043,487	656,600	1,575	277,334	(376,920)	3,975,522	0.64
2005 P	2,370,252	1,071,915	572,909	1,374	257,783	(285,524)	3,988,709	0.45
2005 S	2,460,307	1,203,844	809,560	2,214	277,482	(409,953)	4,343,454	0.62
2006 P	2,622,605	1,220,872	614,301	1,507	225,683	(320,326)	4,364,642	0.44
2006 S	2,792,337	1,309,263	784,962	2,136	246,619	(404,264)	4,731,053	0.60
2007 P	2,846,492	1,347,926	674,315	1,474	238,279	(322,012)	4,786,474	0.42
2007 S	2,919,838	1,545,559	921,888	1,797	240,843	(420,481)	5,209,444	0.55
2008 P	3,358,045	1,406,676	787,106	1,645	388,502	(442,551)	5,499,423	0.38
2008 S	4,583,036	1,711,178	1,193,455	1,888	402,675	(648,410)	7,243,822	0.41
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

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

Under Arizona law, there are two property valuation bases: PRIMARY (P) and SECONDARY (S). The primary (limited assessed) valuation is used when levying for maintenance and operation of cities, school districts, community college districts, counties, and the state. The secondary (full cash) assessed valuation is used when levying for debt retirement, voter-approved budget overrides, and maintenance and operation of special service districts.

**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
2004	\$ 42,756	\$ 41,728	97.6%	\$ 754	\$ 42,482	99.4%
2005	44,879	43,688	97.3%	656	44,344	98.8%
2006	47,809	46,431	97.1%	942	47,373	99.1%
2007	48,778	47,105	96.6%	1,058	48,163	98.7%
2008	50,838	49,408	97.2%	1,273	50,681	99.7%
2009	58,179	55,876	96.0%	1,763	57,639	99.1%
2010	57,380	55,221	96.2%	1,609	56,830	99.0%
2011	64,327	62,237	96.8%	869	63,106	98.1%
2012	62,033	60,309	97.2%	887	61,196	98.7%
2013	62,187	60,630	97.5%	-	60,630	97.5%

**Source:** "Total Tax Levy Amount for Fiscal Year" = 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 the Self-Insurance Funds.

**City of Scottsdale, Arizona**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(dollars in thousands)

Table XIII

**Governmental Activities**

Fiscal Year Ended June 30	General		Municipal	Scottsdale	Special	Certificates of	Community	Contracts	Capital Lease	Service
	Obligation	Revenue Bonds	Property Corporation Bonds	Preserve Authority Bonds	Assessment Bonds	Participation	Facilities District Bonds	Payable		Concession Arrangements
2004	\$ 389,934	\$ 8,475	\$ 4,850	\$ 85,569	\$ 8,755	\$ -	\$ 44,613	\$ 13,702	\$ -	\$ -
2005	371,499	5,815	62,684	82,987	6,340	7,650	43,193	14,324	-	-
2006	501,614	2,990	112,209	80,199	5,505	7,090	41,708	13,136	-	-
2007	478,369	-	155,200	77,251	4,670	6,401	40,143	19,819	172	-
2008	578,894	-	154,879	74,158	3,835	5,689	42,313	17,875	141	-
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

**Business-Type Activities**

Fiscal Year Ended June 30	General		Municipal	Capital Lease	Total Primary	Percentage of	Per Capita
	Obligation	Revenue Bonds	Property Corporation Bonds		Government	Personal Income	
2004	\$ 10,651	\$ 68,334	\$ 88,194	\$ -	\$ 723,077	7.95%	\$ 3,348
2005	6,515	65,719	83,975	-	750,701	7.95%	3,428
2006	-	62,401	169,901	179	996,932	10.32%	4,510
2007	-	58,933	165,154	139	1,006,251	10.47%	4,555
2008	-	55,553	269,802	97	1,203,236	11.54%	5,444
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	11.76%	6,032

**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</b>	<b>Governmental</b>	<b>Business-Type</b>	<b>Less: Amounts</b>	<b>Net</b>	<b>Percentage of Total</b>	<b>Per Capita</b>
<b>June 30</b>	<b>Activities - General</b>	<b>Activities - General</b>	<b>Available in Debt</b>	<b>General</b>	<b>Taxable Assessed</b>	
	<b>Obligation Bonds</b>	<b>Obligation Bonds</b>	<b>Service Fund</b>	<b>Bonded</b>	<b>Value of Property <sup>(1)</sup></b>	
				<b>Debt</b>		
2004	\$ 389,934	\$ 10,651	\$ 3,469	\$ 397,116	10.0%	\$ 1,839
2005	371,499	6,515	5,602	372,412	8.6%	1,701
2006	501,614	-	12,436	489,178	10.3%	2,213
2007	478,369	-	9,383	468,986	9.0%	2,123
2008	578,894	-	9,520	569,374	7.9%	2,576
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%	2,918

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

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

See the Schedule of Demographic and Economic Statistics (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 years Fiscal Years 2006-2010.



**City of Scottsdale, Arizona**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2013**  
(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	\$ 616,235	14.7672%	\$ 91,001
Tempe Elementary School District No. 3	114,010	0.0002%	-
Balsz Elementary School District No. 31	17,553	5.4912%	964
Scottsdale Unified School District No. 48	228,045	70.6410%	161,093
Paradise Valley Unified School District No. 69	265,120	31.3885%	83,217
Cave Creek Unified School District No. 93	16,175	62.5104%	10,111
Fountain Hills Unified School District No. 98	9,505	3.4525%	328
Phoenix Union High School District No. 210	271,745	0.3275%	890
Tempe Union High School District No 213	40,470	0.0001%	-
Subtotal, overlapping debt			347,604
<b>City direct debt</b>	983,764	100.0000%	<u>983,764</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 1,331,368</u></u>

**Source:** Maricopa County Assessor's Office

**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 is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

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

Table XVIa

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>20% Limitation</u></b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 795,104	\$ 868,691	\$ 947,151	\$ 1,041,889	\$ 1,448,765	\$ 1,654,483	\$ 1,681,200	\$ 1,475,082	\$ 1,138,398	\$ 1,015,999
Total Net Debt Applicable to 20% Limit	<u>319,765</u>	<u>313,786</u>	<u>372,545</u>	<u>363,455</u>	<u>424,865</u>	<u>413,095</u>	<u>499,945</u>	<u>498,490</u>	<u>524,675</u>	<u>561,126</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 475,339</u>	<u>\$ 554,905</u>	<u>\$ 574,606</u>	<u>\$ 678,434</u>	<u>\$ 1,023,900</u>	<u>\$ 1,241,388</u>	<u>\$ 1,181,255</u>	<u>\$ 976,592</u>	<u>\$ 613,723</u>	<u>\$ 454,873</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	40.22%	36.12%	39.33%	34.88%	29.33%	24.97%	29.74%	33.79%	46.09%	55.23%
<b><u>6% Limitation</u></b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 238,531	\$ 260,607	\$ 284,145	\$ 312,567	\$ 434,629	\$ 496,345	\$ 504,360	\$ 442,524	\$ 341,519	\$ 304,799
Total Net Debt Applicable to 6% Limit	<u>74,984</u>	<u>64,799</u>	<u>126,820</u>	<u>112,745</u>	<u>149,580</u>	<u>138,360</u>	<u>78,245</u>	<u>74,250</u>	<u>69,750</u>	<u>78,009</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 163,547</u>	<u>\$ 195,808</u>	<u>\$ 157,325</u>	<u>\$ 199,822</u>	<u>\$ 285,049</u>	<u>\$ 357,985</u>	<u>\$ 426,115</u>	<u>\$ 368,274</u>	<u>\$ 271,769</u>	<u>\$ 226,790</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	31.44%	24.86%	44.63%	36.07%	34.42%	27.88%	15.51%	16.78%	20.42%	25.59%

**City of Scottsdale, Arizona**  
**Legal Debt Margin Information**  
**As of June 30, 2013**  
(in thousands)

Table XVIb

**Legal Debt Margin Calculation for Fiscal Year 2013**

Net Secondary Assessed Valuation as of June 30, 2013	\$	5,079,995
<b><u>20% Limitation</u></b>		
Debt Limit Equal to 20% of Assessed Valuation		1,015,999
Debt applicable to limit:		
General Obligation Bonds		561,126
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$</u>	454,873
<b><u>6% Limitation</u></b>		
Debt Limit Equal to 6% of Assessed Valuation	\$	304,799
Debt applicable to limit:		
General Obligation Bonds		78,009
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$</u>	226,790

**Source:** City of Scottsdale City Treasurer - Finance and Accounting

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 secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of the City's net secondary assessed valuation.

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

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

Table XVII

Water and Sewer Revenue Bonds									Highway User Revenue Bonds			
Fiscal Year Ended June 30	Operating Revenue <sup>(1)</sup>	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service Principal	Debt Service Interest	Coverage	Highway User Tax Revenue	Debt Service Principal	Debt Service Interest	Coverage
2004	\$ 97,813	\$ 49,662	\$ 48,151	\$ 21,574	\$ 69,725	\$ 2,860	\$ 3,159	11.58	\$ 14,034	\$ 2,515	\$ 592	4.52
2005	105,078	56,413	48,665	20,155	68,820	2,630	3,570	11.10	14,738	2,660	460	4.72
2006	115,374	56,329	59,045	24,071	83,116	3,330	3,182	12.76	15,708	2,825	317	5.00
2007	125,880	64,089	61,791	17,878	79,669	3,475	2,997	12.31	16,778	2,990	165	5.32
2008	131,553	66,077	65,476	15,280	80,756	3,640	2,582	12.98	16,123	-	-	N/A
2009	130,782	71,236	59,546	3,043	62,589	3,660	2,507	10.15	14,083	-	-	N/A
2010	133,624	70,165	63,459	3,126	66,585	3,115	2,351	12.18	13,342	-	-	N/A
2011	132,441	77,456	54,985	3,859	58,844	3,220	2,199	10.86	13,396	-	-	N/A
2012	134,336	78,837	55,499	3,073	58,572	3,380	2,056	10.77	10,885	-	-	N/A
2013	138,224	73,647	64,577	22,642	87,219	3,115	1,891	17.42	11,903	-	-	N/A

Special Assessment Bonds					Scottsdale Preserve Authority Bonds				Municipal Property Corporation Bonds			
Fiscal Year Ended June 30	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	Excise Tax <sup>(5)</sup>	Debt Service Principal <sup>(4)</sup>	Debt Service Interest <sup>(4)</sup>	Coverage
2004	\$ 2,558	\$ 2,425	\$ 492	0.88	\$ 16,981	\$ 2,445	\$ 3,825	2.71	\$ 165,799	\$ 7,170	\$ 1,108	20.03
2005	2,016	2,448	360	0.72	31,301	2,595	4,437	4.45	180,005	8,265	6,413	12.26
2006	1,106	851	275	0.98	35,483	2,815	3,997	5.21	202,081	5,995	10,017	12.62
2007	1,825	848	235	1.69	37,281	2,965	3,843	5.48	218,205	5,305	10,057	14.20
2008	895	846	197	0.86	35,604	3,110	3,676	5.25	216,066	5,584	13,988	11.04
2009	821	845	158	0.82	29,121	3,260	3,502	4.31	185,801	7,570	19,482	6.87
2010	765	757	121	0.87	26,416	3,365	3,374	3.92	170,638	9,715	18,415	6.07
2011	733	757	86	0.87	27,199	3,470	2,471	4.58	168,641	9,785	22,185	5.27
2012	719	755	52	0.89	28,809	3,655	2,835	4.44	171,075	11,841	21,141	5.19
2013	591	755	17	0.77	30,376	3,800	2,680	4.69	184,079	12,355	21,480	5.44

<sup>(1)</sup>Includes investment income.

<sup>(2)</sup>Coverage ratio is less than 1.0 due to prepayment of amounts that are currently in fund balance.

<sup>(3)</sup>In May 2004, the City of Scottsdale, Arizona citizens approved an additional .15% Preservation Privilege Tax. This tax was effective July 1, 2004.

<sup>(4)</sup>Includes debt service payments paid out of revenue from the Water and Sewer Fund.

<sup>(5)</sup>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.

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

**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>Year-End Average Unemployment Rate<sup>(6)</sup></b>
2004	215,969	\$ 9,091,431	\$ 42,096	41.0	27,328	3.8%
2005	218,984	9,448,722	43,148	41.0	26,559	3.2%
2006	221,030	9,661,884	43,713	41.0	27,000	3.0%
2007	220,907	9,611,884	43,511	41.0	26,653	2.6%
2008	221,031	10,428,464	47,181	41.0	26,567	2.3%
2009	220,410	9,573,949	43,437	41.0	27,029	3.9%
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	7.2%
2012	217,965	11,135,832	51,090	45.4	28,177	6.8%
2013	219,713	11,266,004	51,276	45.4	27,816	5.7%

## Data Sources and Notes:

<sup>(1)</sup> July 1 Population estimate, State of Arizona Office of Employment and Population Statistics, as published on December 15, 2012.

<sup>(2)</sup> Calculated by multiplying per capita personal income by total population divided by 1,000.

<sup>(3)</sup> Sites USA (estimate) 2003-2010; U.S. Census, American Community Survey 2007-2011 used for FY 2011-2013 estimates.

<sup>(4)</sup> U.S. Census; 2003-2009 based on Census 2000; 2010-2012 based on Census 2010, 2013 based on U.S. Census, American Community Survey 2007-2011

<sup>(5)</sup> Arizona Department of Education. For 2013, Arizona Department of Education Oct. 1, 2012 total enrollment for 8 charter and 31 public schools located within Scottsdale city boundaries.

<sup>(6)</sup> Arizona Office of Employment and Population Statistics, in cooperation with the U.S. Dept of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics. For calendar year that ended within the fiscal year. For example, FY 2013 is for Calendar Year 2012.

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

Table XIX

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>
Scottsdale Healthcare Corporation	6,600	1	5.82%	3,690	2	3.06%
General Dynamics C4 Systems	2,764	2	2.44%	3,400	3	2.82%
City of Scottsdale	2,465	3	2.17%	2,111	5	1.75%
CVS - CareMark <sup>(2)</sup>	2,400	4	2.12%	2,023	6	1.68%
Vanguard Insurance	2,186	5	1.93%	1,100	9	0.91%
Mayo Clinic	1,972	6	1.74%	3,960	1	3.28%
Scottsdale Unified School District <sup>(3)</sup>	1,828	7	1.61%	3,000	4	2.48%
Scottsdale Insurance Company	1,525	8	1.34%	2,000	7	1.66%
Veri Fone Inc.	1,431	9	1.26%	-	-	-
International Cruise and Excursion	1,130	10	1.00%	-	-	-
Scottsdale Princess Resort	-	-	-	1,100	8	0.91%
Phase II Solutions	-	-	-	800	10	0.66%
<b>Total</b>	<b>24,301</b>		<b>21.43%</b>	<b>23,184</b>		<b>19.21%</b>

**Source:** City of Scottsdale Economic Trends Report, September 2004 and Economic Development Department communications with employers, August 2013.

<sup>(1)</sup> Annual Employment according to the Arizona Office of Employment and Population Statistics was 113,444 in June 2013, and was 120,754 in June 2004.

<sup>(2)</sup> CVS Caremark was known CareMark in 2004. Caremark was acquired by CVS in 2007.

<sup>(3)</sup> Scottsdale Unified School District has administrative offices and some schools outside of Scottsdale city limits. 2013 numbers only report Scottsdale-based employees. 2004 included all employees.

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

Table XX

Function	Full-time Equivalent Employees as of June 30									
	2004	2005	2006	2007	2008	2009	2010 <sup>(1)</sup>	2011	2012 <sup>(3)</sup>	2013
Administrative Services						38.5	35.0	35.0	138.8	124.6
Aviation	12.4	12.4	13.0	15.0	15.0	16.0	14.0	14.0	14.0	14.0
Citizen and Neighborhood Resources	32.0	36.0	39.0	40.0						
Communications and Public Affairs				14.7						
Community and Economic Development								214.5	188.5	175.5
Community Services	506.1	512.6	559.4	580.3	546.1	543.1	489.3	487.6	459.5	454.2
Economic Vitality	8.0	10.0	11.0	40.0	77.0	54.0	47.0			
Financial Services	139.5	143.0	149.0	151.0	134.0	110.5				
Finance and Accounting							92.5	95.5	83.5	93.0
General Government	196.5	215.0	217.0	172.6	172.6	167.1	155.0	153.0	141.0	140.0
Human Resources <sup>(2)</sup>	34.5	35.5	35.5	36.5	53.5	35.5	30.0	30.5		
Information Technology <sup>(2)</sup>	74.8	78.8	80.8	83.8	91.8	81.8	78.8	75.8		
Municipal Services	135.7	139.7	151.7	170.5						
Planning and Development	140.0	140.0	144.0	167.0						
Planning/Neighborhood/Transportation					205.2	224.0	167.5			
Public Safety					999.6	981.6	953.6	957.6	933.6	924.6
Public Safety - Fire	3.7	260.7	259.0	268.0						
Public Safety - Police	590.1	630.1	676.1	705.6						
Public Works					248.5	233.0	197.0	206.0	205.0	204.0
Solid Waste	79.3	79.3	83.3	85.3	85.8	89.0	89.0	89.0	89.0	89.0
Transportation	24.0	25.0	27.0	30.0						
Water Resources	136.0	139.0	152.5	162.0	169.0	180.0	189.0	189.0	202.0	204.0
<b>Total</b>	<b>2,112.6</b>	<b>2,457.1</b>	<b>2,598.3</b>	<b>2,722.3</b>	<b>2,798.1</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>

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

<sup>(1)</sup> In FY2010, 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 FY2012, Human Resources and Information Technology were absorbed into the Division's Administrative Services function.

<sup>(3)</sup> In FY2012, Meter Reading Operations was transferred from Finance and Accounting to Water Resources.

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

Table XXI

Division	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013
<b>General Government</b>										
<i>City Attorney</i>										
% of cases resolved at first court appearance (arraignment)	30%	30%	32%	34%	35%	34%	32%	40%	30%	37%
<i>City Auditor</i>										
# of reports performed	9	10	15	10	11	13	16	17	14	14
<i>City Clerk</i>										
# of legal postings	456	651	1,011	1,138	1,173	1,158	1,301	1,241	1,185	1,124
# of minutes		79	99	90	90	71	87	66	63	63
<i>City Court</i>										
Charges filed / charges adjudicated (resolved)	121,560 / 129,888	136,747 / 134,793	156,051 / 132,096	201,866 / 216,000	221,400 / 219,980	115,319 / 137,887	107,720 / 113,382	104,301 / 108,003	102,953 / 100,929	93,306 / 90,016
<i>Finance and Accounting<sup>(3)</sup></i>										
# of Accounts Payable checks issued	34,547	37,954	41,194	42,000	38,000	36,442	33,620	45,592	45,112	33,599
# of customer contacts (utilities, taxes and licensing)	218,185	208,037	212,888	216,764	230,143	176,680	175,918	255,124	246,319	254,992
<i>City Manager</i>										
% of survey respondents rating the "Overall Quality of Life in Scottsdale" as good to excellent	90%	93%	No Survey	90%	No Survey	No Survey	No Survey	94%	No Survey	No Survey
News releases, media updates, traffic alerts, construction updates released to news media	182	247	205	220	220	N/A	240	281	N/A	N/A
Total ad value equivalency generated <sup>(4)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20,000	78,861
Acres of land acquired for inclusion in the McDowell Sonoran Preserve	450	2,600	138	251	648	25	399	2,001	4,419	6,400
<b>Administrative Services</b>										
<i>Human Resources</i>										
Citywide turnover	6.8%	7.3%	11.1%	9.0%	12.0%	6.0%	9.5%	7.3%	7.1%	7.3%
HR operating cost as a % of City payroll	2.4%	2.3%	2.3%	2.0%	2.1%	2.1%	1.6%	1.8%	1.3%	1.7%
<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)	129,000	2,319,000	25,400,000	654,100	1,200,000	2,200,000	2,100,000	1,775,000	1,870,000	1,588,935
Annual Disk Storage size (DAS, NAS, and SAN) (Terabytes)	5.0	7.0	30.0	30.0	80.0	147.8	170.0	266.0	266.0	167.3
<i>Purchasing</i>										
# of purchase orders	12,254	9,611	10,778	9,460	8,224	6,234	5,748	5,310	5,018	4,678
<b>Community Services</b>										
# attending Parks and Recreation facilities, Human Services facilities, and Libraries annually	7,565,511	7,573,369	7,877,216	7,838,000	7,940,283	8,747,495	8,634,522	8,855,120	8,471,649	8,223,148
# of square feet of medians and rights of way maintained	13,949,440	14,569,062	15,188,684	15,460,961	16,918,438	17,000,000	17,000,000	23,168,510	23,475,510	22,726,329

(continued on next page)



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

Table XXI

Division	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013
<b>Community and Economic Development</b>										
<i>Planning, Neighborhood, and Transportation</i>										
Customer wait-time (in minutes) at One Stop Shop	45	25	15	20	20	7	7	6	6	12
Provide applicant with pre-application meeting within 30 days of submitting request.	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%
% of inspections performed within 24 hours of the request	97%	98%	99%	99%	99%	100%	100%	100%	100%	100%
# of new Code Enforcement cases processed per year	10,000	11,336	13,137	16,900	15,570	20,568	16,452	16,000	16,500	15,603
% increase of Neighborhood Watch groups annually <sup>(5)</sup>	15%	37%	5%	5%	5%	-56%	5%	5%	5%	5%
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent	86%	89%	No Survey	94%	No Survey	No Survey	No Survey	No Survey	No Survey	No Survey
Total citywide transit ridership	1,917,000	1,969,512	2,104,382	2,365,204	2,584,837	3,472,828	3,103,185	2,539,744	2,499,000	2,599,557
Actions to improve safety and efficiency of traffic flow (signal timing changes and traffic control and speed limit studies) <sup>(6)</sup>	150	270	322	375	475	N/A	8,578	10,397	10,500	5,043
<i>Economic Development</i>										
Targeted job creation - number of companies / number of jobs	23 / 1,800	10 / 1,443	11 / 1,275	7 / 1,800	5 / 1,374	7 / 394	10 / 731	7 / 450	8 / 1,595	36 / 1,593
Hotel/Motel average occupancy rate	57.5%	60.0%	69.0%	69.0%	65.0%	59.2%	58.0%	58.8%	61.5%	63.0%
Bed Tax growth (% annual change)	+ 3%	+ 5%	+ 5%	+ 9%	- 2%	- 21%	- 6%	8%	5%	3%
# of Downtown special events coordinated	41	58	62	71	65	100	110	95	119	126
<i>Aviation</i>										
Scottsdale Airport - Takeoffs and Landings	195,276	208,106	210,481	185,241	201,958	169,972	156,896	136,089	146,058	146,432
<i>WestWorld</i>										
# of special events at WestWorld	53	57	49	43	44	31	28	20	20	27
<b>Public Safety</b>										
<i>Police</i>										
Scottsdale Uniform Crime Report, Part 1 (crimes per thousand) <sup>(7)</sup>										
Scottsdale	45.5	42.3	34.9	37.1	35.6	34.3	29.6	31.9	32.8	29.1
Valley Average	60.2	56.5	51.0	51.0	51.0	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)	6:27	6:12	N/A	6:06	5:07	5:07	5:01	4:57	5:11	4:54
Provide initial contact to 100% of citizen traffic concerns within seven days	96%	98%	98%	100%	100%	100%	100%	100%	100%	100%
<i>Fire</i>										
Total incidents	21,756	23,102	23,952	22,894	22,936	23,953	23,996	25,586	26,344	27,075
Responses per capita	0.09	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.12
Travel time (en-route to on-scene)	4:20	4:23	4:20	4:15	4:21	4:23	4:28	4:22	4:18	4:26

(continued)

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

Table XXI

Division	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 <sup>(2)</sup>	2011	2012	2013
<b>Public Works</b>										
Facility inventory maintained (square feet)	1,807,298	1,825,564	2,166,650	2,221,650	2,271,550	2,334,310	2,929,802	3,006,106	3,029,606	3,322,968
# of active Capital Projects	116	183	219	202	180	178	168	183	162	186
# of homes serviced by Residential Refuse Collection	73,602	74,850	76,300	77,206	78,024	78,607	79,006	79,508	79,787	80,013
# of citizens serviced annually by Household Hazardous Waste collection program <sup>(8)</sup>	1,514	1,718	2,000	2,100	2,200	1,923	1,497	2,573	2,591	2,691
<b>Water Resources</b>										
Water Service Connections	81,947	83,511	86,399	86,728	87,248	87,349	87,409	87,458	87,577	87,851
Drinking Water Supplied (million gallons per day)	70.0	67.7	73.1	72.1	73.7	69.4	68.4	67.9	69.2	67.6
Reclaimed Water Supplied (million gallons per day)	11.8	11.6	11.5	11.4	11.7	9.6	11.2	8.7	6.9	8.9
Sewer Service Connections	72,034	73,232	74,143	76,092	76,849	77,363	77,605	77,850	78,018	78,269
Sewage Treated (million gallons per day)	24.2	25.5	24.2	25.3	23.9	19.7	21.0	21.1	20.9	20.7
# of water meters read annually <sup>(9)</sup>	986,080	1,000,870	1,015,662	1,030,368	1,044,205	1,049,008	1,050,067	1,051,089	1,043,335	1,055,230

**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 FY 2009/10 Budget. It has been noted where changes were approved by the City Council mid-year.

<sup>(2)</sup>In FY 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, renaming the department "Finance and Accounting," moving Payroll and Risk Management from Human Resources into the Finance and Accounting Department, and moving Tax Audit and Purchasing into a new division named Administrative Services.

<sup>(4)</sup>Effective FY 2012 established more appropriate performance measures for Office of Communication activities and products (ad value equivalency).

<sup>(5)</sup>During FY 2008/09, the Neighborhood Watch program was reviewed; participants that were no longer eligible for the program were removed, thus reducing the numbers.

<sup>(6)</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 FY 2009/10 changing signal timing was a manual process. Starting June 2009, the process was automated through the Traffic Management Center.

<sup>(7)</sup>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>(8)</sup>The statistic for "# of citizens serviced annually by Household Hazardous Waste Collection program" number of events was restored in FY 2010/11. During FY 2008/09 and FY 2009/10 the number of events were reduced as a budget savings initiative.

<sup>(9)</sup>Effective July 2011, the City Council approved placing Meter Reading under the control of the Water Resources Division.

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

Table XXII

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police:										
Stations	3	3	3	3	3	4	4	4	4	4
Police Vehicles	286	290	345	375	383	363	357	352	352	351
Fire Stations	12	13	13	13	13	14	14	15	15	15
Highways and Streets										
Square Yards of Pavement	19,231,553	19,231,553	19,660,273	20,393,288	20,562,017	20,644,388	20,873,951	20,828,414	20,852,234	20,859,993
Equivalent 12' Wide Lane Miles	2,732	2,732	2,793	2,897	2,921	2,932	2,965	2,959	2,962	2,963
Traffic Signals	258	262	276	276	285	295	289	289	300	303
Culture and Recreation										
Parks	38	40	40	40	43	41	41	41	42	42
Parks Acreage	849	849	879	937	911	940	941	941	974	975
Swimming Pools	3	3	3	4	4	4	4	4	4	4
Tennis Courts	49	49	49	51	55	55	55	55	55	55
Community Centers	6	6	6	5	5	5	5	5	5	6
Water										
Water Mains (miles)	1,854	1,897	1,933	1,997	2,030	2,044	2,061	2,059	2,064	2,070
Fire Hydrants	9,193	9,541	9,839	10,147	10,367	10,365	10,664	10,687	10,729	10,779
Sewer										
Sanitary Sewers (miles)	1,280.0	1,287.4	1309.0	1,350.0	1,352.6	1,360.0	1,421.0	1,421.0	1,422.0	1,424.0
Storm Sewers (miles)	137.7	142.8	148.0	153.5	157.2	166.9	164.0	163.0	168.0	169.0

Source: City of Scottsdale, Arizona divisions.



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Visit our website  
[www.ScottsdaleAZ.gov/Finance](http://www.ScottsdaleAZ.gov/Finance)